

**CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA**



Agenda Date:	February 20, 2024
Action Required:	Resolution
Presenter:	Alexander Ikefuna, Director of Community Solutions
Staff Contacts:	Samuel Sanders, Jr., City Manager Alexander Ikefuna, Director of Community Solutions John Sales - CRHA Executive Director Antoine Williams, Housing Program Manager
Title:	Resolution of Support for Charlottesville Redevelopment and Housing Authority and its South 1st Street Phase 2 Redevelopment

Background

Accordingly, the various affordable housing redevelopment efforts initiated by the Charlottesville Redevelopment and Housing Authority (CRHA) have been integral to addressing housing needs within our community. Since the issuance of a two-part Request for Development Partner in 2018 (see attachment), significant progress has been made in the revitalization of properties under CRHA's purview.

Phase 1 of the redevelopment, comprising renovation of Crescent Halls and construction of new housing on South 1st Street, received approval for Low-Income Housing Tax Credits (LIHTC) in June 2019. This marked a crucial step forward in the endeavor to provide affordable housing options. Subsequently, Phase 2 planning for the South 1st Street area commenced, guided by a resident-led process aimed at ensuring community input and involvement. The proposed plan includes demolishing existing public housing units and constructing approximately 113 residential units alongside office and community spaces.

On February 18, 2020, in support of CRHA's ongoing affordable housing redevelopment efforts, the city passed a resolution supporting CRHA's endeavors concerning the South 1st Street Phase 2 Redevelopment (see attachment). Subsequently, funds totaling \$3,000,000 were allocated and disbursed to CRHA over Fiscal Years (FY) 2021 and 2022. Beyond this action of support, the city's commitment was further contemplated by an additional \$3,000,000 for each fiscal year from 2023 to 2026 in the Capital Improvement Plan.

Note that this funding was to be earmarked for various housing projects previously identified by CRHA. However, given the utilization of allocated funds from Phase 1 developments, CRHA now seeks to secure the already allocated \$3 million and an additional \$3 million in FY2026 to advance the project.

Discussion

The following discussion pertains to the request for a funding commitment or resolution of support for CRHA and its South 1st Phase 2 Redevelopment Project, with a specific focus on CRHA's request for a consolidated funding commitment for FY2026.

The request, as articulated by John Sales, Executive Director of CRHA, involves a total funding requirement of \$6 million for the project. This amount comprises \$3 million already allocated and utilized from prior appropriations, with an additional \$3 million requested for FY2026. This new request was initially included in the Capital Improvement Program (CIP) for future years, specifically earmarked for South 1st Street Phase 2. In essence, CRHA is seeking to secure the already allocated \$3 million and an additional \$3 million to advance the project.

Note that CRHA's submitted request, as outlined below, has been made available below for your reference:

From: Jeff Meyer <jmeyer@vacdc.org>
Sent: Friday, February 9, 2024 3:05 PM
To: Ikefuna, Alexander <ikefuna@charlottesville.gov>
Cc: Sales, John <salesj@cvillerha.com>; Kathleen Glenn-Matthews <matthewsk@cvillerha.com>
Subject: South First Phase Two

WARNING: This email has originated from **outside of the organization**. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hello Alex,

To summarize our phone conversation, the reason for the request to the City for supplemental funds for this project in the amount of an additional \$3 million over and above the original \$3 million awarded by the City is simply that the project will cost much more than had originally been projected.

In 2020, when the CRHA first made application to Virginia Housing for LIHTC, the projected cost of construction for South First Phase Two was \$23 million and the Total Development Cost of the project including fees, reserves and soft costs was projected at \$31,815,000. The first round of bidding came in at roughly \$49 million for construction alone.

After two rounds of open bids and an extended 6-month period of re-design and negotiation with general contractors, the cost of construction is now expected to be \$41 million and the Total Development Cost is projected at \$56,642,000.

There are, of course, multiple causes for the increase in the project costs, some of which are related to the topography of the site, and the lack of uniformity with the building design (some of this has been remedied in the redesign, while still keeping consistent with the vision of the resident planners), the fact that the construction bidding took place at the height of the pandemic, and of course the rampant inflation that has taken place in the construction industry over the past 3 years. Coupled with the high cost of financing, this project has now been delayed more than a year and is expected to cost twice what we naively anticipated 4 years ago.

For the reasons above, South First Phase Two LLC the owner, and the Charlottesville Redevelopment and Housing Authority the developer/sponsor, request that the City commit another \$3 million to the project for a total of \$6 million.

Please feel free to contact me if you would like any further information about the project.

Thank you for your consideration.

The evaluation of the funding request and Project Timeline for the South 1st Street Phase 2 Redevelopment necessitates careful consideration of its implications on budgetary planning and

project timelines:

*****CRHA's South 1st Street Project Timeline As last reported to staff in January 2024*****

Target Measure/ Date	Description/ Status
LIHTC Credit Refresh	Complete
HUD Waiver Approval	... for Demo and Abatement
January 17, 2024	Virginia Housing Loan Application Submission
End of January	City Site Plan Review – finalize review, update bonds, record plats, easements, and applicable agreement.
February/March	Receive Loan Commitments
April 1, 2024	Anticipated date of closing on Construction Loan and Equity

The project timeline provided by CRHA's project team outlines key milestones and deadlines essential for the successful completion of the South 1st Street Phase 2 Redevelopment Project. Note, according to information provided to staff, this includes activities such as the submission of the Virginia Housing Loan Application in January 2024, the anticipated closing date for construction financing in April 2024, and a target completion date of December 2025.

Alignment with City Council's Vision and Strategic Plan

The activities of the Charlottesville Redevelopment Housing Authority as it relates here align closely with the City Council's vision of providing Quality Housing Opportunities for All, fostering A Green City, promoting a Community of Mutual Respect, and establishing a Smart, Citizen-Focused Government. This aligns with several strategic plan goals:

The redevelopment of public housing supports the City Council's vision of:

- Quality Housing Opportunities for All
- A Green City
- Community of Mutual Respect
- Smart, Citizen-Focused Government

Strategic Plan Goals:

- Goal 1.3: Increase affordable housing options
- Goal 2.3: Improve community health and safety outcomes by connecting residents with effective resources (aligning health care with the provision of housing for the elderly and disabled)

Comprehensive Plan Goals:

- Goal 3: Grow the City's housing stock for residents of all income levels
- Goal 3.1: Continue to work toward the City's goal of 15% supported affordable housing by 2025
- Goal 3.6: Promote housing options to accommodate both renters and owners at all price points, including workforce housing
- Goal 4.1: Support the use of appropriate tax credit proposals submitted by private and non-profit developers within the locality to create affordable rental units, as consistent with the Housing Advisory Committee policy
- Goal 5: Support projects and public/private partnerships (i.e., private, non-profits, private developers, and governmental agencies) for affordable housing, including workforce housing and mixed-use and mixed-income developments
- Goal 5.7: Support housing programs at the local and regional level that encourage mixed-income neighborhoods and discourage the isolation of very low and low-income households
- Goal 7: Offer a range of housing options to meet the needs of Charlottesville's residents, including those presently underserved, in order to create vibrant residential areas or reinvigorate existing ones
- Goal 7.1: To the greatest extent feasible ensure affordable housing is aesthetically similar to market rate
- Goal 8.3: Encourage housing development where increased density is desirable and strive to coordinate those areas with stronger access to employment opportunities, transit routes and commercial services
- Goal 8.7: Encourage the incorporation of green sustainable principles (e.g. LEED, EarthCraft Virginia, Energy Star, etc.) in all housing development to the maximum extent feasible both as a way to be more sustainable and to lower housing costs

Community Engagement

The redevelopment process involves active community engagement through the Redevelopment Committee, which includes residents, community members, and CRHA and City staff, providing valuable research, planning, and guidance to the CRHA Board of Directors. Regular discussions and updates on redevelopment activities occur at public meetings of the CRHA Board, ensuring transparency and accountability.

Budgetary Impact

The requested funding commitment of \$3,000,000 for FY2026, as discussed, represents a significant financial commitment from the City towards the South 1st Street Phase 2 Redevelopment Project. This request aligns with CRHA's proposal for additional funding. The total funding commitment from the City towards South 1st Street Phase 2 is \$6,000,000, comprising \$3,000,000 already allocated and disbursed in previous fiscal years, with an additional \$3,000,000 requested for FY2026.

Recommendation

Staff recommends that City Council approves the request for support and issuance of a formal funding commitment. However, as funds from the resolution in question have already been allocated and disbursed, staff recommends the establishment of new resolutions and funding grant

agreements. These agreements will be drafted and executed with approval from the City Manager, City Attorney, and Finance Director.

Additionally, it is recommended that the Office of Community Solutions Housing and Compliance staff receive the following documents:

- Signed memo detailing Project Timeline and Milestones
- Written Correspondence with CRHA Executive Director, Mr. John Sales, outlining the request as detailed and reported in the staff report.
- Project Budgetary Analysis/Statement
- An up-to-date community engagement Summary Report reflecting activities up to the date before this allocation request.

These documents and the approved funding commitment shall be presented before the Council for review and approval.

Suggested Motion: move that the City Council approve the resolution of support for a new funding commitment of \$6,000,000 for Fiscal Year 2026 to support the South 1st Street Phase 2 Redevelopment Project, as requested by CRHA. Furthermore, I move that the City Manager be authorized to negotiate and execute funding grant agreements with CRHA to facilitate the disbursement of funds. It is further stipulated that the Office of Community Solutions Housing and Compliance staff shall review the provided documents related to the project timeline, budgetary analysis, and community engagement summary report. These documents, along with the approved funding commitment, shall be presented to the Council for final review and approval at a later date and time before said funds are allocated or disbursed according to the terms of the grant agreement.

Alternatives

City Council could choose not to approve the supporting Resolution, which may have negative implications for the Low-Income Housing Tax Credit (LIHTC) application and potentially impact the progress of the redevelopment project.

Attachments

1. NEW Resolution South 1st Street Phase 2 Redevelopment (March 5, 2024)
2. Resolution #R-20-023 (February 18, 2020)
3. Sample Montion_South 1st Street Phase 2 Redevelopment Resolution