

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



|                  |                                                                                                        |
|------------------|--------------------------------------------------------------------------------------------------------|
| Agenda Date:     | March 5, 2024                                                                                          |
| Action Required: | Resolution approval                                                                                    |
| Presenter:       | Brenda Kelley, Redevelopment Manager                                                                   |
| Staff Contacts:  | Brenda Kelley, Redevelopment Manager                                                                   |
| Title:           | <b>Support for PSCC Apartments (formerly known as Park Street Senior Apartments), 1200 Park Street</b> |

**Background**

Park Street Christian Church (PSCC) has partnered with Piedmont Housing Alliance (PHA) to pursue the development of PSCC Apartments (f/k/a Park Street Senior Apartments), an infill, 100% affordable, housing community at 1200 Park Street. While PHA is the developer and applicant for City funding, each partner brings to the table a mission focused on serving broader community needs, including affordable housing for seniors (ages 55+) and individuals with developmental disabilities.

PSCC Apartments will consist of 50 apartments: 3 studio, 35 one-bedroom, and 12 two-bedroom, apartments to be leased to individuals and households with incomes between 30% and 60% of the Area Median Income (AMI). The project will deliver 5 fully accessible, Section 504 homes for residents with physical impairments and 2 accessible homes for residents with sensory impairments.

An application for Low Income Housing Tax Credit (LIHTC) funding is anticipated to be submitted in March 2024. As the primary source of project financing, PHA will pursue 9% LIHTC ensuring affordability for a minimum of 30 years. As a mission-driven nonprofit, it is intended to maintain the property affordable in perpetuity. Construction is anticipated to start in the first quarter of 2025, with construction taking approximately 18 months. Currently, the City has approved CIP funding for this project in FY24 in the amount of \$1,125,000 and is proposing to include CIP funding in FY25 in the amount of \$1,125,000 (yet to be approved).

**Discussion**

Application for Virginia Housing LIHTC program are due in March 2024. Virginia Housing LIHTC application requires a resolution by City Council that corresponds to any financial commitment(s) made for this project. LIHTCs are critical to the financing of PSCC Apartments and it is a competitive application process. The City's support, both financially and in declaration, helps to ensure the application receives the highest possible score.

PHA has requested additional support from the City in this resolution to include the "use" of the City

funding.

PHA requests/states:

*Charlottesville projects are consistently hamstrung for LIHTC competitiveness because construction costs are so high. The largest scoring criteria in the Virginia QAP are driven by the ratio of project costs to the cost limits and effective “credit efficiency”. (Up to 200 points vs. every other criterium that ranges from 5-40 points each.)*

*Unlike northern Virginia that is all urban and has much higher cost limits, we have to operate under construction cost limits that are artificially constrained by our largely rural LIHTC region (and the associated lower costs outside our urban core).*

*So we have to make up the loss of cost-related points with other points that are hard for more rural projects to get. The substantial City funding plays a big role (we get up to 40 points for “subsidy”). Designating projects as revitalization areas helps too (10 points). Etc. But the other key point item is project-based rental assistance.*

*[With a commitment to project-based rental assistance] in essence, the City commits to a “project-based rental subsidy” for five years (with an option to renew). Virginia Housing has already approved this method for getting the point scoring.*

*My proposal for Charlottesville would not cost the city any extra funds (beyond what is already committed). Instead, we would bifurcate the CIP allocation for a project into two pots. The larger would still be capital-related subsidy. The smaller would be put in a pot to cover the expected rental subsidy over the required period. For example at Park Street Christian Church, I think we’d need 5 rental subsidies with an estimated cost of \$129,600 for 5 years.*

*The already “committed” \$2,250,000 CIP allocation would be split:  
\$129,600 for rental subsidy  
\$2,120,400 for capital subsidy*

*This model would be a game changer for us getting 9% LIHTC for projects in the City.*

Due to this, in addition to the overall general financial commitment support, PHA has requested that the supporting resolution from the City demonstrates a commitment to rental subsidy in addition to the capital subsidy. This commitment may then increase PHA’s competitiveness through the LIHTC application process.

There will be a separate written agreement that will come forward for City Council approval at a future date. This written agreement will spell out the specific terms and conditions of the use of the public funding that will subsidize the cost of the project.

### **Alignment with City Council’s Vision and Strategic Plan**

This action aligns with the Council’s Strategic Plan Framework Strategic Outcome Areas for Housing; and Partnerships; and Recreation, Arts, Culture.

### **Community Engagement**

There has been significant community engagement, primarily throughout the planning and approval process.

### **Budgetary Impact**

This request does not encumber any additional funding from the City budget. It provides acknowledgement that up to \$2,250,000 in funding may be provided. Currently, the City has approved CIP funding for this project in FY24 in the amount of \$1,125,000 and is proposing to include CIP funding in FY25 in the amount of \$1,125,000 (yet to be approved).

### **Recommendation**

Staff recommends City Council approve the attached Resolution supporting development of PSCC Apartments.

### **Alternatives**

City Council could choose to not approve the supporting Resolution for PSCC Apartments, which could have a negative impact on the LIHTC application, and the development of these affordable housing units.

### **Attachments**

1. PSCC Resolution.2.28.24