

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



Agenda Date:	March 5, 2024
Action Required:	Approve 2 Resolutions
Presenter:	Brenda Kelley, Redevelopment Manager
Staff Contacts:	Brenda Kelley, Redevelopment Manager
Title:	Support for 501-A Cherry Avenue and 501-B Cherry Avenue (2 Resolutions) a. Financial Resolution Supporting 501-A Cherry Avenue and 501-B Cherry Avenue b. Designating Property as a Revitalization Area for 501 Cherry Avenue site

Background

Piedmont Housing Alliance (PHA) and Woodard Properties have partnered to redevelop the five parcels that make up the proposed 501 Cherry Avenue into a mixed-use, affordable residential development, including two (2) all affordable, mixed-use buildings with structured parking. For purposes of PHA's Low Income Housing Tax Credit (LIHTC) applications, each building in the proposed project has been identified separately as 501-A Cherry Avenue and 501-B Cherry Avenue.

501-A and 501-B Cherry Avenue will consist of approximately 71 apartments with a tentative unit mix of approximately 14 studio, 25 one-bedroom, 30 two-bedroom and 2 three-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 9 fully accessible, Section 504 apartments for residents with physical and sensory impairments.

An application for LIHTC funding is anticipated to be first submitted in March 2024. As the primary source of project financing, PHA will pursue both 9% LIHTC and 4% LIHTC funding, ensuring affordability for a minimum of 30 years. As a mission-driven nonprofit, it is intended to maintain the property affordable in perpetuity. Once LIHTC funding is secured, construction is anticipated to start in the third quarter of 2025, with construction taking approximately 18 months. Currently, the City is projecting to include CIP funding in FY26 in the amount of \$1,000,000 and in FY27 in the amount of \$2,150,000 (all funding yet to be approved).

Discussion

PHA is requesting two items from the City in support of this project, and the submittal of a LIHTC application: (1) a Resolution of financial support; and (2) a Resolution designating the site as a Revitalization Area.

Financial Resolution Support

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 501 Cherry Avenue 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 501 Cherry, I think we'd need 10 rental subsidies with an estimated cost of \$259,200 for 5 years.

*The already "committed" 3,150,000 CIP allocation would be split:
\$259,200 for rental subsidy
\$2,890,800 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.

Designating the Property as a Revitalization Area

Projects seeking LIHTC support score more competitively if located within a revitalization area as defined by Virginia Code 36-55.30:2.

Staff recommends City Council approve the attached Resolution declaring the 501 Cherry Avenue site as being located in a revitalization area based on the following:

1. The industrial, commercial or other economic development of such area will benefit the city or county but such area lacks the housing needed to induce manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare or nonprofit enterprises or undertakings to locate or remain in such area; AND
2. Private enterprise and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs of low and moderate income persons and families in such area and will induce other persons and families to live within such area and thereby create a desirable economic mix of residents in such area.

Alignment with City Council's Vision and Strategic Plan

These actions align with the Council's Strategic Plan Framework Strategic Outcome Areas for Housing; and Partnerships.

Community Engagement

There has been significant community engagement, primarily throughout the planning and approval process. In addition, the Fifeville Neighborhood Association (FNA) was very involved (and remains involved) in the design and support of this project, ultimately entering into a Community Benefits Agreement with PHA and Woodard Properties.

Budgetary Impact

This request is not currently encumbering any funding from the City budget. It provides acknowledgment that the City's Proposed FY25 5-Year CIP Plan has included CIP funding in FY26 in the amount of \$1,000,000 and in FY27 in the amount of \$2,150,000. All funding to be officially approved at a later date by Council in the fiscal years of FY26 and FY27 as noted.

Recommendation

Staff recommends City Council approve the attached Resolutions supporting the overall redevelopment of 501 Cherry Avenue.

Alternatives

City Council could choose to not approve the supporting Resolutions for 501 Cherry Avenue, which could have a negative impact on both of the LIHTC applications, and ultimately the overall redevelopment and provision of affordable housing.

Attachments

1. 501 Cherry Resolution Financial support 2.28.24
2. 501 Cherry Resolution Revitalization Area 2.28.24