CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA

Agenda Date:	June 3, 2024
Action Required:	Approve resolution
Presenter:	Chris Engel, Director of Economic Development
Staff Contacts:	Chris Engel, Director of Economic Development
Title:	**Resolution authorizing a Performance Agreement to support Friendship Court Phase 2 redevelopment efforts**

Background

The Piedmont Housing Alliance (PHA) is continuing to redevelop the 11.75-acre Friendship Court property in four phases over the next 6-7 years. This $100 million + project includes the creation of approximately 400 affordable units with multiple tiers of affordability. Additionally, the redevelopment will include commercial and community space as well as associated infrastructure and parking. To help facilitate the financing of the project, Piedmont Housing has again requested that the city consider an agreement that will share the incremental increase in real estate tax revenue generated by the investment. With a commitment from the city to contribute the future revenue stream (as a grant), Piedmont Housing will leverage this to create a portion of the funds needed to fund phase 2 of the project.

This request does not ask for additional current revenue, it only requests future revenue that comes with an increased tax base. (As a point of clarification, the city has allocated a contribution to this project as part of its annual Capital Improvement Plan. The proposed performance agreement discussed herein is separate and distinct from that contribution).

The city in conjunction with the Charlottesville Economic Development Authority (CEDA) has used the performance agreement concept in the past to incentivize significant capital investment and job creation. In this case, the same process is proposed but with the creation and retention of affordable housing units as the performance criteria. There is no risk to the city as the grant occurs only after the investment has been made and once the additional tax increment materializes. The City does forego a portion of the real estate tax generated by the project until the agreement terminates.

A similar performance agreement was approved in 2020 in support of phase 1 at Friendship Court (now Kindlewood) and remains in effect today.

Discussion

The performance agreement only impacts the additional real estate taxes generated above the current base value of the land. Upon completion, the difference between the assessed value and the base value will equal the incremental real estate tax. Once the taxes are paid and performance criteria are verified, the funds equal to 70% of the incremental real estate tax will be transferred via the Authority to an entity controlled by Piedmont Housing. Per the agreement, this cycle will repeat annually for twenty-seven years. The term of the agreement is set to match the term of the primary financing and the percentage of increment allotted is designed to fill the remaining gap in needed funds and is proportional to the previous performance agreement for phase 1.

Phase 2 includes 100 units spanning the spectrum of affordability from below 30% AMI to 80% AMI. Should the units cease to be affordable for any reason the city's obligation to provide the grant ends. These affordability terms will also be enforced by the state through Virginia Housing due to the Low Income Housing Tax Credit (LIHTC) award and by the City's forgivable loan.

PHA has received a commitment of LIHTCs and they are in the process of finalizing the remaining necessary financing with plans to begin construction on phase 2 in 2024. The performance agreement is a key piece of the remaining financing.

From a procedural standpoint, City Council would need to approve a resolution agreeing to commit the amount of the real estate tax increment to the Authority each year following verification of grant requirements. As Council is prohibited from obligating future funds this resolution is one of "intent" and thereby non-binding. CEDA would create a Performance Agreement with the developer to manage the process and would also approve a similar resolution to grant the amount of the tax increment to the developer annually.

From a policy standpoint, the proposed Performance Agreement does not impact the general fund budget as the grant is generated solely from the increase in real estate revenue received from the project. If the project is stalled or never completed for any reason the increase in taxes is not realized and therefore the City is not obligated to fund the agreement.

This agreement applies only to phase 2 of the project.

Alignment with City Council's Vision and Strategic Plan

This action aligns with the City's Strategic Plan Framework and specifically the Strategic Outcome Area of Housing which seeks to provide housing choices and mobility options for all.

Community Engagement

Budgetary Impact

Funds will need to be allocated for transfer to the Authority but only after the project has been completed and increased real estate taxes have been realized.

Recommendation

Staff recommends approving the resolution.

Alternatives

Attachments

1. City Council Resolution re Performance Grant Agreement-FC2
2. Friendship Court Phase 2 Performance Agreement 3.5.2024