

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



|                  |                                                                                                                                                                                                                       |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agenda Date:     | September 16, 2024                                                                                                                                                                                                    |
| Action Required: | Approve Ordinance on first reading with 4/5 vote.                                                                                                                                                                     |
| Presenter:       | James Freas, Deputy City Manager, Brenda Kelley, Redevelopment Manager                                                                                                                                                |
| Staff Contacts:  | James Freas, Deputy City Manager<br>Krisy Hammill, Director of Budget<br>Alexander Ikefuna, Director, Office of Community Solutions<br>Brenda Kelley, Redevelopment Manager<br>Robinson Hubbard, Deputy City Attorney |
| Title:           | <b>Ordinance to approve a Funding Agreement for Carlton Mobile Home Park (1 reading with 4/5 vote)</b>                                                                                                                |

**Background**

In August 2024, the City Council approved an Ordinance approving financial assistance to support residential rental housing at Carlton Mobile Home Park for persons of low and moderate income and authorizing the City Manager to execute and deliver a Support Agreement in connection with the same, following a request from Piedmont Housing Alliance (PHA) and Greater Charlottesville Habitat for Humanity (GCHH) to the City to provide annual support over the next five years for a total amount not to exceed \$8.7M, in the event that they effectively purchase the property and become bona fide owners of the Park.

Since the last City Council meeting PHA/GCHH presented an offer to the Owner, who accepted their offer to purchase the property. PHA/GCHH are now diligently pursuing financing approval in order to close on the purchase of the property.

The Ordinance and Support Agreement, previously approved, contained language that stated that in return for such financial support and as required by Section 15.2-958 of the Virginia Code, the parties intend to enter into a separate funding agreement, which is to be approved by subsequent action of Council, to address (a) the requirements of Virginia Code § 15.2-958, with respect to the minimum number of rental units in the Park (including after any redevelopment) that will be reserved for persons of low and moderate income and for what period of time, and (b) such other requirements that the City may desire to impose in connection with providing such financial assistance.

PHA has requested this funding agreement approval prior to the financing closing scheduled for September 17<sup>th</sup>. It is intended that PHA/GCHH will create a special purpose entity for this project as Habitat Carlton Alliance, LLC (HCA). PHA will remain the fiduciary agent for the alliance with all funding going to PHA.

## **Discussion**

Approval of this Ordinance will spell out the preliminary minimum conditions expected by the City, pursuant to Virginia Code § 15.2-958, primarily with respect to the redevelopment of the property and the ultimate development of affordable housing.

In connection with the Ordinance, the City Manager will be authorized to execute additional documents in order to effectuate this transaction. These may include, but not limited to, Declarations of Affordable Housing Covenants – one for rental units and one for the homeownership units – which will be required to be recorded prior to the issuance of a building permit. These documents further provide protections and guarantees in place to insure that the affordable units are built in accordance to the agreed upon performance requirements. The City Manager and City Attorney will be required to approve these covenant(s) prior to recordation.

Here are some other key elements:

- A minimum of 180 dwelling units shall be provided, as follows:
  1. a minimum of 5 For-Rent dwelling units will be provided for rental to households have incomes from zero to 30% AMI
  2. a minimum of 5 For-Rent dwelling units will be provided for rental to households having incomes at or below 50% AMI
- 70% of the units constructed within the Project will be provided for rental or ownership by low and moderate income persons. All Affordable Rental Units will be and remain affordable for a period of 99 years.
- The disbursement of City funds shall constitute loan proceeds. The term of the Loan is forty (40) years, commencing on the date of the final disbursement of Loan proceeds by the City. As security for the Loan, the City will be granted as assignment of its subordinate interest in the Project. Interest shall accrue on outstanding amounts of the Loan at the annual rate of 3%. If the Project is completed and operated continuously in accordance with all terms, then the Loan and the accrued interest shall be forgiven.
- Beginning with the first occupancy of any Affordable Unit, PHA/GCHH/HCA will be required to provide an annual report, which shall include at a minimum: (a) the number of affordable units that are occupied; (b) the number of affordable units that are vacant; (c) for each unit that is vacant, the manner in which the unit became vacant and the progress in re-leasing the unit; (d) for each occupied unit, current household information; (e) a sworn statement that occupants of the affordable units meeting the eligibility criteria; (f) a copy of each new or revised Certification of Income; (g) a copy of each new or revised Certification of Residency; (h) a copy of each inspection report and Certification of Inspection for each unit; and (i) a copy of all forms, policies, procedures, and other documents reasonably requested related to the affordable rental units.
- Once the Declaration of Affordable Housing Covenants are recorded, then the Affordability Requirements become binding not only on the current landowner(s), but also upon any third parties to whom the Project may be sold in the future. (In other words: the Affordability Requirements will run with the Land).
- Upon possible foreclosure, bankruptcy, etc. that the City has first right of refusal to acquire units to maintain their affordability. However, if the City were to take advantage of this opportunity, there will be a cost to the City associated with this.

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

This item aligns with the Affordable Housing Strategic Outcome Area and the Affordable Housing Plan.

### **Community Engagement**

Representatives of Legal Aid Justice Center, Greater Charlottesville Habitat for Humanity, Inc., and Piedmont Housing Alliance have met with residents of the Park and have received support from at least 25% of the existing tenants with a valid lease in the Park to make an independent offer to purchase the Park.

### **Budgetary Impact**

No additional funding is required at this time. The previous approval(s) from August were a non-binding obligation to budget and appropriate funds annually to PHA/GCHH/HCA to support the purchase and redevelopment of the property. This current action is to spell out the expected terms and conditions on the redevelopment of the property. Any agreements between the City and PHA/GCHH/HCA, will only be formalized upon PHA/GCHH/HCA taking ownership of the property.

The remaining funding beyond FY25 to support the acquisition and redevelopment of this property will be presented to this and future Councils for consideration annually as part of the regular budget process. The obligations of the City as to any funding beyond the end of FY25 are expressly made subject to the availability of and appropriation by the City Council of sufficient public funds to support continued performance of this agreement by the City in succeeding fiscal years.

### **Recommendation**

Staff recommends approval of the attached Ordinance to support the acquisition of the property and put the City's terms and conditions in place. Due to the timing of the closing on the property, staff recommends that the requirement for a second reading of this Ordinance be waived pursuant to a four-fifths vote.

### **Alternatives**

Do not approve the Ordinance which may significantly negatively impact PHA's financing closing and acquisition of the property by PHA/GCHH/HCA.

### **Attachments**

1. Ordinance Carlton Mobile Home Park final 9.13.24
2. CMHP Loan Agreement with Ex B 9.13.24
3. Exhibit A: Property Legal Description