

Approved

City - ARHA Work Group on Samuel Madden June 22, 2001

Committee Members Present:

Mayor Kerry Donley
Bill Euille, Member, City Council
David Speck, Member, City Council
A. Melvin Miller, Commissioner, ARHA Board
Michele Chapman, Chairperson, ARHA Board
Donna Fossum, Planning Commission
Phil Sunderland, City Manager
Bill Dearman, CEO, ARHA
Mark Jinks, Assistant City Manager
Connie Lennox, Director of Development, ARHA

Others Present:

Marye Ish, ARHA
Angela Smith, Office of Management and Budget
Robin Salomon, Skyline, LLC
John Moss, Ken Thompson & Associates
Cindy Smith-Page, Department of Real Estate Assessments
Sandy Murphy, Assistant to the Mayor
Beverly Jett, City Clerk
Mildrilyn Davis, Director of Housing
Eileen Fogarty, Director of Planning and Zoning
Linda Cluture, Citizen
Sue Brita, Citizen
Paul Hurltel, Citizen
Carolyn Merck, Citizen

The meeting minutes from the June 8, 2001 Work Group meeting were distributed with acceptance to be considered at the next Work Group meeting.

Mr. Moss presented to the group the impact of increasing the overall density from 160 to 170 and how it would affect revenue, townhouse width, and parking. ARHA staff indicated that they would like the density to be at 170 due to the estimated additional revenue of \$770,000 from the land acquisition. However, it was noted by City staff that the estimated additional revenue might be offset by reduced sales prices for the narrower townhouses and the cost of additional

underground parking necessary to meet City parking requirements.

Mr. Sunderland pointed out that taking into consideration all of the sources of funds for the on-site and off-site units (land proceeds \$5.5 million, HOPE VI approximately \$4.1 million, tax credit equity \$6.3 million and a construction loan) and the uses, there is still an estimated \$2.2 million deficit. Mr. Miller wanted to make it clear that the estimated \$2.2 million deficit could grow given the uncertainty of the availability of land and construction costs for the 48 off-site units.

Mayor Donley suggested the Group go over the staff-prepared draft principle/goals/objectives that will result in a recommendation to take to the ARHA Board. In those, City staff recommended an on-site density of 160 units, and ARHA staff 170 units. The additional ten units would be five 2/2 units, primarily on the lower block. Open space would remain at 24% because the townhouse widths would be reduced from 20' and 24' units to 18' units. It was noted that if the units were reduced to 18', parking would be impacted in that many townhouses would get less parking credits, possibly resulting in additional underground parking being required.

The Group then discussed the density on the north block. City staff recommended that the density on the north block to be higher than the south block, and that this be specifically stated in the RFP/RFQ. This requirement would transition the density to fit in with the surrounding neighborhoods. ARHA staff would like to suggest, but not require, in the RFP/RFQ that the density should be skewed to the north block. Mr. Dearman stated that they would like to give the developer the option but give more points to proposals that skewed the density to the north block. Ms. Fogarty stated that rezoning would have to be requested, and Planning and Zoning would recommend a lower density on the south block working up to a higher density on the north end of the north block.

Discussion then turned to how to treat the on-site multi-family units. City and ARHA staff agreed that these units should be set up as condo units.

The Group then discussed the number of Public Housing Units (PHUs) that would be put back on-site. ARHA staff recommended 52 on-site units, and City staff recommended 30% of the total number of units be PHUs. Mr. Jinks stated that he talked to developers who have done affordable housing projects across the nation, and all agree that the higher the percentage of PHUs, the less marketable the market rate units will be. Councilman Speck asked is 30% was a target or a maximum. Mr. Sunderland stated that, the concept is that the number shall be 30% of the total number of units.

Mr. Dearman stressed that the group needed to remember the commitment made to the residents that more than half of the on-site tenants would be able to return to the Berg. Mr. Dearman stated that the number 52 was agreed upon because it is more than half. He also pointed out that in other areas of the country, such as Atlanta and Boston, mixed income developments with more than 30% PHUs rented well and had waiting lists. Councilman Euille asked why ARHA wanted

to increase the density to 170. Mr. Dearman stated the main objectives are cost and number of public housing units.

Mr. Sunderland pointed out that, in order to go from 160 to 170 and not affect open space the townhouse units would have to be reduced from 20' and 24' units to 18' units. Revenue is created by the additional 10 units, but the townhouse revenue is decreased due to smaller units. Also, when the townhouse units are decreased to 18', a parking deficit is created which appears likely to force underground parking, adding additional costs (about \$15,000 per space).

Councilman Speck stated that the Group should focus on enhancing the value of the property. He suggested the Group could establish a minimum and maximum density and let the developer be creative and try to maximize the revenue. Mayor Donley stressed that the Group should focus on maximizing all aspects of the development so that it is livable for both market rate units and ARHA units. Councilman Euille said he made a personal commitment to maximize the number of residents to return to the Berg and 52 units was a reasonable number. He stressed that everyone knows how hard it is to find sites for the off-site units, and those costs could exceed the costs of the on-site units. He also stated that the developer should have some flexibility. Councilman Speck added that it is important to give flexibility to the developer to maximize the value of the project. Mr. Speck further stated that the Group should establish guidelines on parking, open space, and a range of both total units and PHUs (rather than any specific number).

Ms. Chapman stated that all of these things had been considered before and the ARHA Board remains firm that there should be 52 ARHA units on-site. Ms. Fossum stated that putting too many parameters in the RFP/RFQ would discourage people from responding.

Councilman Euille asked if the estimated increase in revenue of \$770,000 was net or gross. Mr. Moss explained that the 10 extra units would produce \$3.25 million in additional gross revenue with the net increase estimated to be \$770,000. Mr. Moss brought to the Group's attention that, if the number of PHUs decreased, the tax credit equity for on-site units would also decrease. Mr. Salomon pointed out that if you give a developer a range of low income units, they will always choose the least amount because it would maximize their profit.

Mr. Sunderland stated that if the development were 130 units with 50 public housing units, it would still sell, but the real question is the kind of community that will exist in 10 years, in livability terms for the residents of public housing and market rate units. There will be some lifestyle conflicts over time and all of the responsible parties' will play a major role in the long-term success of the development.

Mr. Dearman announced that Monday, June 25 Jerry Serote, the President of Quaker Hill, will be recognized for his dedication to helping the community work together. He also suggested the group go out to Quaker Hill and talk to the residents to get their view on a mixed income community.

Mayor Donley summarized the planning/goals/objectives he felt were favored by a majority of the group, as follows:

- Maximum of 170 units on-site (i.e., 170 or fewer total units)
- 52 Public Housing Units on-site
- Adherence to City parking requirements
- Adherence to City open space (usable, ground level open space) requirements
- Preference given for placing higher density on north block
- Use of North Old Town guidelines for both blocks

The Group concurred with this summary. It was suggested that the RFP/RFQ could give the bidder the option to present an alternative plan to include the entire project of 100 public housing units (i.e., a plan which provided for both on and offsite PHUs). Ms. Chapman stated that, if this was the case, the developer would have to identify, with certainty, the off-site locations and how much it would cost to complete the entire project. Mayor Donley suggested that a pre-bid conference could be held to discuss this and possibly other options and whether developers would be interested in alternatives.

A motion was made, seconded, and unanimously approved that the task force convene an executive session at this time for the purpose of discussing or considering the condition, acquisition or use of real property for public purpose, or the disposition of publicly held property, pursuant to Virginia Code § 2.1-344 (A) (3).

Motion was made, seconded, and unanimously approved to reconvene its meeting of this date which was recessed for the purpose of conducting an executive session.

After coming out of the executive session a motion was made and unanimously passed that certified to the best of each member's knowledge only public business matters lawfully exempted from open meeting requirements and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting by the public body.

Mr. Sunderland asked Mr. Miller if there was enough information to give the ARHA Board a comfort level that 100 public housing units could be delivered recognizing the financial inflow. Mr. Miller stated that ARHA is looking for a financial commitment from the City before it feels comfortable to move forward with the on-site redevelopment project. He stated he does not know what the ARHA Board would do at its meeting on Monday, June 25, with the information to date.

Mayor Donley stated that June was the target date to have some decisions made. The RFP/RFQ is the next step, and ARHA and City staff should start drafting the RFP/RFQ. The City staff is going to gather more information on multifamily units as an option for off-site units.

Mr. Miller stated the draft RFP/RFQ needed to come to the City for comment. Mayor Donley stated he agreed that it needs to be a collaborative effort since there is a potential \$3 million City contribution. Mayor Donley suggested that ARHA staff give the ARHA Board an update at its Monday night meeting (June 25), and he would give City Council and update Tuesday (June 26) at the Council meeting.

Mr. Sunderland asked what additional information was needed to move forward. Mr. Miller stated that they would not be confident with the RFP/RFQ hitting the street until the City is committed to meeting any funding gap.

Mr. Salomon pointed out that the applications for tax credits are due March 1 each year. In order to submit an application, the City has to include a letter that zoning has been approved. The Group recognized that any tax credit application for Samuel Madden would likely be filed in early 2003.

The next meeting for the Work Group was scheduled for Monday, August 6, at 5:00p.m. in the Council Workroom. The D.C. Housing Authority tour will be scheduled after ARHA gets new potential dates for a possible tour from the D.C. Housing Authority.