

City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 7, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: BRUCE JOHNSON, ACTING CITY MANAGER

SUBJECT: CONSIDERATION OF DECLARATION OF CITY REAL ESTATE AT 3600 JEFFERSON DAVIS HIGHWAY AS SURPLUS PROPERTY CONTINGENT ON FURTHER ANALYSIS

ISSUE: Should City real estate at 3600 Jefferson Davis Highway be declared surplus on a contingent basis.

RECOMMENDATION: That City Council:

- (1) Declare 3600 Jefferson Davis Highway as surplus property contingent upon further analysis. If such further analysis reveals a City need for the property, then Council may decide to take this property off the surplus list; and
- (2) Authorize the City Manager to seek offers, bids or proposals, auction, or consider acceptance of unsolicited offers as described in the City Real Estate Disposition Policy.

BACKGROUND: The City has received an unsolicited offer by AHC, Inc., a regional non-profit affordable housing provider, for AHC, Inc. to acquire the City-owned vacant parcel at 3600 Jefferson Davis Highway to be used in conjunction with three adjacent parcels in the development of 54 units of affordable housing. The City Real Estate Disposition process requires that, as a first step in considering any disposal of City real estate, the City Council act to declare the property as surplus. This action does not mean that the City is agreeing to sell the property, but only that the City will consider selling the property. By putting a property on the surplus list, it allows City staff to negotiate with potential purchasers, to advertise the property to see if there are other interested parties, and to consider whether potential offers are worthwhile. Any final decision about selling City real estate would be made by City Council in February, 2012, as part of the consideration of a development special use permit (DSUP) for AHC's proposed project. Additionally, any transfer of real estate is subject to the City Charter's 9.06 process, which provides for a public process and hearing before the Planning Commission.

The action being recommended for 3600 Jefferson Davis Highway, through this docket item, simply begins the process. It is not a final decision to sell a piece of City property. It is an

interim decision contingent upon future Council action. Additionally, properties can be taken off the surplus list if the City Council decides that there is a public need for the property.

DISCUSSION: The City acquired 3600 Jefferson Davis Highway in 1977 for widening Route 1 to six lanes. The Route 1 project was revised and there was minimal impact to the parcel. The City leased the property until 1999 when a Solicitation of Offers to Purchase and Redevelop the property was issued. The Solicitation of Offers did not result in selling the property. In November 2002, the City granted a license for use of the property to Lincoln Alexandria (“Lincoln”). Lincoln is the owner and developer of the multifamily rental building known as “The Reserve at Potomac Yard” which abuts the City parcel. As Licensor, the City may terminate the license at any time with a thirty-day written notice to the Licensee. The City Attorney’s review of the licensing agreement indicates that although the license has remained in place, it was initially granted to Lincoln to provide a staging area for a trailer and field office during construction of the apartment development. It does not appear that terminating the agreement will have any negative impact to Lincoln at this time. Lincoln planned to landscape the parcel at one time, but abandoned that idea.

During the summer of 2011, the City was approached by AHC, Inc. to discuss development of an affordable housing project at the northwest corner of East Reed and Route 1/Jefferson Davis Highway. Since 1975, AHC has developed 37 projects containing 3,269 housing units and directly manages 2,871 of those units. This project would assemble the two City-owned parcels at 3600 Jefferson Davis with three privately-owned parcels currently developed with single family or two-family houses. AHC has executed letters of intent for these three parcels and intends to sign sales contracts for these three parcels this month. The assembled five-parcel site would be used to construct a 4 to 5 story multi-family apartment building that would be owned and operated by AHC as affordable rental housing. The project would be financed by AHC, which would apply for affordable housing tax credits as part of its funding package. AHC would pay fair market value to the City for the two parcels at 3600 Jefferson Davis, but has asked that the City allow this payment to be deferred with interest and be paid to the City at the end of the 15-year tax credit period. AHC plans to request an affordable housing loan from the City to facilitate the project. This planned request is being reviewed by the Office of Housing.

Staff began to analyze this proposal from a number of different perspectives. First, staff considered the zoning and planning for this area of the City. Although this land is included in a CDD (CDD #7, Route 1 Properties), AHC’s proposal would require a rezoning. The current CDD calls for townhouse-type development on East Reed to Route 1, and it calls for a minimum of 10% of the new housing to be affordable as defined by the City’s affordable housing policy. Staff analyzed certain changes to the surrounding area that have taken place since these CDD guidelines were put in place, including development of a multi-family building at the southwest corner of East Reed and Route 1 (The Preston) and the plans that have been developed in the last several years for North Potomac Yard and for the parcels directly across Route 1. Based on these new and planned projects, staff feels that the scale and character of the proposed AHC project could be appropriate for this site and is worthwhile of consideration. The project is currently being reviewed and is slated for Planning Commission and City Council consideration in February, at which time a much more detailed analysis of the proposed project will be completed and presented.

Staff also considered an issue raised at Council's last legislative meeting whether there was a need for a right turn lane for vehicles traveling southbound on Route 1 to turn onto East Reed. If there was a need to reserve part of this parcel for a turn lane (as well as the planned 20 foot setback), too much property would be lost and this affordable housing project would not be viable and would not occur.

At this time, southbound Route 1 is three lanes in width and transitions to two lanes just north of the East Reed intersection (north of the City-owned parcels). Extending the southbound lane that currently terminates north of the intersection to East Reed would create a right turn lane which would help improve traffic operations. However, the provision of the dedicated right turn lane could potentially increase cut-through traffic east of Route 1.

There is no traffic study, small area planning study, or CIP project that calls for creation of a right turn lane onto East Reed; however, T&ES staff analyzed whether such a lane may have significant impact on traffic performance at the intersection of Route 1 and East Reed. The analysis indicates that the provision of the dedicated right turn lane on the southbound approach would have a marginal positive impact on traffic operations at this intersection. The delay per vehicle for the southbound approach during the PM peak hour is expected to decrease by eight seconds with the provision of the southbound right turn lane on Route 1. The delay per vehicle for the entire intersection is expected to be reduced by four seconds with the provision of the right turn lane.

There are pros and cons to adding a right turn lane in this location. Although it would ease the current transition from three to two lanes that currently exists, through vehicles traveling southbound on the rightmost lane would still need to merge to the adjacent lane prior to the East Reed intersection. The right turn lane will need to be very clearly marked with merging clearly required at some point to the north. Some drivers will attempt to merge from the right turn lane. Also, the right turn lane will direct traffic into the residential neighborhoods west of Route 1. The potential increase in cut-through traffic due to the provision of the right turn lane has been a concern for the community. Finally, the character of Route 1 has been discussed for many years and a decision was made to not widen it to a full three lanes through Alexandria so it feels less like a highway and more like a boulevard. This decision to maintain two lanes on Jefferson Davis Highway is partially what has caused the current awkward transition area. Creation of a right turn lane will make the road cross-section at this important intersection wider and less pedestrian-friendly and is somewhat counter to goal of creating a boulevard character for Route 1.

Staff has also considered whether the City-owned parcel has the potential to be a small pocket park. Usable public open space is very important in a City as dense as Alexandria. This particular vacant lot is not ideally suited for parkland given its size, previous use, and its location on busy Route 1. The neighborhood is currently served by Ruby Tucker Park just to the south of this property, on the other side of The Preston, which fulfills what need exists in the immediate area for passive recreation. While it is imperative to look for opportunities to increase the City's open space, this site may have a greater benefit to the citizens of Alexandria as another

use. For all these reasons, staff does not believe that this City-owned land is a priority pocket park site.

Finally, staff has analyzed the benefits of having an affordable housing project in this location. The housing project being proposed currently has a total of 54 units, including one and two bedroom units, with a community room, a management office and underground parking. The project would be affordable to households with incomes up to 60% AMI (in 2011, \$63,660 for a 4 person household). AHC's plan for low income housing tax credit financing will leverage many non-City sources, including investment from AHC itself. With its proximity to public transportation and jobs, and the anticipated development across Route 1 in North Potomac Yard, AHC's development proposal appears to offer an excellent opportunity to secure affordable housing, with minimal City financial support, in an area that will soon redevelop in a way that would likely make such a project unfeasible in the future due to escalating land values. If AHC can secure the various City approvals needed by mid-March and secure an option to acquire the City parcels, it would submit an application for 2012 low income housing tax credits to VHDA on March 16. A February Planning Commission and City Council consideration of this project is contemplated. AHC has met with the Lynhaven Civic Association and offered a tour of some of its properties to Lynhaven residents and City staff. Further input from the Lynhaven Civic Association and other nearby civic associations would be sought during the review process.

The issue at hand requires a balancing of public interests. In reviewing all of the information available, staff feels that the benefits of having a major new affordable housing project in the City at this location may outweigh the potential benefits of a right turn lane or a pocket park in this location. The affordable housing option meets a goal of the Potomac West Plan to maintain affordable housing in this area. The affordable housing proposed for this site will have excellent access to public transportation and will provide appropriate density along Route 1. The applicant, AHC, has an excellent track record of developing and maintaining high quality affordable housing projects. For all of these reasons, staff is recommending that the Council declare 3600 Jefferson Davis Highway as surplus property on a contingent basis, with the understanding that if additional analysis – in the context of the Planning Commission and City Council's review of the development application for the affordable housing project – reveals a City need for the property, it may be taken off the surplus list by Council. If the property would be declared surplus and sold, the existing sanitary sewer line, which runs on the east side of the property, would need to be retained and a necessary easement recorded.

If the City Council agrees to declare this real estate surplus, staff will add 3600 Jefferson Davis Highway to the surplus property list on the City's website. Staff has ordered an appraisal for the property, which is expected to be completed in 30 days. Again, the decision to declare the property as surplus is not a final decision to sell. If the City Council decides – after reviewing the proposed affordable housing project in more detail or after getting additional information about the other potential public uses – that this property is more suitable for a public use, then the Council can still remove the property from the surplus property list.

FISCAL IMPACT: Sale proceeds will be available as negotiated through the sale of the property. As these are one-time funds from the sale of an asset, they would be recommended to be reprogrammed when eventually paid to the City's Capital Improvement Program, as stated in the City Real Estate Disposition Policy. AHC plans to also request City housing loan assistance in order to provide 54 new affordable housing units. The Office of Housing staff is reviewing AHC's pro forma to analyze its request. These housing units, when constructed, will be on the tax rolls, and with a project value of \$13.2 million will generate approximately \$130,000 in annual real estate taxes.

STAFF:

Michele Evans, Deputy City Manager

Mark Jinks, Deputy City Manager

Jeremy McPike, Director, Department of General Services

Abi Lerner, P.E., Deputy Director, Transportation, Transportation and Environmental Services

Gwen Wright, Division Chief, Development, Planning and Zoning

Mildrilyn Davis, Director, Office of Housing

Helen McIlvaine, Deputy Director, Office of Housing

Laura Durham, Open Space Coordinator, Recreation Parks and Cultural Activities

Christopher Spera, Deputy City Attorney