

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	April 3, 2023
Action Required:	Approve Resolution
Presenter:	Samuel Sanders, Jr., Deputy City Manager
Staff Contacts:	Samuel Sanders, Jr., Deputy City Manager Michael Rogers, City Manager
Title:	Appropriating \$5,000,000 to Charlottesville Redevelopment and Housing Authority for acquisition of Dogwood Properties (1 of 2 readings)

Background

CRHA has an opportunity to acquire multiple units of naturally occurring affordable housing that were on the market and will likely no longer be affordable after a sale to any owner who may not operate as exclusively affordable. The portfolio includes a total of 84 units within 26 individual parcels. In late 2022 CRHA began discussing the acquisition of the Dogwood Properties portfolio from Woodard Properties. The Dogwood Properties is currently available for \$10 million dollars. The CRHA is requesting the City of Charlottesville invest \$5 million dollars into ensuring the affordability in perpetuity of Dogwood Properties. The CRHA will ensure this by adding the City of Charlottesville to the deed with 1/2 interest. The CRHA has been in discussions with a philanthropic donor on providing a 10-year- interest-free loan which will allow CRHA to continue to keep the homes deeply affordable. If the portfolio is acquired, the CRHA would add the properties to the CRP and remove the housing barriers that exist in other federal programs and in the housing market.

It is a very strong likelihood that this portfolio will exit affordability if sold on the open market due to the current property values and increased land speculation around the rezoning plan. A few of the parcels are in proposed high-density zones which will drastically inflate their values on the open market.

Discussion

The decision points that remain include:

- Will this funding be issued as a non-repayable grant, forgivable loan, or deferred loan?
- Will there be an associated interest rate at any point in the course of the agreement?
- Will there be any additional conditions that should be attached to the agreement? (i.e. directive to include in the Sustainability Plan consideration, new Proformas required for specific milestone periods, reporting to the Council schedule, % of annual rent increase guidance, and any consideration of post-debt elimination regarding revenues)

CRHA has confirmed its ability to secure the remaining funds needed to acquire the portfolio as offered by Woodard Properties. The acquisition price is \$10 million and that initial amount is a repayable loan over a 10-year period. This loan will be in a first position, with the city's assuming second position should repayment be desired, thus deferred repayment until year eleven (11) of operations post acquisition.

CRHA is committed to prioritizing occupancy of the units at or below 60% AMI to be achieved through lease attrition as no current tenant will be displaced by this acquisition. CRHA has further indicated a commitment to using Housing Choice Vouchers within this portfolio as often as possible and to ensure the highest revenue potential absent rent increases, which are also available on an annual basis.

Alignment with City Council's Vision and Strategic Plan

Affordable Housing Plan Guiding principles: Racial equity, regional collaboration and comprehensive approach

Comprehensive Plan Guiding Principles:

- Equity & Opportunity - All people will be able to thrive in Charlottesville.
- Community Culture and Unity - Charlottesville's rich and diverse culture and form will be celebrated, and the entire community will feel welcomed, valued and respected.

Strategic Plan (2018-2020) Goals: Goal 1.3 to increase affordable housing options, Goal 1.5 to intentionally address issues of race and equity; and Goal 5.4 to foster effective community engagement.

Community Engagement

There have been several community engagement meetings and activities conducted as part of the comprehensive plan update and affordable housing planning process. City staff has also been engaged with CRHA on a regular basis regarding redevelopment activities, including exploring proactive ways to spur affordable housing one of which is this proposal to acquire naturally occurring affordable housing and sustaining that opportunity for residents.

Budgetary Impact

The requested \$5,000,000 will be included as a bondable activity within City Council's FY24 Budget for use by CRHA for this property acquisition. The attached Resolution would allow the use of CIP contingency funds in advance of Council's adopting of the FY24 budget with a return of funds to the contingency account in July 2023.

Recommendation

The City manager and staff recommend that the City Council approve the proposed request to use funding to acquire the Dogwood Properties Portfolio to be deed-restricted permanently, as units of affordable housing.

Alternatives

Council may elect not to approve the recommendations, which would forego the opportunity to ensure that these affordable units could be permanently dedicated as unit of affordable housing.

Attachments

1. Dogwood