



Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the Council Chief of Staff

TO Lenora Reid, Acting Chief Administrative Officer
Leonard Sledge, Director of Economic Development
Matt Welch, Senior Policy Advisor
Jeff Gray, Senior Policy Advisor to the CAO

FROM Meghan Brown, Interim Council Chief of Staff

COPY Cynthia Newbille, President

DATE November 6, 2019

RE: November 4th Navy Hill Work Session – Follow Up Questions

HOUSING:

6. What flexibility is there to make the 480 affordable units for a lower AMI?

NHDC Response:

Navy Hill has proposed three tranches of affordable housing (680 units total) as part of its development plan as follows:

- **280 units built within new Navy Hill mixed-income residential buildings will be developed, with no subsidies, abatements or incentives, by Navy Hill to meet the work force housing needs of the City affordable to residents making 60% and 80% of area median income (AMI). These housing units serve government workers, first responders, health care workers, teachers and the like – seeking housing downtown.**
- **200 units built by the Better Housing Coalition, utilizing \$10 million in philanthropy from Navy Hill, to “fill the financial feasibility gap” towards delivering housing units affordable to residents earning 40% to 60% AMI within Navy Hill or within proximity of Navy Hill.**
- **200 units of additional affordable housing created by the City directing \$10 million of IFA surplus revenues generated by the Navy Hill redevelopment to the development of these affordable units. It is expected that these units would also target the 40% to 60% AMI thresholds.**

These 680 units are equivalent to 27% of the total housing units associated with Navy Hill. (2,124 total Navy Hill units + 400 additional affordable units = 2,524 total units; 680 / 2524 = 27%).

7. For the 200 affordable units that will be built by the Better Housing Coalition (BHC), what is the cost to build one unit? Please provide the funding structure that will be needed to fund the cost of building all 200 units.

NHDC/BHC Response:

It is difficult to give specific unit delivery costs because BHC has not yet secured a buildable site, finalized project designs or negotiated service partnerships. However, based on previous development projects, we would estimate the per unit delivery cost @ about \$200,000. With this cost times 200 units, our residential development costs would equate to about \$40 million. We would then add on soft costs, service delivery spaces and fit-outs plus a developer fee for a Total Development Cost (TDC) of approximately \$52-\$55 million.

We anticipate applying for and receiving an allocation of Low Income Housing Tax Credits (LIHTC). Generally, this provides about 60% of the overall TDC. We will secure permanent debt or a mortgage of about 20% and the 20% balance will be secured by the \$10 million of philanthropic support.

8. Is this project subject to HUD Section 3 requirements? How is the City incorporating Section 3 requirements?

NHDC/BHC Response:

HUD Section 3 requirements would be in place if federal moneys were part of the overall financing package for the project. There are no federal moneys in this proposed development. We are not planning on utilizing these requirements.

9. What assurance is included in the agreement for the completion of the 200 affordable units by the BHC?

NHDC/BHC Response:

BHC has a 30 year history of delivering quality affordable housing in Central Virginia. The \$10 million that has been pledged to our portion of the Navy Hill project is only realized once we have secured a buildable site and secured an allocation of Low Income Housing Tax Credits (LIHTC). We must also secure additional construction and mortgage financing as part of the overall capital stack for the project. Once a site is secured, we are happy to execute a performance agreement with the lead developer.

10. It was mentioned that the 200 units of affordable housing to be built by BHC will be for individuals making 40%-60% of AMI. How many units will be for each income level and the estimated rent for each?

NHDC/BHC Response:

We anticipate delivering 1-, 2-, and 3-bedroom affordable family units. Based on previous competitive LIHTC applications, we would anticipate a unit mix of about 20% 1-bedrooms, 60% 2-bedrooms and 20% 3-bedrooms. Additionally, we would

anticipate an unit and income mix as follows: 50% @ 60% AMI, 40% @ 50% AMI and 10% @ 40%. If we are able to secure Project Based Vouchers from RRHA, then we are happy to serve families @ 30% AMI or below.

HUD sets our rent schedule. It changes annually. Please SEE attached rent schedule.

14. Does the use of regional AMI for affordable housing address the needs of low income city residents? What flexibility exists to use the lower Richmond City AMI?

NHDC/BHC Response:

All federal, state and local housing related strategies, policies, financing and projects are based on HUD mandated area median incomes (AMI) of the Metropolitan Statistical Area (MSA) that incorporates regional income data. There are basic economic feasibility parameters that must be met of minimal rental income to ensure adequate debt coverage ratios and project long term sustainability. The only way to serve very low income households is to subsidize their income with a Housing Choice Voucher or Project Based Voucher. Again, BHC is happy to accept either of these subsidies (as we do in all of our other properties).

15. Can the agreements stipulate non-discrimination based on income for the affordable units?

NHDC/BHC Response:

BHC is an Equal Opportunity Employer and Housing Developer. We do not discriminate against anyone who qualifies for our housing. We believe in and follow all Fair Housing laws. We accept all allowable sources of income in order to access our affordable housing units.

JOBS:

1. Will there be assurance that unions and others will provide training for workforce development? Opportunities for business ownership?

NHDC Response:

Navy Hill has entered into discussions with several organizations concerning training programs for workforce and career development, and these discussions have included unions who have strong training capabilities. For example, a Memorandum of Understanding has been put in place between arena general contractor Clark Construction and LiUNA concerning LiUNA's training and job preparation capabilities and programs.

There are opportunities for business ownership – both during the construction phase as well as when Navy Hill is complete and fully operating. Navy Hill is

actively engaging the Richmond community to identify businesses to be located in the development.

17. Can Council receive documentation of the need for an additional teaching kitchen? Will this compete with Reynolds Community College or the teaching kitchen at the Conrad Center?

NHDC Response:

Early on, the Navy Hill development team had conceptually explored a teaching or incubator kitchen program that might be able to be supported on mezzanine space above the urban grocery that is planned for the first floor of the Blues Armory. To date, other organizations are developing programs along these lines and there is no reason for Navy Hill to duplicate those programs. As our rooftop agriculture program is being more fully fleshed out among a strong team of local community participants, the idea for the mezzanine space has turned instead into a small business food production facility concept – where the harvest of the rooftop agriculture program can be turned into marketable food products. As the program is advanced, the Navy Hill team will provide additional information to Council. This space is flexible and easily able to adapt to programming needs of the community.

2. Can Council be provided with a clear and detailed implementation strategy for the training and job placement?

4. Please provide additional information related to the project labor agreement for the Arena.

11. Will there be a mandatory living wage requirement for the jobs?

16. Can Council get more information on the 12,000 job created by the construction phase? The 9,000 permanent jobs? What type of jobs?

NHDC Response:

Answers to the questions above will be addressed by our partners working on workforce development, training and employment and will be sent to the Council under separate cover.

OTHER:

5. Please provide the information gathered by Councilman Agelasto and Jack Berry on the survey they conducted on other localities regarding incentives for headquarter hotels.

Response:

The requested information has been hand delivered to Meghan Brown.

12. Is the City equipped to exercise its City step-in rights for arena in case of default by the developer?

Response:

Yes

13. Currently the \$300 million of MBE participation is only approximately 20% of the entire project. How can this be increased to 35%?

NHDC Response:

Navy Hill, in coordination with its MBE coordinator, is currently preparing a comprehensive matrix of all jobs, of all types, that can be identified tied to the development and operation of Navy Hill. Early indications suggest that the \$300 million of MBE participation will require a collective Navy Hill/City/Community effort to formulate the overall capacity to reach this amount. With this said, the systems and organization being put in place both on the MBE coordination side as well as workforce training/career development side makes the City optimistic that we can achieve \$300 million or even higher. Navy Hill's goal is to keep the Navy Hill economic output at work within Richmond rather than exporting this value outside the City (and region).

3. Can Council be provided more details of the third-party permitting process? Is it specifically for Navy Hill? Is it for commercial or residential? What is the cost to the City?

Response:

Details have not yet been finalized as the Administration is currently in the exploratory process, including the review of a variety of third party permit inspection policies utilized by municipalities across Virginia to determine the best practice for Richmond. The current thinking is that the third party inspection process would be an elective process available city-wide, not specific to or limited to the Navy Hill project. The process would be at the sole expense of the developer/owner as a way to expedite reviews and inspections in lieu of the standard processing of permits and inspections. Therefore this would not be an additional cost to the City. The process would be open to both residential and commercial developers/owners, however it is anticipated that the primary user would be a developer/owner of larger projects such as a residential apartment building, an office building, or a mixed use commercial development.

Rents with standard Utility Allowances

				Percent of Area Median Income													
Maximum Gross Unit Rents at:				30%	40%		50%		60%		80%	100%		120%			
Unit Size		Assumed	Unit Size	Maximum	Maximum		Maximum		Maximum		Maximum		Maximum		Maximum		
(Number of		Household	Adjustment	Gross	Gross	Less UA	Gross	Less UA	Gross	Less UA	Gross	Less UA	Gross	Less UA	Gross		
Bedrooms)		Size	Factor	Rent	Rent		Rent		Rent		Rent		Rent		Rent		
UA's																	
	0	1	0.70	\$454	\$605		\$756		\$907		\$1,210				\$0		
111	1	1.5	0.75	\$486	\$648	\$537	\$810	\$699	\$972	\$861	\$1,296	\$1,185	\$1,620	\$1,509	\$1,944		
138	2	3.0	0.90	\$583	\$778	\$640	\$972	\$834	\$1,166	\$1,028	\$1,555	\$1,417	\$1,944	\$1,806	\$2,333		
164	3	4.5	1.04	\$674	\$899	\$735	\$1,123	\$959	\$1,348	\$1,184	\$1,797	\$1,633	\$2,246	\$2,082	\$2,696		
	4	6.0	1.16	\$752	\$1,002		\$1,253		\$1,503		\$2,004		\$2,506		\$3,007		
	5	7.5	1.28	\$829	\$1,106		\$1,382		\$1,659		\$2,212		\$2,765		\$3,318		
	6	9.0	1.40	\$907	\$1,210		\$1,512		\$1,814		\$2,419		\$3,024		\$3,629		