



# Petersburg SLPP/ArtistSpace Lofts

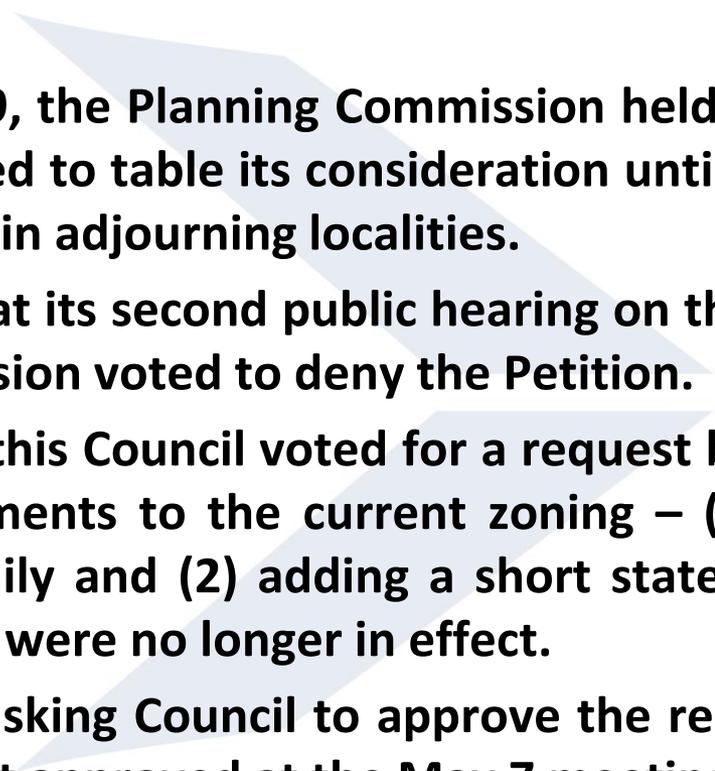
Petersburg City Council

May 28, 2019



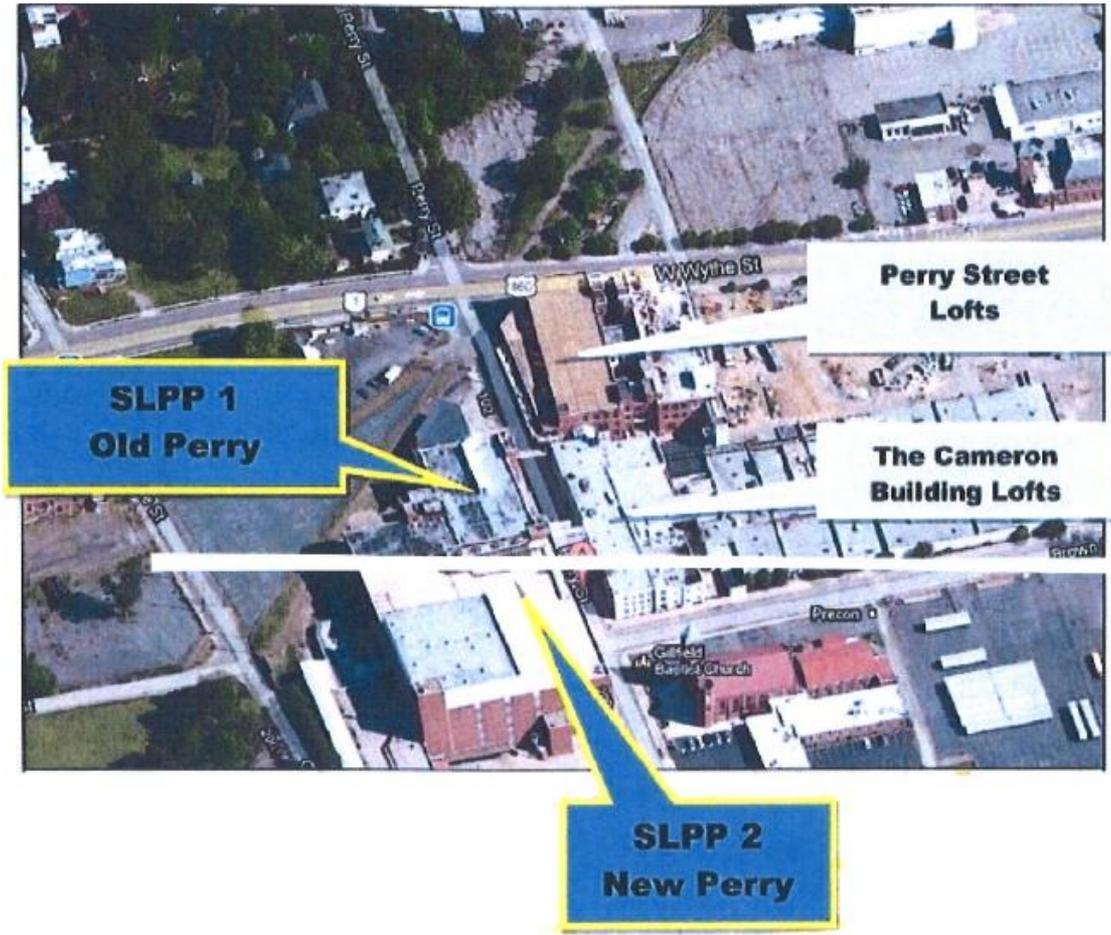
# WHY ARE WE HERE?



- > **Project owner filed petition with Planning Commission for rezoning on Feb. 15, 2019 to clarify ambiguity about whether LIHTC housing could be built.**
  - > **On March 6, 2019, the Planning Commission held a public hearing on the Petition, and voted to table its consideration until it received information on LIHTC housing in adjoining localities.**
  - > **On May 1, 2019, at its second public hearing on the rezoning Petition, the Planning Commission voted to deny the Petition.**
  - > **On May 7, 2019, this Council voted for a request by the Project owner for two text amendments to the current zoning – (1) change from market rate to multi-family and (2) adding a short statement saying the 5-year sunset provisions were no longer in effect.**
  - > **Tonight, we are asking Council to approve the rest of the changes to the current zoning not approved at the May 7 meeting.**
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# INDEPENDENT MARKET STUDY (REQUIRED BY LENDERS, INVESTORS AND VHDA)

- > **“Brown & Williamson community “will be unique in the Petersburg market in that it will offer the largest concentration of mixed-income rental units (407 units)”**
- > **“The redevelopment of the Brown and Williamson tobacco plant reinforces the emergence of downtown Petersburg as a desirable place to live.”**
- > **“The amenities specific to the Artist Live/Work Space such as classrooms, galleries...will be unique in the area. These amenities are the most complete set offered within the market area.”**



# THREE PHASES OF PROJECT DEVELOPMENT



- > **Perry Street Lofts – 148 market rate units - \$21M (2010)**
- > **Cameron Building – 20,000 SF Class A Office Space and 33 market rate units - \$8M (2012)**
- > **South Line at Perry Place (SLPP) – 226 affordable units (including 50 for artist live/work space), restaurants and some office space - \$57M+ (2019)**
- > **Total of \$86M spent to create this community.**

# AMENITY PACKAGE COMPARISON



	<u>SLPP/ArtSpace</u>	<u>Perry Place Lofts</u>
Efficiency size <sup>1</sup>	630 SF	N/A
1 Bedroom size <sup>1</sup>	709 SF	650 SF
2 Bedroom size <sup>1</sup>	927 SF	870 SF
Fitness Center	Yes	Yes (in Cameron building)
Community Room	Yes	Yes (in Cameron building)
Media Room	Yes	Yes (in Cameron building)
Stainless Steel Appliances	Yes	Yes
Granite Counter Tops	Yes	Yes
Free Internet/Cable TV	Yes	Yes
Wood and Sealed Concrete Floors	Yes	Yes
Swimming Pool	Yes	Yes
Pets Allowed	Yes	Yes
Onsite Management & Maintenance & Security	Yes	Yes
Free Surface Parking	Yes	Yes
Washer/Dryers	No <sup>2</sup>	Yes
Utilities Included in Rent	Yes <sup>3</sup>	No

<sup>1</sup> Sizes vary somewhat due to adaptive re-use of an historic tobacco manufacturing plant.

<sup>2</sup> Washer/Dryer hookups included, but not the machines.

<sup>3</sup> Except water and sewer.

# SOURCES OF FINANCING FOR SLPP/ARTSPACE



## Debt

Permanent loan                      \$22.5 million

## Equity

Federal LIHTC equity                \$14.7 million

Federal HTC equity                  \$ 8.3 million

State HTC equity                      \$ 8.9 million

\$31.9 million

## Other Sources

Grants                                    \$ .2 million

Deferred Developer Fee              \$ 2.6 million

Total Sources                          \$57.2 million

# RECENT HISTORY/TIMETABLE



- > **July 17, 2018** – City Council approves PRHA Bond issuance.
- > **August 11, 2018** – Owner files application with VHDA for non-competitive 4% tax credits for SLPP project.
- > **November 28, 2018** – Project Owner received approval from VHDA for 4% LIHTC and Income Averaging.
- > **February 15, 2019** – Owner files Petition for Zoning Amendment.
- > **March 6, 2019** – First Planning Commission public hearing on Petition for Zoning Amendment – matter was tabled.
- > **May 1, 2019** – Second Planning Commission public hearing on Petition for Zoning Amendment – voted against the zoning amendment.
- > **May 7, 2019** – City Council approves two text amendments to current zoning ordinance.
- > **May 28, 2019** – City Council public hearing on Petition for Zoning Amendment (being discussed today).

# SUBSIDY OR NO SUBSIDY?



- > **Housing Choice Vouchers (formerly known as Section 8 vouchers) – SUBSIDY**
  - This federal program in Petersburg is handled by PRHA.
  - Two Types – Project Based and Portable.
  - Under either type, tenant pays 30% of his income to the landlord and HUD pays the rest directly to landlord.
  - SLPP will not make application to PRHA to become an approved landlord under this program; SLPP cannot be forced to be part of this program.
  - SLPP is permitted to turn down voucher holders who cannot meet Owner's eligibility criteria.
  - PRHA maintains a waiting list for persons desiring vouchers; no vouchers are currently available and the waiting list is closed.
  - Under VHDA rules, SLPP required to accept vouchers from persons meeting SLPP eligibility criteria
  - Up to 10% of the units must be available to developmentally-disabled persons under HUD rules.



> LIHTC through VHDA – NO SUBSIDY

- > Low and moderate income housing tax credits (4% and 9% programs) are awarded annually to applicants who score high enough to have credits allocated by VHDA for their projects.
- > The VHDA competitive process is designed to reward projects where there is a demonstrated need for affordable workforce housing and where quality is built with the smallest number of credits requested from VHDA.
- > Investors buy the credits to offset taxable income on their federal tax returns.
- > The construction costs are minimized often by gifts of land, cash donations to a non-profit who may be a “sponsor” of a project, use of other credits (historic tax credits for example); financing can be through tax-exempt bonds with lower interest than offered by commercial banks.
- > The result – the lower cost of construction translates into lower debt service and lower rents.
- > Developer makes money on developer fees allowed by VHDA, investors purchase the credits, and Owner receives little or no cash flow for 15 years.
- > Tenants pay 100% of their rent and 100% of the water and sewer charges.
- > The restrictions on rents and income ensure the affordability of the units to tenants who are allowed to earn over \$50,000/year, which greatly exceeds the Petersburg average household income.

# BY THE NUMBERS



- > **226**                    **Number of Apartment Units in Project**
- > **13**                      **Number of Efficiency Units**
- > **101**                    **Number of 1 BR units**
- > **112**                    **Number of 2 BR units**
- > **\$57,000,000+**        **Total Project development costs**
- > **\$253,000+**            **Average development cost per unit (226)**
- > **\$3,640,000**            **Income to City from Project over 10 years**
- > **\$16,977,000** **Income to City from Project over 35 years**
- > **\$38,649**                **Average Household Income in Petersburg**
- > **\$83,200**                **Area Median Income (AMI) for Richmond/Petersburg MSA for family of 4**
- > **Up to \$77,300**        **Incomes of SLPP residents resulting from "Income Averaging"**
- > **24**                      **Number of permanent jobs created by the Project**
- > **700,000**                **Number of square feet of mixed use, multifamily and commercial space being redeveloped (including SLPP at 350,000 SF)**

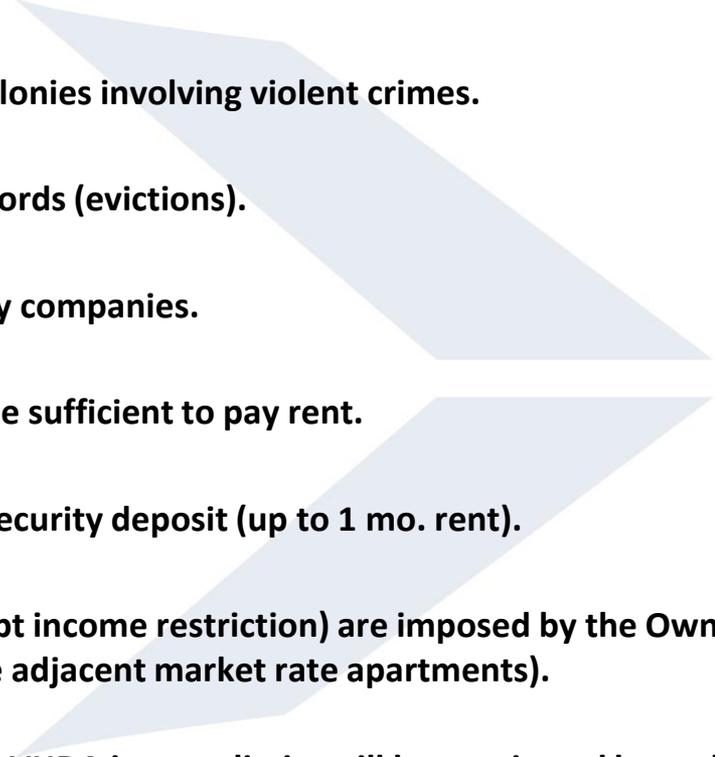
# INCOME AVERAGING



- > In 2018, income averaging was approved by VHDA for use in its LIHTC program. Previously, 60% of AMI was the high limit. The rents submitted to VHDA for approval are the proposed rents shown during this presentation for Efficiency, 1 Bedroom and 2 Bedroom units.
- > Essentially, the flexibility that income averaging offers is to permit lower income persons to occupy the efficiencies (all artists), and higher income persons to occupy the larger units with their higher rents so long as 40% of the units are at 60% of AMI or less. In fact, 154 of 226 units will be occupied by tenants with incomes of 60% to 80% of AMI, or \$50,400 to \$77,300.
- > Lower income persons with lower rents are balanced against higher income persons with higher rents.
- > The result is a mixed income apartment complex where units have upscale amenities and affordable rents.

# TENANT ELIGIBILITY CRITERIA FOR SLPP



- > **Verification that applicant's income is within limits set by LIHTC program.**
  - > **Credit score of at least 600.**
  - > **No prior convictions of felonies involving violent crimes.**
  - > **No prior defaults to landlords (evictions).**
  - > **No prior defaults to utility companies.**
  - > **Must have a job or income sufficient to pay rent.**
  - > **Must be able to make a security deposit (up to 1 mo. rent).**
  - > **All of these criteria (except income restriction) are imposed by the Owner to ensure quality tenants lease the units (on par with the adjacent market rate apartments).**
  - > **Ongoing compliance with VHDA income limits will be monitored by audits conducted by both VHDA and the Project investors.**
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# A BURDEN ON SOCIAL SERVICES? NO!

> Number of households in Petersburg - \_\_\_\_\_



# PROPOSED AMENDMENT TO CURRENT ZONING ORDINANCE COMPARED TO TEXT AMENDMENT



> See hand out

