



Acquiring Parkstone Apartments: Alexandria's Experience Preserving Committed Affordable and Workforce Housing through a Public, Private and Nonprofit Partnership

COG Planning Directors Technical Advisory Committee
November 20, 2020

Avana Alexandria: The Opportunity





Avana Alexandria: The Opportunity

- 3001 Park Center Drive (proximate to I-395)
- ~6 acres: one-half of site is surface parking, and one acre adjacent to the site is undeveloped
- Built in 1989 with tax exempt bonds (20% @ 50% AMI)
- 326 rental units (half fully renovated since 2014 acquisition by Graystar for “Avana” brand); other units updated at turnover to various levels
- Property well maintained; per VH: “excellent condition”
- Current rents @ workforce and market rate levels
- 137 one-bedroom units
- 187 two-bedroom units
- One three-bedroom unit and one four-bedroom unit
- Onsite amenities include a pool, tennis court, open space, grill areas, dog parks, fitness center, bike storage, parking, community rooms, business center

Avana Alexandria: The Opportunity



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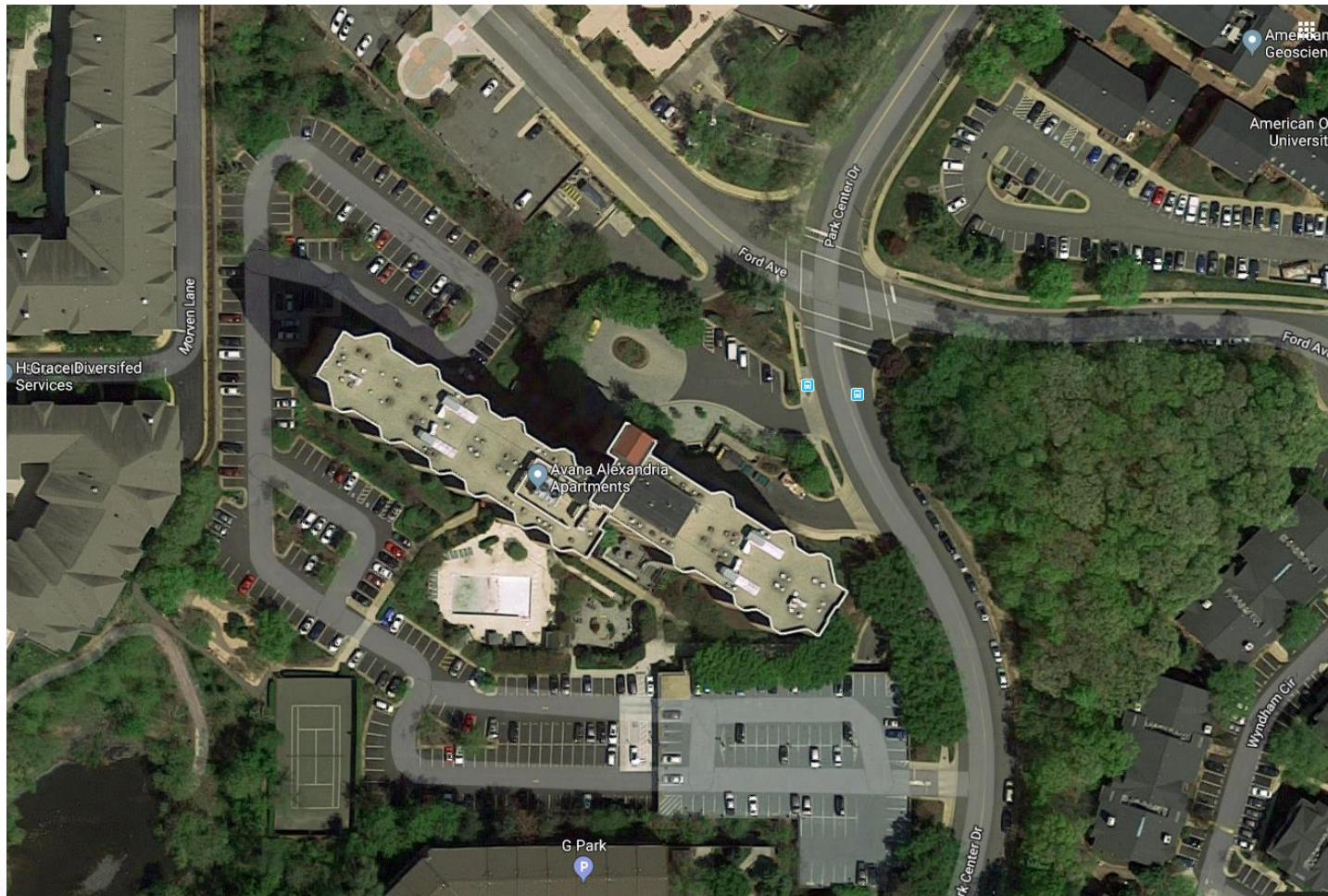
Avana Alexandria: The Threat

From the broker's offering statement:

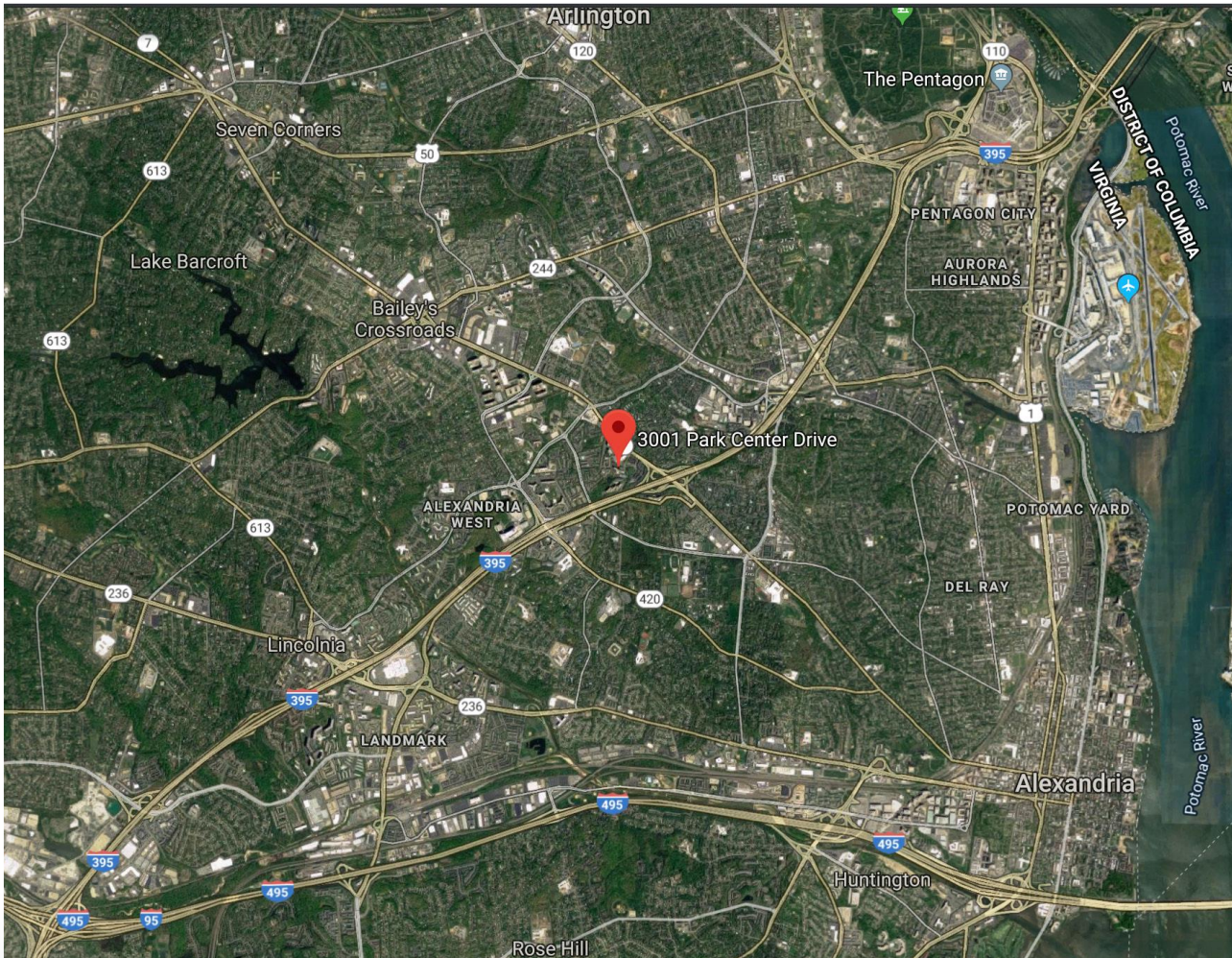
"NO AFFORDABLE COMPONENT

*Unlike the majority of the Property's rental comparables and nearly all of the newer deliveries in the area, **Avana Alexandria is comprised entirely of market rate units. The lack of an affordable component at the Property, which is rare for a large multifamily asset in Northern Virginia, permits ownership to maximize revenue through market rate rental increases** for each apartment home and will therefore allow a buyer to realize impressive returns."*

Avana Alexandria: Site Plan



Avana Alexandria: A Housing Resource to Support Economic Development/Regional Workforce





Achieving Committed Affordability Over Time In An Existing Mixed-Income Community

- Create band of committed affordable units within one year of acquisition (40% of all units - 131- affordable, at or below 60% AMI)
- Retain workforce affordable units, including committed band - 115 - affordable to incomes up to 80% AMI, with balance of units - 80 - at “market”
- Transition through attrition/turnover (estimated 35% annually)with units then rented affordably to income-eligible (IE) households, including current IE residents who will benefit from committed affordable/workforce rents
- Cross-subsidies will help adjust utilities payments (~5 yrs)
- Income mix can be reviewed at Year 10/refinancing
- No LIHTC initially, so flexibility as a temporary relocation housing resource for upcoming redevelopment (e.g., South Patrick Street, ARHA, etc.) also attractive



Avana Alexandria: Transitioning to Committed Affordability – Impact to Rents for Income Eligible Households

Unit type	Current Rents (range – 2019 dollars)	Future Rents Affordable/WF
One-bedroom	\$1,576 – 1,762	\$1,365 affordable \$1,821 workforce
Two bedroom	\$1,972 - 2,415	\$1,638 affordable \$2,184 workforce



Parkstone Apartments : Housing Affordability Through a Public-Private- Nonprofit Partnership

\$106 M final sales price (+\$2 M closing costs and fees)

Price was confidential pending closing

\$325 K/unit – aligns with other submarket sales

- AHDC – nonprofit owner/buyer
- Virginia Community Capital (VCC) - \$0.5 M LOC loan for deposit
- VHDA - (\$83 M) first trust mortgage lender (taxable bonds, standard REACH \$ and Amazon REACH \$)
- JBG SMITH - \$15 M mezzanine loan from Social Impact Fund private capital; fee property management services through Year 10 exit
- Social Impact Fund replaced with IDA bond through Alexandria Economic Development Partnership (JBG Smith is the bondholder)
- City - \$8 M residual receipts loan



Parkstone: Washington Housing Initiative's Inaugural Transaction

- Prior to Parkstone, AHDC and JBGS had collaborated in reviewing other acquisition - preservation opportunities over two years
 - Eaton Square
 - Alexandria Station
 - The Point
 - Heritage at Old Town
- Developed parameters for a successful transaction in City's competitive multifamily market
- Achieved readiness to be nimble
 - Had established goals and objectives that maximized each partner's capabilities and relationships
 - Had plan for marshaling resources

Parkstone - City Loan

- \$8 M residual receipts loan
 - Annual review with AHDC to assess opportunities for repayment from cashflow
 - City loan likely to remain on property through Year 10 refinancing (JBG SMITH has Year 10 exit requirement)
 - Required that City advance \$3.5 M from unallocated FY 2020 CIP dedicated funds account – restaurant meals tax since all other funds were obligated

The deal happened because all parties understood the opportunity, resources were/were made available, and no one acted like themselves...



Parkstone - City Investment

City investment leveraged 13+:1

City investment per unit*

\$61 K/unit (affordable units only)

\$32.5 K/unit (affordable and workforce units)

\$24.5 K/all units

- Typical committed affordable investment (2020) = ~\$90K/unit
- Committed affordable units available IMMEDIATELY
- Land banking: Future development (affordable homeownership/CLT and 250+ LIHTC rental units)



Parkstone Timeline

- Late October 2019 – offering released
- November – VH underwriting, site visit, “let’s go”
- Late November - City Council executive session
- December – due diligence and 12/10 deposit, limited community outreach
- December – AHAAC executive session
- December 10 – City Council approval (public meeting)
- Financial closing – mid January (AHDC exercised two week extension option)
- Post-closing public outreach and marketing (including Avana-Parkstone residents and “neighbors”)
- Transition ongoing despite some COVID delays

Parkstone: What's ahead

- Near to mid term: potential development of unencumbered acre for affordable homeownership (~100 units)
- JBG SMITH exits in Year 10 (repayment, including return to investors so property must have cashflow to meet hard pay debt and return requirements)
- Year 10 Options
 - Refinancing into new VH loan
 - LIHTCs for substantial renovation of affordable and workforce units in existing building (including potential re-sizing of these components)
 - Above Year 10 options PLUS redevelopment of surface parking for 250+ additional aff/workforce units
 - Opportunities for enhanced density and affordability



Parkstone: Questions?

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