**Memo**

**To:** CCDC Board of Directors

**From:**  Dave Norris, CRHA Redevelopment Coordinator

**Date:** May 14, 2020

**Subject:**  Deferred Development Fee Letters

As you may recall, since Riverbend Development is not charging a development fee for its work as our redevelopment partner, CCDC itself is slated to receive the development fees that will be generated by our first two redevelopment projects. So CCDC would earn up to $1,000,000 in development fees per project upon completion of Crescent Halls and South First St. Phase 1.

CRHA was reminded in a recent site visit to the Bristol RHA that it’s important to segregate development fees and not allow them to get swallowed up in the agency’s general operating budget. The most common use of development fees (as seen in Bristol) is to help finance future redevelopment projects.

Both Crescent Halls and South First St. Phase 1 came in more than $2 million over budget when final pricing was recently submitted by the General Contractor for each project. The Riverbend team has performed due diligence and has confirmed that the final pricing is justified. They are now working to identify additional sources of financing for these projects in order to cover the $4 million+ funding gap. (No one wants to sacrifice quality by opting for cheap building materials or otherwise scaling back important commitments we’ve made to our residents.) Thankfully, it looks like VHDA and some private donors may well be willing to increase their investment in these projects, but that alone won’t get us to $4 million+. In order to close the funding gap, Jeff Meyers of VCDC is recommending that CCDC consider loaning up to half of its development fees (i.e., up to $500,000 per project) to the two projects, as reflected in the attached letters. Jeff feels confident that this action by the CCDC Board would be a make a significant difference in allowing both projects to move forward. The loan would be at zero interest so it would not cost CCDC any money; furthermore, CCDC would be first in line for repayment, and once the loans are repaid it can decide how to reinvest those proceeds (most likely, for future redevelopment/capital improvement needs). This action would still allow CCDC to collect up to $500,000 per project in the near future that it can decide how to invest.

CCDC/CRHA staff concur with Mr. Meyers’ recommendation and welcome a motion by the Board to authorize Ms. Glenn-Matthews to sign the attached letters.

**Charlottesville Community Development Corporation**

500 S First Street

Charlottesville, VA 22902

May 14, 2020

Crescent Halls Reno Management, LLC

Managing Member of Crescent Halls Reno, LLC

500 S. First Street

Charlottesville, VA 22902

RE: Crescent Halls

To Whom It May Concern,

Please consider this letter a commitment on behalf of the Charlottesville Community Development Corporation to lend up to $500,000 of its fee, earned upon completion of its responsibilities as developer of the above referenced project. The loan will be documented with a deferred developer fee agreement prior to closing the equity from the Low Income Housing Tax Credits. The deferred developer fee will have the first priority for repayment from cashflow and will carry a 0% interest rate. The loan must be repaid in full within 15 years.

Feel free to contact me if you should have any questions.

Sincerely,

Kathleen Glenn-Matthews, Secretary

Charlottesville Community Development Corporation

**Charlottesville Community Development Corporation**

500 S First Street

Charlottesville, VA 22902

May 14, 2020

South First Phase One Management, LLC

Managing Member of South First Phase One, LLC

500 S. First Street

Charlottesville, VA 22902

RE: South First Phase One

To Whom It May Concern,

Please consider this letter a commitment on behalf of the Charlottesville Community Development Corporation to lend up to $500,000 of its fee, earned upon completion of its responsibilities as developer of the above referenced project. The loan will be documented with a deferred developer fee agreement prior to closing the equity from the Low Income Housing Tax Credits. The deferred developer fee will have the first priority for repayment from cashflow and will carry a 0% interest rate. The loan must be repaid in full within 15 years.

Feel free to contact me if you should have any questions.

Sincerely,

Kathleen Glenn-Matthews, Secretary

Charlottesville Community Development Corporation