



To: Affordable Housing Trust

From: Melissa Peters, Assistant City Manager for Community Development
Cassie Arnaud, Director of Housing Development

Date: September 24, 2026

Re: **Alexandria Real Estate Zoning Petition & 161 First Street Affordable Housing Conversion**

Alexandria Real Estate Equities (ARE) has filed a Petition to amend Section 13.59.42 of the Zoning Ordinance to allow for the transfer of 250,000 square feet of Gross Floor Area from the PUD-4C Zoning District to a newly created “Technology Square Transfer Receiving District” within the Industry B (IB) Zoning District in exchange for the conversion of the existing commercial brick and beam structure at 161 First Street (~37,394 sq ft) into 100% Affordable Housing Overlay (AHO) project under Section 11.207. ARE’s Zoning Petition has been referred to the Planning Board for a hearing on September 22, 2026 and to the Ordinance Committee which has scheduled a hearing on it on October 6, 2026.

The Petition would allow ARE to build an additional 250,000 sq ft of commercial development at Technology Square subject to the issuance of a building permit for the creation of approximately 37,000 square feet of affordable housing at 161 First Street. If the Petition is adopted, ARE plans to partner with Beacon Communities, a private affordable housing developer and operator, to convert the historic building at 161 First Street into approximately 31 affordable rental housing units through an AHO development to be developed and owned by Beacon Communities. ARE’s Zoning Petition along with materials prepared for the Planning Board, including CDD Staff’s analysis of the Petition, are attached for reference.

Housing Staff have had preliminary discussions with ARE and Beacon Communities about the conversion of 161 First Street, and staff have provided comments to the development team on the conceptual AHO development and financing plan. In exchange for the Zoning Petition, ARE is proposing to make the vacant building available to Beacon. Beacon would then assemble funding needed to convert the vacant building to affordable housing. Beacon is now working on its development and financing plan and refining their estimated development budgets.

In the meantime, Beacon has shared a preliminary budget with Housing Staff in advance of submitting a full application for an expected \$5,000,000 from the Affordable Housing Trust to support this conversion.

At this time, Beacon's plan assumes a 31-unit affordable housing development with a mix of unit sizes. All units would be affordable to households earning at or below 60% of the area median income. Assuming a 31-unit project, a Trust request of \$5 million would equal \$161,290 per unit. It is possible that unit mix and number of units may shift as the development plan is refined.

Beacon's financing strategy is designed to avoid reliance on competitive funding from the state and instead assumes a mix primarily of low-income housing tax credit equity, state and federal historic tax credit equity, and private bank debt, as well as Trust funding. The budget also includes a \$10 million "seller's note" which is offset by \$10 million acquisition cost, which Housing Staff understand is being used to maximize the amount of tax credit equity the project is eligible to receive.

Housing Staff will continue review of Beacon's initial budget while we await their full funding request, with a plan to review and bring the request to the Trust for discussion later in the year.

There is no action the Trust needs to take at this point. However, we wanted to make the Trust aware of the creative opportunity put forward by ARE to create the possibility for a new AHO development through their Zoning Petition given that a primary piece of the AHO development plan is the conversion of 161 First Street to affordable housing with funding requested from the Affordable Housing Trust. Discussion of the ARE plan and Zoning Petition will be happening at the Planning Board, Ordinance Committee and City Council.

We will update the Trust as discussions of the Zoning Petition continue, and prepare for discussion of the Beacon funding request with the Trust at an upcoming meeting.