



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of May 16, 2009

**DATE:** May 5, 2009

**SUBJECT:** Amendment to a 2008 CHFC fund agreement with Doorways Cameron LLC and Cameron Commons LLC.

#### **C. M. RECOMMENDATIONS:**

1. Approve an amendment to the CHFC fund agreement of June 30, 2008 with Doorways Cameron LLC and Cameron Commons LLC to increase the grant award to include all interest accumulated in the CHFC account to the date of final dispersal of the funds, consistent with the terms and conditions in this report. Estimated amount is approximately \$32,000.
2. Authorize the County Manager to execute the required documents for a fund agreement amendment on behalf of Doorways Cameron LLC subject to approval by the County Attorney.

**ISSUE:** No known issues. The amendment implements the intent of the original fund agreement to award the balance of funds available in the CHFC account as described below.

**SUMMARY:** The Arlington County Board created the Community Housing Finance Corporation in 1981 to issue bonds to fund construction of housing affordable to low-income households that would be assisted with project-based Section 8 rental assistance from the Department of Housing and Urban Development.

Over time the CHFC accumulated funds that HUD required to be spent on affordable housing to low-income households. In May 2008 the Community Housing Finance Corporation and the Arlington County Board approved a grant to Doorways for Women and Families (Doorways) of up to \$750,000 with the intention of expending the entire amount of funds remaining in the CHFC account; in June 2008 CHFC funds in the amount of \$726,287.45 were dispersed to the Doorways/Cameron Commons project. However it has since come to the attention of the CHFC Board that interest earnings accrued to this account, pushing the total amount above the \$750,000 threshold by \$6,645. The recommended action would allocate the remaining funds to the Cameron Commons project, thus fulfilling the original intention of the CHFC Board.

County Manager: \_\_\_\_\_

County Attorney: \_\_\_\_\_

Staff: Maureen Markham, David Cristeal, CPHD, Housing Division

Report Date: May 16, 2009

**BACKGROUND** The Community Housing Finance Corporation (CHFC) is an instrumentality of Arlington County government originally created to provide bond financing for apartment developments assisted under HUD Section 8 New Construction or Substantial Rehabilitation Programs. Local governments were authorized to create such instrumentalities to issue tax-exempt bonds under Section 11(b) of the U.S. Housing Act of 1937, as amended by the Housing and Community Development Act of 1974. The County Board established the CHFC in 1981.

**Fund Agreement of 2008:** In 1982 the CHFC issued bonds which were insured by the Federal Housing Administration for the Summer Hill Cooperative and Colonial Village West Apartments. A Refunding Agreement negotiated with HUD in 1994 resulted in an inflow of funds to the CHFC over a period of years that eventually grew to approximately \$750,000. These funds, which represent savings on the payments of Section 8 assistance as a result of refinancing the original bonds at a lower interest rate, were earmarked for housing for families earning up to 50% AMI. Doorways and APAH applied for the funds to make five of the existing sixteen units at the Cameron Commons Apartments available to families coming out of emergency shelter facilities.

In June 2008 CHFC funds in the amount of \$726,287.45 were dispersed to the Doorways/Cameron Commons project. Doorways became a member in a Limited Liability Company that owns the Cameron Commons property along with an affiliate of the Arlington Partnership for Affordable Housing (APAH). The LLC agreement stipulates that five of the sixteen Cameron Commons units will be dedicated for use by very low income families who are “graduating” from Doorways’ emergency shelter facilities. This housing program includes three 3-bedroom and two 2-bedroom units reserved for households at up to 30% AMI. Doorways provides supportive housing services to the families in the five units which are spread among the sixteen units at the Cameron Commons site which is located at 2036 & 2040 N. Cameron Street, Arlington Virginia.

The CHFC grant was part of a financing package that totaled up to \$1,327,500. The exact amount of the grant was to be equal to the balance of CHFC funds being held in the Trust and Agency Account number 72402-7092 at the time of closing. Because the financing plan depends on having no outstanding debt on the units, Doorways committed to raising matching contributions in the amount of \$577,500 to complete the purchase of the partnership interest. APAH uses the capital contributions from Doorways to pay down existing debt on the property and refinance existing notes, resulting in the debt-free units that enable the discounted rents to Doorways’ families. The amount of fundraising needed for the equity purchase was adjusted to balance the total budget depending on the actual amount available from the CHFC account. Consequently this fund agreement amendment will reduce the amount of Doorways’ fundraising obligation by the amount of funds ultimately dispersed.

**Additional CHFC Funds Requested:** The County Board approved the CHFC grant up to \$750,000 at their meeting on May 15, 2008. At the time of executing the grant agreement the amount of interest accrued on the CHFC balance during FY 2008 had not yet been reconciled and posted to the account, and the \$750,000 was believed to be sufficient to cover the balance of funds. However, the interest accrued totaled \$30,358, exceeding the \$750,000 ceiling by \$6,645. In addition the \$30,358 has itself earned interest during the past year in an estimated amount of

\$1,100. Again, the final calculation of interest earned will be made during close-out of the books for FY 2009 and funds will be booked to the CHFC account sometime in early fall.

Interest accrued is Program Income and must be spent for the same purposes as the balance of the funds. Because of the special purpose and nature of the CHFC entity, the CHFC Board does not anticipate that they will be receiving any additional capital funds from any source, and in fact the only additional funds to the account since the early 2000's have been postings of interest earned on the account. The CHFC has minimal annual expenses, including a \$25 annual Registration Fee to the State Corporation Commission and wants to fulfill its obligation to the County and to HUD to spend the funds available for housing low income families. Consequently at their Annual Meeting on April 21, 2009 the CHFC Board took action to grant the remaining additional funds in the CHFC account to the Doorways/Cameron project. Arlington County Board action is also required to expend the full amount of funds remaining in the account.

**DISCUSSION:** When the CHFC and the County Board approved the CHFC grant in May, 2008, it was the intention to expend all the funds available. Language in the Fiscal Impact statement of the Board Report stated, "The proposed grant to Doorways would distribute all the funds that are available, and no balances would remain." The current action is needed to carry out the intent of the CHFC Board and to fulfill its obligations to HUD under the 1994 Refunding Agreements.

The Doorways Cameron project is proceeding as planned and enhances existing affordable housing opportunities for very low income families in north Arlington. It assures supportive housing units affordable to families at 30% AMI for at least 30 years, a very difficult population to serve. The project secures much-needed family-sized units for extremely low income families and is a creative use of a special source of funds that can only be used for very low income families. The project was recently named as the 2009 recipient of the Housing Association of Non-profit Developers (HAND) Award for Innovative Projects.

The Department of Human Services (DHS) supported the original proposal which was compatible with the Arlington County "Ten Year Plan to End Homelessness". Two primary strategic objectives of that plan are to: "rapidly re-house persons who become homeless" and "increase the supply of housing affordable to homeless individuals and families." This project directly supports the County's approved strategies under the Ten Year Plan to End Homelessness.

In summary, the project has the following advantages for Arlington County:

- Added 5 units of supportive housing for homeless families in Arlington County;
- Secured 5 family-sized units for the use of very low income families for at least 30 years;
- Empowers women and families who are abused, homeless or at-risk to live safe, secure and self-sufficient lives;
- Allocates funds that CHFC is under a mandate to spend in a timely way for a worthwhile and cost effective strategy to provide safe and secure housing for a difficult-to-serve population.

**Civic Association/Community Process:** There is no neighborhood impact because there is no change to the existing housing program at Cameron Commons.

**Housing Commission:** The Citizens Advisory Commission on Housing (HC) will hear this proposal on May 7, 2009. This meeting is for information only. The funds are under the responsibility of the CHFC Board which recommends the grant amendment for additional funding. The CHFC will send a separate letter to the County Board with its recommendation for this project.

**Terms and Conditions:** Approve the allocation of \$30,358 plus all interest that will have accrued to the CHFC fund at the date of final dispersal of funds to Cameron Commons LLC on behalf of Doorways Cameron LLC as a grant to assist with the investment in the Cameron Commons complex at 2036 & 2040 N. Cameron Street, Arlington Virginia 22207, subject to the following terms and conditions:

1. Cameron Commons LLC shall execute a Fund Agreement Amendment for the CHFC grant in a form acceptable to the County Manager and the County Attorney.
2. The CHFC award shall be in the form of a grant equal to the balance of CHFC funds being held in the Trust and Agency Account number 72402-7092 at the date of the agreement, plus all interest that will have accrued to the CHFC fund at the date of final dispersal of funds. The \$30,358 will be dispersed on or before June 30, 2009 (the end of FY 2009). The interest will be dispersed after the close-out of the Fiscal Year books in the fall of 2009 when the exact amount will be known.
3. Doorways' obligation to raise matching funds through private contributions is reduced by the amount of the CHFC grant.
4. All other terms and conditions in the Fund Agreement of June 30, 2008 continue to apply.

**FISCAL IMPACT:** None. These federal funds are available only for the purpose of providing decent, safe, and sanitary housing for very low income families for a period of at least 30 years. The funds are the result of a Refunding Agreement with HUD dating back to 1994. CHFC funds are being held in the Trust and Agency Account number 72402-7092. The amendment proposes to distribute all the funds that are available, and no balances will remain.