



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of January 23, 2010**

DATE: January 4, 2010

SUBJECT: Amend the Terms and Conditions of the Community Development Block Grant (CDBG) loan for Garfield Gardens Apartments to Robert Pierre Johnson Housing Development Corporation

C. M. RECOMMENDATIONS:

1. Amend the loan terms and conditions for the \$401,861 loan from the CDBG Housing Development Fund to Robert Pierre Johnson Housing Development Corporation (RPJ) which assisted in the acquisition of Garfield Street Apartments, subject to the terms and conditions of the County Manager recommendations outlined in this report.
2. Approve the subordination of the HOME and CDBG loan to a primary permanent loan of up to \$1,090,000.
3. Authorize the County Manager, with concurrence of the County Attorney, to execute an Amendment to the HOME and CDBG Agreement and to execute the required loan documents with RPJ, and authorize and direct the trustees for the County's Deed of Trust to execute the required loan and subordination documents subject to approval by the County Attorney.
4. Authorize the County Manager, with the concurrence of the County Attorney, to act as the County Board's representative in approving financing or program revisions that are necessary to remove any ambiguity or inconsistency or which improve the County's financial security or financial position and which changes do not adversely affect the County financially or programmatically, prior to execution of the County's financing documents.

ISSUE: County Board approval will ensure the viability of RPJ's overall financing package for this apartment building. There are no outstanding issues.

SUMMARY: The Robert Pierre Johnson Development Corporation (RPJ) recently completed the rehabilitation of a nine-unit apartment building located at 1700 S. Garfield Street in the Nauck neighborhood. In 2007, the County Board approved a HOME and CDBG loan to assist

County Manager: BMD maa

County Attorney: WJ SAM

Staff: Jane Eboch, CPHD, Housing Division

31.

RPJ to acquire the property. The CDBG portion was approved as a bridge loan of \$401,861, with up to \$120,000 permitted to remain as a deferred portion of the permanent financing package. Due to increased rehabilitation costs, RPJ has requested to defer an additional \$78,437 of the CDBG loan. Since Virginia Housing Development Authority (VHDA) increased the amount of RPJ's primary loan, RPJ requests that the County loan be subordinate to the new VHDA loan total of \$1,090,000.

BACKGROUND: At its December 15, 2007 meeting, the County Board approved a loan of up to \$1,330,184 (\$401,861 in CDBG and \$928,323 in HOME funds) plus \$50,000 in supportive housing grant funds to assist RPJ with acquisition of a two-story garden apartment building located in the Nauck neighborhood at 1700 S. Garfield Street. Built in 1965, it consists of seven one-bedroom, one two-bedroom and one three-bedroom units. RPJ has completed the renovation and expects to close in January of 2010 on permanent financing for the project.

DISCUSSION: The acquisition and rehabilitation cost of Garfield Gardens totals \$2,266,760. Originally, \$281,861 of the \$401,861 CDBG loan was a short-term loan to be repaid when permanent financing from the VHDA was secured, and \$120,000 was to be a deferred payment loan. After RPJ acquired the property, it discovered that the scope of rehab needed to be expanded to address unforeseen issues such as electrical capacity and water damage from the sliding doors and balconies. Due to increased rehabilitation costs and the amount of financing that RPJ qualifies to borrow from VHDA, RPJ has requested that the County defer an additional \$78,437 in CDBG funds. This would increase the total deferred portion of the loan to \$198,437. VHDA has also committed to a higher primary loan amount than originally approved, which is why the second request is to subordinate the County HOME and CDBG loan to this higher amount.

Permanent financing for the project consists of \$1,090,000 in below-market funds from VHDA's SPARC/REACH programs; \$50,000 in supportive housing grant funds; and a County loan of \$928,323 in HOME and \$198,437 in CDBG funds.

Citizen Comment: The Community Development Citizens Advisory Committee met on January 6, 2010 and reviewed this recommendation. Action taken at that meeting will be summarized in a memo to the Board.

Loan Terms and Conditions: Item 5 of the Loan Terms and Conditions approved by the Board on December 15, 2007, will be amended as follows:

5. *The County will lend up to \$401,861 in CDBG funds to RPJ or its designated affiliate in the form of a loan: a.) Of this total amount, up to ~~\$120,000~~ \$198,437 will be a subordinate residual receipts loan subject to the same terms and conditions in #4 above. b.) The balance will be a short-term loan repaid upon permanent financing. c.) In the event that the owner realizes a gain through sale of the property, cash-out refinancing, or change of use, it shall repay the County a prorated share of the sales price or fair market value as determined by a County approved appraisal.*

The County will amend its HOME and CDBG Agreement dated December 21, 2007 to reflect this change in the amount of the deferred CDBG portion.

FISCAL IMPACT: There is no impact on the General Fund. This action will result in \$78,437 less in loan repayment to the CDBG Housing Development Fund during FY 2010, but the Fund has a sufficient balance for future projects.



COMMUNITY DEVELOPMENT CITIZEN ADVISORY COMMISSION

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January 11, 2010

TO: County Board Members
County Manager

FROM: Larry Withers, Chair

Commission Members

Larry Withers, Chair
Yvonne Aiken
Robert Blancato
Jennifer Bible
Chona Bravante
Portia Clark
Patricia Darneille
Jeff Falcusan
Randy Gordon
Saundra Green
Pam Holcomb
Gretel Larocca
Van Newstrom
Pam Ray
MaryClaire Whitehead
Dawn Willard

At the Community Development Citizens Advisory Committee meeting held on Wednesday, January 6, 2010, the Committee considered the staff recommendation to amend the terms and conditions of Community Development Block Grant (CDBG) loan for Garfield Apartments to Robert Pierre Johnson Housing Development Corporation (RPJ).

The following motion passed unanimously with 11 members present:

Recommend the County Board approve the request of RPJ to increase the total CDBG loan amount to \$198,437 for redevelopment of Garfield Apartments, and amend the loan terms and conditions, as required.