



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item
Meeting of April 24, 2010

SUPPLEMENTAL REPORT

DATE: April 22, 2010

SUBJECT: Approval of refinancing of note issued for Buckingham Village 3 acquisition

DISCUSSION: On April 16, 2010, the County received three competitive bids for this refinancing from the following banks:

1. Bank of America
2. PNC Bank
3. Wells Fargo

After negotiations with each bank, staff recommends selection of Bank of America as its proposal represented the best combination of pricing, prepayment provisions and ability to close on the County's schedule.

Staff also recommends issuing \$10 million of the note in variable rate mode and the remaining \$26.5 million in fixed rate mode which would carry a final maturity of 2012. The proposals received from all banks included significant prepayment penalties on the fixed interest rate option. By putting a portion of the note in variable rate mode (which has no prepayment penalty), it will provide the County with flexibility to prepay debt upon receipt of lease payments from the developer. In addition, the County anticipates that after receipt of ground lease payments, a portion of the \$36.5 million incurred to purchase the property will remain in place for the long-run. The County may have an opportunity over the next year to fix a portion of this debt for 20 years at very low interest rates via bonds issued in the capital markets, and using a variable rate structure in the short-run with no prepayment penalty could help facilitate this strategy.

Detailed terms of the proposed Bank of America note follow:

County Manager: *[Signature]*

County Attorney: *[Signature]*

Staff: Michelle Cowan, Department of Management and Finance

35.

TERM	DESCRIPTION
Amount	Up to \$36.5 million
Security	<ol style="list-style-type: none"> 1. Support Agreement between the County and the IDA stipulating that the IDA will receive annual payments from the County, subject to appropriation by the County Board, in an amount sufficient to pay debt service and fees 2. Pledge of a debt service reserve in an amount equal to six months' debt service and funded from note proceeds
Maturity	December 2012
Prepayment Option	<ol style="list-style-type: none"> 1. Variable rate note – in whole or in part at any time without penalty 2. Fixed rate -- after June 1, 2011, prepayable with no penalty. Before June 1, 2011, prepayable with a “make-whole” prepayment fee.
Interest Rate	<p>Taxable</p> <ol style="list-style-type: none"> 1. Variable rate note – London Interbank Offering Rate (LIBOR) plus 120 basis points reset on a monthly basis. <i>Based on current market conditions, the interest rate would set at 1.46%. In addition, this pricing reflects an improvement over the existing Suntrust note which is priced at LIBOR plus 200 basis points.</i> 2. Fixed rate note – 2.98%
Amortization	Interest only; principal due at maturity