



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of April 16, 2011**

DATE: March 25, 2011

SUBJECT: Modification of Loan Terms and Conditions of the County loan to Arlington Partnership for Affordable Housing (APAH) or its County-approved ownership affiliate for Buchanan Gardens Apartments.

RECOMMENDATION:

1. Approve the subordination of the Amended and Restated Affordable Housing Investment Fund (AHIF) loan to Arlington Partnership for Affordable Housing (APAH), or its designated County-approved ownership affiliate (Buchanan Gardens Limited Partnership), to an interim construction loan of up to \$16 million.

2. Approve the subordination of the Amended and Restated Affordable Housing Investment Fund (AHIF) loan to APAH, or its designated County-approved ownership affiliate (Buchanan Gardens Limited Partnership), to a permanent first-mortgage loan of up to \$7.9 million plus an additional ten percent if needed once APAH has paid all of the outstanding principal and interest due on the construction loan.

3. Authorize the County Manager to execute the required documents for a loan of up to \$11,725,000 to APAH, or its designated County-approved ownership affiliate (Buchanan Gardens Limited Partnership), 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 improves the County's financial security or financial position, and which changes do not adversely affect the County financially, prior to or after execution of the County's financing documents.

ISSUE: County Board action is needed to allow subordination of the Amended and Restated AHIF loan to a construction loan of up to \$16 million to complete the renovation of Buchanan Gardens Apartments and then to the permanent loan of up to \$7.9 million plus an additional ten percent if needed once the construction has been completed and APAH has repaid its construction

County Manager:

County Attorney:

30.

loan. County Board action is also needed to increase the total loan amount for the project since interest has accrued on the first portion of the County loan that was disbursed for the acquisition of the property.

SUMMARY: APAH is requesting that the County subordinate its Amended and Restated Affordable AHIF loan to a construction loan of up to \$16 million. Once APAH has paid all of the outstanding principal and interest due on the construction loan, they have requested that the County subordinate the Amended and Restated AHIF loan to a permanent loan of up to \$7.9 million plus ten percent. Additionally, because a portion of the County loan has been disbursed and utilized for the acquisition of the property, the interest accrued on that portion of the loan must be included in the total loan amount that the County Board approves in order to be secured by the Deed of Trust. There is no additional County funding being loaned to APAH for Buchanan Gardens. The increased loan amount only includes the accrued interest since the purchase of the property with County AHIF funds.

BACKGROUND: In November 2009, the County Board approved a loan of up to \$7.1 million to APAH to assist with the purchase of Buchanan Gardens Apartments, which was subordinated to two loans totaling \$6.3 million from Virginia Community Capital, Inc. (VCC). An ownership affiliate of APAH purchased the property on December 23, 2009 and has worked on a refinancing and renovation plan since that time.

In February 2010, the County Board approved an additional loan of up to \$4,332,000 for the renovations of the property, so that in March, APAH was able to submit an application to the Virginia Housing Development Authority (VHDA) for an allocation of low income housing tax credits. APAH was successful in obtaining the credits and is ready to go to settlement on the construction financing in order to complete renovations to update and increase the energy efficiency of the systems of the property, correct any property deficiencies and meet the needs of current and future tenants through the addition of bump-outs.

DISCUSSION: Neither the November 14, 2009, nor the February 20, 2010, Board Reports recommended that the County subordinate its Amended and Restated AHIF loan to the construction financing from Capital One. The Board Reports occurred prior to APAH obtaining the low income housing tax credit allocation and it was not known if they would be able to pursue a renovation plan. The February 20, 2010 Board Report did recommend that the County subordinate to the permanent financing of up to \$7.9 million plus ten percent from VHDA, but this report clarifies that this will only occur once APAH has paid all of the outstanding principal and interest due on the construction loan.

In addition, neither board reports clarified that the new Amended and Restated AHIF loan would include the total of the original \$7.1 million loan to assist with purchase of Buchanan Gardens Apartments, accrued interest on that \$7.1 million loan beginning on December 23, 2009 when settlement on the property occurred, and the additional \$4,332,000 that will be utilized to help defray renovation costs and to assist with paying off the VCC loan so that APAH or its ownership affiliate can obtain the construction financing. At settlement on the construction loan, the accrued interest on the \$7.1 million will equal approximately \$280,000. In order to include the accrued interest in the Deed of Trust, the Board must increase the loan amount.

FISCAL IMPACT: There is no additional County funding being loaned to APAH or its ownership affiliate for Buchanan Gardens. The increased loan amount only includes the accrued interest since the purchase of the property with County AHIF funds.