



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of March 10, 2012

**DATE:** February 14, 2012

**SUBJECT:** Authorization of the use of Community Development Block Grant (“**CDBG**”) loan funds (“**CDBG Loan Funds**”) from the AHC Housing Development program revolving fund (“**AHC Multifamily Revolving Loan Fund**”) and Allocation of Fiscal Year 2012 Affordable Housing Investment Fund (“**AHIF**”) loan funds (“**AHIF Loan Funds**”) for real property acquisition, demolition, and construction of a new affordable housing complex located at Columbia Pike and S. Greenbrier Street (“**Project**”).

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

1. Authorize the use of up to \$3,078,034 in CDBG Loan Funds from the AHC Multifamily Revolving Loan Fund for authorized federal CDBG-eligible activities, including (a) the acquisition of 5511 Columbia Pike (RPC # 22011056) (“**Shell Station Property**”) and a portion of the real property located at 860 South Greenbrier Street (RPC #22011054) (“**Harvey Hall Property**”) and together with the Shell Station Property, the “**Required Project Property**”), (b) Required Project Property acquisition-related soft costs, and (c) the demolition of the Columbia Pike Food Mart and Shell Gas Station located on the Shell Station Property, in order to facilitate the new construction of an 83-unit affordable housing complex by AHC, Inc. (“**AHC**”), or its designated County-approved ownership affiliate. The CDBG Loan Funds will be in the form of a subordinated loan, subject to the terms and conditions outlined in this report.
2. Rescind the designation of the AHC Housing Development program as a “revolving fund” program and direct the return and transfer of all County CDBG funds and program income that is in the AHC Multifamily Revolving Loan Fund to the County’s newly created Multifamily Revolving Loan Fund (206.371890.72405.MFRL.0668.0000) (“**County Multifamily RLF**”) either (a) on the closing date that the CDBG Loan Funds are loaned to AHC, or its designated County-approved ownership affiliate, for CDBG-eligible and County-approved activities, or (b) on or before August 16, 2012, if AHC, or its designated County-approved ownership affiliate, does not purchase the Shell Station Property.

County Manager:

County Attorney:

29.

Staff: Sarah Pizzo and David Cristeal, CPHD

3. Appropriate \$6,297,362 in loan repayments (101.357000.91102) to the FY 2012 Affordable Housing Investment Fund (101.495130.91102).
4. Allocate up to \$3,750,000 in FY 2012 AHIF funds (101.495130.91102) to AHC (101.456300.91102), or its designated County-approved ownership affiliate, to be used for Project costs that are ineligible to receive CDBG Loan Funds. The AHIF Loan Funds will be in the form of a subordinated loan, subject to the terms and conditions outlined in this report.
5. Authorize the County Manager and the County Attorney to negotiate the required documents for the CDBG and AHIF loans to AHC, or its designated County-approved ownership affiliate, which are not to exceed \$6,000,000 in total, for approval by the County Board at future County Board meetings.
6. 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, prior to or after execution of the County's financing documents.

**ISSUE:** This is a request by AHC for the (i) authorization of the use of CDBG Loan Funds from the AHC Multifamily Revolving Fund for the acquisition of the Required Project Property, acquisition-related soft costs, and the demolition of the Columbia Pike Food Mart and Shell Gas Station located on the Shell Station Property, and (ii) allocation of AHIF Loan Funds to fund Project costs that are ineligible to be funded with CDBG Loan Funds. In addition, the County Manager is requesting that the County Board rescind the designation of the AHC Housing Development program as a "revolving fund" program and direct the return and transfer of all County CDBG funds and program income that is in the AHC Multifamily Revolving Loan Fund to the County Multifamily RLF.

**SUMMARY:** AHC is requesting up to a combined total of \$6,000,000 in AHIF Loan Funds and CDBG Loan Funds for site acquisition and construction of a new 83-unit affordable housing complex in Columbia Heights West.

The total loan sum requested will be comprised of two loans: (1) a CDBG loan from the AHC Multifamily Revolving Loan Fund of up to \$3,078,034 to AHC, or its designated County-approved ownership affiliate, which will be used to acquire the Required Project Property and fund the costs to demolish the Columbia Pike Food Mart and Shell Gas Station, and (2) a FY 2012 AHIF loan of up to \$3,750,000 to AHC, or its designated County-approved ownership affiliate, which will be used to fund costs that are ineligible to be funded with CDBG Loan Funds for the construction of the new 83-unit affordable housing complex. The CDBG Loan Funds will be used solely for CDBG-eligible and County-approved activities with the goal of maximizing use of the CDBG Loan Funds and minimizing the use of the County AHIF Loan Funds; provided, however, that in no event shall the total sum of the CDBG and AHIF loan funds disbursed exceed \$6,000,000.

As part of the County's policy on Community Development Block Grant program income, on February 21, 1981, the County Board designated AHC's Housing Development program as a "revolving fund" program, pursuant to which any income received from AHC's County CDBG funded Housing Development programs would be placed into the AHC Multifamily Revolving Loan Fund instead of returned directly to the County and, upon application to and authorization by the County, would be made available to AHC or any other eligible nonprofit housing developer to be utilized for the acquisition or rehabilitation of affordable multifamily rental projects. Currently, there is a balance of \$3,078,034 in the AHC Multifamily Revolving Loan Fund. The Board is being asked to authorize and direct the return and transfer of all County CDBG funds and program income that is in the AHC Multifamily Revolving Loan Fund to the County Multifamily RLF (206.371890.72405.MFRL.0668.0000) either (a) on the closing date that the CDBG Loan Funds are loaned to AHC, or its designated County-approved ownership affiliate, for CDBG-eligible and County-approved activities, or (b) on or before August 16, 2012, if AHC, or its designated County-approved ownership affiliate, does not purchase the Shell Station Property.

On or before March 16, 2012, AHC will submit a competitive application to the Virginia Housing Development Authority ("VHDA") for nine percent (9%) low income housing tax credits ("LIHTC") in order to provide essential financing for completion of the Project. In addition, on or before March 16, 2012, AHC Limited Partnership-23, an affiliate of AHC, and NOVA Petroleum Realty, LLC, the current owner of the Shell Station Property, are expected to fully execute an Agreement of Purchase and Sale ("**Purchase Agreement**") in order to permit AHC's affiliate to purchase the Shell Station Property for \$1,900,000. No later than one-hundred and fifty (150) days following the execution of the Purchase Agreement, AHC's affiliate, AHC Limited Partnership-23, will be required to either purchase the Shell Station Property or possibly forfeit its \$150,000 earnest money deposit. If, following AHC's due diligence inspection and investigation period of the Shell Station Property, AHC Limited Partnership-23 chooses to purchase the Shell Station Property, then the County would loan to AHC, or its designated County-approved ownership affiliate, the CDBG Loan Funds in order to fund the (i) acquisition of both the Shell Station Property and the Harvey Hall Property, (ii) Required Project Property acquisition-related soft costs, and (iii) demolition of the Columbia Pike Food Mart and Shell Gas Station located on the Shell Station Property. The CDBG Loan Funds shall be subject to all applicable federal laws and regulations, and the terms and conditions outlined in this report.

The CDBG Loan Funds and the County AHIF Loan Funds shall both be conditioned upon AHC, or its designated County-approved ownership affiliate, providing the County Manager with a fully executed copy of the Purchase Agreement on or before March 16, 2012. In addition, the County AHIF Loan Funds shall also be conditioned upon AHC, or its designated County-approved ownership affiliate, providing the County Manager with (i) a copy of written notification from VHDA, on or before June 30, 2012, stating that AHC has been awarded the nine percent (9%) LIHTC, and (ii) a final budget for the Project for approval by the County Manager or her designee within 30 days of AHC receiving final primary debt and equity commitments. The County AHIF Loan Funds shall be subject to all applicable federal laws and regulations, and the terms and conditions outlined in this report.

**BACKGROUND:** AHC, or its designated County-approved ownership affiliate, is proposing to construct an 83-unit affordable rental complex at Columbia Pike and S. Greenbrier Street on the Required Project Property. AHC ownership-affiliates have owned and operated the adjacent 116-unit Harvey Hall affordable housing complex (“**Harvey Hall Apartments**”) since 1994. AHC recognized an opportunity to develop the underutilized Harvey Hall Property. In order to create a sufficient size development site, AHC determined that it needed to acquire the adjacent Shell Station Property to add to the underdeveloped Harvey Hall Property.

In August 2011, AHC Limited Partnership – 6, an AHC ownership-affiliate which currently owns all of the real property on which the Harvey Hall Apartments are located, including the underdeveloped Harvey Hall Property, refinanced the primary mortgage on the Harvey Hall real property with a United States Department of Housing and Urban Development (“**HUD**”) 223(a)(7) loan and paid off its 2005 County AHIF loan (original principal balance of \$525,000). In order for HUD to release the underdeveloped Harvey Hall Property from its current lien on all of the real property on which the Harvey Hall Apartments are located, AHC, or its designated County-approved ownership affiliate, will be required to purchase the underdeveloped Harvey Hall Property from AHC Limited Partnership – 6 for a purchase price which will be determined by an independent appraiser’s valuation of the Harvey Hall Property. It is currently estimated to be valued at between \$200,000 and \$300,000.

In addition to acquiring the underdeveloped Harvey Hall Property, AHC, or its designated County-approved ownership affiliate, is planning on acquiring the Shell Station Property for \$1,900,000 pursuant to a Purchase Agreement which is expected to be executed on or before March 16, 2012. According to AHC, the Shell Station Property has petroleum-based ground contamination from past leaking underground storage tanks. AHC has informed the County that the contamination is on record with the Commonwealth’s Department of Environmental Quality and that the leak and associated plume occurred while the previous owner, Shell Oil Company, owned the property. As a result, according to AHC, the current owner of the Shell Station Property, NOVA Petroleum Realty, LLC, has the documented liability to pay for associated clean-up costs. AHC has also informed the County that it will conduct additional environmental testing to determine the extent of the plume. Although AHC, or its designated County-approved ownership affiliate, will excavate the Shell Station Property for construction of an underground parking garage, according to AHC, all costs associated with removing underground storage tanks and contaminated soil will be reimbursed by either the previous owner or the current owner of the Shell Station Property.

AHC has submitted plans to the County for its six-story complex under the Form Based Code that are currently under administrative review. The 83-unit affordable housing complex includes ground floor retail space facing Columbia Pike as included in the Form Based Code. The proposed 83-unit affordable housing complex was reviewed by the FBC Advisory Working Group (AWG) on February 7, 2012. AHC incorporated changes to its plans to satisfy the AWG and staff comments and submitted the plans to Zoning for administrative approval on February 13, 2012.

AHC is seeking County funding approval in advance of submitting an application for 9% Low Income Housing Tax Credits to VHDA by March 16, 2012.

**DISCUSSION:** This Project is an opportunity to utilize undeveloped land owned by a nonprofit and to acquire the adjacent parcel to create 83 new affordable units. According to AHC, environmental hazards will be mitigated by remediating the contaminated soil. The Project will commit 19 units at rents affordable to households earning up to 50% of area median income (AMI) and 64 affordable to households earning up to 60% of AMI for 60 years. The Project will create 68 additional family-sized units, five fully accessible units, two units accessible for persons with hearing or visual disabilities, and six supportive housing units.

With the anticipated development of the County streetcar public transportation system and new market-rate development continuing along Columbia Pike, the expectation is that upward pressures on housing prices will continue. This Project represents an opportunity to build affordable housing across the street from a new market-rate development, 5500 Columbia Pike, and adjacent to a planned streetcar stop, thereby balancing the needs of a transit-oriented, mixed-income community. Also, in light of the ambitious goals of the Columbia Pike Land Use and Housing Study (which covers nearby parcels) to preserve approximately 5,000 units of market-rate affordable housing, it is important to capitalize on affordable housing opportunities in the current Form Based Code nodes which do not require development of affordable housing projects.

**Development Plan:** AHC's proposed complex will be a six-story stick and concrete hybrid construction configured around an interior courtyard to be compliant with the Form Based Code. The ground floor will have three retail bays facing Columbia Pike, totaling 6,728 square feet. The 83 residential units will be on floors two through six.

An underground parking garage will include a total of 121 spaces, including: 27 to replace those lost with redevelopment of a portion of the Harvey Hall lot; 3 for Harvey Hall child care; 83 for new residential use; 7 for retail use (shared); and 1 for visitors (shared). There will be an additional 10 visitor/shared on-street parking spaces added on S. Greenbrier and Columbia Pike.

The new complex will be required to meet all of VHDA's new construction guidelines and will be Earthcraft certified. The green components of the building will include Energy Star windows/appliances, efficient HVAC and hot water systems, reflective and/or green roof and high insulation values. During more detailed building design, other green items may be added. The building will contain elevators and five fully-accessible Type A units as designated by the International Building Code and American National Standards Institute and will include roll-in showers. . In addition, two units will be accessible for persons with hearing or visual disabilities.

**Affordable Housing Plan:** AHC proposes 5 efficiencies, 10 one-bedrooms, 63 two-bedrooms and 5 three-bedrooms at the affordability levels shown below.

**Unit Mix and 2012 HUD Rents\***

Affordability	Efficiency		1-Bedroom		2-Bedroom		3-Bedroom	
	# units	Rent	# units	Rent	# units	Rent	# units	Rent
50% AMI	4	\$941	3	\$1,008	10	\$1,210	2	\$1,397
60% AMI	1	\$1,129	7	\$1,209	53	\$1,452	3	\$1,677
<b>Total</b>	<b>5</b>		<b>10</b>		<b>63</b>		<b>5</b>	

\*The rents shown, which include utility allowance, are the 2012 rents set by HUD.

**Proposed Permanent Financing Plan:** AHC will apply to VHDA by March 16, 2012 for competitive 9% LIHTC. Pending an award of the LIHTC by VHDA, AHC's expected financing package will include a senior mortgage loan, LIHTC equity, AHC's deferred developer fee, an AHC subordinate loan and the proposed AHIF and CDBG loans. AHC is proposing to defer 50% of its \$1,139,578 developer fee.

**Permanent Financing Sources and Uses**

SOURCES OF FUNDS		USES OF FUNDS	
Source	Amount	Use	Amount
First Mortgage	\$8,250,000	Acquisition Costs	\$2,231,500
LIHTC Tax Credit Equity	\$11,998,800	Construction Costs	\$18,553,526
County Project Loans	\$5,714,728	Soft Costs (including Reserves)	\$3,467,152
AHC Partnership Loan	\$500,000	Financing Costs	\$1,071,773
Deferred Developer Fee	\$1,139,578	Developer Fee	\$2,279,156
<b>TOTAL SOURCES</b>	<b>\$27,603,106</b>	<b>TOTAL USES</b>	<b>\$27,603,106</b>

If AHC is successful in obtaining a 9% LIHTC award in June 2012, it will then solicit debt and equity proposals from lenders and investors. The first mortgage amount shown above is based on underwriting assumptions similar to recent projects, and similarly, the tax credit equity amount is based on the pricing in recent deals. While these are estimates, the final debt and equity amounts will not be known for approximately six months. If AHC is able to obtain a higher loan amount and higher tax credit pricing resulting in more equity, then the amount of AHIF Loan Funds to be disbursed will decrease.

**County Funding Request:** AHC is requesting a total of up to \$6,000,000 in permanent financing for the Project, of which a portion will be funded with CDBG Loan Funds and a portion with AHIF Loan Funds. The CDBG Loan Funds and the AHIF Loan Funds (the “**County Project Loans**”) will each have 30-year terms at a 2.6% annual compounding interest rate. The County Project Loans will be secured by deeds of trust subordinated to the first mortgage senior lender. The Sources and Uses table above shows a current estimate need of \$5.7 million in County funding based on a number of assumptions which continue to change as newer information is obtained. For this reason, staff recommends a total of up to \$6 million in County Project Loans.

The estimated amount of CDBG Loan Funds that will be used solely for CDBG-eligible activities (acquisition, acquisition-related soft costs, and demolition) is estimated to be between \$2.4 million and \$3.0 million. However, the County Manager recommendation to authorize the use of up to approximately \$3 million for CDBG-eligible and County-approved activities allows flexibility in maximizing use of the federal funds and minimizing the use of the County AHIF Loan Funds. The County Manager recommendation also states that all County CDBG funds and program income remaining in the AHC Multifamily Revolving Loan Fund either (a) on the closing date that the CDBG Loan Funds are loaned to AHC, or its designated County-approved ownership affiliate, for CDBG-eligible and County-approved activities, or (b) on or before August 16, 2012, if AHC, or its designated County-approved ownership affiliate, does not purchase the Shell Station Property, shall be remitted to the County Multifamily RLF for use on future affordable housing efforts in Arlington according to federal and local regulations and policies governing this fund. Staff recommends that \$1,000,000 of the \$3,750,000 AHIF Loan Funds be withheld from the County Project Loans closing unless otherwise approved by the County Manager or her designee after review of the Project financing demonstrates a need for these funds. If the \$1,000,000 (or a portion thereof) is deemed unnecessary, staff will seek County Board approval at a later meeting to de-obligate the funds so that they will be available for other AHIF projects.

The CDBG Loan Funds and the County AHIF Loan Funds shall both be conditioned upon AHC, or its designated County-approved ownership affiliate, providing the County Manager with a fully executed copy of the Purchase Agreement on or before March 16, 2012. In addition, the County AHIF Loan Funds shall also be conditioned upon AHC, or its designated County-approved ownership affiliate, providing the County Manager with (i) a copy of written notification from VHDA, on or before June 30, 2012, stating that AHC has been awarded the nine percent (9%) LIHTC, and (ii) a final budget for the Project (for approval by the County Manager or her designee within 30 days of AHC, or its designated County-approved ownership affiliate, receiving final primary debt and equity commitments).

**Accessible Units:** AHC will construct five units as fully accessible Type A units with roll-in showers and two units accessible for persons with hearing or visual disabilities

**Supportive Units:** AHC will include six supportive housing units (four efficiencies and two one-bedroom units) in the 83-unit affordable housing complex. Supportive housing clients will be Department of Human Services (DHS) qualified households who earn 40% or less of AMI and need supportive housing, which would be supported by Housing Grants or Housing Choice Vouchers.

**Affordable Housing Goals and Targets:** The 83-unit affordable housing complex will meet the following Housing Goals and Targets:

- Creates 83 new committed affordable housing units (Goal 5/Target 5B);
- Creates a newly constructed building in compliance with EarthCraft or LEED (Goal 4/Target 4E).
- Adds 63 two-bedroom and 5 three-bedroom units (82% of project total will be family-sized) to the stock of Committed Affordable housing (Goal 7/Target 7B)

**Civic Association/Community Process:** AHC, its architect, and County Housing, Planning and Inspections staff met with the Columbia Heights West Civic Association on January 17, 2012 to discuss the proposed Project. The civic association shared concerns over parking and transportation issues in the neighborhood, as well as the number of committed affordable units in the neighborhood. The association will send a letter to the County Board noting general support, expressing any concerns it may have.

**Schools Impact After Renovations:** Arlington Public Schools (APS) projects the impact on schools as an increase of 50 students. As such, the Project should not have a significant impact on any one school. APS estimates the current mix as 55% elementary (Carlin Springs or Campbell Elementary School, 27 students), 15% middle (Kenmore Middle School, 8 students) and 30% high school (Washington-Lee High School, 15 students).

**Housing Commission:** AHC presented its Project proposal as an information item to the Housing Commission on January 12, 2012 and the Commission will take action on the item at its meeting on March 1, 2012. The Housing Commission will send a separate letter to the County Board with its recommendation for this project.

**Community Development Citizens Advisory Commission (CDCAC):** AHC presented its Project to CDCAC at its meeting on February 1, 2012. The CDCAC has sent a separate letter to the County Board with its recommendation for this project. In addition, in a separate correspondence, CDCAC will send an additional recommendation to the County Board regarding the rescission of the AHC Multifamily Revolving Loan Fund and the transfer of all County CDBG funds and program income in the AHC Multifamily Revolving Loan Fund to the newly created County Multifamily RLF.

**Form Based Code Advisory Working Group (AWG):** As part of the FBC Administrative Regulations 4.1.2, the Project was reviewed with the FBC Advisory Working Group. The Working Group members inquired about some of the project specifics, but generally concurred with staff's assessment of compliance with the FBC.

**Loan Terms and Conditions:** The County Manager recommends that the County loan AHC, or its designated County-approved ownership affiliate, up to \$3,078,034 in CDBG Loan Funds (“CDBG Loan”) for authorized CDBG-eligible activities (acquisition, acquisition-related soft costs and demolition of the Shell Station) related to the Project. Any balance remaining in the AHC Multifamily Revolving Loan Fund either (a) on the closing date that the CDBG Loan Funds are loaned to AHC, or its designated County-approved ownership affiliate, for CDBG-eligible and County-approved activities, or (b) on or before August 16, 2012, if AHC, or its designated County-approved ownership affiliate, does not purchase the Shell Station Property, shall be

remitted to the County Multifamily RLF. The County Manager also recommends that the County allocate and loan AHC, or its designated County-approved ownership affiliate, up to \$3,750,000 in AHIF Loan Funds (“**AHIF Loan**”) to be used to fund costs that are ineligible to be funded with CDBG Loan Funds for the construction of the 83-unit affordable housing complex. In no event, however, shall the total disbursed for the County Project Loans exceed \$6,000,000. The County Project Loans are subject to the following terms and conditions:

1. AHC, or its designated County-approved ownership affiliate, shall execute an Arlington County, Virginia Community Development Block Grant Loan Agreement (“**CDBG Loan Agreement**”) and other related loan instruments, as drafted and finalized by the County Attorney, in a form acceptable to the County Manager and the County Attorney.
2. AHC, or its designated County-approved ownership affiliate, shall execute an Arlington County, Virginia Affordable Housing Investment Fund Loan Agreement (“**AHIF Loan Agreement**”) and together with the CDBG Loan Agreement, the “**County Loan Agreements**”) and other related loan instruments, as drafted and finalized by the County Attorney, in a form acceptable to the County Manager and the County Attorney.
3. The CDBG Loan shall be secured by the Required Project Property, and shall be repayable from the Project’s Residual Receipts, as defined in the CDBG Loan Agreement; provided, however, if VHDA, or its designated County-approved ownership affiliate, has not been not awarded nine percent (9%) LIHTC by VHDA for the Project on or before June 30, 2013, then all outstanding principal and accrued interest on the CDBG Loan, together with any other sums evidenced by the related promissory note or secured by the related deed of trust, shall be immediately due and payable in full by AHC, as guarantor of the CDBG Loan, on or before July 1, 2013. As set forth in the related promissory note, and subject to an Event of Default (as defined in the CDBG Loan Agreement), the unpaid principal balance of the CDBG Loan shall accrue interest at the below market rate of two and six-tenths percent (2.6%) per annum on the outstanding amount accruing immediately upon execution of the CDBG Loan Agreement and compounded annually as called for in the related promissory note, over a term of 30 years. The CDBG Loan shall be subordinate to the Project’s first mortgage loan (if any) of up to \$8,200,000 plus 10%.
4. The County AHIF Loan shall be secured by the Required Project Property, and shall be repayable from the Project’s Residual Receipts, as defined in the AHIF Loan Agreement. As set forth in the related promissory note, and subject to an Event of Default (as defined in the AHIF Loan Agreement), the unpaid principal balance of the AHIF Loan shall accrue interest at the below market rate of two and six-tenths percent (2.6%) per annum on the outstanding amount accruing immediately upon execution of the AHIF Loan Agreement and compounded annually as called for in the related promissory note, over a term of 30 years. The AHIF Loan shall be subordinate to the Project’s first mortgage loan of up to \$8,200,000 plus 10%. AHC, or its designated County-approved ownership affiliate, whichever is applicable, shall (a) submit an executed Purchase Agreement for the Shell Station Property to the County Manager on or before March 16, 2012, (b) provide the County Manager on or before June 30, 2012, with written documentation that VHDA has awarded the requisite 9% LIHTC applied for by AHC, and (c) submit a final

budget for the Project for approval by the County Manager or her designee within 30 days of final primary debt and equity commitments prior to disbursement of any AHIF Loan Funds from the County. The County AHIF Loan will also be contingent upon administrative approval of the Form Based Code application.

5. AHC will also loan its designated County-approved ownership affiliate that will own the Project the lower of \$500,000 or 8.3% of the total final County Loan amount (“**AHC Equity Loan**”). The AHC Equity Loan will be made at an interest rate of no higher than 2.6%, compounded annually, over the term of the AHC Equity Loan.
6. Beginning in the first operating year of the 83-unit affordable housing complex, and during repayment of AHC’s deferred developer fee, the County shall receive 15% of the 83-unit affordable housing complex’s Residual Receipts, as defined in the County Loan Agreements, as an Annual Payment (as defined in the County Loan Agreements) on the outstanding principal and accrued interest on the County Project Loans. Once AHC’s deferred developer fee has been paid off, the County shall receive 85% of the Project’s Residual Receipts, as defined in the County Loan Agreements, as an Annual Payment (as defined in the County Loan Agreements) on the outstanding principal and accrued interest on the County Project Loans until the County Project Loans are paid in full. (The Project’s Residual Receipts, as defined in the County Loan Agreements, shall specifically include, but not be limited to, the amount by which gross revenues exceeds annual debt service payments, approved operating expenses, payments to replacement reserve and a priority payment of up to \$7,500 for an investor management fee, which can be escalated annually at 3%. Any other fees or payments in excess of what is stated here must be paid from the applicant’s portion of residual cash flow.)
7. AHC shall include these Loan Terms and Conditions for the County Project Loans when requesting proposals from senior lenders and investors. Any terms negotiated between AHC and other parties that are in violation of these Loan Terms and Conditions will be cause for AHC to submit a request to the County Board for consideration.
8. Within 30 days of final primary debt and equity commitments, the AHC, or its designated County-approved ownership affiliate, shall submit a final budget for the Project for approval by the County Manager or her designee. One million dollars (\$1,000,000) of the County AHIF Loan Funds will be withheld from the AHIF Loan closing unless otherwise approved by the County Manager or her designee after review of final project financing demonstrated a need for these funds. If the \$1,000,000 (or a portion thereof) is deemed unnecessary, staff will seek County Board approval at a later meeting to de-obligate the funds so that they will be available for other AHIF projects.
9. AHC, or its designated County-approved ownership affiliate, as applicable, must comply with the affordable housing set-aside for the rental units as follows: Nineteen (19) of the units will be restricted to households earning up to 50% of the AMI and the remaining sixty-four (64) units will be restricted to households earning up to 60% of the AMI for 60 years with the unit mix table shown on page 4 of this report.
10. AHC, or its designated County-approved ownership affiliate, as applicable, agrees that

the affordable rents shall be established in accordance with LIHTC rents as published annually by VHDA for the unit size, minus a utility allowance (if applicable) as per the Utility Allowance Schedule annually approved by HUD for the Arlington County, VA Housing Choice Voucher Program or other manner as permitted by applicable federal regulations and approved by the County or, if such LIHTC rents are not published by VHDA, then in accordance with HUD rent limits set for Arlington County.

11. AHC, or its designated County-approved ownership affiliate, as applicable, shall create a minimum of five (5) fully accessible Type A units for persons with disabilities and two units accessible for persons with hearing or visual disabilities, and will fully cooperate with an affirmative marketing program to market these units to households in need of such accommodation.
12. AHC, or its designated County-approved ownership affiliate, as applicable, will execute an agreement with the Department of Human Services to provide six supportive housing units, comprised of four efficiency and two one-bedroom units, with rents affordable to households earning up to 50% of the AMI.
13. The term for the affordability restrictions stated in Loan Term and Condition #9 above shall be 60 years from the date the complex is placed in service.
14. AHC, or its designated County-approved ownership affiliate, as applicable, heirs or assigns shall provide a purchase option including a right of first refusal to the County or its designee, if AHC or its designated ownership affiliate, heirs or assigns decide to sell the Project to an unrelated third-party purchaser any time prior to or at the end of the 60-year affordability term, wherein the County or its designee shall have the right, but not the obligation, for a period of up to 180 days, to purchase the property at 90 percent of its then-appraised fair market value. If AHC's, or its designated County-approved ownership affiliate's (as applicable) appraiser and County's appraiser do not concur on the fair market value of the property, the two appraisers shall select a third appraiser using the industry-standard three appraiser method to determine the fair market value.

**FISCAL IMPACT:** The current AHIF balance is \$3,899,554. Approval of the County Manager recommendation to appropriate \$6,297,362 in loan repayments to the FY 2012 AHIF and to allocate up to \$3,750,000 in AHIF funds for the construction of a new 83-unit complex will result in a remaining FY 2012 balance of \$6,446,916.

Approval of the County Manager recommendation to authorize the use of up to \$3,078,034 from the AHC Multifamily Revolving Loan Fund for authorized CDBG-eligible activities may result in a remaining fund balance of \$0. However, any balance remaining in the AHC Multifamily Revolving Loan Fund (a) on the closing date that the CDBG Loan is made to AHC, or its designated County-approved ownership affiliate, for CDBG-eligible and County approved activities, or (b) on or before August 16, 2012, if AHC, or its designated County-approved ownership affiliate, does not purchase the Shell Station Property, shall be remitted to the County Multifamily RLF.

**Redevelopment Site**  
**Shell station/Harvey Hall parking lot**  
*Columbia Pike and S. Greenbrier Street*



*Red outline shows approximate redevelopment site area*