



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of September 8, 2007

**DATE:** August 15, 2007

**SUBJECT:** Additional Financial Assistance for the Development of a Residential Group Home

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

1. Allocate up to \$200,000 in revenue from the CDBG Housing Development Fund (206.371890.72405) to the Community Development Block Grant (CDBG) Fund (206.4563000.72405) for Robert Pierre Johnson Housing Development Corporation (RPJ) or its designated County-approved ownership affiliate, in the form of a deferred payment loan to help finance the development of a residential group home, subject to the terms and conditions of the County Manager recommendations outlined in this report.
2. Authorize the County Manager, with concurrence of the County Attorney, to execute the CDBG Program Agreement modification and to execute the required loan documents with RPJ or its County-approved ownership entity, and authorize and direct the trustees for the County to execute the loan subordination, subject to approval by the County Attorney.
3. 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:** Should the County provide additional CDBG assistance to RPJ for the development of a Supportive Housing residential group home for four persons receiving Medicaid Waiver services?

**SUMMARY:** Robert Pierre Johnson Development Corporation (RPJ) is currently developing a residential group home for four persons with mental retardation/developmental disabilities (MR/DD) who are eligible to receive Medicaid Waiver in-home services. CDBG funds and private loan funds were used to acquire a four bedroom home.

**BACKGROUND:** At its September 16, 2006 meeting, the Arlington County Board approved \$415,000 in revenue from the CDBG Housing Development Fund for Robert Pierre Johnson

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

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

Staff: Cynthia Stevens, DHS, Supportive Housing; Jane Eboch, David Cristeal, CPHD, Housing Division

Housing Development Corporation (RPJ), or its designated County-approved ownership affiliate, in the form of a deferred payment loan to help finance the development of a residential group home for four persons with mental retardation/developmental disabilities. With the CDBG funding and a bridge loan from the Mercantile Potomac Bank, in December 2006, RPJ purchased a single family home suitable, with renovations and accessibility modifications, to serve as a group home. Steps to secure permanent financing from Virginia Housing Development Authority (VHDA) and a HOME grant from the VA Department of Housing and Community (DHCD) Development were taken.

In spring 2007, RPJ hired an architect to draw up the renovation plans and some improvements were made with the in-kind resources of RPJ's Hearts and Hammers program. Subsequently, a large regional home builder offered to complete all the renovations as a community service project providing labor and materials at no cost to RPJ. The proposed in-kind donation would have greatly reduced the amount of loan funds needed for construction.

Just recently the home builder withdrew its offer of assistance due to lack of resources related to the financial downturn of the housing market. The application for a HOME grant from DHCD was withdrawn because the time to secure approvals and commitments can be 1 year or longer. Additional delays in providing the housing could jeopardize the Department of Human Services' ability to keep the four Mental Retardation Waiver Services (Med Waiver) slots, awarded in 2005, and needed to fund the services for the residents of this group home.

RPJ has requested a construction loan from Arlington County in an amount up to \$200,000. It proposes to repay about 80% of the loan with mortgage funds from the Virginia Housing Development Authority (VHDA). The balance of the CDBG funds would be subject to the terms and conditions of the initial CDBG loan provided for this project and outlined in this report. VHDA has provided a commitment letter and closing on its loan could be as early as the end of the year.

RPJ estimates the total cost of development, including renovations to make the units accessible, to be \$866,000. The table below summarizes the proposed sources and uses of funds for the project. Anticipated sources include the Virginia Housing Development Corporation (VHDA) SPARC/REACH, Arlington CDBG Housing Development Fund and community donations. The VHDA assistance is a low interest loan, with a 3.5 percent interest rate and a 40 year term. The CDBG support is a deferred loan, due only upon sale of the property or change of use. The additional CDBG funds (up to \$200,000) are needed during construction and \$150,000 will be repaid upon permanent financing by VHDA.

Specific renovations include Americans with Disabilities Act (ADA) features such as a ramped entrance, a fully accessible bathroom, elevator, widened doorways, reachable switch plates, and safety upgrades.

**Sources and Uses Table**

<b>Sources of Funds</b>	<b>Amount</b>	<b>Uses of Funds</b>	<b>Amount</b>
Bank Loan to acquire/develop	\$229,000	Land/Acquisition	\$644,000
CDBG Development Loan	\$415,000	Construction	\$162,000
CDBG Construction Loan	\$200,000	Soft Costs	\$60,000
Community Grants	\$ 22,000		
<b>Total</b>	<b>\$866,000</b>		<b>\$866,000</b>

**DISCUSSION:** Once completed and available for occupancy this project will add 4 units to the 88 units in the DHS supportive housing inventory. This project also addresses several County Affordable Housing Targets:

- Goal # 1 Balanced Assistance - - Balance support for the elderly and persons with disabilities with a transitional safety net for families with children.
  - This project serves persons with disabilities
- Goal # 4 Serious Housing Needs - - Reduce the number of households in serious housing need (defined as those earning below 40% of area median income)
  - The residents of the project will earn less than \$26,480 which is 40% of area median income

Providing RPJ with a construction loan now will expedite the construction process and help ensure that housing is available to DHS consumers on a timely basis

**Citizen Comments:** The Community Development Citizens Advisory Committee will meet on September 5, 2007 and will provide a separate letter indicating their recommendations or endorsement of the County Manager’s recommendation to allocate an additional \$200,000 in CDBG funds for the renovations of the residential group home.

**Loan Terms and Conditions:** The County will lend up to \$50,000 in CDBG funds to RPJ or its designated affiliate, in the form of a deferred-payment loan for 60 years in order to renovate the property and up to \$150,000 as a short term construction loan, repaid upon permanent financing... The deferred-payment CDBG loan is due only upon sale of the property, cash-out refinancing, or change of use, and requires repayment of a prorated share of the sales price or fair market value as determined by a County approved appraisal.

**FISCAL IMPACT:** None. There is no impact to net tax support. The \$200,000 allocation from the CDBG Housing Development Fund will result in an unencumbered balance of \$1,042,181.