



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of October 13, 2007**

DATE: September 21, 2007

SUBJECT: Modification of Affordable Housing Investment Fund (AHIF) Loan Terms and Conditions to AHC Inc. for the Gates of Ballston Project.

RECOMMENDATION:

Approve an increase in the subordination of the AHIF loan to AHC, Inc., or its designated County-approved ownership affiliate, during the period of construction of the Gates of Ballston Community Center in order to accommodate additional construction loan financing.

ISSUE: Should the County allow its AHIF loan to be subordinate to an increase of AHC's primary mortgage?

SUMMARY: AHC, Inc. has requested the County to subordinate its existing AHIF loan to an additional \$3,000,000 of financing from the Virginia Housing Development Authority (VHDA). AHC is borrowing additional funds from VHDA in order to complete its new community center. The request would have the net effect of increasing VHDA's mortgage loan from \$21 million to \$24.0 million and increasing the total funds senior to the AHIF lien from \$50 million to up to \$53.0 million.

BACKGROUND: On November 16, 2004, the County Board approved an AHIF/HOME loan of up to \$8,500,000 to provide financing assistance for the refinancing and renovation of the Gates of Ballston apartments. The project consists of 464 apartments that AHC purchased in 2002 and held as it worked with the community and County to develop its renovation plan. A new community center was added as part of the plan. The community center would house both AHC and Arlington County Department of Human Services programs, as well as provide office and additional space for other community purposes.

On June 13, 2005, AHC closed on its financing and began renovations. Due to impending project time constraints to close on the financing and begin renovations, the decision was made by stakeholders back in Spring 2005 not to fund the development of a new community center at that time, but to allow ample time to plan, design and finance a new community center at a later date and time. It was understood in 2005 that AHC would need to obtain additional financing in

County Manager: _____

County Attorney: _____

Staff: David Cristeal and Marie Randall, DCPHD
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the future to build this center. In early 2007, VHDA, AHC and Arlington County recommitted to the development of the new community center at the Gates of Ballston. AHC will develop the community center on land that neither encroaches on residential units nor requires the demolition of any existing structures. Initial site-work has begun.

DISCUSSION: AHC will borrow up to an additional \$3.5 million from VHDA to build the new community center. The increase of \$3.0 million in VHDA funding to the Gates of Ballston redevelopment project increases the VHDA original loan from \$21.0 million to \$24.0 million and increases the total amount of debt senior to the AHIF loan amount from \$50.0 million to \$53.0 million. RBC Centura (RBC), the letter of credit provider on the Gates of Ballston bonds, controls a \$29.0 million second mortgage on the project also senior to the \$8.5 million AHIF loan. Below is summary of Gates of Ballston sources of debt funding. These numbers exclude equity funding (\$30.0 million) and the AHIF loan amount of \$8.5 million.

Current Allocation of Debt Funds (in order of seniority):

VHDA Original Loan Amount:	\$21.0 million
<u>RBC Second Mortgage:</u>	<u>\$29.0 million</u>
Total Funds Senior to AHIF:	\$50.0 million

Proposed Allocation of Debt Funds:

VHDA Original Loan Amount:	\$21.0 million
VHDA Increase:	\$3.0 million
<u>RBC Second Mortgage:</u>	<u>\$29.0 million</u>
Total Funds Senior to AHIF:	\$53.0 million

The additional funds provided by VHDA will allow AHC to build the community center without any additional County funds.

Terms and Conditions

1. The applicant shall provide amended AHIF Program Agreement, loan, and subordination instruments for the County loan in a form acceptable to the County Manager and the County Attorney.
2. The \$8,500,000 AHIF loan shall be subordinate to AHC's permanent financing not to exceed \$53,000,000 for the remainder of the permanent financing terms.

FISCAL IMPACT: None.