



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of December 15, 2007**

DATE: November 26, 2007

SUBJECTS: Allocation of Fiscal Year (FY) 2008 HOME Investment Partnership Program (HOME), Community Development Block Grant (CDBG) and DHS supportive housing funds to assist with the acquisition and rehabilitation of 1700 S. Garfield Street apartments by Robert Pierre Johnson Housing Development Corporation.

C. M. RECOMMENDATIONS:

1. Allocate up to \$928,323 of HOME funds (101.91102) to Robert Pierre Johnson Housing Development Corporation (RPJ) (101.456300.91102.GARF.HM05.6HKD and 101.456300.91102.GARF.HM06.6HKD) to assist in the acquisition of a 9-unit apartment building located in the Nauck neighborhood. The financing assistance is in the form of a subordinated loan to RPJ, subject to the terms and conditions outlined in this report.
2. Allocate up to \$401,861 from the CDBG Housing Development Fund (206.456300.72405.0000.0668.68DA) to RPJ (206.456300.72405.GARF.0668.6HKD) as a bridge loan to assist in the acquisition of the property. Of this total amount, up to \$120,000 may remain as a deferred portion of the permanent financing package.
3. Allocate \$50,000 in DHS supportive housing funds as a grant to assist with adapting one of the units to be accessible.
4. Authorize the County Manager to execute the required documents for a loan of up to \$928,323 in HOME funds and a \$401,861 CDBG loan to RPJ, subject to approval by the County Attorney. Authorize the County Manager or his designees to negotiate and sign a grant agreement to provide RPJ with \$50,000 in DHS supportive housing funds, with the approval of the County Attorney.
5. 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 Manager: _____

County Attorney: _____

Staff: Sarah Pizzo, Jane Eboch, CPHD, Housing Division
Cynthia Stevens, DHS, Supportive Housing

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: Should the County provide HOME and CDBG loans and a grant to RPJ for the acquisition and rehabilitation of a 9-unit apartment building?

SUMMARY: RPJ, an Arlington based non-profit, has requested up to \$928,323 HOME funds and \$401,861 in CDBG Housing Development Funds to be combined with other resources for the acquisition of a 9-unit property in the Nauck neighborhood. The Department of Human Services (DHS) recommends a grant of \$50,000 in DHS supportive housing funds to assist in converting one unit to be fully handicapped accessible. Two of the nine units (including the accessible unit) will be permanent supportive units for DHS clients. RPJ secured a contract on the property in October 2007 and plans to acquire it in late December 2007. RPJ will then rehabilitate the apartment interiors and exterior as outlined below. RPJ's plan to replace windows and roofs is expected to increase overall energy efficiency and result in lower utility bills.

BACKGROUND: The property at 1700 S. Garfield Street is a two-story garden apartment building built in 1965 and is located in the Nauck neighborhood (see map attached.) It consists of seven one-bedroom, one two-bedroom and one three-bedroom units. RPJ has a purchase contract on the property and has discussed rehabilitation plans with staff. The County's contracted architect has conducted a feasibility analysis of the renovations and endorses the proposed rehabilitation.

Rehabilitation Plan: RPJ proposes the following rehabilitation plans:

- interior rehabilitation of kitchens, baths, living rooms and bedrooms, including new fixtures and appliances in each unit;
- upgrade of electrical service and replacement of heating/air conditioning units;
- exterior improvements including window replacement, roof replacement, brick point-up, exterior lighting upgrade, and balcony repairs;
- site improvements such as repaving driveway and parking areas, landscaping, and signage; and
- a one-bedroom unit on the ground floor will become fully handicapped accessible.

Proposed Affordable Housing Plan: Eight of the units will be designated as HOME units, six of which will be affordable to households at up to 60% of Area Median Income (AMI) (up to \$45,360 for a family of two) and two of which will be affordable at 50% AMI (up to \$37,800 for a family of two). The two 50% units will be supportive units and the rents will be subsidized with Housing Choice Project Based Vouchers (HCPBV). The ninth unit will remain affordable at up to 60% AMI but will not be subject to HOME regulations.

Handicapped Accessibility: One of the one-bedrooms will be a fully accessible, supportive unit.

County Funds Requested: RPJ is requesting a HOME loan of \$928,323 and a CDBG loan of \$401,861, of which approximately \$291,070 is to be repaid upon permanent financing of the project. DHS is making a grant of \$50,000 from DHS supportive housing funds for the purpose

of making accessibility improvements for persons with mental retardation/developmental disabilities. Rents of the two supportive housing units will be subsidized with Housing Choice Project-Based Vouchers (HCPBV) administered by the County Section 8 Office.

Proposed Construction Period Financing Plan:

SOURCES OF FUNDS:		USE OF FUNDS:	
Commercial Construction Loan	\$ 663,413	Acquisition	\$ 1,350,000
HOME	\$ 928,323	Reimbursement of RPJ	\$ 25,000
CDBG	\$ 401,861	Acquisition Soft Costs	\$ 30,184
DHS	\$ 50,000	Const. Hard and Soft Costs	\$ 663,413
RPJ	\$ 25,000		
Total Sources	\$ 2,068,597	Total Uses	\$ 2,068,597

Proposed Permanent Financing Plan:

SOURCES OF FUNDS:		USE OF FUNDS:	
VHDA SPARC	\$ 400,000	Pay off Commercial Construction Loan	\$ 663,413
VHDA REACH	\$ 572,000	Pay off CDBG HDF	\$ 291,070
HOME	\$ 928,323	Continue remainder of CDBG	\$ 110,791
CDBG	\$ 110,791	Continue HOME	\$ 928,323
DHS	\$ 50,000	Continue DHS	\$ 50,000
		Soft Costs	\$ 17,517
Total Sources	\$ 2,061,114	Total Uses	\$ 2,061,114

DISCUSSION: This project will provide nine units of permanent, affordable housing, including two supportive housing units. The small scale of the project prohibits it from obtaining Low Income Housing Tax Credits, therefore increasing the gap financing needed. Although the acquisition of this property has a combined higher than the average subsidy amount per unit, the amount per unit that will remain in long-term financing is comparable to recent projects:

- RPJ will pay an acquisition price per unit of \$150,000.
- RPJ’s HOME request is within the maximum subsidy amount per unit for the HOME program. Currently, Arlington has unspent HOME funds in need of commitment before the end of this fiscal year.

- At the time of permanent financing by Virginia Housing and Development Authority (VHDA), approximately \$291,070 of the requested \$401,861 in CDBG HDF will be repaid to the County.
- RPJ will receive \$972,000 in permanent financing for the project by VHDA.

The proposed project has the following benefits:

- All nine units in the project will become committed affordable units for households earning up to 60% AMI.
- Two supportive housing units, made available to DHS clients, will be provided, one of which will be fully accessible.
- Rents for the supportive units will be subsidized with HCPBV and serve households earning up to 50% AMI.
- RPJ fills a niche for acquisition and rehabilitation of small rental properties. AHC and APAH concentrate on large properties because smaller projects like this one are not as efficient.

Affordable Housing Policy: This proposal meets several of the County Board adopted Housing Goals and Targets, as follows:

Goal 1. Support for persons with disabilities through two supportive housing units, one being fully accessible;

Goal 2. Safe and decent housing (all of the units will be renovated, improving their livability and increasing their lifespan);

Goal 3. Maintain the supply of affordable market rate units (the AHIF/HOME loan agreement will ensure affordability for 30 years); and

Goal 5. Increase the number of units with two or more bedrooms (1 two-bedroom unit and 1 three-bedroom unit).

Supportive Housing Plan: This project fulfills the Supportive Housing Plan strategy # 2 that calls for a portion of committed affordable rental units supported by County funds to be designated as supportive housing and linked to rental subsidy programs.

Relocation: Currently, two of the nine units are vacant. During the rehabilitation the tenants in remaining seven occupied units will be temporarily relocated and will not be displaced. The relocation plan will be reviewed by the Tenant Landlord Commission, which will send a letter to the County Board.

Schools Impact: The proposed redevelopment should have little to no impact on school population. Only one household of the currently occupied units has school age children.

Civic Association/Community Process: RPJ will meet with representatives of the Nauck Neighborhood Association on December 3rd to discuss its plans.

Housing Commission: RPJ will meet with the Citizens Advisory Commission on Housing (HC) on December 6th. The Commission will send a separate letter to the County Board with its recommendation for this project.

Community Development Citizens Advisory Committee (CDCAC): The Committee will review the recommended allocation of CDBG Housing Development funds at its meeting on Wednesday, December 5th. A letter regarding its recommendations will be sent to the County Board.

Loan Terms and Conditions: Allocate up to \$928,323 in FY 2008 HOME funds to RPJ as a loan to assist with the acquisition of a 9-unit buildings located at 1700 S. Garfield Street; allocate up to \$401,861 in CDBG; and allocate \$50,000 of DHS supportive housing funds to RPJ as a grant to assist with the conversion of one unit to be fully accessible, subject to the following terms and conditions:

1. The County Board's commitment of the HOME loan and the CDBG HDF loan to RPJ is a Conditional Commitment contingent on the completion of the Environmental Review Process and receipt by the County of a release of funds from HUD under 24CFR Part 58.
2. The applicant shall execute a generally standard AHIF/HOME Program Agreement and loan instruments for the County loan in a form acceptable to the County Manager and the County Attorney.
3. The applicant shall execute a generally standard CDBG Program Agreement and loan instruments for the County loan in a form acceptable to the County Manager and the County Attorney.
4. The \$928,323 HOME funds shall be in the form of a loan, secured by a deed of trust, with 0% interest and payment deferred to 5 years, after which payments will be made on a residual receipts basis by splitting the cash flow 50/50 over a term of 30 years. The loan will be due or renegotiable at the option of the County in year 30.
5. The County will lend up to \$401,861 in CDBG funds to RPJ or its designated affiliate in the form of a loan: a.) Of this total amount, up to \$120,000 will be a subordinate residual receipts loan subject to the same terms and conditions in #4 above. b.) The balance will be a short-term loan repaid upon permanent financing. c.) In the event that the owner realizes a gain through sale of the property, cash-out refinancing, or change of use, it shall repay the County a prorated share of the sales price or fair market value as determined by a County approved appraisal.
6. The applicant must secure all commitments of remaining funds to complete the development budget prior to disbursement of any funds from the County.
7. The affordable housing set-aside for the rental units will be as follows: two of the rental units will be affordable to households earning up to 50% of the AMI and seven of them will be affordable to households earning up to 60% of the AMI, all for 60

- years. The developer agrees that the affordable rents shall be established in accordance with HUD rent limits set for Arlington County. Rents shall not exceed the established affordability level for the unit size, minus a utility allowance (if applicable) as per schedule annually approved by HUD for Arlington's Section 8 Housing Choice Voucher Program.
8. For the full term of the HOME loan, RPJ or its designee agrees to designate two units (one of which will be fully accessible) for DHS clients who need supportive housing. Housing Choice Project Based Vouchers will subsidize the rents of these units.
 9. The HOME Agreement between the County and RPJ or its designated ownership affiliate shall include an Affirmative Marketing Plan in substantially that form as required by HUD for the federal HOME program and including, at a minimum, the elements specified in the Developer's final Affordable Housing Plan and Affirmative Marketing Plan.
 10. The developer agrees to provide one affordable one-bedroom unit as Type A dwelling units in compliance with the International Construction Code (ICC) 1107.5.4 and American National Standards - ANSI A117.1 for persons with physical disabilities.
 11. The applicant, heirs or assigns shall provide a purchase option including a right of first refusal to the County or its designee, if RPJ decides to sell the property any time prior to the repayment of the approved County loan, 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, less outstanding principal on County loan.

FISCAL IMPACT: The current unallocated AHIF/HOME balance for FY 2008 is \$6,311,350. If \$928,323 in HOME is allocated, the unallocated balance will decrease to \$5,383,027. The CDBG Housing Development Fund balance for FY 2008 is \$958,705. If \$401,861 in CDBG HDF funds is allocated for this project, the balance will decrease to \$556,844. The \$50,000 grant from DHS is already included in DHS's FY 2008 base budget for supportive housing.

1700 S. Garfield Street

