



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of January 26, 2008

**DATE:** January 4, 2008

**SUBJECT:** Allocation of Fiscal Year (FY) 2008 Affordable Housing Investment Fund (AHIF) funds and Department of Human Services (DHS) supportive housing funds to the AHC, Inc. (AHC) to assist with the construction of the Macedonia Apartments.

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

1. Allocate up to \$2,960,000 in FY 2008 AHIF/HOME funds (101.495130.91102) to AHC or its designated County-approved ownership affiliate (101.456300.91102), to assist with the construction of the Macedonia Apartments. The financing assistance is in the form of a subordinated, residual receipts loan, subject to the terms and conditions outlined in this report.
2. Allocate \$40,000 in DHS supportive housing funds as a capital grant to assist with the construction of the Macedonia Apartments.
3. Authorize the County Manager to execute the required documents for a loan of up to \$2,960,000 to AHC or its County-approved affiliate, 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 or his designees to negotiate and sign a grant agreement to provide AHC with \$40,000 in DHS supportive housing funds as a capitol grant, 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'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 a loan and grant to AHC for the construction of 36 committed affordable units named the Macedonia Apartments?

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

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

Staff: Maureen Markham, David Cristeal, CPHD, Housing Division  
Cynthia Stevens, DHS, Supportive Housing

Report Date: January 4, 2008

**SUMMARY:** This is an Affordable Housing Investment Fund (AHIF) request to build a 36-unit four-story apartment complex. The apartment complex would consist of 19 one-bedroom, and 17 two-bedroom units at rents affordable to households at 60% and 50% of the Area Median Income (AMI). The building would also include office space for the Bonder & Amanda Johnson Community Development Corporation and a small business incubator. The complex would provide one level of below-grade parking (41 spaces). The applicant is also requesting a Use Permit that is required in order to develop the proposed apartment complex. The Department of Human Services (DHS) recommends a grant of \$40,000 in DHS Supportive Housing funds to assist in constructing four permanent Supportive Housing units. The four permanent supportive units will be subsidized with either Housing Choice Project Based Vouchers (HCPBV) or Local Supportive Housing Rental Assistance. The development represents a collaboration between AHC, the Macedonia Baptist Church and the Bonder and Amanda Johnson Community Development Corporation (BAJCDC).

**BACKGROUND:** The Macedonia Apartments is a multifamily 100% affordable rental development which will contain 36 total units including an underground parking garage, office space for BAJCDC and space for a small business incubator. The new structure has been designed to fit within the Nauck Village Center Action Plan, with input from the Nauck Revitalization Association and the Nauck Civic Association. The development site is comprised of three parcels: 2219 and 2237 Shirlington Road are vacant parcels and 2229 Shirlington Road contains a single family home/office that currently houses the Bonder and Amanda Johnson Community Development Corporation. BAJCDC will relocate into the office space portion of the complex.

The Macedonia Apartment properties were acquired by the Macedonia Baptist Church in 1999, 2003 and 2006 for the intent purpose to revitalize the Nauck neighborhood and provide affordable housing to area residents. AHC is the Development Manager for the project. The Church and AHC are creating a nonprofit entity, the Shirlington Road Development Corporation, that will be the general partner in a Low Income Housing Tax Credit (LIHTC) limited partnership. Land beneath the Macedonia Apartments will continue to be owned by the Church. A land-lease will be charged to the Macedonia Apartment limited partnership for the fifteen-year federal compliance period, after which the Macedonia Apartments will revert from the limited partnership's ownership to the nonprofit for the remainder of the LIHTC affordable compliance period.

**Proposed Affordable Housing Plan:** Macedonia Apartments is a 100% affordable housing development. The housing program will include 19 one-bedroom and 17 two-bedroom apartments. Eight units (three 1-bedrooms and five 2-bedrooms) are reserved for households at 50% of the area median income (AMI) and 28 units (sixteen 1-bedrooms and twelve 2-bedrooms) will be at the 60% AMI level. Four of the 60% units will be supportive housing units and the rents will be subsidized with either Housing Choice Project Based Vouchers (HCPBV) or Local Supportive Housing Rental Assistance, whichever of the two subsidies are available at the time of project completion.

**Handicapped Accessibility:** Two (2) of the units will be fully accessible as mandated under the Americans with Disabilities Act (ADA) requirements.

**Proposed Unit Mix and Rents:**

Unit Size	Number of Affordable Units		Monthly Rent w/o utilities
	60% AMI	50% AMI	
1-Bedroom	16 units		\$982
1-Bedroom		3 units	\$805
2-Bedroom	12 units		\$1,165
2-Bedroom		5 units	\$952
<b>Total</b>	28 units	8 units	

**County Funds Requested:** AHC is requesting a County loan of up to \$2,960,000 at an annual interest rate of 4% for up to 30 years, secured by a subordinated deed of trust and payable from the residual cash flow. The County's AHIF loan is part of an overall financing package that totals \$14,952,295. DHS is making a grant of \$40,000 from its supportive housing funds to assist with construction costs. Substantial resources will be obtained through the Virginia Housing Development Authority (VHDA), including up to \$7,123,575 in tax credit equity, a REACH (Resources Enabling Affordable Community Housing) loan of at least \$800,000 at 2.25% interest for 35 years, and a VHDA bond-financed first trust mortgage for at least \$2,485,000 at 7.0% interest for 35 years. AHC will defer approximately 50% of the developer fee, to be paid from project cash flow over 15 years. Uses of funds include hard construction costs of \$9,997,478, related soft costs of \$1,816,617, acquisition and closing costs of \$1,778,900 and a developer fee of \$1,359,300. Soft costs represent approximately 26% of total project costs.

**Proposed Financing Plan**

Macedonia Apartments will be funded with 9% low income housing tax credits (LIHTC's), VHDA Reach and AHIF loan funds. AHC will submit the Macedonia Apartments' tax credit application to VHDA in February 2008, with anticipated VHDA approval by May 2008.

SOURCES OF FUNDS:		USES OF FUNDS:	
Acquisition Value	\$ 1,000,000	Acquisition	\$ 1,000,000
Tax Credit Equity	\$ 7,123,575	Const./Hard Costs	\$ 9,997,478
VHDA Bond	\$ 2,485,000	Const. Related Soft Costs	\$ 1,816,617
VHDA REACH.	\$ 800,000	Development Fee	\$ 1,359,300
AHIF/HOME	\$ 2,960,000	Other Soft Costs	\$ 778,900
DHS Supportive Housing funds	\$ 40,000		
Deferred Developer Fee	\$ 543,720		
<b>Total Sources</b>	<b>\$ 14,952,295</b>	<b>Total Uses</b>	<b>\$ 14,952,295</b>

**DISCUSSION:** The project creates additional much-needed family-sized affordable housing units. Seventeen of the thirty-six units will be 2-bedroom units for families. This is a mixed income project that includes units targeted to 50% AMI (8 units), and 60% AMI (28 units; 4 of which are rent-assisted). The project provides four supportive housing units, targeted for persons with disabilities with extremely low income households; rents for these units will be subsidized by project-based Housing Choice Vouchers or Local Supportive Housing Rental Assistance.

The project leverages significant funds and resources to provide affordable housing benefits to Arlington County including property valued at \$1,000,000, an allocation of tax credit equity that will raise up to \$7,123,575, and anticipated VHDA financing of \$3,285,000. Arlington County's share of this financial package is approximately 22%. In other words, AHIF dollars will leverage other sources by about \$4 for every \$1 of County funds.

The partnership that is sponsoring this project, including the Macedonia Baptist Church, the Bonder and Amanda Johnson Community Development Corporation, and the Arlington Housing Corporation, embodies a collaboration of community-based groups taking pro-active steps to improve their own social and economic condition. It represents a "best-practice" example of self reliance and determination, and helps to build the capacity of those groups within a classic community development framework.

In summary, the project has the following advantages for Arlington County:

- Adds 36 units to the CAF inventory in the County;
- Creates 17 additional family-sized units (Already included in the 36 units mentioned above).
- Provides four permanent supportive housing units for DHS clients
- Promotes the revitalization of an underserved Neighborhood Strategy Area
- Helps to actualize the Nauck Village Center Action Plan
- Builds the capacity of Arlington's community-based nonprofit groups
- Leverages significant resources in the amount of approximately \$4 for every \$1 of County funds.

**Affordable Housing Goals:** This proposal meets several of the County Board adopted Housing Goals and Targets, as listed below:

- The project provides 36 units of committed affordable housing in the Nauck Revitalization area (Goal 3/Target 3C);
- The project provides 4 supportive housing units for persons with disabilities, targeted to extremely low income households and subsidized by project-based Housing Choice Vouchers or Local Supportive Housing Rental Assistance (Goal 4/Target 4B).
- The project would include 17 2-bedroom units (Goal 5/Target 5A).
- The project would be located in Nauck (Goal 6/Target 6A).

**Supportive Housing Plan:** This project adds 4 units to the supportive housing inventory increasing the total inventory to 194. It fulfills 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.

**Schools Impact:** Arlington Public Schools (APS) projects the impact on schools at 18 students. APS estimates the breakdown split as 50% elementary (Drew, 9 students), 20% middle (Gunston, 4 students) and 30% high school (Wakefield, 5 students) students. As such the proposed redevelopment should have minimal impact on school population.

**Civic Association/Community Process:** The new structure has been designed to fit within the Nauck Village Center Action Plan, with input from the Nauck Revitalization Association and the Nauck Civic Association. There is no known opposition to the project.

**Housing Commission:** Macedonia and AHC will meet with the Citizens Advisory Commission on Housing (HC) on January 17, 2008. The Housing Commission will send a separate letter to the County Board with its recommendation for this project.

**Loan Terms and Conditions:** Allocate up to \$2,960,000 of AHIF/HOME funds to AHC or its designated County-approved ownership affiliate and allocate \$40,000 of DHS supportive funds to assist with the construction of the Macedonia Apartments as described in this report, subject to the following terms and conditions:

1. The County Board's commitment of the AHIF/HOME loan and the DHS supportive housing grant to AHC is a Conditional Commitment contingent on the successful reservation of tax credit equity in an amount no less than \$7,123,575, and 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 DHS Grant Agreement and 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 \$2,960,000 AHIF/HOME loan shall be in the form of a subordinated residual receipts loan, secured by a deed of trust, and repayable from the cash flow of the property. This loan will be made at an interest rate of four percent (4%), compounded annually over a term of 30 years. The loan may be subordinated to all other debt listed in the proposed financing plan as shown on page 3 of this report.
4. The applicant must secure all commitments of remaining funds to complete the development budget prior to disbursement of any funds from the County.
5. The affordable housing set-aside for the rental units will be as follows: eight of the rental units will be affordable to households earning up to 50% of the AMI; and 28 units will be affordable to households earning up to 60% of the AMI, all for 60 years, as set forth in the chart on page 3 of this report. 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.

6. For the full term of the County loan, AHC or its designee agrees to designate four units for DHS clients who qualify for permanent supportive housing. Housing Choice Project Based Vouchers or Local Supportive Housing Rental Assistance will subsidize the rents of these units.
7. The AHIF/HOME Agreement between the County and AHC 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.
8. The applicant, including any successors in interest, shall provide a purchase option including a right of first refusal to the County or its designee, if AHC and/or the Macedonia Baptist Church 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 \$5,383,027. If \$2,960,000 in AHIF is allocated, the unallocated balance will decrease to \$2,423,027. The \$40,000 grant from DHS is already included in DHS's FY 2008 base budget for supportive housing.

**Location of Macedonia Apartments**  
(crosshatched parcels 2219, 2229 and 2239 Shirlington Road)



Note: The Shelton, the AHC development of 94 affordable apartments, is currently under construction to the south on the parcels on the west side of Shirlington Road (beginning with 2300 and 2308).