



ARLINGTON COUNTY, VIRGINIA

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

DATE: January 7, 2008

SUBJECT: Allocation of Community Development Block Grant (CDBG) Housing Development funds to Borromeo Housing Inc. (BHI) to purchase a home for transitional housing for homeless teenage mothers and their babies.

C. M. RECOMMENDATIONS:

1. Allocate up to \$300,000 to Borromeo Housing Inc. (206.456300.72405.0000.0668.6HBR) from CDBG Housing Development Fund (206.456300.72405.0000.0668.68DA) to assist with the acquisition of a single family home in Barcroft. The financing assistance is in the form of a loan to BHI, subject to the terms and conditions (Attachment A) and to the conditions outlined in the Board Report for the Use Permit U-3191-07-1.
2. Authorize the County Manager to execute the required documents for a loan of up to \$300,000 to BHI, 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, prior to or after execution of the County's financing documents.

ISSUE: Should the County provide a loan to Borromeo Housing Inc. for transitional housing for homeless teenage mothers and their babies?

SUMMARY: Borromeo Housing Inc. (BHI), an Arlington based nonprofit, has requested up to \$300,000 from the CDBG Housing Development Fund (a revolving loan fund) to be combined with other resources to purchase a home for a transitional housing program. Elizabeth House is a

County Manager: _____

County Attorney: _____

Staff: Jane Eboch, CPHD, Housing Division; Tony Turnage, DHS, EID

program that provides safe shelter, counseling, and support to enable homeless teenage mothers to become productive, independent women and mothers.

BACKGROUND: For 17 years BHI has operated a small, successful program called Elizabeth House that serves young homeless women, pregnant or caring for an infant. Originally founded by women from St. Charles Borromeo Catholic Church, the program operates in apartments through cooperative relationships within the housing community. BHI has a strong donor base of individuals and foundations that provide the majority of the operating revenue. More than \$100,000 has been donated to BHI for its capital expenses related to acquiring a home. BHI does not anticipate making extensive renovations to the property.

DISCUSSION: The model proposes to shelter four (4) young mothers and their children (up to eight persons total) in their first two years of the program. This close-knit closely supervised environment would most appropriately address their needs for structure, guidance, companionship, and subsidy. Twenty four hour a day supervision will be provided by a house mother who is a graduate of the program.

Upon the third year in the program, young women would be transitioned to apartments. At the apartments, residents would begin paying 30% of their income and the majority of their utility, grocery, and household costs. Residents of the apartments would be invited to participate in group activities at the house and required to meet with staff on a weekly basis.

Financing Plan: The following budget has been developed for the purchase of the home.

SOURCES		USE OF FUNDS	
Individual Donors	\$ 150,000	Purchase Price	\$ 545,000
CDBG	\$ 300,000	Interest	\$ 14,700
Corporate Donor.	\$ 80,000	Closing Costs	\$ 10,000
Private Foundation Development Fund	\$ 60,000	Improvements and Furnishing	\$ 20,000
Total Sources	\$ 590,000	Total Uses	\$ 589,700

Other Program Funding: The Department of Human Services (DHS) has provided BHI with transitional housing grants funds for the past two years (FY 2007 and FY 2008). Annually, \$8,000 has been provided as a rental subsidy to assist up to four (4) families and DHS expects to provide the same level of County funding in FY 2009.

BHI was awarded \$40,000 AHIF Housing Services funds in FY 2008 to support expansion of the Elizabeth House transitional housing program, and CPHD expects to provide \$20,000 AHIF Services funds in FY 2009.

Housing Policy Goals: This project serves families with children.

Goal # 1 Balanced Assistance - - Balance support for the elderly and persons with disabilities with a transitional safety net for families with children.

CITIZEN COMMENT: The Community Development Citizens Advisory Committee (CDCAC) considered this proposal at its meeting on Wednesday, January 9, 2008. The Committee supported the County Manager's recommendations in a memo conveyed to the Board under separate cover.

The proposal was referenced in the January issue of the Barcroft community newsletter. BHI staff met with the Barcroft Civic Association at its regular January meeting and a special meeting held on January 13, 2008, to describe the proposed program and activity. Several persons in attendance expressed concern about the proposed use. Issues related to overcrowding have arisen at a nearby property on S. Ninth Street. Other residents were supportive of the proposal.

FISCAL IMPACT: The unobligated balance of the CD Housing Development Fund is \$612,916. Approval of staff recommendation in an amount of up to \$300,000 would result in a balance of \$312,916.

LOAN TERMS AND CONDITIONS

1. This financing assistance is in the form of a zero percent (0%) interest rate 60-year deferred-payment loan, secured by the property (located at 4624 S. Ninth Street) in the form of a lien on the property, recorded in the land records, and only as long as the program is operated according to the terms and conditions outlined in the Board Report for Use Permit U-3191-07-1.
2. Should BHI choose to sell or transfer the property prior to the expiration of the 60 year loan period, the loan becomes immediately due and payable as follows:
 - a. The sale or transfer must be a bona fide purchase or transfer at fair market value and must be approved by the County Manager in advance of such transaction.
 - b. If the County Manager determines that the transaction is of a bona fide nature and at fair market value and the resultant sale is at a market rate of less than \$589,700, the County shall receive repayment of \$300,000, less actual and reasonable selling expenses, if any, from the proceeds; or
 - c. If the County Manager determines that the transaction is of a bona fide nature and at fair market value and the resultant sale is at a market rate of more than \$589,700, the County shall receive repayment of 51% of the sales price.
- 3 BHI shall execute a CDBG Program Agreement and loan instruments for the County loan acceptable to the County Manager and the County Attorney and consistent with the County Board actions.
4. The allocation is contingent upon completion of an Environmental Review Record and release of funds by HUD.
5. Use of the property as transitional housing cannot be changed without prior County Board approval.
6. Should the property cease being used as Elizabeth House, the County may recall the loan at which point the County would be repaid \$300,000.
7. BHI must secure all remaining funds to complete the development budget prior to disbursement of any funds from the County.

8. BHI, heirs or assigns shall provide a purchase option including a right of first refusal to the County or its designee, if BHI 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. If the owner's 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.
9. The project is subject to the terms and conditions outlined in this report and to the conditions outlined in the Board Report for the Use Permit U-3191-07-1