



## ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item  
Meeting of November 17, 2012**

**DATE:** October 26, 2012

**SUBJECT:** Approval of extension of notes issued for Buckingham Village 3 acquisition

**C. M. RECOMMENDATION:**

1. Adopt the attached resolution approving the extension of the maturity of the \$9,666,099 Variable Rate Revenue Note (Taxable) Series 2010A and \$26,000,000 Fixed Rate Revenue Note (Taxable) Series 2010B (the "Notes") issued through the Industrial Development Authority ("IDA") to acquire Buckingham Village 3.
2. Authorize the County Manager to execute the required documents, including but not limited to a Notes and Support Agreement, and to approve details of the financing as discussed in the attached resolution and described in this report.

**ISSUES:** This is a request for the County Board to authorize a seven month extension of maturity of the outstanding short-term notes originally issued to finance the acquisition of Buckingham Village 3.

**SUMMARY:** In May 2010, the County executed two short-term (32-month) notes in the aggregate amount of \$35,666,099, with Bank of America which were used to refinance approximately \$36 million that was originally issued in March 2009 with SunTrust Bank to acquire the land and property known as Buckingham Village 3.

The County intends to permanently finance the outstanding notes with fixed-rate revenue bonds issued through the IDA. This issuance will also include funding for the acquisition of land and property at 2020 14<sup>th</sup> Street North, Arlington, VA 22201 for a proposed homeless shelter and County office space. Given the timing of the two projects, this seven month extension of the outstanding Notes will allow for both projects to be included in a single issuance, saving the County on associated transaction fees and costs.

County Manager:

*BMD/mjs*

County Attorney:

*[Handwritten signatures]*

**30.**

Staff: Jason Friess, Department of Management and Finance

Except for the extension of maturity, the terms of the original Notes will remain unchanged. On the \$9,666,099 Variable Rate Revenue Note (Taxable) Series 2010A, debt service will continue to be at a rate equal to 1-Month LIBOR plus 1.20%. Over the past two years, 1-Month LIBOR has fluctuated between 0.35% and 0.21%. On the \$26,000,000 Fixed Rate Revenue Note (Taxable) Series 2010B, debt service will continue to be fixed at 2.98%. Funds to pay FY 2013 debt service (budgeted at \$1.8 million) on the existing Notes have been allocated from the Affordable Housing Investment Fund (AHIF). Below is a summary of the terms of the current Notes:

<b>TERM</b>	<b>DESCRIPTION</b>
Amount	\$35,666,099
Security	<ol style="list-style-type: none"> <li>1. Support Agreement between the County and the IDA stipulating that the IDA will receive annual payments from the County, subject to appropriation by the County Board, in an amount sufficient to pay debt service and fees</li> <li>2. Pledge of a debt service reserve in an amount equal to six months' debt service and funded from note proceeds</li> </ol>
Maturity	December 2012 ( <b>Requesting extension to 6/30/2013</b> )
Prepayment Option	<p>Fixed Rate Note: In whole, but not in part, on the first business day of any month by payment of an amount equal to principal outstanding plus accrued interest to the date of prepayment.</p> <p>Variable Rate Note: In whole or in part at any time without premium or penalty upon payment of the principal amount to be paid plus accrued interest to the date of prepayment.</p>
Interest Rate	<p>Fixed – 2.98%</p> <p>Variable – London Interbank Offering Rate (LIBOR) plus 120 basis points, reset on a monthly basis.</p>
Amortization	Interest only; principal due at maturity

**BACKGROUND:** In June 2007, the County Board approved the acquisition of Buckingham Village 3, a residential development on a 5.4 acre parcel, including 16 residential buildings with 140 units of affordable and historically significant housing. The County closed on the \$34.5 million acquisition in March 2009 and simultaneously leased the property to Telesis / NHT for a 75 year term.

The County's initial acquisition financing in March 2009 occurred during extremely difficult and volatile market conditions, particularly for commercial banks. The County was successful in securing financing with SunTrust Bank in a very short timeframe and with favorable interest rates, but the terms included a requirement that the County pledge a first deed of trust on the

property (which means that repayment of the SunTrust note would have priority over any other loan). Because the first deed of trust would have priority over any financing that Telesis / NHT could secure via their ground lease interest in the property, the first deed of trust could prevent Telesis / NHT from securing financing in a timely manner or result in substantially more onerous terms.

In order to eliminate this onerous requirement, in May 2010, the County refinanced the original SunTrust financing with the Bank of America Notes for a 32 month term. These Notes were issued in two series, a taxable \$9,666,099 Variable Rate Revenue Note (Series 2010A) and a taxable \$26,000,000 Fixed Rate Revenue Note (Series 2010B). A portion of the debt was issued as variable rate since the structure of this Note would permit the County to redeem a portion of the outstanding debt without penalty prior to maturity. Telesis / NHT's was scheduled to make two lump-sum payments to the County at the time of construction financing and permanent financing. In August 2010, \$600,000 was received at the time of construction financing and was used to pay down the Notes, leaving \$35,066,099 outstanding. It is expected that, prior to the County entering into permanent financing, Telesis / NHT will make the second payment of approximately \$2.5 million to the County which will be used to reduce the principal outstanding on the Series 2010A Note.

**FISCAL IMPACT:** The extension of maturity will maintain the current fixed and variable rates on the outstanding debt for an additional seven months until June 30, 2013. Funding in FY 2013 of \$1.8 million was budgeted in AHIF to cover debt service on the Buckingham Village 3 Notes. This assumed that a permanent financing of the Notes was to occur in December 2012 at a fixed rate of 6%. Based on the past two years rates on 1-Month LIBOR, debt service attributable to extending the Notes through the end of FY 2013 is expected to be approximately \$1.2 million.

A RESOLUTION OF THE COUNTY BOARD OF THE COUNTY OF  
ARLINGTON, VIRGINIA APPROVING THE AMENDMENT OF THE  
INDUSTRIAL DEVELOPMENT AUTHORITY'S REVENUE NOTES  
SERIES 2010A AND SERIES 2010B ISSUED TO FINANCE THE  
BUCKINGHAM VILLAGE 3 PROJECT

WHEREAS, the Industrial Development Authority of Arlington County, Virginia (the "Authority") issued its \$9,666,099 Variable Rate Revenue Note (Taxable) Series 2010A and \$26,000,000 Fixed Rate Revenue Note (Taxable) Series 2010B (the "Notes") to provide financing to facilitate the redevelopment of the affordable housing facilities located in Arlington County, Virginia (the "County") known as Buckingham Village 3.

WHEREAS, the Notes are secured by a Support Agreement among the County, the Authority and Bank of America, N.A. (the "Bank"), as owner of the Notes (the "Support Agreement") pursuant to which the County agreed to pay principal of and interest on the Notes, subject to appropriation by the County Board.

WHEREAS, the County, the Authority and the Bank propose to extend the maturity of the Notes pursuant to a First Amendment to Notes and a First Amendment to Support Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF THE COUNTY OF ARLINGTON, VIRGINIA:

1. Amendment of Notes. The County Board approves the amendment of the Notes pursuant to a First Amendment to Notes (the "Amendment") to be entered into by the Authority to extend the maturity of the Notes as set forth in the Amendment.

2. Authorization of Amendment to Support Agreement. The execution and delivery of and performance by the County of its obligations under the Support Agreement, as amended by the First Amendment to Support Agreement are authorized. The First Amendment to Support Agreement shall be in such form and contain such provisions as the County Manager and the Chairman of the County Board, or either of them, shall approve, such approval to be evidenced conclusively by the execution and delivery of the First Amendment to Support Agreement.

3. Execution of Documents. The Chairman of the County Board and the County Manager, or either of them, are authorized to execute on behalf of the County the First Amendment to Support Agreement, and, if required, to affix or to cause to be affixed the seal of the County to the First Amendment to Support Agreement and to attest such seal. Such officers or their designees are authorized to execute and deliver on behalf of the County such instruments, documents or certificates, and to do and perform such things and acts, as they shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the First Amendment to Notes and the First Amendment to Support Agreement; and all of the foregoing, previously done or performed by such officers or agents of the County, are in all respects approved, ratified and confirmed.

4. Nature of Obligations. Nothing in this Resolution, the Notes, as amended by the First Amendment to Notes or the Support Agreement, as amended by the First Amendment to

Support Agreement shall constitute a debt of the County and the Authority shall not be obligated to make any payments under the Notes except from payments made by or on behalf of the County under the Support Agreement, as amended by the First Amendment to Support Agreement. The County's obligations to make payments pursuant to the Support Agreement, as amended by the First Amendment to Support Agreement shall be subject to and dependent upon annual appropriations being made from time to time by the County Board for such purpose. Nothing in this Resolution, the Notes, as amended by the First Amendment to Notes or the Support Agreement, as amended by the First Amendment to Support Agreement shall constitute a pledge of the full faith and credit of the County beyond the constitutionally permitted annual appropriations.

5. Effective Date. This Resolution shall take effect immediately.

At a regular meeting of the County Board of Arlington County, Virginia, held on the 17<sup>th</sup> day of November, 2012, the following County Board members were recorded as present:

PRESENT:

The foregoing Resolution was adopted by a majority of the members of the County Board by the following vote, the votes being recorded as follows:

MEMBER

VOTE

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Clerk, County Board of Arlington County,  
Virginia