



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of December 14, 2019

**DATE:** December 11, 2019

**SUBJECT:** (i) Approval of the Arlington County \$11,021,000 Affordable Housing Financing Commitment for the development and construction of the Cadence Apartments, a proposed 5-story apartment building with a total of 97 residential apartment units intended for rental to very low-, low-, and moderate-income households to be located at 4333 Arlington Blvd., and (iii) Allocation of \$11,021,000 in County and Federal Funds for loans to Wesley New Trenton LLC, an affiliate of Wesley Housing Development Corporation, to assist with the development and construction of the Cadence Apartments.

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

1. Authorize and direct the County Manager to execute, on behalf of the County Board, the attached Arlington County \$11,021,000 Affordable Housing Financing Commitment for the development and construction of the Cadence Apartments, a proposed 5-story apartment building with a total of 97 residential apartment units intended for rental to very low-, low-, and moderate-income households to be located at 4333 Arlington Blvd., subject to approval as to final form by the County Attorney.
2. Appropriate \$224,879 in Community Development Block Grant (CDBG) loan repayments received in FY2020 (206.371800.72405) to the FY 2020 CDBG unallocated funds account (206.495130.72405). This appropriation will allow the County to maximize the amount of program income available to support the requested allocation.
3. Allocate \$6,671,000 in Affordable Housing Investment Fund (AHIF) funds (101.495130.91102) to Wesley New Trenton LLC (101.456300.91102) as a loan to help finance the development and construction of The Cadence. The financing assistance will be in the form of a subordinated, residual receipts loan, subject to the loan terms and conditions in the AHIF/CDBG/HOME Financing Commitment Letter.
4. Allocate \$2,050,000 in CDBG funds (206.495130.72405) to Wesley New Trenton LLC (206.456300.72405) as a loan to help finance the development and construction of The Cadence. The financing assistance will be in the form of a subordinated, residual receipts

County Manager:

County Attorney:

Staff: Maureen Markham, CPHD Housing

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loan, subject to the loan terms and conditions in the AHIF/CDBG/HOME Financing Commitment Letter.

5. Allocate \$2,300,000 in HOME Investment Partnerships Program (HOME) funds (206.495130.72407) to Wesley New Trenton LLC (206.456300.72407) as a loan to help finance the development and construction of The Cadence. The financing assistance will be in the form of a subordinated, residual receipts loan, subject to the loan terms and conditions in the AHIF/CDBG/HOME Financing Commitment Letter.
6. Authorize the County Manager, with the concurrence of the County Attorney, to act as the County Board's representative in approving revisions to the attached Arlington County \$11,021,000 Affordable Housing Financing Commitment that are necessary to remove any ambiguity or inconsistency or which improve the County Board's financial security or financial position, and which revisions do not adversely affect the County financially, prior to or after execution of the attached Arlington County \$11,021,000 Affordable Housing Financing Commitment.

**ISSUES:** There are no known issues as of the date of this report.

**SUMMARY:** Wesley New Trenton LLC is requesting \$11,021,000 in County AHIF, CDBG and HOME funds to facilitate the development and construction of The Cadence, a new 97-unit, 4-story apartment complex located along Arlington Boulevard in the Buckingham Neighborhood. The apartment complex will be constructed at the site of the former Red Cross Building at 4333 Arlington Boulevard, where the existing building will be demolished. The Cadence will provide affordable housing for households ranging from 50% of the Area Median Income (AMI) to 70% AMI. The apartment complex will be financed by a package of 4% Low-Income Housing Tax Credits, County funds including AHIF, CDBG, and HOME, and a first mortgage funded through bonds issued by the Virginia Housing Development Authority (VHDA). Site Plan #446 for this apartment complex, formerly known both as the Red Cross Site and as Trenton Street, was approved by the County Board in April 2018 ([Red Cross Board Report #48](#); [Red Cross Board Report #48 Supplemental](#)).

The loan terms attached to this report are a financing requirement of the first mortgage lender VHDA. The loan documents for The Cadence are anticipated to be considered at the February 2020 County Board meeting. In July 2019, Arlington County submitted an application for VHDA Amazon HQ2 REACH funds on behalf of The Cadence. If awarded funding by VHDA, the unit mix would need to be adjusted to include 12, 40% AMI units, deepening the affordability of those units.

**BACKGROUND:** Site Plan #446 includes the building site of the Red Cross building, the existing Whitefield Commons Apartments, owned and operated by Wesley Housing Development Corporation and comprised of four buildings with 63 total dwelling units, and two single-family homes. The single-family homes will be demolished, and 19 new market-rate townhomes constructed on the site by Madison Homes. The site plan allows for the future conversion of current common space at Whitefield Commons into up to five additional units and some Class I interior bicycle storage; however, those additional units and the townhomes are not part of this funding request.

Constructed in 1943, Whitefield Commons (historically known as the Windsor Apartments) is identified as an “Important” garden apartment property in the County’s Historic Resources Inventory (HRI). Pursuant to the goals and objectives of the HRI, Site Plan Condition #59 requires recordation of a historic preservation easement for the Whitefield Commons buildings and grounds that preserves the building elevations, landscaped open space and circulation networks. The easement will preserve the buildings in perpetuity and prevent them from demolition but will allow for exterior modifications subject to review by the Historical Affairs and Landmark Review Board (HALRB) and approval by the County Manager (or his designee). The easement will not require the applicant to preserve any aspects of the interior of the buildings and will permit interior modifications. The site is not located in a sector plan or small area plan study area. Because the funding package includes federal funds and the site plan for The Cadence includes the Whitefield Commons Apartments, a Section 106 Historic Review was required under National Environmental Policy Act (NEPA) rules (see Federal Environmental Requirements in Discussion section below).

Wesley Housing acquired the Red Cross site with bridge financing from TD Bank in 2017. The complex was unsuccessful in the 2017 NOFA competition but was ranked #1 in the 2018 NOFA round. Wesley pursued and obtained site plan approval from the County Board in April 2018.

**DISCUSSION:** The building features a combination of brick and metal paneling and is designed to achieve EarthCraft Gold certification. Planned building amenities include an interior landscaped courtyard, community laundry facilities, a fitness room, and a large community center with a computer lab. Specific elements of the complex are discussed below.

Federal Environmental Requirements: Certain Federal requirements, including the completion of a NEPA Environmental Review, are required given the use of Federal CDBG and HOME funds. The CDBG loan will be applied to acquisition of the property and the HOME loan will be applied to the construction of the affordable units. Eleven of the CAFs will be designated as floating HOME units and will include 3 Low HOME units and 8 High HOME units.

Based on the full scope of work of the complex, County staff determined that the complex required an Environmental Assessment subject to the laws and authorities at 24 CFR 58.6 and 58.5. 5 to assess potential environmental impacts and to determine whether it meets federal, state, and local environmental standards. As part of the Environmental Assessment process, a 15-day public comment period and 15-day objection period were required. The County received comments from two residents regarding the removal of mature trees from the site to enable the development. As part of the 2018 site plan approval process for the Cadence complex, the issue of tree canopy preservation was considered at length. The approval process required the developer to contract with a certified arborist or horticulture professional to complete a Tree Protection Plan approved by the County Manager and consistent with the Chesapeake Bay Preservation Ordinance, as well as to submit to and obtain the Department of Parks and Recreation’s (DPR) review and approval of, a bond estimate for the trees to be saved based upon Arlington County’s Tree Replacement Formula or an amount approved by the County Manager. The Tree Protection Plan for the Cadence complex was submitted and approved by Arlington County Department of Environmental Services in May 2019. Given that the developer has

completed a Tree Protection Plan in compliance with the County's site plan conditions that is consistent with the Chesapeake Bay Preservation Ordinance, is replacing all trees being removed at a nearly 2 to 1 ratio, and that none of the trees being removed are considered to be located in a critical habitat or that of a rare, threatened or endangered species, County staff does not agree that the removal of the original trees will lead to an undue significant impact on the environment. A summary of comments received and responses can be found in the Environmental Review Record. Based on the review and assessment of comments received, staff has determined that all Environmental Assessment requirements under 24 CFR Part 58.6 and 58.5 have been met and that the complex will conditionally have no significant impact on the human environment. The conditions are as follows:

1. As part of the Section 106 Historic Review of the NEPA Environmental Assessment, consultation with Virginia Department of Historic Resources was required. DHR recommended that the scope of work will have a conditional no adverse effect on historic resources, based on the condition that existing photos, plans, and any proposed replacement materials are submitted to DHR for review prior to the rehabilitation of any of the four buildings at Whitfield Commons.
2. As part of the Section 106 Historic Review of the NEPA Environmental Assessment, consultation with federally-recognized Indian tribes with current and ancestral interest in Arlington was required. Catawba Indian Nation requested to be notified if any Native American artifacts and / or human remains are located during the ground disturbance phase of the complex.
3. Environmental Assessments require an assessment of any potential site contamination, which includes potential lead-based paint (LBP) and asbestos containing materials (ACM). The Red Cross building has examined for LBP and ACMs and the demolition and disposal of demolished materials for this site will be carried out in compliance with any local requirements. However, Whitefield Commons was not assessed so the applicant will provide an assessment of LBP and ACMs and how potentially contaminated materials will be handled during construction prior to rehabilitation of Whitefield Commons.

After the required public comment periods, the County submitted a Request for Release of Funds to the U.S. Department of Housing and Urban Development (HUD). HUD subsequently issued an Authority to Release Grant funds on November 19, 2019.

Affordable Housing Program: All 97 units will be committed affordable for a period of 60 years from the date of the final Certificate of Occupancy, approximately 2082. Of the 97 total units, 10% (10 units) will be constructed to meet Uniform Federal Accessibility Standards and American National Standards Institute Type A requirements. Of those, two units (2%) will be accessible for those with hearing/visual impairments. All common areas will be configured to comply with Americans with Disabilities Act standards. Forty-six units (47%) will be restricted to households earning at or below 50% AMI; eleven units (11%) will be restricted at or below

60% AMI; and forty units (41%) will be restricted to households earning at or below 70% AMI.<sup>1</sup> ([Rent and Income Limits for Arlington County Affordable Housing Programs](#)).

The unit mix is as follows:

Unit Type	50% AMI	60% AMI	70% AMI	Total
0 BR	4	0	0	4
1 BR	22	0	20	42
2 BR	20	8	20	48
3 BR	0	3	0	3
Total	46	11	40	97

The Applicant's proposal to construct a new multi-family housing building with 100% CAFs meets several of the Goals, Objectives and Policies of the County Board-adopted [Affordable Housing Master Plan](#), as follows:

<b><u>Policy Number</u></b>	<b><u>Outcome</u></b>
Policy 1.1.1	The Complex will create 97 new CAFs through County financial assistance.
Policy 1.1.4	The Complex promotes geographic distribution of affordable housing (North Arlington location near Ballston Metro).
Policies 1.1.5	The CAFs will be committed affordable for 60 years.
Policy 1.1.8	The Complex will add 48 two-bedroom family sized units and three, three-bedroom family sized units to the CAF inventory.
Policies 1.1.9 and 3.2.2	The Complex will produce 97 CAFs near the transit corridors providing access to transportation options, consistent with the County's adopted land use plans and policies
Policy 3.2.2	The Complex helps to maintain a sufficient supply of CAF units that are accessible for persons with physical and sensory disabilities by adding ten Type A accessible units.
Policies 3.3.1, 3.3.2 and 3.3.3	The Complex will incorporate environmental sustainability practices by using the EarthCraft Multifamily Green Building Standard and Energy Star appliances.
Policies 3.4.1 and 3.4.2	Affordability restrictions will be in place for 60 years; County loans ensure the financial feasibility of the Complex.

**Development Budget and Financing Package:** Total development costs are estimated to be \$47,244,947 (approximately \$487,061 per unit). The Applicant has applied for non-competitive 4% tax credits and a senior loan of tax-exempt bonds to be issued by VHDA. There will be two tranches of bonds: 1) short term tax-exempt construction bonds from the VHDA and 2) long term permanent financing of approximately \$14,640,000. This bond structure is necessary to meet LIHTC requirements that mandate that at least 50% of the total aggregate basis of a 4% tax

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<sup>1</sup> Relatively new rules in the federal Low-Income Tax Credit Program allow tax credits to be allocated to complex units if the average of the imputed income limit designations does not exceed 60% of the Area Median Income.

credit complex be funded with tax exempt bonds. Other anticipated sources in the funding package include tax credit investor equity, grants from the Virginia Housing Trust Fund and/or the Federal Home Loan Bank, a Seller Note and Sponsor Loans including a Deferred Developer Fee. A grant from VHDA Amazon REACH funds may also become part of the funding package.

The requested \$11,021,000 in County funds is approximately 23% of the Total Development Costs for the complex. The financing plan will leverage funds from several additional sources for an overall leverage ratio of \$3.30 for every County dollar, slightly higher than the County standard of \$3 for every County dollar.

<b>Funder</b>	<b>Role</b>
Virginia Housing Development Authority	Tax-exempt bonds for Construction and Permanent Loan
Hudson Capital/Capital One	Tax Credit Equity Investor
Virginia Housing Development Authority	Tax-exempt Permanent Senior Debt
<i>Arlington County</i>	Subordinate Cash Flow Loan
WHDC affiliate	Subordinate Cash Flow Seller Note
WHDC	Deferred Developer Fee
Wesley New Trenton LLC	Subordinate Cash Flow Sponsor Loan

Sources & Uses: The Cadence will be financed with 4% Low Income Housing Tax Credits (LIHTC), VHDA permanent loans, County loans including AHIF, CDBG and HOME funds, grants from the Virginia Housing Trust Fund and/or the Federal Home Loan Bank, a Seller Note, a Sponsor Loan, and a Deferred Developer Fee. Projected sources and uses are as follows:

<b>SOURCES OF FUNDS</b>		<b>USES OF FUNDS</b>	
LIHTC Investor Equity	\$ 15,287,126	Acquisition Cost	\$ 6,519,364
VHDA Loans [1]	\$ 14,640,000	Construction/Hard Costs	\$ 30,171,455
County AHIF Loan	\$ 6,671,000	Design, Engineering & Architecture	\$ 1,620,261
County CDBG Loan	\$ 2,050,000	Owner Costs & Fees	\$ 2,091,799
County HOME Loan	\$ 2,300,000	Financing Costs	\$ 2,323,114
Virginia HTF / FHLB	\$ 700,000	Partnership Costs	\$ 42,000
Seller Note	\$ 3,850,348	Carrying Costs & Reserves	\$ 1,476,953
Sponsor Loan (WHDC)	\$ 551,050	Developer Fee	\$ 3,000,000
Deferred Developer Fee	\$ 1,195,423		
<b>TOTAL SOURCES</b>	<b>\$ 47,244,947</b>	<b>TOTAL USES</b>	<b>\$ 47,244,947</b>

[1] It is anticipated that VHDA will loan the following funds: \$9,890,000 in taxable bond proceeds, \$2,750,000 from its REACH program, and \$2,000,000 from its REACH Plus program.

**AHIF Loan Terms:** Staff recommends a 38-year loan term for The Cadence complex. The combined \$11,021,000 AHIF/CDBG/HOME loan will accrue interest at a rate of zero percent (0%) per annum during the three-year construction and lease-up period. Thereafter the County loan will accrue interest at a rate of 1% per annum, compounded annually. The 35-year

amortization matches the 35-year VHDA permanent loan. The AHIF/CDBG/HOME loan will be secured by a deed of trust subordinated to the senior financing and repayable from Residual Receipts, with fifty percent (50%) of the residual cash flow paid to the County beginning in the first year after construction completion. WHDC projects a Residual Receipts payment of approximately \$45,736 in the first year. If it is determined at any point after 10 years of operation that the deferred developer fee is not projected to be repaid by the 15th year, the County shall consider a request by the Applicant to amend the portion of Residual Receipts that the County receives. In no event shall the County receive less than 50% of Residual Receipts in years 16-40. The proposed loan terms and conditions for the AHIF/CDBG/HOME loan are detailed in their entirety in the attachments.

Affordability Restrictions in Event of Foreclosure: Condition #44 of Site Plan #446 for the complex states that all 97 units are to be affordable up to 80% Area Median Income (AMI) for 30 years. The condition also states that if the development is financed with funds from VHDA, and in the event there is a default under a VHDA deed of trust on the property that results in a foreclosure or deed in lieu of foreclosure on the property, 20 CAFs or 20% of the total number of units, whichever is greater, shall have rents affordable to households at or below 60% AMI for the full term of 30 years.

Anticipated Timeline and Future County Board Requests: The construction closing on the financing for The Cadence is anticipated to take place in March 2020. Prior to the closing, the County Attorney will draft loan documents for the AHIF/CDBG/HOME loans and County staff will bring forward a request to the County Board for approval of the County loan and subordination documents, anticipated to be February 2020. Following construction closing, the existing Red Cross building will be demolished, and construction of the new building will begin. The projected completion date for apartment construction is March 2022.

**PUBLIC ENGAGEMENT:** *Level of Engagement:* Involve

As proposed, The Cadence meets multiple Goals, Objectives and Policies of the Affordable Housing Master Plan (AHMP) adopted by the County Board in 2015. The complex has been presented to and reviewed by multiple commissions and advisory groups, as well as the County Board. Prior to site plan approval in April 2018, the complex was reviewed by several advisory groups typical of the site plan review process, including the Site Plan Review Committee (SPRC), the Historical Affairs and Landmark Review Board (HALRB), the Transportation Commission, the Housing Commission, and the Planning Commission. There was also significant input from the Buckingham Community Civic Association (BCCA) within whose jurisdiction the complex is located. Information on the current status of the complex was presented to BCCA on September 9.

The table below summarizes the public engagement actions that have taken place since the Board's approval of Site Plan #446:

Public Entity	Date	Action
Buckingham Community Civic Association	September 2019	No vote taken

Citizens Advisory Commission on Housing	November 2019 December 2019	Vote to support 12/5/19
Community Development Citizens Advisory Committee (CDCAC)	November 2019	Vote to support 11/6/19

Public School Student Generation Estimates: The Site is currently zoned for Barrett Elementary School, Swanson Middle School and Washington-Liberty High School.

Arlington Public Schools (APS) estimates the proposed development will generate the following number of students:

- Number of Elementary School Students (K-5) generated: 33
- Number of Middle School Students (6-8) generated: 14
- Number of High School Students (9-12) generated: 18

For the address listed above, a total of zero (0) students were enrolled into Arlington Public Schools as of School Year 2018-19.

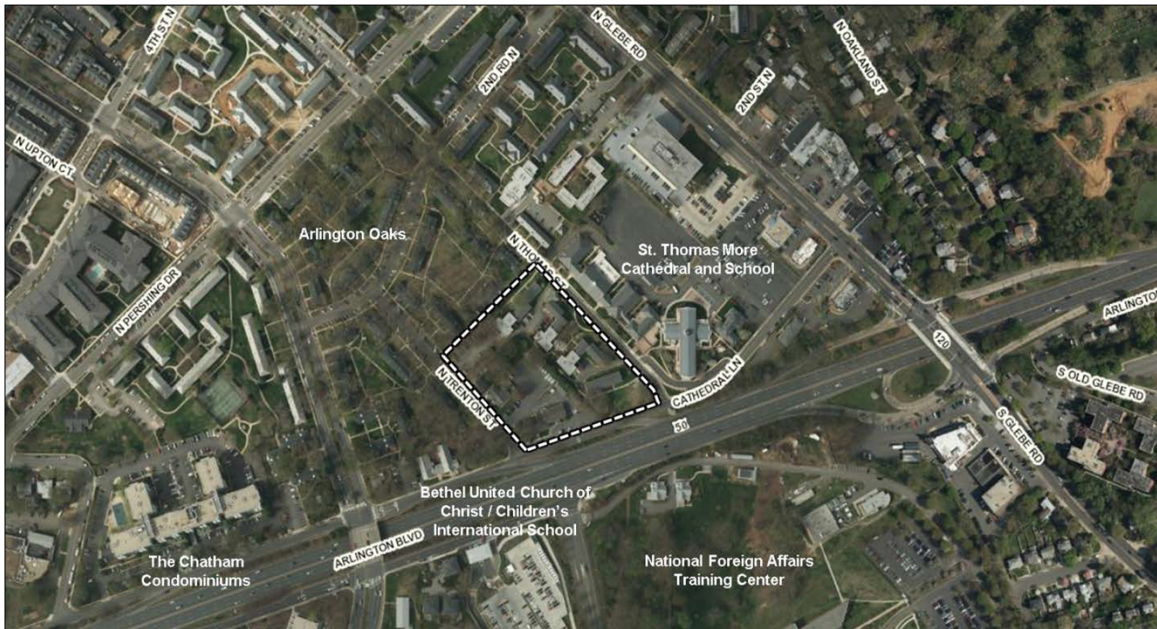
**FISCAL IMPACT:** With the approval of the FY 2019 AHIF, HOME, and CDBG carryover as part of the FY 2019 Closeout board report, there will be sufficient unallocated AHIF, HOME, and CDBG funds to support the request for the County Loan. In addition, it is anticipated that the inclusion of 10 permanent supportive housing (PSH) units will have a fiscal impact on the County's PSH program budget. The full year incremental cost increase to the budget is estimated to be approximately \$118,000 (10 households x 12 x \$990) per fiscal year upon complex completion and occupancy (anticipated in 2022).

**ATTACHMENTS:** Attachment 1 Site Map; Attachment 2 AHIF/CDBG/HOME Financing Commitment Letter



## ATTACHMENT 1

### Site Map 4333 Arlington Boulevard



ATTACHMENT 2  
AHIF/CDBG/HOME Financing Commitment Letter

## (COUNTY BOARD LETTERHEAD)

December [REDACTED], 2019

Ms. Shelley S. Murphy, President  
Wesley New Trenton LLC  
c/o Wesley Housing Development Corporation of Northern Virginia  
5515 Cherokee Avenue, Suite 200  
Alexandria, Virginia 23212

**Re: Arlington County Affordable Housing Financing Commitment for the  
Development and Construction of the Cadence Apartments**

Dear Ms. Murphy:

Wesley Housing Development Corporation of Northern Virginia (“**WHDC**”) has requested that the County Board of Arlington County, Virginia (the “**County Board**”) commit a total of \$11,021,000 in taxpayer loan funds to its affiliate, Wesley New Trenton LLC (the “**WNT Borrower**”), to help finance the development and construction of the Cadence Apartments (“**Cadence Apartments**”), a proposed 4-story apartment building to be located at 4333 Arlington Blvd. - RPC No. 20-028-002 (the “**American Red Cross Real Property**” and together with the Cadence Apartments, the “**Cadence Property**”). The Cadence Apartments will be 100% affordable and will include a total of 97 residential apartment units intended for rental to moderate-, low- and very low-income households.

This Arlington County Affordable Housing Financing Commitment (this “**Commitment**”) represents an outline of the terms on which the County Board is prepared to commit a total of \$11,021,000 in taxpayer loan funds to the WNT Borrower for the development and construction of Cadence Apartments. The taxpayer loan funds will only be disbursed to the WNT Borrower subject to (i) the WNT Borrower’s designation of all 97 residential apartment units in the Cadence Apartments as income-restricted units which will be solely rented to and occupied by moderate-, low- and very low-income households for a period of 60 years<sup>1</sup>, (ii) the WNT Borrower’s full and timely compliance with the Financing Commitment Terms and Conditions below, and (iii) upon the County Board’s approval, execution and delivery of definitive loan documentation which will contain the terms and conditions set out in this Commitment in addition to such other representations, warranties, covenants, indemnities, defaults, and other terms and conditions as the County Board may reasonably require.

### **SUMMARY OF PROPOSED PROJECT**

On April 26, 2016, Wesley ARC LLC, an affiliate of WHDC, purchased the American Red Cross Real Property from The American Red Cross, a nonprofit corporation and federally chartered instrumentality of the United States, for \$3,100,000. The WNT Borrower will acquire the American Red Cross Real Property

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<sup>1</sup> Notwithstanding the WNT Borrower’s designation all 97 residential apartment units in the Cadence Apartments as income-restricted units for moderate-, low- and very low-income households, in the event of a foreclosure or deed in lieu of foreclosure pursuant to the deed of trust securing the Virginia Housing Development Authority’s senior loans to the WNT Borrower which results in the Virginia Housing Development Authority acquiring the Cadence Apartments, then the number of income-restricted residential apartment units in the Cadence Apartments shall be reduced to 20 residential apartment units designated as income-restricted residential apartment units for low-income households with annual incomes at or below sixty percent (60%) of area median income pursuant to Arlington County Ordinance – Site Plan Number 446, Condition No. 44, as approved by the County Board on April 21, 2018.

from Wesley ARC LLC for the purchase price of \$6,451,398. Upon acquisition, the WNT Borrower will develop and construct the Cadence Apartments on the American Red Cross Real Property for a total development cost estimated to be approximately \$47,244,947, as more particularly described and set forth in Exhibit A, consisting of approximately \$6,519,364 in purchase and settlement related costs for the WNT Borrower's acquisition of the American Red Cross Real Property from Wesley ARC LLC, and approximately \$40,725,582 in construction, financing, soft, and development related costs. It is anticipated that the total development cost will be financed with an estimated \$22,875,000 short-term construction loan from the Virginia Housing Development Authority ("VHDA") and will be permanently financed with the following sources of non-County Board funds: (i) VHDA loans estimated to total approximately \$14,640,000, (ii) a 4% Low Income Housing Tax Credit investor equity contribution to the WNT Borrower estimated to total approximately \$15,287,126, (iii) a WHDC sponsor subordinate loan estimated to total approximately \$551,050, (iv) a Wesley ARC LLC seller subordinate loan estimated to total approximately \$3,850,348, (v) an anticipated Virginia Housing Trust Fund (or equivalent source) subordinate loan estimated to total approximately \$700,000, and (vi) a \$1,195,423 deferred developer fee<sup>2</sup>. All budget amounts are approximate in amount and the final budget numbers will be included in the final loan documents which will be approved by the County Board prior to closing.

In order to facilitate the financing of the development and construction of the Cadence Apartments, WHDC has requested that the County Board commit \$6,671,000 in Affordable Housing Investment Fund ("AHIF") program loan funds (the "**Cadence AHIF Loan**"), \$2,300,000 in federal HOME Investment Partnership Program loan funds (the "**Cadence HOME Loan**"), and \$2,050,000 in federal Community Development Block Grant Program loan funds (the "**Cadence CDBG Loan**" and together with the Cadence AHIF Loan and Cadence HOME Loan, the "**Cadence Loans**").

## **FINANCING COMMITMENT TERMS AND CONDITIONS**

As a material inducement for the County Board's willingness to commit a total of \$11,021,000 in taxpayer loan funds for the development and construction of the Cadence Apartments, the WNT Borrower hereby acknowledges, covenants and agrees to fully comply with the following Arlington County Financing Commitment Terms and Conditions:

### **1. Loan Amounts; Source of Loan Funds; and Required Use of Loan Funds**

#### *a. Cadence Loan Amounts and Source of Loan Funds*

\$6,671,000 (Source - Arlington County Affordable Housing Investment Fund)

\$2,300,000 (Source – Federal HOME Investment Partnership Program)

\$2,050,000 (Source – Federal Community Development Block Grant Program)

**\$11,021,000**

#### *b. Required Use of Loan Funds*

The WNT Borrower shall use the Cadence Loans funds solely to reimburse such costs and expenses related to the acquisition, development and construction of the Cadence Apartments, as set forth in the Cadence Apartments Estimated Project Budget in Exhibit A; provided, however, that no Cadence Loans funds shall be used by the WNT Borrower to pay for any non-County Board related legal expenses. Upon request by the County Manager or his written designee, the WNT Borrower shall provide the County Manager or his written designee with detailed records (including receipts for payment) of the costs and expenses set forth in Exhibit

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<sup>2</sup> WHDC's developer fee for the Cadence Apartments will be \$3,000,000, of which \$1,804,577 will be paid at closing and payment of the remaining \$1,195,423 will be deferred and paid within 15 years after construction.

A. Any allocated but undisbursed Cadence Loans funds shall be retained by the County Board and shall remain County Board funds.

2. **Term of Loan.** The Cadence Loans will have a term of thirty-seven (37) years and two (2) months<sup>3</sup>.

3. **Maturity Date.** The Cadence Loans will mature on May 1, 2057<sup>4</sup>.

4. **Loan Fees and Interest Rate**

a. *Cadence Loans Fees*

Application Fee(s) – \$0

Commitment Fee(s) – \$0

Origination Fee(s) – \$0

Monitoring Compliance Fee(s) – \$0

b. The Cadence Loans will accrue interest at **zero percent (0%)** until the end of the construction period. Thereafter, for the remaining term of each loan, the outstanding balance of the Cadence Loans shall accrue interest at the below-market rate of **one percent (1%)** per annum, compounding annually.

c. Upon the occurrence of an event of default by the WNT Borrower, interest on the outstanding balance of the Cadence Loans shall begin to accrue (after any applicable notice and the expiration of any applicable cure period) at the default rate of the lesser of fifteen percent (15%) compounded annually, or the highest rate permitted by law until the earlier of (i) repayment of the Cadence Loans or (ii) when the event of default has been cured.

5. **Security.** The Cadence Loans must be secured by an Arlington County Deed of Trust, Assignment of Rents and Leases and Security Agreement to be recorded against the Cadence Property. The Arlington County Deed of Trust, Assignment of Rents and Leases and Security Agreement will be in second position and will be subordinate to the deed of trust securing the VHDA construction and permanent debt financing.

6. **Disbursement of Funds**

a. *Cadence Loans*

(i) The Cadence Loans proceeds shall be held in an Arlington County government account until all of the Cadence Loan proceeds are disbursed to the WNT Borrower.

(ii) The \$2,050,000 CDBG Loan will be disbursed at closing and applied to the American Red Cross Real Property acquisition costs. The remaining Cadence Loans proceeds shall be disbursed by the County Manager or his written designee to the WNT Borrower in no more than one (1) draw per month. Prior to each disbursement of the Cadence Loans proceeds, the WNT Borrower shall provide to the County Manager or his written designee documentation supporting the related disbursement request.

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<sup>3</sup> The loan terms for the Cadence Loans will consists of a 26-month construction period and a 35-year permanent loan term; provided, however, if the combined loan terms for the short-term construction loan and the VHDA senior loans are longer than 37 years and 2 months, then the loan terms for the Cadence Loans will be coterminous with the loan terms for the VHDA senior loans.

<sup>4</sup> Assuming the Cadence Loans close in March 2020 (as currently projected), the maturity date for each loan will be May 1, 2057; provided, however, if the maturity date for the VHDA senior loans is after May 1, 2057, then the maturity dates for the Cadence Loans will be coterminous with the maturity date for the VHDA senior loans.

- (iii) The County Manager or his designee reserves the right to conduct inspections at reasonable intervals during normal business hours after first providing reasonable prior notice to the WNT Borrower of the Cadence Property prior to disbursing Cadence Loans funds to the WNT Borrower.

## **7. Repayment of Cadence Loans**

### **a. *Annual Loan Payment***

- (i) During the term of the Cadence Loans, the WNT Borrower shall make annual payments on the Cadence Loans on or about each June 1<sup>st</sup> solely from the Cadence Apartments Residual Receipts, as defined in Exhibit B which is attached hereto and is made a part hereof.
- (ii) Cadence AHIF Loan. Beginning June 1, 2023, and on June 1<sup>st</sup> of each year thereafter until June 1, 2056, twenty-five percent (25%) of the Cadence Apartments Residual Receipts from the previous calendar year must be paid by the WNT Borrower to the County Board in arrears as an annual loan payment on the accrued interest and outstanding principal on the Cadence AHIF Loan.
- (iii) Cadence HOME Loan. Beginning June 1, 2023, and on June 1<sup>st</sup> of each year thereafter until June 1, 2056, twelve and one-half percent (12.5%) of the Cadence Apartments Residual Receipts from the previous calendar year must be paid by the WNT Borrower to the County Board in arrears as an annual loan payment on the accrued interest and outstanding principal on the Cadence HOME Loan.
- (iv) Cadence CDBG Loan. Beginning June 1, 2023, and on June 1<sup>st</sup> of each year thereafter until June 1, 2056, twelve and one-half percent (12.5%) of the Cadence Apartments Residual Receipts from the previous calendar year must be paid by the WNT Borrower to the County Board in arrears as an annual loan payment on the accrued interest and outstanding principal on the Cadence CDBG Loan.
- (v) WNT Borrower must, at all times during the term of the Cadence Loans, continue its ownership and operation of the Cadence Property and to use its skills and diligence to produce maximum Cadence Apartments Residual Receipts, subject to the rent and occupancy requirements described in the Affordability and Occupancy Restrictions in Section 9 below, as well as legal restrictions of nonprofit affordable housing owners imposed by the federal government; provided, however, that the WNT Borrower shall not be required to displace tenants in order to maximize Cadence Apartments Residual Receipts.
- b. *Payment Due on Capital Transaction*. Notwithstanding any other provision to the contrary, if there is a Capital Transaction<sup>5</sup>, then the WNT Borrower must distribute fifty percent (50%) of

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<sup>5</sup> As used herein, the term “**Capital Transaction**” means any transaction or series of transactions whereby the borrower receives cash or other consideration (i) in exchange for any sale, exchange, transfer, condemnation or other conveyance or disposition of the property (or any portion thereof) secured by Arlington County financing, (ii) as a result of any financing (secured or unsecured) or refinancing of the debt financing that is senior to the Arlington County financing, or (iii) from insurance settlements or other claims attributable to fire or other casualty in excess of the amounts expended for the repair or restoration of improvements upon the property (or any portion thereof) secured by Arlington County financing.



the Net Proceeds<sup>6</sup> resulting from the Capital Transaction to the County Board as a payment on the then outstanding principal and accrued interest on the Cadence Loans.

- c. *Payment Due on Sale.* Notwithstanding any other provision to the contrary, if the WNT Borrower sells the Cadence Property, then all outstanding principal and accrued interest on the Cadence Loans will be immediately due and payable in full to the County Board.
- d. *Payment from Excess Proceeds.* The WNT Borrower shall provide the County Board with fifty percent (50%) of the Excess Proceeds<sup>7</sup> for payment on the Cadence Loans.
- e. *Prepayment.* The WNT Borrower shall have the right to prepay the Cadence Loans, in whole or in part, at any time, without penalty or premium, provided that any prepayment of principal must be accompanied by interest accrued but unpaid to the date of prepayment.
- f. *Balloon Payment.* Notwithstanding any other provision to the contrary, and regardless of whether loan payments made, or Cadence Apartments Residual Receipts realized, by the WNT Borrower for any period of time is adequate to repay the Cadence Loans, all unpaid principal and accrued interest on the Cadence Loans shall be immediately due and payable in full by the WNT Borrower to the County Board on or before May 1, 2057<sup>8</sup>.

## **8. Operating Budget; Accounting for Cadence Apartments Residual Receipts**

### ***a. Operating Budget.***

- (i) Not later than sixty (60) days before the beginning of each fiscal year for the WNT Borrower, the WNT Borrower shall submit to the County Manager or his written designee, in a form reasonably acceptable to the County Manager or his written designee, a Proposed Operating Budget<sup>9</sup> for the following fiscal year for the County Manager or his written designee's written approval, such approval not to be unreasonably withheld, conditioned or delayed.
- (ii) In the event the County Manager or his written designee does not approve the submitted Proposed Operating Budget before the start of the WNT Borrower's upcoming fiscal year,

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<sup>6</sup> As used herein, the term "**Net Proceeds**" means the proceeds resulting from any Capital Transaction that are available after (i) a payment on the then existing indebtedness senior to the Arlington County financing, and (ii) reimbursement of reasonable out-of-pocket costs related to the Capital Transaction that are incurred by the borrower, subject to approval by the County Manager or his written designee.

<sup>7</sup> As used herein, the term "**Excess Proceeds**" means the sum of all sources of financing received by the borrower of County Board taxpayer loan funds for construction and/or renovation of a multifamily affordable housing rental apartment complex, less the sum of money (i) actually used for construction and/or renovation as documented to the reasonable satisfaction of the County Manager or his written designee, (ii) used to pay for work related to the construction and/or renovation that has been contracted for but not yet performed, as documented to the reasonable satisfaction of the County Manager or his written designee, and (iii) budgeted for use in the construction and/or renovation budget approved by the County Manager or his written designee, but not yet expended due to no fault of the borrower of County Board taxpayer funds, as documented to the reasonable satisfaction of the County Manager or his written designee.

<sup>8</sup> Assuming the Cadence Loans close in March 2020 (as currently projected), the balloon payment date for each loan will be May 1, 2057; provided, however, if the maturity date for the VHDA senior loans is after May 1, 2057, then the balloon payment date for each loan will be coterminous with the maturity date for the VHDA senior loans.

<sup>9</sup> As used herein, the term "**Proposed Operating Budget**" means the borrower's proposed 12-month operating budget for each fiscal year which shall include with particularity the projected (a) Total Gross Revenues, (b) Total Senior Lender Debt Service Payments, (c) Total Approved Operating Expenses, (d) Property Management Fee Payment, (e) payments by the Borrower into the Capital Replacement Reserve, (f) VHDA Monitoring Fee payments, (g) Investor Services Fee payments, (h) Partnership Administrative Fee payments, (i) WHDC Resident Services Fee payment, and (j) Cadence Apartments Residual Receipts, for the applicable Fiscal Year. The proposed payments of any compensation, fee or expense to any person, firm or corporation of Ten Thousand and 00/100 Dollars (\$10,000.00) or more shall be specifically set forth therein.

the WNT Borrower shall continue to use its immediate prior year's approved Operating Budget, as adjusted by the CPI Rate<sup>10</sup>, until a new Proposed Operating Budget is approved in writing by the County Manager or his written designee.

- (iii) Prior to funding any unanticipated major repairs or capital expenditures or making any other material changes to the Operating Budget approved by the County Manager or his written designee, the WNT Borrower shall submit to the County Manager or his written designee, for review and prior written approval, a description and the cost of such unanticipated major repairs or capital expenditures or other material changes to the approved Operating Budget. If the WNT Borrower is required to fund unanticipated major repairs or capital expenditures or make any other material changes to the approved Operating Budget due to an emergency where the lives or property of tenants are at immediate risk, then the WNT Borrower shall be required to notify the County Manager or his written designee as soon as practicable thereafter, not to exceed five (5) business days, in lieu of seeking the County Manager's or his written designee's written pre-approval.
- b. *Delivery of Annual Audited Financial Statements and Residual Receipts Certificate.* On or prior to May 1<sup>st</sup> of each year during the term of the Cadence Loans, the WNT Borrower shall provide the County Manager or his written designee with its Annual Audited Financial Statements<sup>11</sup> and Residual Receipts Certificate<sup>12</sup> for the preceding fiscal year.
- c. *Books and Records.* The WNT Borrower shall keep and maintain on the Cadence Property or at its principal place of business, or elsewhere with the County Manager's written consent, full, materially complete and appropriate books, records and accounts relating to the Cadence Property, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail WNT Borrower's calculation of Cadence Apartments Residual Receipts for the Cadence Property. All such books, records, and accounts shall be open to and available for inspection by the County Manager or his written designees, or other authorized representatives at reasonable intervals during normal business hours after first providing reasonable prior notice to the WNT Borrower. The WNT Borrower shall preserve records on which any statement of Residual Receipts is based for a period of not less than five (5) years after such statement is rendered, and for any period during which there is an audit undertaken then pending.
- d. *County Audits.* The receipt by the County Manager or his written designees of Annual Audited Financial Statements and Residual Receipts Certificates or acceptance by the County Manager or his written designees of any Annual Loan Payments for any period shall not bind the County Board as to the correctness of such Annual Audited Financial Statements, Residual Receipts Certificate or Annual Loan Payment. Within five (5) years after the receipt of any such Annual

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<sup>10</sup> As used herein, the term "**CPI Rate**" means the most recent annual percent change of the United States Department of Labor, Bureau of Labor Statistics' "Consumer Price Index – Urban Wage Earners and Clerical Workers" for the Washington-Baltimore, DC-MD-VA-WV area (base period: November 1996=100).

<sup>11</sup> As used herein, the term "**Annual Audited Financial Statements**" means the borrower's balance sheet, income statement, statements of cash flow and amounts and sources of contingent liabilities, and a Residual Receipts schedule providing details on the calculation of the Cadence Apartments Residual Receipts for the preceding fiscal year, prepared and executed by the borrower's firm of independent certified accountants in accordance with generally accepted accounting principles.

<sup>12</sup> As used herein, the term "**Residual Receipts Certificate**" means that certain certificate prepared and executed by the borrower's firm of independent certified accountants in accordance with generally accepted accounting principles which certifies the amount of the residual receipts for the preceding fiscal year which will be available for disbursement as an annual payment on the outstanding Arlington County affordable housing loan.



Audited Financial Statements or Residual Receipts Certificate, the County Board or any designated agent or employee of the County Board at any time and upon forty-eight (48) hours advance notice shall be entitled to audit the Residual Receipts calculation and all books, records, and accounts pertaining thereto. Such audit shall be conducted during normal business hours at the principal place of business of the WNT Borrower and other places where the applicable records are kept. If it is determined as a result of such audit that there has been a deficiency in an Annual Loan Payment to the County Board, then such deficiency shall become immediately due and payable with interest at the Default Rate, determined as of and accruing from the date that said payment should have been made. In addition, if the Annual Audited Financial Statements or Residual Receipts Certificate for any calendar year shall be found to have understated Residual Receipts by more than five percent (5%) and by at least Five Thousand and 00/100 Dollars (\$5,000.00), then the WNT Borrower shall pay, in addition to the interest charges referenced hereinabove, all of the County Board's reasonable out of pocket costs and expenses connected with any audit or review of the WNT Borrower's accounts and records.

## **9. Affordability and Occupancy Requirements**

- a. As a material inducement for the County Board's willingness to provide \$11,021,000 in taxpayer loan funds, the WNT Borrower covenants and agrees for itself, its successors and permitted assigns, to comply with each restriction and covenant set forth below:
  - (i) Income Eligibility and Occupancy Requirements for Income-Restricted Units. WNT Borrower covenants and agrees that for the period commencing upon the date all necessary certificates of occupancy are issued for 100% of the apartment units in the Cadence Apartments and expiring 60 years later at 11:59 p.m.:
    - A. Forty-six (46) of the apartment units in Cadence Apartments complex shall be solely rented to and occupied by or, if vacant, available for occupancy by very low-income households with incomes at or below fifty percent (50%) of area median income;
    - B. eleven (11) of the apartment units in Cadence Apartments complex shall be solely rented to and occupied by or, if vacant, available for occupancy by low-income households with incomes at or below sixty percent (60%) of area median income;
    - C. forty (40) of the apartment units in Cadence Apartments complex shall be solely rented to and occupied by or, if vacant, available for occupancy by moderate-income households with incomes at or below seventy percent (70%) of area median income; and
    - D. the distribution of the apartment units in Cadence Apartments complex shall be as follows:

	<b>50% of AMI</b>	<b>60% of AMI</b>	<b>70% of AMI</b>	<b>TOTAL</b>
Studio	04	00	00	<b>04</b>
One-bedroom	22	00	20	<b>42</b>
Two-bedroom	20	08	20	<b>48</b>
Three-bedroom	<u>00</u>	<u>03</u>	<u>00</u>	<u><b>03</b></u>
<b>TOTAL</b>	<b>46</b>	<b>11</b>	<b>40</b>	<b>97</b>

(ii) Accessible and Supportive Housing Units. WNT Borrower covenants and agrees that for the period commencing upon the date all necessary certificates of occupancy are issued for 100% of the apartment units in the Cadence Apartments and expiring 60 years later at 11:59 p.m.:

A. at least ten (10) of the apartment units in the Cadence Apartments shall be designated by the WNT Borrower as Type A accessible under standards described in the American National Standard Institute's "Accessible and Usable Building Facilities" (ICC/ANSI A117.1-2009), as provided in the current applicable Accessible Standards as adopted by the Virginia Uniform Statewide Building Code; and

B. at least ten (10) of the apartment units in the Cadence Apartments shall be designated by the WNT Borrower as Permanent Supportive Housing Units<sup>13</sup>. Each Permanent Supportive Housing Unit shall be rented to and occupied by or, if vacant, available for occupancy by Qualified PSH Households<sup>14</sup>. Notwithstanding the foregoing, Borrower shall not be obligated to reserve the Permanent Supportive Housing Units unless the County Board allocates funds to subsidize the rents of Qualified PSH Households.

(iii) Notwithstanding the foregoing affordability and occupancy requirements, and subject to Arlington County Ordinance – Site Plan Number 446, Condition No. 44, as approved by the County Board on April 21, 2018, in the event of foreclosure or deed in lieu of foreclosure pursuant to the deed of trust securing the VHDA senior loans which results in VHDA acquiring the Cadence Property, the total number of income-restricted units in the Cadence Apartments complex shall be reduced from ninety-seven (97) to a minimum of twenty (20) income-restricted units. The reduced number of income-restricted units shall be solely rented to and occupied by or, if vacant, available for occupancy by low-income households with annual incomes at or below sixty percent (60%) of area median income.

**10. Insurance Requirements.** The WNT Borrower shall provide to the County Manager or his written designee evidence of the insurance coverage meeting the County Board's minimum insurance requirements.

**11. Non-Recourse.** The Cadence Loans shall be non-recourse except for the County Board's standard carveouts.

**12. Commencement and Completion of Construction.** The WNT Borrower shall commence construction of the Cadence Apartments by no later than April 15, 2020 and shall complete construction of the Cadence Apartments by no later than April 15, 2022, subject to extensions due to Force Majeure causes or other extensions permitted by the County Manager or his written designee.

### **13. Miscellaneous Provisions**

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<sup>13</sup> As used herein, the term "Permanent Supportive Housing Unit" means the apartment units which shall be rented to and occupied by or, if vacant, available for occupancy by Qualified PSH Households pursuant to the terms of that certain Permanent Supportive Housing Agreement by and between the borrower and the County Board.

<sup>14</sup> As used herein, the term "Qualified PSH Household" means persons who are identified by the Arlington County Department of Human Services (i) who have a mental and/or physical disability, (ii) who have a critical housing need, (iii) who require support services to live independently, and (iv) for whom an independent apartment arrangement is appropriate – as solely determined by the Arlington County Department of Human Services.

- a. *Captions.* The captions appearing in this Arlington County Board Affordable Housing Financing Commitment are for descriptive purposes only and shall not be given substantive effect.
- b. *Changes or Amendments.* The County Manager and County Attorney shall jointly have the authority, at their sole discretion, to approve or deny changes to terms as may be requested by the WNT Borrower during negotiation of loan documents and final terms.
- c. *Assignability.* This Arlington County Board Affordable Housing Financing Commitment is not assignable/assumable by any other party without the express written consent of the County Board.
- d. *Indemnity.* Each WHDC and the WNT Borrower hereby indemnifies the County Board and its respective officers, employees, advisers and agents (each an “**Indemnified Person**”) and holds each of them harmless from and against all losses, costs, expenses (including, without limitation, professional fees) and damages incurred by an Indemnified Person arising out of , relating to or resulting from this Arlington County Board Affordable Housing Financing Commitment or the Cadence Loans, provided that no Indemnified Person will be indemnified for its own gross negligence or willful misconduct.
- e. *Exhibits.* The following Exhibits are attached to this Commitment and by such references fully incorporated herein.

Exhibit A            Cadence Apartments Estimated Project Budget

Exhibit B            Definition of Cadence Apartments Residual Receipts

The signatures below indicating offer and acceptance constitute a commitment by the County Board to fund the Cadence Loans, given agreement on the final loan terms.

**[Signatures and acceptance and acknowledgment appear on the following pages]**

Please call Anne Venezia at (703) 228-3784 (email [AVenezia@arlingtonva.us](mailto:AVenezia@arlingtonva.us)) or Yoomie Ahn at (703) 228-3820 (email [YAhn@arlingtonva.us](mailto:YAhn@arlingtonva.us)) or Maureen Markham at (703) 228-3773 (email [MMarhham@arlingtonva.us](mailto:MMarhham@arlingtonva.us)) if you have any questions about this Arlington County Board Affordable Housing Financing Commitment. We look forward to your acceptance of this commitment and the delivery of the Cadence Apartments development.

Sincerely,

**THE COUNTY BOARD OF ARLINGTON  
COUNTY, VIRGINIA**, a body corporate and politic of  
the Commonwealth of Virginia

By: \_\_\_\_\_  
Mark Schwartz, County Manager

**[Signature and acceptance and acknowledgment continue on next page]**

By execution of this Arlington County Board Affordable Housing Financing Commitment, the undersigned agrees to accept the Arlington County Board affordable housing loan(s) described in this Arlington County Board Affordable Housing Financing Commitment in accordance with the terms of this Arlington County Board Affordable Housing Financing Commitment and the Arlington County Board loan documents.

Accepted this \_\_\_\_ day of December, 2020

**ACCEPTANCE BY BORROWER**

**WESLEY NEW TRENTON LLC**, a Virginia limited liability company

**By: Wesley New Trenton Managing Member, LLC**, a Virginia limited liability company, its managing member

**By: Wesley Housing Development Corporation of Northern Virginia**, a Virginia nonstock corporation, its managing member

By: \_\_\_\_\_  
Shelley S. Murphy, President

**ACKNOWLEDGMENT**

COMMONWEALTH OF VIRGINIA  
COUNTY OF ARLINGTON

On this the \_\_\_\_ day of \_\_\_\_\_, 2019, before me, personally appeared Shelley S. Murphy, who acknowledged herself to be President of Wesley Housing Development Corporation of Northern Virginia in the above instrument, and that she, as President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of Wesley Housing Development Corporation of Northern Virginia, the managing member of Wesley New Trenton Managing Member, LLC, the managing member of Wesley New Trenton LLC, a Virginia limited liability company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

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**EXHIBIT A**  
**Cadence Apartments**  
**Estimated Project Budget**

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**ANTICIPATED SOURCES OF PERMANENT PROJECT FUNDS**

Cadence Loans	\$ 11,021,000.00
VHDA Permanent Loans	\$ 14,640,000.00
Wesley ARC LLC Subordinate Loan	\$ 3,850,348.00
WHDC Deferred Developer Fee Loan	\$ 1,195,423.00
[VHTF or equivalent] Subordinate Loan	\$ 700,000.00
WHDC Subordinate Loan	\$ 551,050.00
LIHTC Equity Contribution	\$ 15,287,126.00

**TOTAL ANTICIPATED SOURCES OF PROJECT FUNDS** **\$47,244,947.00**

**ANTICIPATED USES OF PROJECT FUNDS**

**AMERICAN CROSS REAL PROPERT ACQUISITION**

Purchase Price	\$ 6,451,398.00
Settlement Costs	\$ 67,966.00

**Acquisitions Costs Subtotal** **\$ 6,519,364.00**

**CADENCE APARTMENTS CONSTRUCTION PROJECT**

**Construction Costs**

General Requirements	\$ 1,688,230.00
Site Improvements	\$ 1,396,550.00
Structures - Residential	\$ 16,562,700.00
Structures - Amenity	\$ 612,487.00
Structures - Garages	\$ 5,116,717.00
Cost Escalation	\$ 260,095.00
Other Costs – Design Contingency	\$ 710,684.00
Other Costs – Gross Receipts Tax	\$ 45,953.00
Bond Premium	\$ 63,004.00
Bozzuto (Contractor) Overhead	\$ 540,525.00
Bozzuto (Contractor) Profit	\$ 1,105,192.00
Warranty and Insurance	\$ 631,582.00
Contingency	\$ 1,436,736.00

**Subtotal** **\$30,171,455.00**

**Design, Engineering and Architecture**

Design	\$ 627,041.00
Engineering	\$ 531,520.00
Construction Administration	\$ 169,500.00
Testing and Inspections	\$ 175,000.00
Reimbursables	\$ 40,000.00
Contingency	\$ 77,200.00

**Subtotal** **\$ 1,620,261.00**

**Owner's Construction Costs, Professional Services and Fees**

Impact and Tap Fees	\$ 847,796.00
Building Permit Fees	\$ 283,653.00
Permit Expediter Fees	\$ 12,500.00
County Site Plan Review Fees	\$ 125,000.00
Appraisals	\$ 15,000.00
Environmental	\$ 12,500.00
ALTA Surveys	\$ 20,000.00

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**EXHIBIT A**  
**Cadence Apartments**  
**Estimated Project Budget**

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Market Study	\$ 9,750.00
VDOT and County Bonds	\$ 20,000.00
Dry Utility Design Fees	\$ 150,000.00
Viridian Fees	\$ 40,000.00
FF&E	\$ 300,000.00
Office / Maintenance Start-Up	\$ 50,000.00
TDM Program	\$ 16,000.00
CDBG Section 106 Enviro. Review	\$ 15,000.00
Traffic Study	\$ 50,000.00
Geo Technical Soil Borings	\$ 25,000.00
Contingency	\$ 99,600.00

**Subtotal** **\$ 2,091,799 .00**

**Financing Costs**

VHDA Const. Loan Processing Fee	\$ 208,583.00
VHDA Const. Loan Financing Fee	\$ 114,366.00
VHDA Const. Loan Interest	\$ 866,603.00
VHDA Mortgage Broker	\$ 75,000.00
VHDA LIHTC Application Fee	\$ 1,000.00
VHDA LIHTC Reservation Fee	\$ 108,962.00
Letter of Credit Fee	\$ 129,600.00
Mortgage Title and Recording Fees	\$ 125,600.00
Owner's Cost Certification	\$ 40,000.00
Investor Counsel	\$ 57,800.00
Owner Legal Fees	\$ 305,000.00
WHDC Predevelopment Loan Cost	\$ 40,000.00
WHDC Predevelopment Loan Interest	\$ 120,000.00
Financing Contingency	\$ 110,600.00

**Subtotal** **\$ 2,323,114.00**

**Partnership Costs**

Accounting	\$ 40,000.00
Contingency	\$ 2,000.00

**Subtotal** **\$ 42,000.00**

**Developer's Costs, Carrying Costs and Reserves**

Real Estate Taxes	\$ 121,000.00
Builder's Risk Insurance	\$ 97,000.00
Marketing Costs	\$ 50,000.00
Lease-Up Fee	\$ 48,500.00
Lease-Up Reserve	\$ 200,000.00
6 Months Debt Service Reserve	\$ 368,548.00
6 Months Operating Reserve	\$ 346,605.00
Owner's Representative	\$ 175,000.00
Contingency	\$ 70,300.00

**Subtotal** **\$ 1,476,953.00**

**Developer Fee** **\$ 3,000,000.00**

**TOTAL ANTICIPATED SOURCES OF FUNDS** **\$ 47,244,947.00**

(End of Exhibit "A")

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**EXHIBIT B**  
**Definition of**  
**Cadence Apartments Residual Receipts**

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Beginning June 1, 2023, and on June 1<sup>st</sup> of each year thereafter until June 1, 2056, fifty percent (50%) of the Cadence Apartments Residual Receipts from the previous calendar year must be paid by the WNT Borrower to the County Board in arrears as an annual loan payment on the accrued interest and outstanding principal on the Cadence Loans.

**“CADENCE APARTMENTS RESIDUAL RECEIPTS”** means for each calendar year:

- (1) The ***Total Gross Revenues*** MINUS
- (2) THE SUM OF
  - (a) ***Total Senior Lender Debt Service Payments***,
  - (b) ***Total Approved Operating Expenses***,
  - (c) ***Property Management Fee Payment***,
  - (d) payments into the ***Capital Replacement Reserve***,
  - (e) ***VHDA Monitoring Fee Payment***,
  - (f) ***Investor Services Fee***,
  - (g) ***Partnership Administrative Fee***, and
  - (h) ***WHDC Resident Services Fee***.

**Total Gross Revenues** means for each calendar year during the term of the Cadence Loans, all revenues, income, receipts and other consideration actually received by the WNT Borrower during such calendar year as a result of its ownership and/or operation of the Cadence Property, to the extent that such Total Gross Revenues are consistent with the WNT Borrower’s Annual Audited Financial Statements. Total Gross Revenues shall include, but not be limited to:

- (a) all rents, fees and charges paid by tenants;
- (b) rental subsidy payments received for each income-restricted unit;
- (c) deposits forfeited by tenants;
- (d) all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements;
- (e) proceeds from any vending and laundry room machines;
- (f) proceeds of business interruption or similar insurance;
- (g) proceeds of casualty insurance not required to be paid to the holders of the VHDA senior debt (provided however, expenditure of such proceeds for repair or restoration of the Cadence Property shall be included within Total Approved Operating Expenses in the year of the expenditure);
- (h) condemnation awards for a taking of part or all of the Cadence Property or the improvements for a temporary period not required to be paid to the holders of the Senior Debt;
- (i) the fair market value of any goods or services provided to the WNT Borrower in consideration for the leasing or other use of any part of the Cadence Property;
- (j) proceeds from its parking; and



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**EXHIBIT B**  
**Definition of**  
**Cadence Apartments Residual Receipts**

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- (k) any release of funds from the Capital Replacement Reserve to Borrower at the time of withdrawal of the investor members or a dissolution of the WNT Borrower.

Total Gross Revenues shall not include tenant security deposits, loan proceeds, release of funds from the Capital Replacement Reserve to fund major repairs, capital expenditures and replacement of capital items on the Cadence Property in accordance with the Annual Budget, Net Proceeds or similar advances.

**Total Senior Lender Debt Service Payments** means for each calendar year during the term of the Cadence Loans, (i) prior to the close and distribution of the VHDA permanent loan proceeds to the WNT Borrower, VHDA construction loan payments that are then currently due and owing to VHDA; (ii) upon repayment of the VHDA construction loan, annual VHDA permanent loan payments that are then currently due and owing to VHDA; and (iii) any other annual debt service payments due and owing which have been pre-approved by the County Board and is senior to the Cadence Loans, to the extent that all such Total Senior Lender Debt Service Payments are consistent with the Annual Budget and the Annual Audited Financial Statements. To the extent that the Total Senior Lender Debt Service Payments exceed the amount budgeted in the Annual Budget, such excess Total Senior Lender Debt Service Payments shall not be included in the calculation of the Residual Receipts.

**Total Approved Operating Expenses** means, for each calendar year during the term of the Cadence Loans, the following operating expenses reasonably and actually incurred from the operation and maintenance of Property to the extent that such operating expenses are consistent with the Annual Budget and the Annual Audited Financial Statements:

- (a) **reasonable payroll fees and expenses** (including salaries and benefits) in amounts in accordance with industry standards for similar affordable residential projects;
- (b) **reasonable administrative fees and expenses** in amounts in accordance with industry standards for similar affordable residential projects, including, but not limited to, reasonable costs associated with accounting and tax preparation fees, advertising and marketing expenses, and legal fees incurred by the WNT Borrower in the ordinary course of business related to the operation of the Cadence Property. Reasonable administrative fees and expenses shall not include the Cadence Property Management Fee Payment, the WHDC Resident Services Fee, and any other management or investor fees;
- (c) **reasonable gas, electric, water and sewer, and other utility service fees and expenses** not paid for directly or indirectly by Tenants;
- (d) **reasonable operation and maintenance fees and expenses** in an amount in accordance with industry standards for similar affordable residential projects;
- (e) **federal, state, and local taxes** (excluding real estate taxes);
- (f) **insurance fees and expenses** in amounts in accordance with industry standards for similar affordable residential projects; and
- (g) **real estate taxes and assessments** or payments in lieu thereof.

If the fees and expenses described in subsections (a), (b), (d), or (f) above, each determined on a category by category basis, exceed the amount budgeted for such fees and expenses in the Annual Budget by more than ten percent (10%), then the fees and expenses for such category that exceed the amount budgeted in the Annual Budget by more than ten percent (10%) shall be excluded from Total Approved Operating Expenses unless inclusion is specifically approved in writing by the County Manager (to be granted or withheld in her sole discretion).

Any costs and expenses incurred by the WNT Borrower that is not included in the definition of Total Approved Operating Expenses set forth above shall not be included in the Total Approved Operating Expenses used to calculate the Residual Receipts.

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**EXHIBIT B**  
**Definition of**  
**Cadence Apartments Residual Receipts**

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**Property Management Fee Payment** means for each calendar year during the term of the Cadence Loans, the annual fee payable to the County Manager approved Property Manager pertaining to the managing and operation of the Cadence Property. The amount of the annual Property Management Fee Payment shall not exceed five percent (5%) of gross rent collections received during each month.

**Capital Replacement Reserve** means the capital replacement reserve account established by the WNT Borrower to help fund major repairs, capital expenditures, and replacement of capital items on the Cadence Property in accordance with the Annual Budget.

Commencing one (1) month following repayment of the VHDA construction loan and closing and funding of the VHDA permanent loans, and annually thereafter during the term of the Cadence Loans, the WNT Borrower shall deposit, or cause to be deposited, into the Capital Replacement Reserve (on an annualized basis) an amount equal to Three-Hundred and 00/100 Dollars (\$300.00) per residential apartment unit of Cadence Apartments for each calendar year.

To the extent that the payments into the Capital Replacement Reserve exceed the amount budgeted in the Annual Budget, such excess payments shall not be included to calculate the Residual Receipts, unless specifically approved in writing by the County Manager or his designee (to be granted or withheld in her sole discretion).

**VHDA Monitoring Fee** means the annual fee paid by the WNT Borrower to VHDA in the amount equal to thirty-five and 00/100 Dollars (\$35.00) per tax-credit qualified residential apartment units in the Cadence Apartments complex for each calendar year, beginning no later than January 1, 2022 and continuing for fifteen years. Thereafter, the VHDA Monitoring Fee shall mean the annual fee paid by the WNT Borrower to VHDA in the amount equal to twenty and 00/100 Dollars (\$20.00) per tax-credit qualified residential apartment units in the Cadence Apartments complex for each calendar year for an additional fifteen years.

**Investor Services Fee** means an annual fee of \$5,000.00, prorated for any partial year, payable annually by the WNT Borrower to the applicable LIHTC investor as compensation for services. Payment of the Investor Services Fee shall begin at the end of the fiscal year following receipt of the permanent certificate of occupancy for Cadence Apartments and continue thereafter during the term of the Cadence Loans, increasing by two percent (2%) annually.

**Partnership Administrative Fee** means an annual fee of \$5,000.00, prorated for any partial year, payable annually by the WNT Borrower to the [managing member of the partnership] as compensation for administrative services. Payment of the Partnership Administrative Fee shall begin at the end of the fiscal year following receipt of the permanent certificate of occupancy for Cadence Apartments and continue thereafter during the term of the Cadence Loans, increasing by two percent (2%) annually.

**WHDC Resident Services Fee** means an annual fee of \$9,400.00, prorated for any partial year, payable annually by the WNT Borrower to WHDC as compensation for WHDC's resident services. Payment of the WHDC Resident Services Fee shall begin at the end of the fiscal year following receipt of the permanent certificate of occupancy for Cadence Apartments and continue thereafter during the term of the Cadence Loans, increasing by two percent (2%) annually.

**(End of Exhibit "B")**