



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of July 19, 2008**

DATE: June 27, 2008

SUBJECT: Allocation of Fiscal Year (FY) 2009 Affordable Housing Investment Fund (AHIF) funds for the relocation of tenants, demolition and payoff of the existing bond balance of Jordan Manor Apartments, located at 4525 Wilson Blvd.

C. M. RECOMMENDATIONS:

1. Allocate up to \$2,000,000 of AHIF/HOME (101.495130.91102) funds to AHC Inc. (101.456300.91102) or its designated County-approved ownership affiliate to assist with the cost of the tenant relocation, demolition of the existing complex and repayment of the outstanding bond balance of Jordan Manor Apartments. The financing assistance would be in the form of a subordinated residual receipts loan subject to the terms and conditions outlined in this report.
2. Approve the addition of an existing \$220,000 AHIF loan on Jordan Manor Apartments to AHC, Inc. or its designated County-approved ownership affiliate, to the up to \$2,000,000 AHIF/HOME loan described above in #1 as long-term financing assistance for the redevelopment of Jordan Manor, under the terms and conditions described in this report.
3. Authorize and direct the Trustees of the project listed above on behalf of the County Board of Arlington County to execute the required Release of Lien to allow for the release of the County's Deed of Trust (dated September 23, 2003) and the Deed of Easement and Restrictive Covenants (dated September 26, 2003) to allow AHC, Inc. or its affiliate to exchange its current land (4525 N. Wilson Blvd.; RPC No's 14-054-001 and 14-054-002) with JBG per the February 23, 2008 MOU and February 22, 2008 Exchange Agreement.
4. Authorize the County Manager to execute the required loan documents for up to \$2,220,000 in AHIF to AHC, Inc. or its affiliate. Authorize and direct the trustees for the County's Deed of Trust to execute the required loan subordination documents as described in this report, subject to approval by the County Attorney.

County Manager: _____

County Attorney: _____

Staff: Sarah Pizzo, David Cristeal, CPHD, Housing Division

Report Date: June 27, 2008

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: This is a request for Affordable Housing Investment Fund (AHIF) funds by AHC, Inc. to relocate current tenants, demolish and payoff the current debt at the existing Jordan Manor Apartment complex (4525 N. Wilson Blvd.).

SUMMARY: AHC, Inc. is requesting \$2 million in Affordable Housing Investment Fund (AHIF) as the first of a two-part loan request for its approved 90-unit affordable housing apartment complex, The Jordan. The County, The JBG Companies, and AHC, Inc. and its affiliate Jordan Manor Housing Corporation, signed a Memorandum of Understanding (MOU) on February 23, 2008 regarding the redevelopment of the Peck/Staples/Jordan Manor site. The MOU and the accompanying Exchange Agreement govern the process for a land exchange between AHC, Inc. and JBG for the redevelopment of the existing Jordan Manor Apartments and Peck/Staples sites. JBG owns the Peck/Staples site and AHC owns the Jordan Manor Apartments site. As articulated in the MOU, AHC is now requesting \$2 million in AHIF to fund three activities: relocation of current Jordan Manor tenants, demolition of the existing complex, and the payoff of the existing bond balance on the property. Completing these three activities will allow the land exchange between AHC and JBG. AHC's current balance of \$220,000 on the County's existing AHIF loan for the Jordan Manor Apartments will be added to the new \$2 million AHIF loan. The County will secure the new loan of up to \$2,220,000 (\$220,000 plus up to \$2,000,000) with a lien to the existing Jordan Manor property and transfer the lien to the new apartment complex site upon the land exchange between AHC and JBG.

BACKGROUND: On February 23, 2008 the County Board voted to approve The JBG Companies and AHC Inc's site plan request for the Peck/Staples/Jordan Manor site, with conceptual approval of the 90-unit AHC building. Originally, JBG submitted a site plan proposal that included two office buildings on the former Peck/Staples site along Glebe Road and 28 townhouse units fronting Wakefield Street. County staff and housing advocates identified an opportunity to achieve significant affordable housing by incorporating AHC's current Jordan Manor Apartments into the site plan proposal. JBG and AHC submitted a revised plan that proposed two office buildings and a new 90-unit affordable housing complex on Glebe Road and 28 market-rate townhouse units to be built on the west block.

This joint site plan requires that a land exchange occur between JBG and AHC. AHC will exchange the land currently occupied by its 24-unit Jordan Manor Apartments property for a subdivided portion of the current Peck/Staples site. Since the affordable housing component was added to the site plan several months after the application was filed, the building design lagged behind the rest of the site plan. The County Board approved the entire site plan in February with conceptual approval of the AHC building but required that a major site plan amendment be submitted for the details of the AHC building. A companion report describes the major site plan amendment (Site Plan #401).

The affordable housing contribution (\$5,898,846) that JBG will make to the County as part of its community benefit package is proposed to be loaned from the County to AHC to help finance the new 90-unit complex. As described in the MOU, AHC will request these AHIF funds in two parts: the current request for up to \$2,000,000, and the balance of the request to be made at the December 2008 County Board meeting. At the time of the anticipated land exchange (by December 1, 2008), both JBG and AHC must deliver their respective land free of tenancies, improvements and any environmental matters. The up to \$2 million in AHIF that AHC is requesting would fund the relocation of current tenants, demolition of the current complex and payoff the existing bond balance on the property prior to the exchange with JBG (by December 1, 2008). In addition, this new loan would be added to AHC's existing AHIF debt on the Jordan Manor property (\$220,000) for a total \$2,220,000 loan. This is concurrent with a request for a major site plan amendment for the design details of its new complex.

DISCUSSION: This project is the result of an innovative partnership and land exchange between JBG and AHC Inc., which will result in a net increase of 66 affordable units in the Metro corridor just west of the Ballston Metro station. The construction of the new 90-unit complex by AHC is based on several key financial parameters:

- JBG's nearly \$5.9 million site plan housing contribution to the County's Housing Reserve Fund is intended to fund the gap financing needed for the new 90-unit affordable complex. This will result in little or no new County AHIF funding needed for the affordable housing program;
- AHC will request these funds from the County via an AHIF loan: up to \$2 million of which is being requested now and the balance of which will be requested at the December 2008 County Board meeting;
- AHC will apply for a competitive 9% Low Income Housing Tax Credit (LIHTC) allocation in March 2009, and in the event it does not receive an allocation, AHC will reapply in 2010; and
- AHC will apply for primary financing, which could include low interest rate financing through Virginia Housing Development Authority's (VHDA's) SPARC and REACH programs.

Existing Apartment Complex: AHC's existing Jordan Manor Apartments is a 24-unit complex that was built in 1956 and purchased by AHC in 1990. It is located right off Glebe Road at 4525 Wilson Blvd. (see attached map). All 24 existing units are affordable, with 5 units affordable to households earning 50% of the area median income (AMI), 14 affordable to households earning 60% of AMI, and 5 non income-restricted but affordable to households earning 80% AMI. The unit mix is 7 one-bedroom units, 14 two-bedroom units and 3 three-bedroom units. This project was financed with bonds issued by the County's Industrial Development Authority (IDA). The outstanding bond balance of \$1,655,650 will be paid off with the new AHIF loan (see Sources & Uses table on the next page).

Relocation: AHC submitted a Relocation Plan to address the relocation needs of the existing residents of Jordan Manor Apartments, which the Tenant-Landlord Commission voted to support at its February 20, 2008 meeting. Upon approval of this current AHIF loan request, all residents will relocate at least temporarily while the demolition and new construction takes place. The relocation could occur as early as July 31, 2008. Any existing resident in good standing whose

income qualifies for one of the 90 new affordable units will be given first priority to apply to return. Relocation assistance will be provided to all residents in accordance with the Arlington County Board's Relocation Guidelines and applicable federal, state, and local laws. AHC also enhanced the County-approved relocation payment by \$300 per household.

Development Plan: Upon approval of this current AHIF request, AHC will relocate its remaining Jordan Manor tenants. Per the Exchange Agreement between AHC and JBG, demolition of the existing Jordan Manor Apartments complex is expected to take place by November 1, 2008. Also per the agreement, the closing of the land exchange is to take place no later than December 1, 2008. At that time, all land to be exchanged must be totally free of all tenancies, improvements and environmental problems. AHC will apply for 9% competitive Low Income Housing Tax Credits by March 2009 and if awarded, could begin construction by early fall 2009. Construction of the new complex is then estimated to take 24 to 36 months from approval of tax credit funding.

Affordable Housing Plan: The new 90-unit apartment building will provide a net gain of 66 affordable units. Of the 90 units, 73 will have multi-bedrooms (68 2-bedroom units and 5 3-bedroom units). All units will be affordable to households earning up to 60% of the Area Median Income (AMI) or up to \$59,000 for a four-person household. A more detailed affordable housing plan including the breakdown of affordability levels by bedroom will accompany AHC's second AHIF loan request, scheduled for December of 2008.

County Funds Requested: AHC Inc.'s current request for \$2 million is the first of two AHIF requests, the second of which will be requested at the December 13, 2008 County Board meeting. The current request will fund expenses incurred before the land exchange with JBG. The \$2 million will fund the payoff of AHC Inc.'s outstanding bond balance on the current Jordan Manor property, relocation of the current tenants, and demolition of the existing Jordan Manor complex. The loan will carry a 4% interest rate for up to 30 years, secured by a subordinated deed of trust on the current Jordan Manor property and transferred to the new property at settlement and payable from the residual cash flow of the project.

SOURCES OF FUNDS:		USES OF FUNDS:	
New AHIF Loan – 1 st request (July 2008)	\$ 2,000,000	Payoff Outstanding Bond Balance	\$ 1,655,650
Original Jordan Manor AHIF Loan	\$ 220,000	Tenant Relocation	\$ 88,000
		Demolition of Jordan Manor	\$ 256,350
		Continue Original Jordan Manor AHIF loan	\$ 220,000
Total Sources	\$ 2,220,000	Total Uses	\$ 2,220,000

Civic Association/Community Process: In the context of the overall joint JBG and AHC site plan, both applicants met numerous times over the last year with the Bluemont Civic Association (BCA), which has been very active in the site plan review. BCA has been supportive of robust residential and commercial redevelopment of the subject site. Its most critical concerns have

been provision of appropriate building height and tapering from Glebe Road to the Bluemont neighborhood to the west and south, a transition from the commercial buildings to be provided by townhouses and an apartment building with appropriate height and harmonious style along North Wakefield Street and wrapping the corner of the east block along Wilson Boulevard, and mitigation of traffic impacts of redevelopment on the adjacent neighborhood. The AHC site of the apartment building and the townhouses framing the remainder of the site along North Wakefield Street and the west block, are two elements essential to BCA's overall support for this project.

Tenant-Landlord Commission: The Tenant-Landlord Commission voted to support AHC's Relocation Plan at its February 20, 2008 meeting.

Housing Commission: The Citizens Advisory Commission on Housing reviewed the site plan proposal at its February 14, 2008 meeting. The Commission voted 4-0-1 to recommend support of the proposed affordable housing package, subject to several conditions. AHC will meet with the Commission on July 10, 2008 for consideration of the first \$2 million AHIF request. 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 \$2,000,000 of AHIF funds to AHC, Inc. or its designated County-approved ownership affiliate to assist with the cost of tenant relocation, demolition of the existing building and repayment of the outstanding bond balance described in this report, subject to the terms and conditions below. Convert the existing \$220,000 in AHIF debt to long-term financing to be added to the new \$2,000,000 allocation.

1. AHC, Inc. will submit an application for the balance of AHIF funds requested for consideration by the County Board at its December 13, 2008 meeting.
2. AHC Inc. will apply to the Virginia Housing Development Authority (VHDA) in 2009 for competitive 9% tax credits for the 90-unit/100% affordable apartment complex. Should AHC Inc. or its affiliate not receive 9% credits from the 2009 award cycle, AHC commits to reapply for 9% credits in 2010.
3. The applicant shall execute a generally standard AHIF Program Agreement and loan instruments for the County loan in a form acceptable to the County Manager and the County Attorney.
4. The loan amount of up to \$2,220,000 in AHIF (up to \$2 million in new funds plus the conversion of \$220,000 in existing AHIF debt to long-term financing) 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 (the new 90-unit apartment complex). 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 the primary financing described in the last bullet on page 3 of this report. The deed of trust for the \$2,220,000 will be placed on the existing Jordan Manor property (RPC No's 14-054-001 and 14-054-002) and then transferred to the site of the new Jordan Manor property (the parcel has not yet been created).

5. AHC agrees to provide 90 newly constructed units affordable to households at or less than 60% of the Area Median Income (AMI), of which four would be fully accessible to persons with disabilities, conditioned upon County and other funding necessary for project completion. Accompanying its second request for AHIF funding (for consideration at the December 13, 2008 County Board meeting), AHC will propose a more detailed affordable housing plan including the breakdown of affordability levels by bedroom-size and accessibility, and setting forth the compliance period.
6. The applicant and any successors in interest, shall provide a purchase option including a right of first refusal to the County or its designee, if AHC Inc. or its affiliate 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 amount of AHIF/HOME funds in the FY 2009 adopted budget is \$5,828,172. Of this amount, \$148,377 has already been allocated per the Board-approved Community Development program and Annual Consolidated Plan, leaving an unallocated balance of \$5,679,795. Assuming approval of the other proposals before the Board to provide \$850,000 in HOME funds to the Supportive Housing Program and \$606,905 in HOME funds for a Homeownership program, the current unallocated AHIF/HOME balance will be \$4,222,890. Approval of the staff recommendation to allocate up to \$2,000,000 in AHIF funds for the Jordan Manor project will result in a remaining FY 2009 balance of \$2,222,890.

Location of the Existing Jordan Manor Apartments and the Future Site of The Jordan

The existing Jordan Manor Apartments are located on parcel #9 below. The future site of The Jordan is parcel #3 and on smaller parts of parcel #2 and #4.

