



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of March 17, 2007**

DATE: March 12, 2007

SUBJECT: Allocation of Fiscal Year (FY) 2007 Affordable Housing Investment Fund (AHIF) and Housing Reserve Fund (HRF) funds as a loan to the Buckingham M.I. Apartments L.P. (BMILP) to assist with the development of the Buckingham Villages Apartments.

C. M. RECOMMENDATIONS:

1. Appropriate \$3,600,000 from the Housing Reserve Fund (799.72402.7079) to AHIF (101.495130.91102) to be used as a loan to the BMILP to assist with the development of the Buckingham Villages Apartments.
2. Allocate, in the form of a conditional commitment, up to \$7,000,000 in FY 2007 AHIF funds (101.456300.91102) to BMILP, or its designated County-approved ownership affiliate, as financing assistance for the construction of the Buckingham Villages Apartments. This financing assistance would be in the form of a subordinated, residual receipts loan subject to the terms and conditions outlined in this report
3. Authorize the County Manager to approve the ownership affiliate, if any, and to execute the required loan documents for a loan of up to \$7,000,000 to BMILP or its affiliate, and authorize and direct the trustees for the County's Deed of Trust to execute the required loan and subordination documents subject to approval by the County Attorney.
4. Authorize the County Manager to designate one or more County representatives to serve as voting members of the ownership affiliate.
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, financial position, or enhance the housing program and which changes do not adversely affect the County financially, before or after execution of the County's financing documents.

ISSUE: Should the County allocate up to \$7,000,000 in FY 2007 AHIF Funds for the development of 100 affordable units in the Buckingham Village 1 Apartments?

County Manager: _____

County Attorney: _____

Staff: David Cristeal, Housing Division, DCPHD

SUMMARY: The applicant is requesting a loan of up to \$7,000,000 in AHIF funds, as long term financing for the development of the Buckingham Village 1 Apartments, a mixed-income apartment complex of 234 units. The proposed apartment complex is located at 4319 N. Pershing Drive, $\frac{3}{4}$ mile from the Ballston Metro. This request to fund 100 affordable rental units is the first of three affordable housing components contemplated in the overall redevelopment of Buckingham Villages 1 and 3, as described in the earlier Site Plan report. The affordable housing components are summarized as follows:

- Village 1 - 100 rental units affordable to households at or below 60% of the Area Median Income (AMI). This report focuses on this component and the associated funding request.
- The second component would include 60 affordable rental units that would be provided either in Village 1 or off-site, at nearby complexes. The applicant is working with the community and staff to develop the most cost-efficient way to achieve the goal of preserving the community/providing units for households at 60% to 80% of the AMI (either as a capital subsidy or rental assistance program).
- The third component would include at least 140 affordable units at Village 3, affordable to households at 60% of the AMI as either rental, ownership, or a combination of the two.

The build out of the site plan and the affordable housing components contained within, may take up to 5 years overall. Funding for the second and third affordable housing components would occur within that timeframe, as well.

A companion report on the General Land Use Plan Amendment, Rezoning and Site Plan is also on this County Board agenda for consideration. Conditions securing affordable housing in Village 3 as well as additional affordable components are included in that report as Conditions #65 and #78.

BACKGROUND: On July 11, 2006, County Board entered into a Memorandum Of Understanding (MOU) with Paradigm Development Corporation to participate in a process that results in a redevelopment plan for Villages 1, 2, and 3 in the Buckingham community (see attached MOU).

Since that time, the County, Paradigm, and community representatives have worked to prepare a redevelopment plan that attempts to address four objectives:

- Preservation of as much affordable housing as possible within Buckingham Villages or in the immediate neighborhood, including Ballston Park with a goal of no less than 300 committed affordable units;
- The ability of people who currently live in Buckingham Villages to continue to live in Buckingham Villages or in the immediate neighborhood, including Ballston Park;
- The historic preservation of Buckingham Village 3 and historically sensitive redevelopment of the other two villages; and,
- The incorporation of land values that approximate what could be achieved under by-right development.

The affordable housing programs proposed for Villages 1 and 3 that are a major part of the overall redevelopment proposal reflect each of the above objectives.

DISCUSSION: The Community Preservation Committee (CPC) was charged with creating an affordable housing program that meets the housing objectives of the MOU, preserving the existing community and providing 300 units of affordable housing. Between September 2006 and February 2007, the CPC held 13 meetings with tenants, housing advocates, commission and civic association representatives, the applicant, and staff. The affordable housing program described in this report is a result of these meetings and discussions.

The initial work of the CPC was to examine tenant needs and wants. Staff, the applicant and CPC members used several forms of tenant information to base its recommended affordable housing programs:

- Village 2 tenant income information collected by the applicant;
- Village 1 and 3 tenant preferences collected from CPC and other community meetings, as well as one-on-one interviews;
- Village 1 and 3 income information from preliminary surveys

The information showed a need and desire for a housing program containing both rental and ownership units that meet a range of incomes. Based on the survey data, most of the tenant households (65%) have incomes between 40% and 80% of the AMI. The remaining households have incomes either below 40% (22%) or above 80% of the AMI (13%). Households earning more than 60% create a particular challenge, as they are not eligible for tax credit units. Households with incomes below 40% of the AMI have access to other rental subsidy programs, such as Housing Choice vouchers (federal program) or Housing Grants (County program), however waiting lists for vouchers currently extend as long as five years. Overall, a majority of the existing tenants would be eligible for some form of assistance, through a voucher type of program or a capital subsidy program (e.g. tax credits and County AHIF loan).

Meetings were also held for tenants interested in home ownership at Buckingham. From these meetings approximately 70 residents expressed interest, 28 households completed forms, and 17 of those provided financial information. Of these, 10 households had incomes below 80% of the AMI, meaning they might income-qualify for County and VHDA ownership assistance programs. The other 7 had incomes above 80% of the AMI. This information provided justification for pursuing ownership options as part of the affordable housing program. Current rents at Buckingham Villages 1 and 3 are affordable to households in the range of 55% to 65% of AMI. The table below shows the current rents and unit mix:

Existing Unit Mix and Rents:

	Village 1	Village 3	
Unit Size	# of Units	# of Units	Current Rents
Efficiency	1	0	\$825-\$875
1-bedroom	90	77	\$998-\$1,095
2-bedroom	125	63	\$1,200-\$1,325
3-bedroom	16	0	\$1,440-\$1,495
Total:	232	140	

Proposed Affordable Housing Program for Village 1 – 100 Tax Credit Units:

The applicant proposes to provide 100 affordable units mixed in one of two new apartment buildings containing 234 apartments. The second building would contain 272 market rate units. The site will also contain 68 market-rate townhouses, two public streets and a new park. The 100 affordable tax credit units would be affordable at 60% of the AMI for 50 years and would need a capital subsidy (AHIF loan) to make the rents affordable for 50 years.

Village 1 – Proposed Unit Mix and Rents

Unit Size	Tax Credit Units (#/rent)		Market Units (#/rent):	
1-bdrm/1 bath	60	\$967+utils	80	\$1,650+utils
2-bdrm/1 bath	3	\$1,147+utils	3	\$1,910+utils
2-bdrm/2 bath	34	\$1,147+utils	45	\$2,210+utils
3-bdrm/2 bath	3	\$1,308+utils	6	\$2,470+utils
Total:	100		134	

The chart above shows the existing and proposed unit mix, configuration and rents for Village 1. The tax credit rules state that the proportion of tax credit, or affordable, units needs to match the proportion of market-rate units (e.g. same proportions for each bedroom type). The proposed units are slightly larger than the existing units: 1-bedrooms are 741 sq ft compared to 690 in existing 1's; 2-bedrooms average 1,050 sq. ft compared to 970 in existing 2's; and 3 –bedrooms are 1,325 sq. ft, compared to 1,100 for existing 3's. Each new apartment would have individually controlled heating and cooling systems.

The applicant has agreed to work with the County’s Department of Human Services (DHS) to provide both accessible units (5) and work with DHS to make 8 additional units available to its supportive housing consumers.

County Funding Request/Financing Plan: The applicant requests a County loan of up to \$7,000,000 at an annual interest rate of 3.5% for 30 years, secured by a subordinated deed of trust and payable from residual cash flow. This request for County funding is necessary to keep

the rents affordable for 50 years and to leverage other public and private funds for the 100 tax credit units to be located in Village 1. The applicant would use several public and private sources to finance these units, including the requested County AHIF loan. The total cost of the affordable portion of the apartment building is approximately \$27 million. In addition to the County’s loan, the affordable units would be financed by a private 1st mortgage, equity from the sale of tax credits, and owner equity. The Sources and Uses table below summarizes the proposed financing plan.

Sources and Uses of Funds:

Sources:		Uses:	
1st Trust	\$8,724,120	Land acquisition	\$5,896,000
Tax Credit Equity	\$10,800,000	Hard Construction Cost	\$16,068,780
County AHIF Loan	\$7,000,000	Soft Construction Cost	\$3,999,200
Owner Equity	\$364,660	Contingency	\$840,000
		Relocation	\$84,000
Total:	\$26,888,780	Total:	\$26,888,780

Relocation Plan:

The relocation plan was reviewed by the Tenant-Landlord Commission and approved on February 21, 2007. Residents of Buckingham Village on the date this plan is approved will be vested and entitled to all services and payments detailed in the plan. All residents will receive a 120-day Notice to Vacate, beginning with approximately 76 units in Village 1 along Pershing Drive. Paradigm will employ a relocation consultant(s) to assist families with the relocation process including assisting households in finding suitable replacement housing. Vested tenants with 120 Day Notices to Vacate will receive a relocation payment in accordance with the County’s Tenant Relocation Guidelines. Vested tenants, who complete the tenant questionnaire, will be ranked on a “Priority List” for the newly constructed committed affordable units. Vested tenants moving from a temporary unit at Buckingham Village or off site to a newly constructed unit will receive a relocation payment as required by Arlington County’s Tenant Relocation Guidelines as shown below. Households choosing to make temporary moves on site are expected to pay current rents and remain in compliance with their lease.

Relocation Payment Schedule:

Unit Type	Relocation Payment	Relocation Payment for “Very Low” Income Residents
Efficiency	\$750	\$1,125
One-Bedroom	\$900	\$1,350
Two-Bedroom	\$1,050	\$1,575

Schools Impact: Arlington Public Schools (APS) staff reported that as of December 2006, 155 students lived in Villages 1 and 3. APS staff projected that post redevelopment/renovation unit mix including the addition of affordable and market rate apartments and townhouses will result in 186 APS Pre-K to 12th Grade students (or a net gain of 31 students). APS staff project that the

students will fall into a 46%-17%-37%- breakdown of elementary, middle, and high school with the greatest impact on Barrett Elementary (86 students), Swanson Middle School (32 students) and Washington-Lee High School (68 students).

Community Preservation Committee (CPC): The CPC held 14 public meetings to gather tenant and other stakeholder input. Though no votes were taken on the various components of the affordable housing program, the CPC's input ultimately shaped the resulting affordable housing program

Housing Commission: The Citizens' Advisory Commission on Housing met on March 8, 2007 and voted to support the applicant's request for an AHIF loan of up to \$7,000,000 to support the 100 affordable tax credit units as the applicant proposes for Village 1. See the attached Commission letter to the County Board reflecting their position.

Tenant-Landlord Commission: The Tenant-Landlord Commission reviewed the applicant's relocation plan and on February 21, 2007 voted in support of the tenant relocation plan.

Affordable Housing Goals: The proposed affordable housing program of 100 affordable tax credit units that is proposed for Village 1 meets several of the County Board adopted Affordable Housing Goals and Targets as follows:

Goal 1, Target 1A and Goal 5, Targets 5A and 5B: At least 40 of the 100 affordable units would be available to families with children (37 two-bedroom and 3 three-bedroom units).

Goal 2, Targets 2A-D: All units would be newly constructed (100) according to current building codes.

Goal 3, Targets 3B, 3C and 3D : Increases the supply of committed affordable units within ¾ mile to the Ballston shopping mall and Metro stop and units in site plan projects (38% of the total units in the proposed site plan are affordable; the standard for the Target is 10% of the units).

Goal 6, Target 6A: all 300 units would be in Neighborhood Service Area (NSA) D (the standard is that 60% of committed affordable housing should be in areas D, E, and F (metro corridor areas)).

In addition, if implemented, the proposed affordable housing program meets all of the four objectives outlined in the MOU between the County and Paradigm: preserving or creating 300 units of affordable housing, allowing current residents to continue living in Buckingham, historic designation of Village 3, and the incorporation of land values that approximate what could be achieved under by-right development).

Conclusion: If all components of the affordable housing program are implemented in the context of the proposed redevelopment, there will be ultimately 300 committed affordable units added to the Buckingham community, which is becoming an extremely difficult and expensive location in which to acquire or develop affordable housing units.

The recommended County loan of approximately \$70,000 per unit on 100 tax credit units in Village 1 is comparable to the average AHIF per-unit loan amount (\$80K to \$102K on recent projects) for affordable units in for-profit sponsored, new construction development projects

approved under the site plan process. Staff concludes that this project presents an opportunity to secure affordable housing relatively close to the Ballston metro at reasonable costs (and relative to the by-right option of market rate townhouses).

Loan Terms and Conditions (see also Site Plan conditions #65 and #78)

Approve a loan of up to \$7,000,000 to the Buckingham M.I. Apartments L.P. or its designated County approved ownership affiliate, as project financing assistance for the development of the 100 affordable tax credit units within Buckingham Village 1 subject to the following terms and conditions:

1. The County Board's commitment of the AHIF/HOME loan to BMILP and the obligation of the applicant to provide the 100 tax credits units is conditioned upon BMILP obtaining 9% federal low income housing tax credits. In the event that BMILP does not receive the 9% federal low income housing tax credits, BMILP will submit a revised AHIF/HOME funding request for the 100 units utilizing tax-exempt financing and 4% federal low income housing tax credits for consideration by the County Board.
2. The applicant shall execute a generally standard AHIF/HOME Program Agreement and loan instruments for the County loan in a form acceptable to the County Manager and the County Attorney.
3. This financing assistance would be in the form of a subordinated residual receipts loan, secured by a deed of trust, and repayable from the cash flow of the property. This loan will be made at an interest rate of 3.5% compounded, annually, over a term of 30 years and will be subordinate to BMILP's primary financing, construction financing and partnership loans, in aggregate, up to \$18,000,000.
4. The applicant must comply with the affordable housing set-aside for the rental units as follows: One Hundred (100) rental units would be affordable to households earning 60% or less of AMI for 50 years.
5. The applicant agrees to provide, subject to the priority list favoring vested Buckingham residents with physical disabilities, 5 affordable units as accessible to persons with physical disabilities as described in American National Standards Institute (ANSI) A117.1 Standards and Type A units in Chapter 11 of the building code in compliance with the International Construction Code (ICC) 1107.5.4. The applicant agrees to market these units to households in need of such units as part of the applicant's Affirmative Marketing Plan.

6. The applicant, its designated ownership entity, heirs or assigns shall provide a purchase right of first refusal to the County or its designee, if the applicant decides to sell the 100 tax credit units separate from a sale for both the tax credit and market rate units in the property at any time prior to or at the end of 30-years, 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 tax credit units for the amount of the outstanding debt, exit taxes and allowable typical and reasonable transaction costs.
7. The applicant agrees to provide, subject to the priority list favoring vested Buckingham residents, a minimum of 8 units at 60% of the AMI to the County's Department of Human Services (DHS)'s clients. The provision of these units shall occur through one of two mechanisms: the applicant or its affiliate shall utilize federal Housing Choice Project-based Vouchers or utilize DHS' Project-based Supportive Housing Rental Assistance Program to subsidize the rents of DHS clients for a term of 30 years. This condition is subject to the availability of such vouchers or sufficient appropriated rental assistance funds.

FISCAL IMPACT: Approval of the staff recommendation to appropriate \$3,600,000 from the HRF to AHIF will result in an AHIF/HOME balance of \$7,012,631. Approval of the staff recommendation to allocate up to \$7,000,000 in AHIF/HOME funds as financing assistance for the construction of the Buckingham Villages Apartments will result in a remaining FY 2007 AHIF/HOME balance of \$12,631. The Fiscal Year 2007 unallocated HRF balance is \$4,611,796. Approval of the staff recommendation in an amount of up to \$3,600,000 will result in a remaining FY 2007 HRF balance of \$1,011,796.