

Response to Questions on the FY 2009 Advertised Budget Plan

Request By: Supervisor Herrity

Question: What is the total amount of debt being serviced by Fund 319, The Penny for Affordable Housing Fund (Penny Fund)? What are the debt service amounts next year and anticipated amounts for future years?

Response: **Crescent (Hunter Mill District):** Fairfax County acquired this 180-unit complex in February 2006 to preserve it as affordable housing through the Fairfax County Redevelopment and Housing Authority's (FCRHA) Fairfax County Rental Program. The Crescent was part of the nearly \$2.3 billion real estate portfolio placed on the market in the fall of 2005 by The Mark Winkler Company. The Crescent, an affordable property adjacent to the Lake Anne revitalization area, was at risk for conversion to condominiums like many other complexes sold in the past few years. The acquisition preserved the 180-unit apartment complex and provided an opportunity to add additional affordable housing and complement Lake Anne revitalization efforts given its 16.49 acres.

The purchase price was \$49,500,000; One Penny funds in the amount of \$9,427,326 were used to purchase the property, pay costs of issuance, fund operating and capital reserves and relocation costs together with \$40.6 million financed through a Bond Anticipation Note (BAN). In February 2008, the County and the FCRHA made a combined upfront payment from the Penny Fund and project revenues to repay a portion of the principal on the 2007 BAN which left a balance of \$37.615 million financed by a new 5-year 2008 BAN with an interest rate of 3.92 percent. Regular project revenues and principal payments over the 5-year term of the 2008 BAN will enable the principal due on the 2008 BAN to be reduced, and allow sufficient time to complete the development plan for the property and to arrange the permanent financing.

The Crescent Apartments presents the County with unique opportunities. The large acreage offers an opportunity to actually increase the affordable housing at the property through additional development on the site. Of even greater significance, is the location of the Crescent, as an integral parcel in the revitalization of Lake Anne. The long vision for this site is to preserve as many of the existing units as possible, increase the number of residential units (particularly affordable units) and do it in a way that complements and perhaps even jump starts the revitalization of the surrounding area. To this end, HCD has engaged consulting engineers, architects and financial/market analysts to assist in designing a final project concept. This process is currently underway. Further, these planning efforts are being closely aligned with comprehensive plan changes that the community is considering and the county will eventually enact. Once this process is completed, HCD will be able to structure the permanent financing for the project. This could include a public/private partnership, the use of housing tax credits and other financing tools. The expected time horizon to develop the final project concept is 2009 and to reach final redevelopment is 2013.

Wedgewood Apartments (Braddock District): Fairfax County acquired Wedgewood Apartments in November 2007 to permanently preserve it as affordable housing through the FCRHA's Fairfax County Rental Program. Wedgewood Apartments is a 672-unit multi-family development located on Little River Turnpike and McWhorter Road in

Annandale, Virginia on 34.8 acres of land. The property is adjacent to Annandale Terrace Elementary School and Ossian Hall Park. Annandale High School is also nearby. The project was built over several years between 1963 and 1967 and was sold to the County by the original builder/owner, Bo Bud Construction. Similar to the Crescent, the acquisition of Wedgewood was a highly competitive process. The purchase price was \$107,500,000 (\$159,970/unit).

The proceeds of \$105,485,000 in BAN and \$5,000,000 from the Penny Fund were used to purchase the property, pay costs of issuance, fund operating and capital reserves and relocation costs. The Wedgewood 2007 BAN can be renewed within one year. The interest rate on the BAN is 3.625 percent. The interest will be paid from the FY 2009 Penny Fund.

Staff is exploring several scenarios for permanent financing which may include conventional financing, tax-exempt or other forms of bonds, low income housing tax credits, and the Penny Fund, which will be used as either a lump sum payment and/or payment for debt service on a gap loan.

FY 2009 and Future Year Funding Requirements

The total principal borrowed for Crescent is \$37,615,000 and the total principal borrowed for Wedgewood is \$105,485,000. The chart below shows the current and anticipated debt service requirements for Crescent and Wedgewood. There is a current 5-year outstanding note for Crescent and a one-year BAN for Wedgewood. Permanent financing options are being explored for both of these projects. Currently, it is anticipated that the permanent financing for both projects will have a gap financing requirement with a net General Fund or Penny Fund impact of approximately \$8.0 million. It should be noted that there is an FY 2009 funding commitment for Olley Glen of \$6.3 million and an administration estimate of \$570,000 or approximately 2.5 percent of the Penny Fund which is used primarily for consultant review of properties during the acquisition stage.

Debt Service

Project	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014- FY 2034
Crescent	\$3,834,883 Total Debt Service \$2,934,883 Net Debt Service After Rental Income is Applied	\$3,873,600 Total Debt Service \$2,973,600 Net Debt Service After Rental Income is Applied	\$3,886,100 Total Debt Service \$2,986,100 Net Debt Service After Rental Income is Applied	\$3,895,100 Total Debt Service \$2,995,100 Net Debt Service After Rental Income is Applied	\$28,615,600 Note Due. Estimated Penny Fund Support for Permanent Financing is \$2.0 million per year	\$2,000,000 Per Year
Project	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014- FY 2030
Wedgewood	\$108,788,365 (P&I) with interest of \$3,303,365 Due. Estimated Penny Fund Support for Permanent Financing is \$6.0 million per year	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000 Per Year
Pay-As- You-Go Funding						
Project	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Olley Glen	\$6,300,000					
Admin.	\$570,000 Approximately 2.5 percent estimated for contractual services for pre- acquisition work	TBD	TBD	TBD	TBD	TBD