Arlington County
Multifamily Loan Program

Loan Portfolio Management Procedures and Guidelines

Updated as of December 2016

Arlington County Multifamily Loan Program
Loan Portfolio Management Procedures and Guidelines

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INTRODUCTION

Program mission and goals

The Affordable Housing Investment Fund (AHIF) is the County's main financing program for affordable housing development. Since its creation in 1988, AHIF has helped to create the majority of Arlington's more than 7,000 approved affordable rental units that benefit low- and moderate-income households. In conjunction with the Affordable Housing Ordinance, this revolving loan fund provides incentives for developers through low-interest loans for new construction, acquisition and rehabilitation of affordable housing. Since 2000, the County has originated more than $200 million in loans for affordable units.

As stated in the Arlington County Affordable Housing Master Plan, adopted by the County Board in September 2015, Arlington County Policies Goals for AHIF are as follows:

- 1.1.1 Encourage the construction and preservation of affordable rental housing through land use/zoning policy, financial and technical assistance.
- 1.1.7 Remove barriers to the production of moderately-priced rental housing, including non-subsidized housing.
- 1.2.2 Encourage production and preservation of family-sized (e.g. 3+bedroom) moderately-priced ownership units.
- 2.3.3 Prevent homelessness through safety net supports and social services to enable residents to maintain their housing.
- 2.5.3 Maintain a sufficient supply of committed affordable housing that is accessible to persons with physical and sensory disabilities.

Funding Sources – AHIF, HOME, CDBG

The County's Affordable Housing Investment fund (AHIF) is a revolving loan fund that provides gap financing to developers that preserve or build Committed Affordable Housing (CAF) units in the county. AHIF is the key mechanism through which the County funds the construction and redevelopment of housing affordable to low-income renters. AHIF also supports housing that combines housing and services for vulnerable populations.

AHIF is funded by several sources; developer contributions obtained through the Affordable Housing Ordinance; general revenue; AHIF loan repayments; federal Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) entitlement funds; and a portion of property recordation fees. Between FY2010 and FY2014, AHIF received an average of $8 million in local funding annually. The AHIF is designed to allow for flexibility in loan terms depending on the characteristics of the affordable housing project (e.g. incomes targeted, affordability term) and conditions in the market.

Loan Structure

The County's Affordable Housing loans are structured in a variety of ways. County staff will analyze many different aspects of the project including: cost, affordability restrictions, current tenant income, size, location, type of construction or amount of renovations, etc. in order to provide funding that leverages as much other financing as possible. However, County staff also tries to balance all project aspects with financial feasibility, so that it is not overburdened with unrealistic financing terms.

The majority of the loans for affordable housing projects in the County's loan portfolio are residual receipt or cash flow loans. The loans are usually long term loans (60+ years), at a below-market interest rate (less than 3%) and provide annual payment to the County if and when the project has positive cash flow. Cash flow is defined through the loan agreement and then certified through the project's annual audited financial statements. The balance of the loan is due at the end of the term or upon sale or transfer of the property unless it is refinanced or redeveloped with County Board approval and retains its CAFs.

LOAN UNDERWRITING AND APPROVAL PROCESS

Affordable Housing Master Plan Goals, Objectives and Policies

In September, 2015, the Arlington County Board adopted the Affordable Housing Master Plan which is an element of the Arlington County Comprehensive Plan. The Affordable Housing Master Plan (AHMP) was developed as the County's long-range vision for addressing housing needs through 2040, and defines the County's housing policy. The Plan will be reviewed and revised as necessary at least once every five years to account for changing conditions within and beyond the County.

The Affordable Housing Goals and Objectives are used for guidance as the County invests its AHIF, HOME and CDBG funds in housing projects that contain CAFs. The Affordable Housing Goals, Objectives and Policies of the Affordable Housing Master Plan are listed in Exhibit 1.

Affordable Housing Investment Fund (AHIF) Project Funding Guidelines and Notice of Funding Availability (NOFA)

AHIF Project Funding Guidelines and Process (Prior to FY2018)

For many years, the Development Section of the Housing Division has reviewed proposals and funding requests for affordable housing projects throughout the County on a rolling basis with the Affordable Housing Investment Fund (AHIF) Project Funding Guidelines (see Exhibit 2). The AHIF Project Funding Guidelines guide the review and evaluation of AHIF, HOME, and CDBG loan requests for affordable housing projects in Arlington County. They provide a basis for funding recommendations made by the Arlington County Housing Division to the County Manager and County Board.

Projects meeting certain goals and objectives of the County are invited to submit a comprehensive application, and the Development Section staff begins a thorough review process. The process includes: underwriting the requested loan; negotiating with the developer/owner on all aspects of the project (financing, number and type of affordable unit, etc.); working with various stakeholders such as the Housing Commission and the Tenant/Landlord Commission; and working with the County Manager's Office if the project was to move forward in seeking approval of the project from the County Board.

NOFA Process (Beginning in FY2018)

Currently, the County is moving toward a Notice of Funding Availability (NOFA) process. While similar comprehensive underwriting reviews will continue, the County will be able to evaluate projects concurrently and select projects by comparing them. The selections will form the staff recommendations for the following fiscal year's pipeline.

Selections will be determined through an administrative process conducted by the County's Housing Division. The Housing Development, Finance, and Community Planning teams would score appropriate sections of the applications. The scores will be totaled and averaged across all staff into a final score. Housing staff will then present the recommendations for the pipeline to the County Managers Office. The selected applicants will be notified and staff will meet and debrief with applicants who are not selected. There will be no appeals process.

After selection, applicants will then continue the four to eight month review process including negotiations with the developer/owner on financing of the project, meetings that may be related to the planning process such as Site Plan Review Committee (SPRC) or Form Based Code Advisory Working Group meetings, Planning Commission meetings, and Housing Commission meetings. At the conclusion of the review process, the application will go before the County Board for a local fund allocation.

Loan Underwriting Process

As described more thoroughly in Exhibit 2, the Affordable Housing Investment Fund (AHIF) Project Funding Guidelines, the Loan Underwriting Process is comprehensive and complex. Staff analyzes the project against many competing goals and objectives such as the Affordable Housing Master Plan Goals, Project Risk and Opportunity, Project Readiness and Schedule, Capital Budget Standards, Proforma and Operating Budget Standards, and Developer/Sponsor Experience. The ultimate goal of the underwriting process is to make sure that the project conforms with all of the stated affordable housing goals of the County, assists the population that it is intended to serve, complies with all of the requirements of its other financing (tax credit investor, VHDA, etc.) and utilizes the minimum allocation from the County to accomplish those goals.

Calculating the Loan Amount (Filling the Gap)

As noted above, the Affordable Housing Investment Fund (AHIF) Project Funding Guidelines, describes more about calculating the loan amount and funding the gap in Section III – Project Effectiveness and Financial Efficiency Review. Specifically, it states, "The applicant demonstrates that it is requesting only the amount of County funds needed to fill a funding gap, without which the project could not go forward." Other cost considerations discussed and factored into the amount of gap financing include: maximum leveraging, acquisition costs at or below market, construction costs are consistent with other similar projects, developer fees and other soft costs are appropriate by industry standard, there is a developer contribution and that the requested County funds are proportional to the Total Development Costs (TDCs). Every factor of the project is analyzed for its effect on the cost of the project and whether the costs are warranted.

FINANCIAL PROCEDURES

Arlington County has many established controls and procedures in order to ensure timely, accurate and well-documented disbursements and conversely, repayments for the loans in its portfolio. Financial information is critical in monitoring and reviewing the loan portfolio and the status of the many properties. The information below demonstrates the financial process followed for properties.

Fund Disbursement (P.O. versus Manual Warrant)

Once authorized by the County Board, Arlington County funds are most commonly disbursed through a purchase order or a manual warrant. Both disbursement vehicles require evidence of Board approval (typically a board report), demonstration that funds are available (e.g., current account balance from the County's PRISM system), a signed agreement or contract, and banking/wire information for the receiving organization. Purchase orders also require that the recipient be established as a "supplier" in the County's payment system, which requires submission of a W-9 for the organization receiving payment.

Typically, manual warrants are used for one-time disbursements, which makes manual warrants an appropriate vehicle for settlements of County loans to multifamily (or single family) development projects. Meanwhile, purchase orders work well when the County anticipates multiple disbursements over a longer period of time. For instance, if the County is disbursing (federal) funds on a reimbursement basis, e.g., as certain construction milestones are complete, a purchase order may be a more appropriate vehicle. Purchase orders are also used for our Tenant Assistance Fund (TAF) contracts to reimburse developers for rental assistance paid on behalf of tenants.

Requesting New Account Code Combinations

Account Code Combinations (ACCs) in the County's PRISM system may track *revenue* or *expenses* and each include six segments:

[Fund].[Natural_Account].[Cost_Center].[Project].[Source_of_Funds].[Task]

When funds are disbursed through a purchase order, staff set up a project-specific *expense* account code to help track funds disbursed to-date and remaining funds authorized. Similarly, when County loans start repaying, having project-specific *revenue* codes help staff track payment history by project.

New ACC segments may only be established by submitting a request to the County's Chart of Accounts (COA) email. This central process helps control the number of new segments created and prevent duplicate requests. Once individual segments are created, segments in the County's non-departmental fund (101) may be assembled to create a complete ACC either by sending a request to the County's COA email or through the County's Department of Management and Finance. Meanwhile, if the new ACC is in fund 206 (or another department-specific fund), staff with the proper permissions may create the new ACC using a module in PRISM. ACCs that are no longer in use may be "end-dated" to make them inactive.

ADMINISTRATIVE PROCEDURES – LOAN FILING

The County has instituted several processes to ensure that the loan agreement and other legal documents are appropriately distributed, scanned, filed and retained. The loan agreement is a comprehensive document that thoroughly describes all aspects of the project and includes typical legal documents for publicly funded affordable housing projects such as the Deed of Trust, the Promissory Note, the Deed of Declaration of Restrictive Covenants, and the Subordination Agreement, if applicable.

Loan Agreement and Attachments

After a project has gone to settlement, and appropriate financial accounts have been established as described in the section above, the agreement and attachments are scanned and placed in the required electronic and hardcopy files. The County retains both a hardcopy and a scanned electronic copy of the document with all applicable attachments. The hardcopy is filed with the Asset Manager and is reviewed and referred to several times throughout the year. The scanned electronic copy is filed on the County's L drive in the Housing Division folder. All projects and loans have separate folders to contain all of the electronic documents including project analysis and other supporting and historical documentation.

Deeds of Trust, Deeds of Declaration of Restrictive Covenants and Promissory Notes – Additional

For any project that receives funding from the County, the County will execute a Deed of Trust, a Deed of Declaration of Restrictive Covenants and a Promissory Note in addition to the other documents listed in other sections. The Deed of Trust and Deed of Declaration of Restrictive Covenants will be recorded by the owner/borrower immediately after settlement and copies of the recorded documents will be returned to the County. The originally signed documents including the Deed of Trust, Deed of Declaration of Restrictive Covenants and Promissory Note are filed in a locked file cabinet in the Housing Division's file room. This ensures that the County will have at least one, full original copy of the agreement with all of the attachments.

ATRACK

The Arlington County Apartment Tracker (ATRACK) is a custom internet-based system that allows the County to track all apartment complexes in the County, all CAFs and all of our loans to owner/developers. The Asset Manager and Development Specialist work together to set up new projects and/or new financing after settlement. Once the project is listed, the financial information including interest accruals, repayments, changes to loan terms, etc., is updated and reviewed by the Asset Manager. ATRACK is able to calculate and provide interest accruals, loan balances, number of affordable units and other comprehensive reports that staff can use for analysis or to provide to internal or external stakeholders.

Record Retention

Arlington County retains records for a minimum of seven (7) years and a variety of maximum amounts of time depending on the requirements set forth in the agreement or legal document such as:

- Loan Agreement with applicable attachments, Recorded Deed of Trust, Original Promissory Note – for seven (7) years PLUS the term of the loan or the payoff date.
- Deed of Declaration of Restrictive Covenants – for seven (7) years PLUS the term of the housing affordability period.

ANNUAL REQUIREMENTS FOR BORROWERS

Arlington County requires several annual submittals for CAF properties in its portfolio. The combination of these submittals in addition to annual project monitoring and intermittent calls, discussions, and emails, allows the County to obtain a comprehensive view of the status of the property. Because of the small size of Arlington and the relatively small size of its loan portfolio, staff has the opportunity for property visits, meetings with management, and other options for follow-up that assist in a timely gathering of information.

Annual Operating Budgets

Borrowers/Owners must submit to County Staff proposed operating budgets for each property approximately 6-8 weeks prior to the beginning of the fiscal year of the property and as noted per each property's agreement. The operating budgets are reviewed thoroughly and are also reviewed (1) as an individual property and (2) compared to other properties in Arlington.

Initially, staff reviews the individual property's budget against the prior year budget. The first aspect of the budget that is analyzed are the rents/income:

- What is the affordability makeup of the property (i.e. how many 50% units, 60% units, etc.)?
- Is the owner establishing rents at the maximum rent allowed? If no, why not?
- Are there any other sources of income and are they significant (i.e. cell phone tower rental)?
- What vacancy rate is being applied? Is it consistent with the previous year? Why or why not?

Second, operating expenses are reviewed and noted:
- What are the per unit operating costs?
- What costs are listed under the operating line item?
- What fees are included in the operating costs (i.e. management fees, asset management fees)?
- Are these operating costs consistent with the previous year?
- How is the property budgeting for any capital needs (i.e. unit turnover or greater capital need) – is it part of the operating budget or being paid for out of replacement reserve?

Finally, both income and expenses are compared to other similar properties in Arlington to establish if the budget is comparable to other properties of similar size and location. If the budget is outside a normal range (too high or too low), the borrower/ Owner will be contacted and asked to explain the discrepancy.

Staff will ultimately approve or disapprove the annual budget. If the budget is approved, the Borrower/ Owner uses it to operate the property for that year. However, if there are unforeseen costs or circumstances, the annual budget can be reviewed and amended throughout the year by working with County staff. If the budget is not submitted or approved by the beginning of the fiscal year for the property, the Borrower/ Owner can either (1) utilize the previous year's approved budget as its guide or (2) work with County staff and make adjustments so that current year's budget is approved.

Annual Audited Financial Statements

Borrowers / Owners must submit to County staff annual certified audited financial statements. These statements provide an opinion about whether the information included in the financial statements are accurate as well as detailed financial information about the property. It is through the audited statements that County staff is able to review overall cash balances, debt and liens on the property (secured and unsecured), statements of profit and loss, and cash flow available for a potential loan repayment for the County. The audited financial statements are also usually submitted with the payments.

Insurance Certificates

Borrowers/Owners must submit insurance Certificates, listing the County as additional insured, on an annual basis. The insurance requirements are listed in each agreement but may include and not be limited to Builder's Risk, General Liability, Automobile Liability, and Property & Fire Insurance. The type of insurance and coverage amount is detailed in each agreement. Staff reviews the insurance requirements on an annual basis, and typically, an insurance certificate for each property will be sent to the County listing the insurance and coverage amount.

ANNUAL REPAYMENTS

Making a Deposit / Receiving a Wire

Typically, Borrowers/Owners submit annual residual receipt payments along with annual financial statements. Staff will concur that the check or wire matches what is noted in the annual financial audits and that there are no outstanding questions with the annual audit. Staff will also confirm that the deposit or wire is deposited in the correct account via the accounting codes that are unique to each project and each loan and/or funding source.

OVERSIGHT AND LOAN PERFORMANCE ASSESSMENT

Annual Financial Monitoring Overview

Arlington County Housing staff monitors projects in its loan portfolio as well as the owners of these projects annually. Desktop reviews are completed for all projects and include review and approval of the annual operating budgets, review and acceptance of the annual audited financials completed by third-party auditors, and review and completion of audit confirmations for various other lenders of the projects. Site visits and in-person meetings are conducted on an annual basis for certain projects and owners. The County currently has approximately 35 projects in its loan portfolio.

Together, AHC, Inc. and APAH are owner/developers of 65% of the County's portfolio. Because of this, the County intends to complete desktop reviews and on-site, in-person meetings for AHC and APAH every year. This allows for more comprehensive reviews, discussions, and understanding of the properties and the property management as well as the ability to work through any challenges that arise before they become more complex and difficult to resolve, especially if they represent trends in the larger portfolio.

The other owners and properties in the County's loan portfolio are as follows:

- Paradigm – Historic Ballston Park (at Buckingham Village), The Madison
- CPDC – The Larkspur
- Silverwood – Monterey Apartments
- Wesley – Pierce Queen (Union on Queen), William Watters
- Telesis – Scattered Site (Ft. Myer I, Ft. Myer II, Garfield Gardens), Buckingham Village 3
- Retirement Housing Foundation – The Carlin
- Views at Clarendon - vPoint

- Culpepper Gardens – Culpepper Gardens I

For these properties, the County completes annual desktop reviews of the operating budgets, audited financials and any other applicable correspondence or information. The County intends to complete on-site, in-person meetings for these properties every two to three years depending on information gathered during the desktop review. If the property is performing well, the owner is in compliance with all of the requirements of the agreement, and the County has received timely loan repayments, the property is considered to be in good-standing and will be monitored on-site and in-person every three years.

Annual Operating Budget Review

The County completes reviews of the annual operating budgets for each property in its loan portfolio and some others that have a vested County interest (leased land, etc.). The operating budgets are reviewed and compared against previous years' budgets for the same property, previous years' budgets for similar properties and current budgets for similar properties to note any discrepancies or trends in the operations of a property with CAFs.

Specific items that are reviewed are as follows:

- Income – rents for the specific units, rents are maximum allowed under tax credit or other funding source rules (also received from Compliance Manager), other income, vacancy rates
- Expenses – administrative costs, management fee, utility expenses, maintenance expenses, property and other taxes, other fees
- Debt Service – first mortgage, other debt

With restrictions on household income and rent charged to residents, the budgets for the properties in the County's portfolio are relatively stable with only modest increases in income and more moderate increases in expenses for any given year. However, if it is a mixed-income property, income can be more variable since there are not any restrictions on rent for certain units. Conversely, some of Arlington's mixed-income properties also have the highest expenses since owners are constantly marketing and needing to upgrade property features to stay competitive in the Arlington County rental market.

Staff provides owners with a report describing the property, the operating budget compared to others, the loan balance(s), and any other aspect of the budget that may be important to highlight. A copy of a sample report is attached as Exhibit 3.

On-Site Financial Monitoring Review

As discussed above, County staff completes on-site monitoring reviews of AHC and APAH annually since they are owners or developers of more than 65% of the County's portfolio. Staff prepares by reviewing information on all of the properties, and then monitoring visits are scheduled with a goal to focus on one or two properties. Those AHC, APAH and other owner properties are selected based on a variety of circumstances such as: increase or decrease in income and/or expenses, decrease in residual receipt payments, change in management, close to Year 15 for a tax credit deal, and other circumstances that may affect the property and ultimately, the tenants.

Compliance / Tenant Income Review

Committed Affordable rental units (CAFs) are monitored for compliance with affordability agreements; this includes rent amounts and the verifications of incomes of tenants. Most CAFs are monitored by two separate sets of compliance inspectors, because a majority of CAF properties have support from both the County and the Virginia Housing Development Authority's Low-Income Housing Tax Credit (LIHTC) program; both of these conduct monitoring via site visits, reviews of reporting, and physical unit inspections.

Those CAF properties which are not monitored by any other agency are monitored with a site visit from the Housing Division's Compliance Officer at least once per year. CAF properties which are monitored by the LIHTC program are typically monitored with a site visit from the Compliance Officer every other year. All properties submit an occupancy report annually listing units, rent amounts, households, and household incomes.

Addressing Noncompliance

In any cases in which rents charged are found to exceed allowed maximums, changes are made retroactively and credits are extended to tenants. In any cases in which incomes have not been verified for more than 12 months, verifications must be completed in 60 days.
Any uncorrected noncompliance with an affordability agreement is liable to be addressed by the County Attorney's Office. Affordability agreements reserve for the County the right to action or proceeding at law or in equity to require Borrower to perform its obligations and covenants.

For CAFs which have been established by Site Plan agreements, uncorrected noncompliance would be violations of the Site Plan, which ultimately can result in tickets and fines for the developer.

Detailed explanations of monitoring procedures are in the document "Monitoring of Committed Affordable Rental Units," Exhibit 4.

On-Site Unit Inspections

Committed Affordable rental units (CAFs) are inspected concurrently with scheduled Compliance Reviews. As noted above, physical unit and common area inspections are conducted by multiple vested agencies including the Virginia Housing Development Authority (VHDA); the Housing Choice Voucher (section 8) Program; and in some cases the Dept. of Housing and Urban Development's (HUD) Real Estate Assessment Center's (REAC) inspection teams. Whenever possible, efforts are made during scheduling to avoid redundant inspections of the same units by multiple agencies.

CAF inspections encompass a sampling of dwelling units along with common areas including laundry, storage, meeting, fitness and child play areas to ensure code compliance. The Virginia

Uniform Statewide Building Code (USBC) Part III- Virginia Maintenance Code (VMC) is used as the minimum standard for identifying deficient conditions.

Addressing Deficient Condition

Any deficient conditions found during an inspection are reviewed with management staff at the end of the inspection. A letter of correction is drafted and delivered to management staff outlining deficiencies; required corrective action and a timeframe for compliance (typically 30 days, special circumstances up to 90 days).

A re-inspection is required for any deficient conditions to confirm compliance with the VMC. However rare, if voluntary compliance is not met, the case may be referred to the Code Enforcement Office for enforcement actions.

Once compliance has been met, a letter of compliance is drafted and delivered to management staff. All associated paperwork is kept on file.

Discussions with Owners throughout the Year

Arlington County has an advantage of being small geographically which assists greatly in property and loan oversight by County staff. Staff interacts with property owners and managers on a regular basis via different commissions, committees and working groups that are consistently meeting throughout the year. External reviews and quick visits are easy to accomplish since most properties are a short and quick drive. If there are any challenges or issues that arise, owners are encouraged to discuss with County staff in a timely manner, so that a succinct and efficient approach can devised and implemented. County staff strives to have productive relationships with the owners of the County's affordable housing projects.

Monitoring Reports

County staff provides the owners, the Housing Division Director, and other internal stakeholders with copies of the monitoring reports. The reports list each property, the size and units at the property, the affordability restrictions and tenant make-up, whether or not it is within the normal range of other properties for expenses, management fee and other budgetary items, and the County loan and loan balance. A copy of a sample Monitoring Report is provided in Exhibit 5.

LOAN RESTRUCTURING

Tools for an Underperforming Property

For a variety of reasons, a property can have challenges and not be able to make repayments toward its County loan. Since these loans are residual receipt / cash flow loans and receive repayments only if there is positive cash flow, the loans are in good standing, but the County will not receive any repayments. This is an issue when the property reaches its Year 15 as a tax credit project and/or when it needs to recapitalize or refinance.

As described previously, County staff complete a thorough underwriting review and recommend the amount, term, and interest rate for every requested loan. Staff uses relatively conservative assumptions, but also balances requirements of the primary financing, tax credits, and anything else that is in a superior position to the County's loan. However, even with conservative assumptions, a property can be affected by the local/national economy, stagnant rent limits, neighborhood challenges, and construction delays.

These issues are exacerbated by compounded interest accruals on the County loans. If there isn't enough cash flow to make any repayment, the County loan will remain on the property for the term of the loan, but in most instances, interest will accrue annually and compound. Consequently, if a property cannot make projected repayments on the County loan, the accrued interest will increase the loan balance so that even if the property is able to make repayments in the future, it will always be burdened by accrued interest on the property and increase its loan balance. As the County has funded larger gaps in financing with a County loan, this is an issue that has increased.

One tool that can be used to assist a property that is challenged to make annual repayments is to restructure the loan. A restructure can include decreasing the interest rate, changing the interest from compounding to simple accrual, and increasing the term of the loan. While current guidance to staff is that the County Board would rather not forgive the loan or any portion of the interest, these other options quickly stem increasing interest accruals.

Identifying Properties

Staff identifies properties as underperforming if the amount of accrued interest on their loan is more than 25-30% of the balance of the loan. If the loan is not able to make an annual payment that is at a minimum, the amount of interest accrued, interest will compound and accrue. If the repayments do not increase on an annual basis, then the interest accruals will outpace repayments, and the loan balance will increase steadily.

Staff is in the process of developing a more strenuous process to identify properties earlier including requesting Year 15 information at settlement for the loan and updates on an annual basis. If the property owner and County staff are able to recognize a challenge with a property early in its loan term, there are many more options and much more time to create and implement a plan. If the property accumulates a great deal of debt and doesn't increase its income, there are severe financial consequences for tax credit properties at Year 15 with exit taxes and negative capital accounts. There are also severe financial consequences for all types of properties with the ability to leverage additional financing for recapitalizing, renovating or redeveloping the property.

Process

Any loan restructure is required to be internally vetted with the Department of Management and Finance (DMF), the County Manager's Office, and finally the County Attorney's Office. If supported internally, Housing staff will submit a recommendation to the County Board for their approval.

The restructured loan will again go through a comprehensive underwriting analysis with circumstances that have affected cash flow highlighted. The new loan terms will follow the standard internal process while confirming with the owner that the investor and/or primary lender are in agreement for the County loan restructure. Since many of the properties are owned by a Limited Partnership (LP), the structure would need approval from all partners.

If the County Board approves of the loan restructure, it would be effective immediately (or as otherwise stated in the Board Report and/or Amended Agreement).

CONCLUSION

Arlington County provides oversight, guidance, monitoring, and assistance from the inception of the project and loan, through loan approval, through acquisition and construction, and throughout the entire compliance and affordability period of the project. Communication is retained throughout the development and compliance period with the owner and the property manager so issues can be discussed and solved immediately. Because the County is also small geographically, County staff can visit properties easily, so inspections and other resident concerns can be researched and analyzed relatively quickly. It is through all of these avenues that enables County staff to provide a high level of supervision over the County's affordable housing loan portfolio.