

Section 108 Pre-Application

Arlington County, Virginia

1. Executive Summary and Community Development Objectives and Projected Use of the Guaranteed Loan Funds

CDBG Eligibility Category: Acquisition of Real Property (Matrix Code 01, Acquisition)

CDBG Regulation Citation: 24 CFR 570.201(e) or 42 USC 5305(a)(1)

CDBG National Objective: Benefit low- or moderate-income persons

Nonprofit developer Affordable Homes & Communities (AHC) and Goodwill of Greater Washington (Goodwill) have partnered to redevelop the existing Goodwill retail and donation center at 10 S. Glebe Road into a new construction, mixed-use community that incorporates 128 affordable apartment homes, a childcare center, and a new Goodwill retail store and donation processing facility (the “Project”). The Project provides a rare opportunity to serve the residents of Arlington County by providing a range of housing options, resident services, and employment at a single location. The development will increase the County’s housing supply by offering 128 rental homes at various affordability levels and family sizes.

The Project will further two of Arlington County’s FY 2022-2026 (federal FY 2021-2025)

[Consolidated Plan](#) goals:

- Create and sustain affordable housing, through development of 128 units at income levels ranging from 30%-60% of the area median income.
- Promote healthy and self-sufficient families, through on-site employment, childcare and other resident services.

Arlington County is requesting \$6,647,195 in Section 108 funds, or \$6,647,000 per 24 CFR 570.704(a)(1)(i)(A). The total development cost of the Project is \$74,165,916.

2. Amount of Section 108 Request (in increments of \$1,000)

The requested amount of Section 108 Assistance is \$6,647,000. The Section 108 financing fee (1.64% of total request) is \$109,010.80. The fee will be paid through the loan proceeds.

3. Project Description

The Goodwill store at 10 S. Glebe has been one of the nation’s busiest donation and retail centers for many years. It is located at the intersection of two busy commercial and residential corridors, Glebe Road and Route 50/Arlington Boulevard, and is in a transit-rich area with significant residential and employment opportunities. Nonprofit organizations Goodwill of Greater Washington and Affordable Homes & Communities (AHC) are partnering to redevelop the site into a mixed-use complex, to include 128 affordable apartments (with an affordability mix of 30%-60% of the area median income), a childcare center, and a retail store and donation processing facility that can potentially provide employment to residents.

The physical structure will contain five stories of affordable rental housing built above a two-level commercial base—all of which will sit atop a two-level subterranean parking garage. The singular physical structure will be financed, owned, and operated as three separate condominium units within a single condominium association. These will include a 9% Low Income Housing Tax Credit (LIHTC) project, a 4% LIHTC project, and a Goodwill project, as shown below:

1. *9% LIHTC condo*: A LIHTC project that includes a childcare center, community room, telehealth room, fitness center, its proportional share of underground parking spaces, and 63 rental apartments of the following unit and affordability mix:

	30% AMI	50% AMI	60% AMI	Total
Studio	4	-	1	5
1BR	-	3	1	4
2BR	5	16	19	40
3BR	2	2	10	14
Total	11	21	31	63

2. *4% LIHTC condo*: A LIHTC project that includes a lobby, flex office space, its proportional share of underground parking spaces, and 65 rental apartments of the following unit and affordability mix:

	30% AMI	50% AMI	60% AMI	Total
Studio	1	-	4	5
1BR	-	-	20	20
2BR	3	-	37	40
Total	4	0	61	65

3. *Retail condo*: A Goodwill retail store, donation processing center, and proportional share of underground parking spaces.

Proposed construction schedule is as follows:

Apply for Virginia Housing debt	January 15, 2025
Section 108 and local loan closing and closing on ground leases	April 1, 2025
Receipt of building permits	May 1, 2025
Construction finance closing	August 1, 2025
Construction completion	July 31, 2027
Stabilization	April 30, 2028

The environmental review will begin shortly and is anticipated to be completed by submission of Action Plan amendment in April 2025, including the public participation process. AHC is in the process of bringing on a consultant to assist with the work.

The proposed project advances several key County and Consolidated Plan goals and objectives. It provides 128 committed affordable units to low-income individuals and families on a site that currently has no housing. It will provide a childcare center planned to accommodate up to 40 children. The Project will provide comprehensive resident services on-site. The Project will create a new Goodwill facility that will support the mission driven work they do in the community. It will be an EarthCraft Multifamily Gold certified building, supporting the County's sustainability efforts. It will provide streetscape improvements and multi-use trail improvements that will make the site safer for pedestrians and vehicles.

Exhibits A and B illustrate how the site will be transformed from the existing single-use site into a multi-use site that brings housing stability for economically vulnerable residents within a physical structure that complements the adjacent uses and community. This Project provides a rare opportunity to serve the residents of Arlington County by providing a range of housing options, resident services, and employment at a single location.

4. Form of Assistance

The CDBG assistance will be provided by Arlington County in the form of two loans, one to the 9% LIHTC partnership and one to the 4% LIHTC partnership, both affiliates of AHC, a non-profit developer. The proposed CDBG loans will have 38-year terms to be coterminous with the Virginia Housing permanent financing 35-year loan term, following an up to three-year construction period. Arlington is still working with AHC to finalize all underwriting details, such as the interest rate of the loan. Each CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the Project's residual receipts/cash flow following stabilization. The County will pledge its current and future CDBG grant as collateral for repayment of the loan.

5. Description of Compliance with Eligible Activities and National Objectives

The Section 108 funds will be used for acquisition of real property (570.201(a)) and will meet the national objective of benefiting low- or moderate-income persons. The funds for each loan will be used as a capitalized payment by the respective LIHTC partnership to enter into a long-term ground lease to enable the partnership to develop housing for 100% low- or moderate-income residents.

The national objective of LMH will be met when each LIHTC project is leased, with a waitlist to be established by the nonprofit developer. Applicants will be required to demonstrate income eligibility consistent with LIHTC/federal requirements (pay stubs, etc.).

Since 100% of Arlington's entitlement funds are typically used to meet the national objective of serving low and moderate-income residents, the receipt of Section 108 loan guarantee funds will not affect the distribution of CDBG expenditures among the national objectives.

6. Information on Organizational Arrangements

Basic information on experience or capacity of parties involved to carry out this type of activity:

Arlington County: Arlington County is a unit of general local government that has been a CDBG entitlement community since 1978 and has supported affordable housing development efforts since the 1980s, using federal CDBG and HOME funds as well as its local Affordable Housing Investment Fund (AHIF). There is a dedicated team of professional staff who support housing development throughout the community. Arlington currently has more than 11,000 privately-owned committed affordable housing units, primarily developed through direct financing and tax credits.

Nonprofit Developer: AHC was founded in 1975 and is recognized throughout the region as a critical provider of affordable housing. AHC has evolved from a nonprofit grassroots entity providing a home improvement program for low- and moderate-income homeowners in Arlington to a full-service organization whose low- and mixed-income housing communities serve the District of Columbia; Alexandria, Arlington County, Falls Church, and Fairfax County in Virginia; and Montgomery County and the Baltimore area in Maryland. Over the years, AHC has developed 50+ properties, providing more than 8,000 affordable, workforce, and market-rate homes. They have been a long-time partner with Arlington County to create and sustain affordable housing.

If multiple parties will own/lease the property during development, identify when and how ownership/leases will be transferred:

Goodwill currently owns the property. At the April 2025 closing, the County will close on the CDBG loans to the LIHTC partnerships, the LIHTC partnerships will enter into long-term ground leases with Goodwill as the ground lessor and the LIHTC partnerships as the ground lessees, and the LIHTC partnerships will make capitalized ground lease payments to Goodwill.

7. Information for Financial Underwriting

A draft CDBG eligible uses table is below and preliminary pro forma is attached. Both will be finalized prior to 2025 closing.

The County CDBG loan funds will be used by the LIHTC partnerships to make capitalized ground lease payments and enter into the long-term ground leases with Goodwill. By entering into the ground leases and subsequently closing on construction financing by summer 2025, the LIHTC partnerships will be able to begin construction on the new development which will house 100% low- or moderate-income residents. The Section 108 loan fee will be paid through the loan proceeds, as shown in the table below.

CDBG				
	9% LIHTC Project	4% LIHTC Project	Other Eligible Uses	Total
Capitalized Ground Lease Payment (@ \$45k/unit)	\$2,835,000	\$2,925,000		\$5,760,000
Other eligible hard costs	\$278,016	\$290,175		\$568,191

Other eligible soft costs	\$44,609	\$55,391		\$100,000
Section 108 Loan Fee			\$109,011	\$109,011
	\$3,157,625	\$3,270,566	\$109,011	\$6,537,202

Information on other proposed and committed sources of project financing:

Each of the two LIHTC projects will have a senior permanent loan with Virginia Housing, LIHTC equity, and a proposed Home Investment Partnerships Program (HOME) loan from the County. Amazon has committed to helping finance the LIHTC projects at \$100,000 per unit, for a total of \$12.8M. AHC is providing a sponsor loan of \$250,000 for each the 4% and 9% LIHTC projects. AHC is also applying for a total of \$3.6M in Virginia Housing Trust Funds and National Housing Trust Funds. Please refer to the proforma for more information on funding sources.

Information on estimated revenue and operating expenses:

See pro forma, attached.

Proposed collateral for the Section 108 guaranteed financing (in addition to the primary pledge of CDBG funds):

Each CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the respective project’s residual receipts/cash flow.

8. Proposed Repayment Schedule

The Section 108 loan will be repaid by \$433,683 each year for 20 years. The following analysis uses a 2.68% interest rate, as was advertised for August 1, 2024, on the HUD Section 108 Loan Guarantee Program’s Rates and Fees webpage.

	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31
Year	1	2	3	4	5	6	7
Balance	\$ 6,647,195	\$6,391,657	\$ 6,129,270	\$ 5,859,852	\$ 5,583,213	\$ 5,299,160	\$ 5,007,494
Interest	\$ 178,145	\$ 171,296	\$ 164,264	\$ 157,044	\$ 149,630	\$ 142,017	\$ 134,201
Repayment Amount	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683
Total Remaining	\$ 6,391,657	\$6,129,270	\$ 5,859,852	\$ 5,583,213	\$ 5,299,160	\$ 5,007,494	\$ 4,708,012
	Dec-32	Dec-33	Dec-34	Dec-35	Dec-36	Dec-37	Dec-38
	8	9	10	11	12	13	14
	\$ 4,708,012	\$ 4,400,504	\$ 4,084,754	\$ 3,760,543	\$ 3,427,642	\$ 3,085,820	\$ 2,734,837
	\$ 126,175	\$ 117,934	\$ 109,471	\$ 100,783	\$ 91,861	\$ 82,700	\$ 73,294
	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683
	\$ 4,400,504	\$ 4,084,754	\$ 3,760,543	\$ 3,427,642	\$ 3,085,820	\$ 2,734,837	\$ 2,374,448

Dec-38	Dec-39	Dec-40	Dec-41	Dec-42	Dec-43	Dec-44
14	15	16	17	18	19	20
\$ 2,734,837	\$ 2,374,448	\$ 2,004,400	\$ 1,624,435	\$ 1,234,287	\$ 833,683	\$ 422,342
\$ 73,294	\$ 63,635	\$ 53,718	\$ 43,535	\$ 33,079	\$ 22,343	\$ 11,319
\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683	\$ 433,683
\$ 2,374,448	\$ 2,004,400	\$ 1,624,435	\$ 1,234,287	\$ 833,683	\$ 422,342	\$ (22)

9. Expected Sources of Repayment and Loan Fee

The loan will be repaid through future CDBG entitlements. Arlington County currently receives \$1,329,439 annually in CDBG entitlements. The County will use a portion of these funds to repay the Section 108 principal back within 20 years as shown above.

10. Statutory and Proposed Additional Security

Each CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the respective project's residual receipts/cash flow.

11. Contact Information

Local point of contact: Jennifer Daniels, Planning and Community Development Supervisor
Jldaniels@arlingtonva.us

Field/Regional Office Point of Contact: Shaina Gaines, Senior CPD Representative
Shaina.Gaines@hud.gov

Congressional District and Delegation: Virginia 8th Congressional District
 Rep. Don Beyer

Draft application, substantial amendment to Action Plan, and amendment to Citizen Participation Plan will be open for public review for a 30-day period from October 15-November 15, 2024. For a hard copy, please contact jldaniels@arlingtonva.us. Comments may be submitted in the following ways:

- Contact Jennifer Daniels, Planning and Community Development Supervisor, jldaniels@arlingtonva.us or 703-228-3822.
- Participate in a public hearing at the Community Development Development Citizens Advisory Committee meeting on Wednesday, November 6th at 6:30pm. Further information is available [here](#).

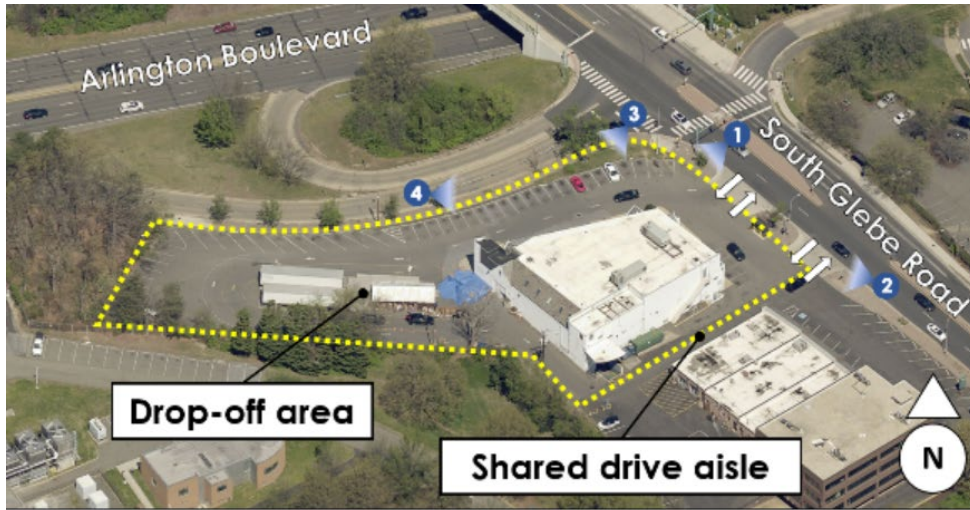
12. Certifications

See attached.

Exhibit A – Rendering of the Proposed Project



Exhibit B – Existing Site Conditions



Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities ENTITLEMENT PUBLIC ENTITY CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing Section 108 application submission requirements, the undersigned certifies, on behalf of the entitlement public entity and to the best of his or her knowledge and belief, that:

1. It possesses the legal authority to make the pledge of grants required under 24 CFR 570.705(b)(2);
2. It has made efforts to obtain financing for activities described in the application without the use of the loan guarantee, it will maintain documentation of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with the timely execution of the program plans without such guarantee;
3. It possesses the legal authority to submit the application for assistance under 24 CFR Part 570, Subpart M and to use the guaranteed loan funds in accordance with the requirements of Subpart M;
4. Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action:

(a) Authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required; and

(b) Authorizing such official representative to execute such documents as may be required in order to implement the application and issue debt obligations pursuant thereto (provided that the authorization required by this paragraph may be given by the local governing body after submission of the application but prior to execution of the contract required by §570.705(b));

5. Before the submission of its application to HUD, it has:

(a) furnished citizens with information required by 24 CFR 570.704(a)(2)(i);

(b) held at least one public hearing to obtain the views of citizens on community development and housing needs;

(c) prepared its application in accordance with the citizen participation requirements and made the application available to the public;

6. It is following a detailed citizen participation plan that meets the requirements described in 570.704(a)(2);

7. It will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:

(a) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.); and

(b) The Fair Housing Act (42 U.S.C. 3601-3619);

- In the aggregate, at least 70 percent of all CDBG funds, as defined at §570.3, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for

activities which benefit low-and moderate-income persons, as described in criteria at §570.208(a);

9. It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low-and moderate-income housing described in §570.606;

10. It will comply with the requirements of 24 CFR 570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds;

11. (Where applicable, the public entity may also include the following additional certification.) It lacks sufficient resources from funds provided under this subpart or program income to allow it to comply with the provisions of 24 CFR 570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the non-guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds;

12. It will comply with the other provisions of title I of the Housing and Community Development Act of 1974 as amended (42 U.S.C. 5301 et seq.) and with other applicable laws.

(Entitlement Public Entity)

(Signature of Authorized Official) (Date)

(Typed Name and Title of Authorized Official)

SECTION 108 LOAN GUARANTEE PROGRAM

Certification Regarding Lobbying

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

(Entitlement Public Entity)

(Signature of Authorized Official)

(Typed Name and Title of Authorized Official)

(Date)

SECTION 108 LOAN GUARANTEE PROGRAM

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

(Entitlement Public Entity)

(Signature of Authorized Official)

(Typed Name and Title of Authorized Official)

(Date)