

AGENDA ITEM 8-E
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 19, 2007

**RE: AUTHORIZATION TO ACCEPT ADDITIONAL FIVE YEAR TERM
FROM SUNTRUST BANK FOR LOAN FOR VRE OFFICE
CONDOMINIUM**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to execute financial documentation necessary to accept an additional five-year term, with a fixed rate of 4.31%, for VRE's loan with SunTrust Bank for the VRE office condominium at 1500 King Street, Alexandria, Virginia.

BACKGROUND:

During FY 1998, VRE entered into a financing agreement with Central Fidelity, now Wachovia Bank, in the amount of \$900,000 for the purchase of the administrative office space in Alexandria. In May 2002, staff solicited proposals for a refinancing of this loan at more advantageous terms and entered into a new financing agreement with SunTrust Bank in June 2002.

The loan with SunTrust amortized over a 15 year period, with a variable interest rate loan of 68% of the one-month LIBOR (London Interbank Offered Rate), plus 0.47%, to be reset monthly. The loan had a five-year term, at which time the bank reserved the right to renegotiate the terms for an additional loan period or require payment of the outstanding balance. In June of 2007, SunTrust continued the current loan terms for several months.

For the five-year period beginning November 2007, SunTrust has offered both a fixed rate and a variable rate option. The fixed rate is 4.31% and the variable rate is 68% of one-month LIBOR plus .63%, based on the bank's current calculations of the value to them of tax-exempt debt. Currently, the variable rate would be 4.09%. For both options, monthly principal payments will continue to be \$5,000 per month; the current balance due is \$600,000. The variable rate loan allows for prepayment at any time, without penalty. The fixed rate option allows for prepayment after two years. Staff recommends that VRE accept the fixed rate option. The variable rate is not significantly lower than the fixed rate at this time and acceptance of a fixed rate decreases the overall risk.

FISCAL IMPACT:

Funds are allocated in the FY 2008 operating budget for the payment of principal and interest on this loan.

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RESOLUTION
8E-10-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, in June 2002, VRE entered into a loan agreement with SunTrust Bank in the amount of \$900,000 to refinance the original loan for the VRE office condominium at 1500 King Street, Alexandria, Virginia; and,

WHEREAS, the refinanced loan had a five-year term, at which time the bank reserved the right to renegotiate the terms for an additional loan period or require payment of the outstanding balance; and,

WHEREAS, the bank has offered an additional five-year term for the outstanding balance.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to execute financial documentation necessary to accept an additional five-year term, with a fixed rate of 4.31%, for VRE's loan with SunTrust Bank for the VRE office condominium at 1500 King Street, Alexandria, Virginia.