10400 Detrick Avenue
Kensington, Maryland 20895
240-627-9425

REVISED EXPANDED AGENDA

June 5, 2013

3:30 p.m.	**Public Hearing** – Testimony and Public Comments on the HOC Draft Relocation Plan	
4:00 p.m.	**I. CONSENT ITEMS**	
Page 5 15 19	A. Approval of Minutes of May 1, 2013 B. Approval of HOC Relocation Plan C. Approval to Form Greenhills Development Corporation, to Transfer Ownership Interest to the Development Corporation, and to Authorize the Executive Director to Execute all Related Documents	
4:05 p.m.	II. **INFORMATION EXCHANGE**	
Page 26 27	A. Report of the Executive Director B. Calendar and Follow-up Action C. Correspondence and Printed Matter D. Commissioner Exchange E. Resident Advisory Board F. Community Forum G. Status Report	
4:15 p.m.	**III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**	
	A. Budget Finance & Audit Committee – *Com. Kator, Chair*	
Page 32	1. Acceptance of Third Quarter FY'13 Budget to Actual Statements	
48	2. Approval of FY'13 Third Quarter Budget Amendment	
53	3. Approval of CY'13 First Quarter Tax Credit Budget Amendment	
57	4. Approval to Extend the Use of the PNC Bank Line of Credit to Finance Montgomery Homes Limited Partnership (MHLP) I, VII and Paddington Square Development Corporation Mortgage Loans	
62	5. Acceptance of CY'12 Tax Credit Audits	
67	6. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable	
73	7. Adoption of FY'14 Budget	
	B. Development and Finance Committee – *Com. Lindstrom, Chair*	
Page 116	1. Authorization to Accept the Transfer of Limited Partnership Interests in Metropolitan of Bethesda Limited Partnership and Use Cash Flow of Metropolitan Development Corporation to pay Exit Taxes of Metropolitan of Bethesda Limited Partnership	
125	2. Authorization to Accept the Assignment of Limited Partnership Interests from the Limited Partner in Montgomery Homes Limited Partnership (MHLP) VII	
132	3. Approval of the Financing Plan for Greenhills Apartments	
148	4. Approval of Feasibility and Public Purpose for The Crossing at Olde Towne Apartments Transaction	
170	5. Adoption of an Inducement Resolution for The Churchill Senior Living Phase II Apartments Transaction	
4:55 p.m.	**IV. ITEMS REQUIRING DELIBERATION and/or ACTION**	
Page 185	A. Adoption of Supplemental Resolution to the Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds of the Housing Opportunities Commission of Montgomery County	
255	B. Adoption of Series Resolution Providing for the Issuance of 2013 Series A, 2013 Series B, and 2013 Series C Mortgage Revenue Bonds	
305	C. Approval to Select Pennrose Properties, LLC as the Developer for the Redevelopment of Ambassador Apartments	

5:25 p.m.	**V. *FUTURE ACTION ITEMS**	
5:26 p.m.	**VI. INFORMATION EXCHANGE (continued)** A. Community Forum	
5:30 p.m. Page 316	**VII. NEW BUSINESS** A. Approval of Modifications to the Disposition and Financing Strategies for the 669 Former Scattered Site Public Housing Units	
5:35 p.m.	**VIII. EXECUTIVE SESSION FINDINGS**	
5:40 p.m.	**ADJOURN**	
	RECESS	
5:45 p.m.	**Development Corporation Annual Meetings** • Alexander House Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 330) • Barclay Apartments Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 334) • Chevy Chase Lake Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 339) • Glenmont Crossing Development - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 343) • Glenmont Westerly Development - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 347) • Magruder's Discovery Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 351) • The Metropolitan Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 355) • Montgomery Arms Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 360) • The Oaks at Four Corners Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 366) • Paddington Square Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 372) • Pooks Hill Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 377) • Sligo Hills Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 382) • VPC One Development Corporation - Annual Meeting (Page 387) • TPM Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 391) • Wheaton Metro Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 396) • Scattered Site One Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 402) • Scattered Site Two Development Corporation - Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 406) **Development Corporation Annual Meeting** • Damascus Gardens Development Corporation - Annual Meeting (Page 411) **Limited Partnership Annual Meetings** • Brookside Glen Limited Partnership Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 416) • Diamond Square Limited Partnership Annual Meeting and Adoption of FY'14 Operating and Capital Budgets (Page 421)	
6:00 p.m.	**EXECUTIVE SESSION**	

NOTES:

1. This Agenda is subject to change without notice.
2. Public participation is permitted on Agenda items in the same manner as if the Commission was holding a legislative-type Public Hearing.
3. Times are approximate and may vary depending on length of discussion.
4. *These items are listed "For Future Action" to give advance notice of coming Agenda topics and not for action at this meeting.
5. Commission briefing materials are available in the Commission offices the Monday prior to a Wednesday meeting.

If you require any aids or services to fully participate in this meeting, please call (240) 627-9425 or email patrice.birdsong@hocmc.org.

Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Minutes
May 1, 2013

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, May 1, 2013 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:15 p.m. Those in attendance were:

Present
Roberto Piñero
Sally Roman, Vice Chair
Michael Kator, Chair Pro Tem
Jean Banks
Rick Edson
Pamela Lindstrom

Not Present
Michael Wiencek

Also Attending

Stacy Spann, Executive Director
Ken Tecler, Staff Counsel
Gail Willison
Scott Ellinwood
Belle Seyoum
Lillian Durham
Gail Gunod-Green
Tom DeBrine
Kayrine Brown
Jennifer Arrington
Rita Harris
Rose Matthews
Tara Whicker
Lorie Seal
Sybil Walston
Andrew Oxendine
Bill Rubin
Susan Yancy
Sue Swierdsiol
Carrie Smith
Kathy Kramer
Zachary Marks
Susan Smith
Jim Atwell
Tonya Clark
Gina Smith
Joy Flood
Scott Ewart
Denise Flowers-Brooks - RAB
Diane Morrison
Christopher Donald
Patricia Oliver
Vivian Benjamin
Ellen Goff
Bill Anderson
Ken Goldstraw

Commission Support
Patrice Birdsong, Spec. Asst. to the Commission

IT Support
Arthur Owens
Dominique Laws
Irma Rodriguez

Guests

Sequoia El-Amin, Interpreters/TCS Assoc.
Jerrod Sharp, Interpreters/TCS Assoc.
Vladimir Kotenev
Vladimir Pavlyukovets
Gennodiy Pavlyukovets

The Consent Calendar was approved upon a motion by Vice Chair Roman and seconded by Commissioner Edson. There was a question from Vice Chair Roman regarding the title of Limited Liability Corporation (LLC). Ken Tecler, Staff Counsel, advised that it was considered to be called "Tax Credit Holding LLC". Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson and Lindstrom. Commissioner Wiencek was necessarily absent and did not participate in the vote.

I. CONSENT ITEMS

A. Approval of Minutes

- **Approval of Minutes of Regular Meeting of April 3, 2013** – The minutes were approved as submitted.

B. Authorization to Create a Limited Liability Corporation (LLC) to Accept Transfer and Ownership of Donated Limited Partnership Interests of Seven Limited Partners in MHLP VIII – The following resolution was approved.

RESOLUTION NO.: 13-23

Re: Authorization to Create a Limited Liability Corporation (LLC) to Accept Transfer and Ownership of Donated Limited Partnership Interests of Seven Limited Partners in MHLP VIII

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and the Agreement by and between the Housing Opportunities Commission of Montgomery County and Montgomery County, Maryland (the "County"), effective July 1, 2012, as amended (together, the "Act"); and

WHEREAS, in 1994, Montgomery Homes Limited Partnership VIII ("Partnership") was formed, with the Commission as General Partner and seven Limited Partners, to acquire and

develop 49 affordable scattered sites (the "Property"), moderately priced dwelling units located in Montgomery County under the low income housing tax credit program (the "LIHTC"); and

WHEREAS, since the LIHTC compliance period ended on December 31, 2011, the seven Limited Partners have expressed a desire to exit the Partnership by donating their limited partnership interests to the Commission; and

WHEREAS, in February 2012, formal request to the Limited Partners requesting donation of their limited partner interests was submitted; and

WHEREAS, on December 5, 2012, the Commission approved the donation of limited partner interests from the seven Limited Partners of the Partnership; and

WHEREAS, in March 2013, the Limited Partners formally agreed to the donation of their limited partner interests to HOC or an affiliate; and

WHEREAS, maintaining the Partnership in existence minimizes costs and complexity of execution and preserves capitalization and financing flexibility while developing a longer term plan; and

WHEREAS, to maintain the existence of the Partnership, it is necessary to create an entity to take ownership of the interests to be transferred by the existing Limited Partners; and

WHEREAS, the same execution and substitution of Limited Partner to hold the transferred limited partnership interests in the Partnership can potentially be utilized for other partnerships when their compliance periods expire.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the authorization to create a Limited Liability Company to serve as Limited Partner in the Partnership and accept the transfer and ownership of donated limited partnership interests from the seven Limited Partners in the Partnership.

II. INFORMATION EXCHANGE

A. Report of the Executive Director – Mr. Spann presented to the Commissioners the Government Finance Officers Association Distinguished Budget Presentation Award that HOC received. This is the seventh award the Agency has received thanks to the hard work of Gail Willison, Chief Financial Officer and the Budget Team.

B. Calendar and Follow-up Action – Announcement of upcoming events: The NAACP Banquet – May 5th and the Affordable Housing Conference Summit – May 10th.

C. Commissioner Exchange – Vice Chair Roman encouraged everyone to attend the Affordable Housing Conference Summit. She informed that an additional panel had

been added that Executive Director Spann and representatives from DC Housing Authority, Fairfax and Prince George's County would be participating on – "The Effects of Sequestration".

- There was a brief discussion on the reporting of Mid-month Status Reports. Executive Director Spann proposed providing a robust quarterly report of the Real Estate Division activities verses a monthly report. Commissioner Edson suggested having a monthly chart of updates and status of activities. Chair Piñero suggested reports with bullets of those activities that are critical. Discussion concluded suggesting that staff devise/create a simplified mid-month status report format.
- Chair Piñero attended the Housing Fair. He stated this was the 13th year of the Fair and it was a great turn out; he acknowledged Susan Yancy-Krimer, Tom DeBrine and staff.
- Chair Pro Tem Kator made a request for reporting of tracking of arreage of utilities rates. He suggested using HOC buying power to contract down rates for residents and voucher holders.

D. <u>Status Reports</u>

- Gina Smith, Special Assistant to the Executive Director, provided a slide presentation on the status of the new HUB systems. HOC has established ten (10) HUBs with the purpose of better servicing our residents more timely. Currently, none of the HUBs are active but the Resident Accounting staff has been relocated to designated HUBs. The plan is to go live in July 2013.

E. <u>Community Form</u>

- Mr. Vladimir Pavlyukovets and Mr. Vladimir Kotenev addressed the Commission on their concern of the lack of affordable housing for disabled residents of Montgomery County through the Housing Choice Voucher Program. Staff suggested that when they apply for housing to ask if there is a listing of affordable housing units as well as a list of other organizations in the surrounding areas that could assist them in their search for affordable housing.

III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>

A. Development and Finance Committee

1. Approval of Structure and Cost of Issuance Budget for 2013 Series A, B, C, D Single Family Mortgage Revenue Bonds for the Purpose of Refunding Various Single Family Mortgage Revenue Bonds and the Issuance of New Debt

Kayrine Brown, Director of Mortgage Finance/Real Estate, and Tom DeBrine, Manager, Single Family Homeownership Program, provided a brief presentation on the refunding of

various single family mortgage revenue bonds and the issuance of new debt. At the request of Chair Pro Tem Kator, an explanation was given regarding Pre-Ullman bonds, bonds issued prior to the Ullman Act of 1982, by Mr. DeBrine.

The following resolution was adopted upon a motion by Commissioner Lindstrom and seconded by Vice Chair Roman. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson and Lindstrom. Commissioner Wiencek was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 13-24 **RE: Approval of Structure and Cost of Issuance Budget for 2013 Series A, B, C, D Single Family Mortgage Revenue Bonds for the Purpose of Refunding Various Single Family Mortgage Revenue Bonds and the Issuance of New Debt**

WHEREAS, the Housing Opportunities Commission of Montgomery County has issued various series of Single Family Mortgage Revenue Bonds under the Single Family Bond Resolution originally adopted on March 28, 1979 (the "Bond Resolution"), and which bonds are outstanding; and

WHEREAS, the Bond Resolution authorizes the Commission to issue its bonds from time to time pursuant to one or more series resolutions in order to obtain funds to carry out its Single Family Mortgage Purchase Program (the "Program"), and

WHEREAS, the Commission desires to reduce its debt service expense in the Single Family Program; and

WHEREAS, financial market conditions are favorable for refinancing outstanding bond debt for the Single Family Program; and

WHEREAS, Commission Resolution 12-27 approves the implementation of a Mortgage Backed Securities program; and

WHEREAS, the Commission has determined to carry out the Program by issuing in 2013 additional Single Family Mortgage Revenue Bonds in one or more series beginning with 2013 Series A, with each subsequent series to follow in alphabetical order (collectively, the "2013 Bonds") in a total aggregate principal amount of approximately $68,075,000; and

WHEREAS, the Commission has reviewed a cost of issuance budget.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that:

1. The 2013 Bonds are authorized to be released and exchanged or issued as applicable in a principal amount not to exceed $69,000,000 (i) to make, purchase or finance Qualified Mortgage Loans or Mortgage Backed Securities, (ii) to provide sufficient monies to refund and redeem or pay at maturity various prior bonds and thereby make funds available to carry out the Program by purchasing Qualified Mortgage Loans or Mortgage Backed Securities, (iii) to fund certain required reserves.

2. The 2013 Bonds are to be released and exchanged or issued, as applicable, pursuant to the terms of the Bond Resolution and one or more series resolutions, which series resolutions shall be formally approved by the Commission before the issuance of such 2013 Bonds.

3. The Chairman or Vice Chairman or Chairman Pro Tem and the Executive Director of the Commission are authorized to prepare or cause to prepare all documents to undertake any other actions necessary for the release and exchange or the issuance and sale of the 2013 Bonds, as applicable, for the refunding and redemption or repayment of prior bonds and for the financing of Qualified Mortgage Loans or Mortgage Backed Securities under the Program for the performance of any and all actions required or contemplated under the Bond Resolution, Series Resolutions and other financing documents relating to the 2013 Bonds following the date of release or issuance of such 2013 Bonds and at all times during which such 2013 Bonds are outstanding.

4. The Commission approves a cost of issuance budget in an amount up to $907,875 for the plan of refunding.

IV. ITEMS REQUIRING DELIBERATION and/or ACTION

A. Authorization to Extend the Maturity Date of the General Partner Notes for the Willows of Gaithersburg Associates LP and Georgian Court Silver Spring LP

Gail Willison, Chief Financial Officer, and Belle Seyoum, Controller, provided an explanation on the joint Resolutions for approval. Ms. Willison explained that the General Partner notes for the two LPs are similar and they both have the same maturity date. HOC as general partner accepted a Note in lieu of payment for certain expenses. Extending the maturity date would avoid technical defaults and allow HOC to work with the limited partner on transferring the interest reflecting indebtedness.

The following resolutions were adopted upon a motion by Commissioner Edson and seconded by Commissioner Lindstrom. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Edson and Lindstrom. Commissioner Banks was temporarily away and did not participate in the vote. Commissioner Wiencek was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 13-25 **RE: Authorization to Extend the Maturity Date of the General Partner Note for The Willows of Gaithersburg Associates LP**

WHEREAS, The Willows of Gaithersburg Associates LP ("Willows") is the owner of The Willows, a 195 unit apartment facility located at 429 West Diamond Avenue, Gaithersburg, Maryland (the "Property") ; and

WHEREAS, The Willows is a limited partnership established under Section 42 of the Internal Revenue Code of 1986 to receive the benefits of the Low Income Housing Tax Credit (the "Tax Credit Program"); and

WHEREAS, the Housing Opportunities Commission ("HOC") is the general partner of The Willows; and

WHEREAS, HOC, as the general partner, provided a loan to The Willows in the amount of $296,552 (the "Loan") which provided for annual installment payments out of the net cash flow from the Property; and

WHEREAS, the Loan is represented by a Second Amended and Restated Promissory Note (the "Note") which matured by its terms on April 30, 2013; and

WHEREAS, the current balance of the Loan is $293,182; and

WHEREAS, The Willows has requested that the maturity date of the Note be extended to December 31, 2018, a date after the compliance period under the Tax Credit Program expires; and

WHEREAS, it is appropriate to amend the Note to provide for its maturity after the expiration of the compliance period so that the Property can continue operating in conformity with the requirements of the Tax Credit Program.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director be and is hereby authorized to amend the Note with The Willows to extend the maturity date to December 31, 2018.

RESOLUTION NO.: 13-26 **RE: Authorization to Extend the Maturity Date of the General Partner Note for Georgian Court Silver Spring LP**

WHEREAS, Georgian Court Silver Spring LP ("Georgian Court") is the owner of the Georgian Court, a 147 unit apartment facility located at 3600 Bel Pre Road, Silver Spring, Maryland (the "Property"); and

WHEREAS, Georgian Court is a limited partnership established under Section 42 of the Internal Revenue Code of 1986 to receive the benefits of the Low Income Housing Tax Credit (the "Tax Credit Program"); and

WHEREAS, the Housing Opportunities Commission ("HOC") is the general partner of Georgian Court; and

WHEREAS, HOC, as the general partner, provided a loan to Georgian Court in the amount of $319,762 (the "Loan") which provided for annual installment payments out of the net cash flow from the Property; and

WHEREAS, the Loan is represented by a Second Amended and Restated Promissory Note (the "Note") which matured by its terms on April 30, 2013; and

WHEREAS, the current balance of the Loan is $113,859; and

WHEREAS, Georgian Court has requested that the maturity date of the Note be extended to December 31, 2018, a date after the compliance period under the Tax Credit Program expires; and

WHEREAS, it is appropriate to amend the Note to provide for its maturity after the expiration of the compliance period so that the Property can continue operating in conformity with the requirements of the Tax Credit Program.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director be and is hereby authorized to amend the Note with Georgian Court to extend the maturity date to December 31, 2018.

B. Authorization to Release Draft of the Housing Opportunities Commission Relocation Plan for Public Housing Units Approved for Disposition

Joy Flood, Director of Housing Resources, provided an update on the process of the Draft Relocation Plan for Public Housing Units Disposition. Staff met with the Resident Advisory Board to discuss the process and held community forums. The Draft Relocation Plan will be available on the HOC website for public comment. When that period has expired, a Public Hearing will be held on June 5, 2013.

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Vice Chair Roman. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson and Lindstrom. Commissioner Wiencek was necessarily absent and did not participate in the vote.

RESOLUTION No.: 13-27 **RE:** Authorization to Release Draft of Housing Opportunities Commission Relocation Plan for Public Housing Units Approved for Disposition

WHEREAS, the Housing Opportunities Commission of Montgomery County must and desires to implement the Relocation Plan for the Public Housing Units Approved for Disposition.; and

WHEREAS, the Relocation Plan is mandatory under regulation.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission adopts the following as detailed in a memorandum and attachment presented to the Commission on May 1, 2013;

1. The Commission will advertise on or before May 6, 2013 that the draft Relocation Plan is available for public review and that there will be a public hearing on the Plan.

2. The Commission shall make available at its Detrick Avenue office, East Deer Park office, the service centers, and on the HOC Web site the draft Relocation Plan and supplemental and explanatory material for public review.

3. The Commission will hold a public hearing on or about June 5, 2013 on the draft Plan.

V. *FUTURE ACTION ITEMS

VI. EXECUTIVE SESSION FINDINGS

It was reported that the item before the Commission for consideration in Executive Session involves a land acquisition matter. According to Section 10-508(a)(3) of the State Government Articles of the Annotated Code of the State of Maryland, such items can be discussed in closed session.

Based upon this report and there being no further business to come before this session of the Commission, a motion was made, seconded and unanimously adopted to adjourn.

The meeting adjourned at 5:56 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

APPROVAL OF HOC RELOCATION PLAN

June 5, 2013

- HOC applied to HUD for the Disposition of 669 Public Housing Scattered Site units in June 2011.
- HUD approved the Disposition application in March 2012.
- The Disposition requires HOC to establish a Relocation Plan which addresses the general relocation needs of the residents affected by the Disposition.
- HOC is responsible to provide reasonable relocation assistance to all residents who move from a scattered site unit due to the Disposition.
- HOC published the Draft Relocation Plan for public comment on May 6, 2013.
- HOC reviewed the Draft Relocation Plan with the members on the Resident Advisory Board of May 20, 2013.
- A public hearing was held on June 5, 2013.
- Staff is requesting Commission approval of the Relocation Plan.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Division: Housing Resources Staff: Flood Ext. 9621

RE: Approval of HOC Relocation Plan

DATE: June 5, 2013

STATUS: **Consent ____x__ Deliberation _____ Status Report_____ Future Action ____**

OVERALL GOAL & OBJECTIVE:
To receive approval of the HOC Relocation Plan.

BACKGROUND:
The disposition of 669 scattered site public housing units provides current residents with the opportunity to relocate to new units with or without voucher assistance. HOC is required to provide relocation assistance to the current residents of the units affected by the disposition.

HOC included an estimated cost of $181,877 for the relocation and counseling advisory services in the HUD application. The draft relocation plan addresses how these funds will be used.

Prior to submitting the disposition application, HOC staff held community forums and met with the Resident Advisory Board (RAB) to discuss the disposition plans, the application, the tenant protection vouchers, the project-based vouchers and the relocation process. At the time of the application, staff notified all residents of the 669 scattered site units of the disposition and the anticipated activity.

The Draft Relocation Plan was published for public comment on May 6, 2013. As of May 30, 2013 no comments have been received. A public hearing is scheduled for June 5, 2013 at which all testimony from the public will be considered.

Staff reviewed the Draft Relocation Plan with the members of the Resident Advisory Board on May 20, 2013. The members had no comments regarding the details of the Plan other than requesting staff to improve the public announcement. The members requested staff contact all residents affected by the Disposition and Relocation Plan directly, advising them of the comment period. Letters were mailed the week of May 28th.

ISSUES FOR CONSIDERATION:
Upon consideration of the public comments received during the public comment period and the public hearing, does the Commission wish to approve the Relocation Plan.

TIME FRAME:
For Commission action on June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission approve the Relocation Plan.

RESOLUTION: **RE :** Approval of HOC Relocation Plan

WHEREAS, the Housing Opportunities Commission of Montgomery County must and desires to implement the Relocation Plan for the Public Housing Units Approved for Disposition; and

WHEREAS, the Relocation Plan is mandatory under regulation; and

WHEREAS, the Draft Relocation Plan was published on May 6, 2013 and a public hearing was held on June 5, 2013; and

WHEREAS, consideration was given to all comments received.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission approves the Relocation Plan.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting on June 5, 2013.

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Patricia Birdsong
Special Assistant to the Commission

APPROVAL TO FORM GREENHILLS DEVELOPMENT CORPORATION, TO TRANSFER OWNERSHIP INTEREST TO THE DEVELOPMENT CORPORATION, AND TO AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE ALL RELATED DOCUMENTS

June 5, 2013

- On March 6, 2013, the Commission approved a Final Development Plan to renovate and refinance Greenhills Apartments, a 78-unit townhome and apartment community located in Damascus.
- To qualify for proposed financing under the FHA Risk Sharing Program, it is required that the borrower be a single asset entity.
- To meet that requirement, it is necessary that HOC form a development corporation and transfer its ownership interests in the property to the new entity.
- The Financing Plan, approved by the Development and Finance Committee on May 17, 2013, will be considered by the Commission on June 5, 2013.
- Staff informed the Development and Finance Committee on May 17, 2013, that a recommendation to approve the organization of Greenhills Development Corporation and the transfer of HOC's ownership interest into the corporation would be presented to the full Commission.
- Staff also recommends that the Commission approve the attached resolution authorizing the Executive Director to execute all related documents and take other steps necessary to transfer HOC's ownership interest to a new owner.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Kayrine Brown, Director, Mortgage Finance Ext. 9589
Jennifer Arrington, Senior Multifamily Underwriter Ext. 9760

RE: Approval to Form Greenhills Development Corporation, to Transfer Ownership Interest to the Development Corporation, and to Authorize the Executive Director to Execute All Related Documents

DATE: June 5, 2013

STATUS: Consent _X_ Deliberation _____ Status Report _____ Future Action_____

OVERALL OBJECTIVE:
To obtain Commission approval to organize a development corporation to raise capital for the financing and rehabilitation of Greenhills Apartments, transfer ownership interests to the development corporation, and authorize the Executive Director to execute all related documents.

BACKGROUND:
Greenhills Apartments (the "Property") was constructed on 8.2041 acres on the east side of Route 27 just south of downtown Damascus in 1984. Originally built as part of a larger condominium community, the Housing Opportunities Commission (HOC) purchased the residual 52 townhome and 26 apartment units in 11 buildings in 1998. The Property's covenants restrict 24 units or 31% of units to households that do not exceed 60% AMI.

On March 6, 2013, the Commission approved a Final Development Plan to refinance and renovate the Property. The property has not undergone any major renovation (other than roof replacements) since it was originally constructed 25 years ago; therefore, the renovation is fairly comprehensive and will be completed with residents in place. The improvements will increase energy efficiency, extend the property's useful life, address curb appeal, and allow the property to continue to compete in the market.

The total development costs for this effort is $9.4 million of which $4.2 million is budgeted to retire existing debt that supported the acquisition of the Property, and an additional $5.2 million will fund the renovation, financing and closing costs.

The proposed financing plan, presented to the Development and Finance Committee on May 17, 2013 and being considered by the Commission on June 5, 2013, anticipates the issuance of a $9.4 million fixed-rate amortizing loan funded from the proceeds of governmental, tax-exempt bonds with a mortgage insured under the FHA Risk Sharing program. To meet the requirements of the FHA Risk Sharing program, it is required that there is no identity of interest between the borrower and lender, HOC, and that the borrower must be a single asset mortgagor.

To that end, it is necessary for HOC to form a development corporation, Greenhills Development Corporation (the "Corporation"), and transfer its ownership interests in the property to the new entity. Staff will return to a future Commission meeting recommending the Corporation approve bylaws and elect a board of directors, approve the acquisition of assets from HOC, accept assignment of contracts, enter into a general contractor agreement, execute a commitment letter and accept financing.

Staff informed the Development and Finance Committee at its meeting on May 17, 2013, that this request would be presented to the full Commission.

ISSUES FOR CONSIDERATION:
Should the Commission approve the formation of a development corporation, transfer ownership of the Project to that entity to satisfy the requirements of the lender and authorize the Executive Director to execute all related documents?

PRINCIPALS:
Housing Opportunities Commission
Greenhills Development Corporation

BUDGET IMPACT:
None. The value of the Project, now to be transferred to the development corporation, will show on HOC's financial statements as the assets of a related entity.

TIME FRAME:
Action at the June 5, 2013 meeting of the Commission.

The development corporation will be created and the necessary documents filed with the State immediately upon the adoption of a Resolution by the Commission. The timing of HOC's transfer of its interests in the Project to the new entity will be dictated by the scheduling of the financing.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends the Commission adopt a resolution which:

1. Authorizes and directs the Executive Director to execute and file with the State of Maryland Articles of Incorporation and any amendment thereto, in the name of the Corporation, using the name of Greenhills Development Corporation or any name substantially similar thereto accepted by the State of Maryland Department of Assessments and Taxation.

2. Authorizes conveyance to the Corporation its full ownership interests in the Property by special warranty deed, properly executed and acknowledged by an authorized officer on behalf of the Commission and filed for record with the Recorder of Deeds for Montgomery County.

3. Provides that the initial directors of the Corporation shall be the members of the Commission then in office and that the board of directors shall number at least three (3) persons.

4. Provides that the authority conferred to the Executive Director under the resolution will extend to any modifications, amendments and restatements of any agreements, instruments and other writings referred to in the resolution.

RESOLUTION: **RE: Approval to Form Greenhills Development Corporation, to Transfer Ownership Interest to the Development Corporation, and to Authorize the Executive Director to Execute All Related Documents**

WHEREAS, the Commission, a public body corporate and politic duly created, organized and existing under the laws of the state of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, (the "Act")**,** and is authorized to carry out and effectuate the purpose of providing affordable housing, including the formation of a development corporation for that purpose; and

WHEREAS, among the properties owned by the Commission is Greenhills Apartments (the "Property"), located at 10560 Tralee Terrace, Damascus, Maryland and consists of 52 townhome and 26 apartment units in 11 buildings; and

WHEREAS, the Commission seeks financing to provide for the rehabilitation of the Property; and

WHEREAS, the financing requires that a single purpose entity own the Project.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that:

A. FORMATION OF THE DEVELOPMENT CORPORATION

1. Intending to create under the Maryland Non-Stock Corporation Law a non-stock non-membership corporation to be known as the Greenhills Development Corporation (the "Corporation"), the Commission authorizes and directs the Executive Director, acting as sole incorporator, to execute and file with the State of Maryland Articles of Incorporation and any amendment thereto, in the name of the Corporation, using the foregoing name or any name substantially similar thereto accepted by the State of Maryland Department of Assessments and Taxation.

2. The Articles of Incorporation shall provide that the initial directors of the Corporation shall be the members of the Commission then in office and that the board of directors shall number at least three (3) persons.

B. AUTHORITY OF COMMISSION TO TRANSFER FEE SIMPLE TITLE TO THE PROJECT TO THE CORPORATION

1. At such time as the Executive Director may deem to be in the best interests of the Commission and the Corporation but, in any case, in coordination with the financing of the Property and prior to the execution of the note and deed of trust evidencing any new or additional financing on the Property, the Commission shall convey to the Corporation its full ownership interests in the Property by special warranty deed, properly executed and acknowledged by an authorized officer on behalf of the Commission and filed for record with the Recorder of Deeds for Montgomery County.

C. GENERAL

1. The authority conferred under this Resolution extends as well to any modifications, amendments and restatements of any agreements, instruments and other writings referred to in this Resolution.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on June 5, 2013.

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Patrice M. Birdsong
Special Assistant to the Commission

Information Exchange

EXECUTIVE DIRECTOR'S REPORT

June 5, 2013

SINGLE FAMILY MPP REFUNDING

The pricing for the single family refunding occurred on May 30, 2013. Recent market volatility has made this pricing more challenging than most single family transactions. The refunding was initially planned for $56.075 million of refunding bonds and $12 million of new debt to be loaned at a zero percent interest rate for a total issuance of $68.075 million. These amounts were subject to change based upon market conditions when pricing occurred. If bond rates went up, the numbers would go down. The market became volatile prior to the pricing and bond rates did rise above those used when the financing plan was being designed. This has not changed the structure of the issuance, however. The final average bond yield is 2.726%. The amount of refunding bonds is now $51,191,573 and the amount of new debt has become $ 6.6 million. The total issuance is $57,791,573.

Staff discussed with the team the option of delaying the deal but determined that the benefits of proceeding outweigh any potential benefit from a delay. The refunding still reduces overall bond program expense, reduces variable rate debt exposure, produces a cash savings over the long run, and produces zero percent interest rate funds to use in the existing 2012A Mortgage Purchase Program.

TOWN HALL MEETINGS ON HCV PROGRAM CHANGES

Beginning in mid-June, HOC will conduct a series of town hall meetings to inform program participants of coming changes to the occupancy and payment standards and allow for public comment. HOC will be holding a meeting in each Council district. Each meeting will feature an explanation of the changes from Joy Flood, Director of Housing Resources. After the presentation, there will a question and answer session in which I will participate in.

One session has been confirmed as follows:

June 27, 2013 6:00 p.m.	Wheaton HS (District 4)	12601 Dalewood Drive Silver Spring, MD 20906

Meeting dates for the other four Districts are being finalized and, once confirmed, notification will be posted in future Commission Action Alerts or in next month's Executive Director's Report. I encourage you to attend as your schedule permits.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

June 2013

5	HOC Regular Meeting	4:00 p.m.
6	Staff Appreciation Day	
11	HAND's 22nd Annual Meeting and Housing Expo *(All)*	
17	Resident Advisory Board *(Banks)*	7:00 p.m.
19	Information and Communication Committee *(Banks)*	12:30 p.m.
27	Development and Finance Committee (*Lindstrom,Edson, Wiencek)*	11:30 a.m.

July 2013

1	Agenda Formulation *(Piñero and Banks)*	1:00 p.m.
4	Independence Day (HOC Closed)	
15	Resident Advisory Board *(Banks)*	7:00 p.m.
16	Legislative and Regulatory Committee *(Roman, Banks, Lindstrom)*	2:00 p.m.
17	HOC Regular Meeting and Tony Davis Award Ceremony	4:00 p.m.
18-20	NAHRO Summer Conference – Denver, CO	
25	Development and Finance Committee *(Lindstrom, Edson, Wiencek)*	11:30 a.m.
29	Agenda Formulation *(Piñero and Banks)*	1:00 p.m.

August 2013

6	National Night Out	
7	HOC Regular Meeting	4:00 p.m.
9	Status/Lunch Meeting w/Executive Director *(All)* *(Location TBD)*	12:00 noon
13	Budget, Finance and Audit Committee *(Kator, Piñero, Roman)*	10:00 a.m.
21	Information and Communication Committee *(Banks)*	12:30 p.m.
22	Development and Finance Committee *(Lindstrom, Edson, Wiencek)*	11:30 a.m.
26	Agenda Formulation *(Piñero and Kator)*	1:00 p.m.

September 2013

2	Labor Day (HOC Closed)	
11	HOC Regular Meeting	4:00 p.m.
17	Legislative and Regulatory Committee *(Roman, Banks, Lindstrom)*	2:00 p.m.
18	Budget, Finance and Audit Committee *(Kator, Piñero, Roman)*	10:00 a.m.
19	Development and Finance Committee *(Lindstrom, Edson, Wiencek)*	11:30 a.m.
23	Agenda Formulation *(Piñero and Kator)*	1:00 p.m.

October 2013

2	HOC Regular Meeting	4:00 p.m.
8	Budget Finance and Audit Committee (Kator, *Piñero, Roman)*	10:00 a.m.
15	Information and Communication Committee *(Banks)*	12:30 p.m.
16	FSS Graduation Ceremony	6:00 p.m.
21	Resident Advisory Board (Banks)	7:00 p.m.
22	Town Center, Inc. Board Meeting *(Banks, Wiencek)* (Commissioners' Lounge – Kensington)	4:00 p.m.

24	Development and Finance Committee *(Lindstrom, Edson, Wiencek)*	11:30 a.m.
28	Agenda Formulation (*Piñero, Edson)*	1:00 p.m.
28	Friends of HOC Award Ceremony	6:30 p.m.
28	Bauer Park, Inc. Board Meeting *(Edson, Roman)* (Bauer Park, 14635 Bauer Dr., Rockville, MD)	7:30 p.m.

November

6	HOC Regular Meeting	4:00 p.m.
6	Budget Finance and Audit Committee *(Kator, Piñero, Roman)*	10:00 a.m.
12	Legislative and Regulatory Committee *(Roman, Banks, Lindstrom)*	2:00 p.m.
18	Agenda Formulation (*Piñero, Edson)*	1:00 p.m.
18	Resident Advisory Board *(Banks)*	7:00 p.m.
20	Information and Communication Committee *(Banks)*	12:30 p.m.
22	Budget Finance and Audit Committee *(Kator, Piñero, Roman)*	10:00 a.m.
28-29	Thanksgiving Holiday (HOC Closed)	

Activities of Interest		Hearing Board
TBD	Joint Meeting with Commission on People with Disabilities	*June – July (Kator)* *Aug. – Sept. (Roman)* *Oct. – Nov. (Wiencek)*
TBD	Joint Meeting with the Planning Board	

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-283	TBD	Resident Advisory Board (RAB) Training • Pursue Visit from Resident Commissioner with the Chicago Housing Authority to Meet with RAB (Banks, Commission Mtg., Nov. 2, 2011)	GS	In Progress
TD-286	Spring 2013	Provide a HOC Managed vs. Contract Managed Cost Comparison Analysis (Kator, Commission Mtg., Jan. 11, 2012)	AO	Status Report
TD-290	Spring 2013	Alternative Energy Sources (Lindstrom – HOC Meeting, June 6, 2012)	AO	Status Report
TD-291	October 2013	Utility Arrearage Assistance Review (Kator – HOC Meeting, July 18, 2012)	JF	Status Report

Committee Reports and Recommendations for Action

Budget Finance and Audit Committee

ACCEPTANCE OF THIRD QUARTER FY'13 BUDGET TO ACTUAL STATEMENTS

June 5, 2013

- **The Agency ended the third quarter with a net cash surplus of $83,338. This deficit resulted in a third quarter positive variance of $1,213,498.**

- **Savings in administrative and maintenance expenses generated a positive variance in the General Fund.**

- **At the end of the third quarter, the majority of unrestricted properties in the Opportunity Housing Fund exceeded budget expectations. As a whole, the group was close to meeting budget.**

- **The Public Housing Program ended the quarter with a small surplus, which is restricted to the program, as a result of higher net rents coupled with overall savings in all major expenses categories.**

- **The Housing Choice Voucher (HCV) Program had a smaller than anticipated administrative deficit through the third quarter due to slightly higher administrative fees and fraud recovery income coupled with a savings in expenses.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
Terri Fowler Ext. 9507
Craig Reed Ext. 9667

RE: Acceptance of Third Quarter FY'13 Budget to Actual Statements

DATE: June 5, 2013

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To assess the Agency's financial performance for FY'13.

BACKGROUND:
In accordance with the Commission's budget policy, the Executive Director will present budget to actual statements and amendments to the Budget, Finance and Audit Committee on a quarterly basis. The Budget, Finance and Audit Committee will review any proposed budget amendments and make a recommendation to the full Commission.

ISSUES FOR CONSIDERATION:
Does the Commission wish to accept the Third Quarter FY'13 Budget to Actual Statements?

BUDGET IMPACT:
A Third Quarter Budget Amendment was discussed with the Budget, Finance and Audit Committee at the May 21, 2013 meeting. The Commission will be asked to approve the third quarter budget amendment at the June 5, 2013 Commission meeting. Future amendments will be presented to the Commission as necessary.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the Third Quarter Budget to Actual Statements at the May 21, 2013 Committee meeting. Action is requested at the June 5, 2013 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
To accept the Third Quarter FY'13 Budget to Actual Statements.

DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency for the third quarter of FY'13 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

HOC overall (see Attachment A)

Please note the Agency's Audited Financial Statements are presented on the accrual basis which reflects non-cash items such as depreciation and the mark-to-market adjustment for investments.

The Commission approves the Operating Budget at the fund level based on a modified accrual basis which is similar to how other governmental organizations present their budgets. The purpose is to ensure that there is sufficient cash income and short-term receivables available to pay for current operating expenditures.

The Commission approves the revenue and expenses and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'13 Third Quarter Capital Budget to Actual Comparison.

The Agency ended the third quarter with a net cash surplus of $83,338. This surplus resulted in a third quarter budget to actual positive variance of $1,213,498. The primary contributors to this positive variance were lower than anticipated expenses in the General Fund (see General Fund) as well as savings in administrative costs in the Housing Choice Voucher Program which reduced the projected deficit in the program administration (see Public Fund).

Explanations of major variances by fund

The General Fund consists of the basic overhead costs for the Agency. The third quarter loss for this fund was $3,049,434. As of March 31, 2013, expenses in the General Fund were $1,059,432 lower than budget. The primary reasons for the positive expense variance include savings in administrative salaries and benefits as well as maintenance contract expenses. In addition, the anticipated draws from operations to cover capital costs for Facilities and Information Technologies have happened at a slower pace. A portion of these savings are the result of timing issues and staff does not anticipate the full savings to be realized at year end.

The Multifamily Bond Fund and Single Family Bond Fund are budgeted to balance each year. Both income (the bond draw downs that finance the operating costs for these funds) and expenses are in line with budget. Please note that the negative variance through March is the result of timing and should correct itself by year end.

The Opportunity Housing Fund

Attachment B is a chart of the Development Corporation properties. This chart divides the properties into two groups.

- The first group includes properties that we budgeted to provide unrestricted net cash flow toward the Agency's FY'13 Operating Budget. Performance for this group was higher than budget by $750,304 for the third quarter. It should be noted that we can only recognize revenue up to the amount budgeted for each property. All but one of the properties within this portfolio is exceeding their budget through the third quarter of FY'13. However, when we exclude the extra income earned on those properties exceeding budget, the quarter's recognizable cash flow is $17,117 below budget.

Unrestricted Development Corporations

	(9 Months) Budget	(9 Months) Actual	Variance		(9 Months) Adjusted
Alexander House	847,039	1,060,093	213,054	(1)	847,039
The Barclay	76,825	105,566	28,741	(1)	76,825
Chevy Chase Lake	71,901	103,433	31,532	(1)	71,901
Magruder's Discovery	355,923	369,307	13,384	(1)	355,923
Montgomery Arms	124,371	189,758	65,387	(1)	124,371
TPM - 59 MPDUs	117,078	120,748	3,670	(1)	117,078
TPM - Pomander Court	112,939	145,349	32,410	(1)	112,939
Scattered Site One Dev. Corp.	124,661	428,478	303,817	(1)	124,661
Sligo Development Corp.	22,715	5,598	(17,117)		5,598
TPM - Timberlawn	467,738	543,164	75,426	(1)	467,738
Subtotal	**2,321,190**	**3,071,494**	**750,304**		**2,304,073**
			Recognizable Cash Flow		**(17,117)**

Notes:
(1) - Properties exceeding budgeted cash flow.

- **Alexander House** exceeded budget by $213,054 largely due to higher rent potential coupled with lower concessions and vacancies. In addition, overall expenses for the property were under budget as a result of staff vacancies, and savings in utilities and maintenance, which were partially offset by higher maintenance contracts. The negative variance in maintenance contract expenses resulted mainly from roof water line leaks and garage and waste line backups. **Chevy Chase Lake** experienced a favorable variance of $31,532 mainly due to lower than anticipated utilities and maintenance expenses. **Montgomery Arms** exceeded budget by $65,387 as a result

of higher rent potential and lower vacancies coupled with savings in administrative expenses, utilities, and elevator contracts. Cash flow at **Scattered Site One Development Corporation** exceeded budget by $303,817 through the end of the third quarter primarily due to savings in debt service payments which did not begin until September. In addition, the property experienced minimal vacancy loss and had savings in administrative and utility expenses. **Sligo Development Corporation** experienced a negative cash flow variance of $17,117 through March 2013 due to higher vacancies at Sligo Hills, in preparation for the impending renovations, which were partially offset by savings in administrative, utility, and maintenance expenses. Sligo Hills was refinanced with Tanglewood on December 18, 2012. The Third Quarter Budget Amendment will transfer both properties from the Agency fiscal year budget to the CY Tax Credit budget. **Timberlawn** cash flow exceeded budget by $75,426 mainly due to higher than anticipated rent potential and lower vacancies coupled with savings in administrative, utility, and maintenance expenses through the third quarter. In addition, there were two Front Foot Benefit Charges for the property and one has expired resulting in lower tax expenses in FY'13.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'13 Operating Budget. Cash flow from this group of Development Corporation properties was $962,390 more than budgeted. Two new properties were added this quarter. **Glenmont Crossing** and **Glenmont Westerly** exceeded budget by $76,856 and $86,903, respectively, as a result of lower administrative and utility expenses. In addition, the January debt service payment for both properties was paid at closing resulting in lower overall debt service expenses. **MetroPointe** currently has a positive variance in the third quarter of $190,654 mainly due to lower than anticipated concessions and vacancy loss coupled with higher fee income from tenants as well as savings in advertising, utilities, and maintenance contract expenses. Actual cash flow for **The Metropolitan** was $436,622 more than budgeted due to lower concessions and vacancies, and higher parking income, coupled with lower than budgeted administrative, utility, and maintenance expenses. **The Oaks at Four Corners** exceeded budget by $95,339 resulting from higher rent potential and lower vacancy loss as well as savings in administrative, utility, and maintenance expenses. Cash flow for **Paddington Square** was $76,016 higher than budget. Rental income has been significantly under budget as a result of lower than expected rental income coupled with higher concessions and vacancy loss. However, the FY'13 budget was based on placing permanent financing on the property with the new debt service payments beginning in January. As a result of a delay in this refinancing, the property is experiencing lower debt service expense. This coupled with savings in utility and maintenance expenses has more than offset the loss in revenue.

Attachment C is a chart of the Opportunity Housing properties. This chart divides the properties into two groups.

- The first group consists of properties whose unrestricted net cash flow will be used for the Agency's FY'13 Operating Budget. As of the end of the third quarter, the total unrestricted net cash flow from these properties exceeded budgeted by $218,206. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. Most of the properties within this portfolio are exceeding their budget through the third quarter of FY'13. However, when we exclude the extra income earned on those properties exceeding budget coupled with the income from properties that were projected to have a deficit, the quarter's recognizable cash flow is $1,470,778 or $93,411 below budget.

Unrestricted Opportunity Housing Properties

	(9 Months) Budget	(9 Months) Actual	Variance		(9 Months) Adjusted
64 MPDUs	83,545	74,862	(8,683)		74,862
Chelsea Towers	(3,011)	28,362	31,373	(1)	0
Fairfax Court	68,996	45,279	(23,717)		45,279
Greenhills	179,152	180,950	1,798	(1)	179,152
Holiday Park	1,623	21,716	20,093	(1)	1,623
Jubilee Falling Creek	9,252	(7,698)	(16,950)		(7,698)
Jubilee Hermitage	9,704	14,412	4,708	(1)	9,704
Jubilee Woodedge	9,288	10,412	1,124	(1)	9,288
McHome	40,574	124,839	84,265	(1)	40,574
McKendree	73,723	45,657	(28,066)		45,657
MHLP I	47,066	51,583	4,517	(1)	47,066
MHLP II	12,034	4,574	(7,460)		4,574
MHLP III	21,081	13,252	(7,829)		13,252
MHLP IV	0	3,883	3,883	(1)	0
MHLP V	0	639	639	(1)	0
MHLP VI	0	(1,390)	(1,390)		(1,390)
MPDU 2004	142,587	149,454	6,867	(1)	142,587
MPDU 2007	0	(2,327)	(2,327)		(2,327)
MPDU 2007 Phase II	12,022	16,852	4,830	(1)	12,022
Pooks Hill High-Rise	206,913	321,301	114,388	(1)	206,913
Pooks Hill Mid-Rise	127,718	149,009	21,291	(1)	127,718
Strathmore Court	521,922	536,774	14,852	(1)	521,922
Subtotal	**1,564,189**	**1,782,395**	**218,206**		**1,470,778**
		Recognizable Cash Flow			**(93,411)**

Notes:
(1) - Properties exceeding budgeted cash flow.

- **Fairfax Court** had a negative variance of $23,717 mainly due to higher utility, maintenance, and bad debt expenses. **Jubilee Falling Creek** was $16,950 below budget as a result of vacancies at the property. Two of the three units are now occupied and staff is working on occupying the third unit. Cash flow for **McHome** ended the quarter $84,265 above budget. The main reason for the positive variance was minimal vacancy loss coupled with savings in Home Owner Association (HOA) fees, maintenance expenses, and bad debt. **McKendree** ended the quarter $28,066 below budget primarily due to lower rent potential coupled with higher vacancies. It is worth noting that expenses related to a few units, that were previously part of **MHLP II** through **MHLP VI** and are now consolidated into Scattered Site One Development Corporation, have been charged to the old properties. All expenses related to the transferred units will be reclassed to the development corporation. **Pooks Hill High-Rise** had a positive cash flow variance of $114,388 through March. Although tenant income was below budget, the property experienced lower costs for administrative and utility expenses. In addition, the property was refinanced in December resulting in lower overall debt service expenses than were originally budgeted.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'13 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was $84,974 higher than budget at the end of the third quarter. The **Ambassador** had a positive cash flow variance of $71,348 mainly due to utility reimbursements from prior years as well as savings in administrative, utility and maintenance expenses. **Brookside Glen** experienced a positive cash flow variance of $61,724 as a result of lower vacancies coupled with savings in administrative and maintenance expenses. Cash flow for **Diamond Square** ended the quarter $52,611 under budget. The main reason for this negative variance was higher water consumption rates coupled with an increase in maintenance contracts needed to prepare for the Real Estate Assessment Center (REAC) inspection. **Southbridge** ended the quarter $74,778 under budget due to a delay in occupancy as a result of the renovations. The loss of income was partially offset by savings in anticipated administrative, utility, and maintenance expenses. It should be noted that the property has now stabilized with only one vacancy remaining at the end of March. **State Rental Combined's** cash flow had a positive variance of $35,829 due to higher than anticipated savings in administrative, utility, and maintenance expenses. **Tanglewood's** cash flow had a negative variance of $42,909 through March. It has experienced loss of income from higher vacancies which was partially offset by savings in administrative, utility, maintenance, and bad debt expenses. In conjunction with Sligo Hills, this property was refinanced on December 18, 2012. The Third Quarter Budget Amendment will transfer both properties from the Agency fiscal year budget to the CY Tax Credit budget. **Westwood Towers** had a favorable variance of $25,531 because of lower concessions coupled with higher parking and other rental fee income.

The Public Fund (Attachment D)

- The Public Housing Rental Program ended the third quarter of FY'13 with a surplus of $5,873 which resulted in a positive variance of $252,799 when compared to the projected deficit of $246,926. Income exceeded budget as a result of higher than anticipated rental income coupled with lower utility allowances. Overall expenses for the portfolio were lower than expected in administrative, tenant services, utilities and maintenance.

  Attachment D-1 reflects the performance by Asset Management Project (AMP). Although expenses for the portfolio were lower than budget, there are several AMPs that experienced higher overall expenses. **Seneca Ridge** experienced higher than anticipated administrative, utility, and maintenance expenses through the end of the third quarter. **Towne Centre Place / Sandy Spring Meadow** also experienced higher administrative and maintenance expenses. Expenses at **Scattered Sites North** were higher than budgeted as a result of a fire at one of the units. Finally **Scattered Sites West** had a negative variance of $54,490 due to a higher vacancy rate than anticipated combined with higher utility and maintenance costs. There are sufficient Public Housing Operating Reserves created from prior year restricted cash to address any shortfalls that may exist at year end.

- The Rental Assistance Program ended the quarter with a deficit of $916,725 which was $339,621 more than anticipated. The deficit was comprised of Housing Assistance Payments (HAP) that exceeded HAP income by $443,584 and an administrative deficit of $473,141. The HAP shortfall was covered by a draw from the Housing Choice Voucher (HCV) Program, cash that was recognized but not spent in prior years. The administrative deficit was $103,963 less than budgeted. The loss of administrative income, due to the lower pro-ration for CY'13, was more than offset by savings in expenses of $149,317. The savings in expenses were primarily due to savings in administrative salaries and benefits.

Tax Credit Partnerships

The Tax Credit Partnerships have a calendar year end. A report on the calendar year audits will be presented to the Budget, Finance, and Audit Committee at the May 21, 2013 meeting.

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'13. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets are timing issues. Capital projects are long-term; it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

The **Ambassador** overspent its capital budget primarily as a result of painting and drywall repairs at the property. There are sufficient property reserves to cover the overage. There were small amounts of capital expenditures relating to units in the old **MHLP II** through **MHLP VI** properties. All expenditures related to the units moved to Scattered Site One Development Corporation will be moved to that property. Any expenditure related to the units remaining to be sold in **MHLP II** and **MHLP III** will be funded from reserves that existed at the properties prior to FY'13. Finally, there were unanticipated roof replacements at two **NSP** units and one **NCI** unit. There are sufficient reserves at the properties to cover the costs.

Resolution No. **Re: Acceptance of Third Quarter FY'13 Budget to Actual Statements**

WHEREAS, the budget policy for the Housing Opportunities Commission of Montgomery County states that quarterly budget to actual statements will be reviewed by the Commission; and

WHEREAS, the Commission reviewed the Third Quarter FY'13 Budget to Actual Statements during its June 5, 2013 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Third Quarter FY'13 Budget to Actual Statements.

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Patrice Birdsong
Special Assistant to the Commission

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FY 13 Third Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (9 Months) Budget	(9 Months) Actual	Variance
General Fund			
General Fund	($4,078,843)	($3,049,434)	$1,029,409
Administration of Mutlifamily and Single Family Fund			
Multifamily Fund	$286,092	$211,507	($74,585)
Single Family Fund	$437,451	$434,914	($2,537)
Excess Bond Fund Cash Flow	($723,543)	($646,421)	$77,122
Opportunity Housing Fund			
Opportunity Housing Properties	$1,564,189	$1,470,778	($93,411)
Development Corporation Property Income	$2,321,190	$2,304,073	($17,117)
Restricted Development Corporation Properties	($359,592)	($168,938)	$190,654
OHRF			
OHRF Balance	$292,828	$359,023	$66,195
Excess Cash Flow Restricted	($292,828)	($359,023)	($66,195)
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL -General Fund, Multifamily, Single Family, Opportunity Housing	**($553,056)**	**$556,479**	**$1,109,535**
Public Fund			
Public Housing Rental (1)	($246,926)	$5,873	$252,799
Housing Choice Voucher Program HAP (2)	$0	($443,584)	($443,584)
Housing Choice Voucher Program Admin (3)	($577,104)	($473,141)	$103,963
Total -Public Fund	**($824,030)**	**($910,852)**	**($86,822)**
Public Fund - Reserves			
(1) Public Housing Rental - Restricted to Program	$246,926	($5,873)	($252,799)
(2) Draw from HCV Program Cash Reserves	$0	$443,584	$443,584
(3) Restrict HCV Program Excess Admin Fee	$0	$0	$0
Total -Public Fund Reserves	**$246,926**	**$437,711**	**$190,785**
SUBTOTAL - Public Funds	**($577,104)**	**($473,141)**	**$103,963**
TOTAL - All Funds	**($1,130,160)**	**$83,338**	**$1,213,498**

FY 13 Third Quarter Capital Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(9 Months) Actual	Variance
General Fund			
East Deer Park	$25,000	$2,988	$22,012
Kensington Office	$292,500	$90,825	$201,675
Information Technology	$959,075	$420,159	$538,916
Opportunity Housing Fund	$4,158,278	$1,628,053	$2,530,225
TOTAL - All Funds	**$5,409,853**	**$2,139,037**	**$3,270,816**

FY 13 Third Quarter Operating Budget to Actual Comparison

For Development Corp Properties - Net Cash Flow

	(9 Months) Budget	Variance Income	Variance Expense	(9 Months) Actual	Variance
Properties with unrestricted cash flow for FY13 operating budget					
Alexander House	847,039	174,008	39,046	1,060,093	213,054
The Barclay	76,825	(6,693)	35,434	105,566	28,741
Chevy Chase Lake	71,901	4,346	27,186	103,433	31,532
Magruder's Discovery	355,923	49,003	(35,619)	369,307	13,384
Montgomery Arms	124,371	34,876	30,511	189,758	65,387
TPM - 59 MPDUs	117,078	5,070	(1,400)	120,748	3,670
TPM - Pomander Court	112,939	27,794	4,615	145,349	32,410
Scattered Site One Dev. Corp.	124,661	73,520	230,297	428,478	303,817
Sligo Development Corp.	22,715	(228,194)	211,077	5,598	(17,117)
TPM - Timberlawn	467,738	15,259	60,166	543,164	75,426
Subtotal	**2,321,190**	**148,989**	**601,313**	**3,071,494**	**750,304**
Properties with restricted cash flow (external and internal)					
Glenmont Crossing	98,760	(38,228)	115,084	175,616	76,856
Glenmont Westerly	102,562	(1,796)	88,699	189,465	86,903
MetroPointe	(359,592)	84,233	106,421	(168,938)	190,654
The Metropolitan	1,266,385	195,149	241,472	1,703,007	436,622
Oaks at Four Corners	47,636	33,932	61,407	142,975	95,339
Paddington Square	557,629	(193,318)	269,334	633,645	76,016
Subtotal	**1,713,380**	**79,972**	**882,417**	**2,675,770**	**962,390**
TOTAL ALL PROPERTIES	**4,034,570**	**228,961**	**1,483,730**	**5,747,264**	**1,712,694**

Note: Unrestricted Cash flow is directly transferred to General Fund

FY 13 Third Quarter Operating Budget to Actual Comparison
For Opportunity Housing properties - Net Cash Flow

	(9 Months) Budget	Variance Income	Variance Expense	(9 Months) Actual	Variance
Properties with unrestricted cash flow for FY13 operating budget					
64 MPDUs	83,545	338	(9,022)	74,862	(8,683)
Chelsea Towers	(3,011)	27,963	3,410	28,362	31,373
Fairfax Court	68,996	7,073	(30,791)	45,279	(23,717)
Greenhills	179,152	(33,962)	35,760	180,950	1,798
Holiday Park	1,623	7,312	12,781	21,716	20,093
Jubilee Falling Creek	9,252	(18,024)	1,074	(7,698)	(16,950)
Jubilee Hermitage	9,704	2,108	2,600	14,412	4,708
Jubilee Woodedge	9,288	1,659	(535)	10,412	1,124
McHome	40,574	5,750	78,515	124,839	84,265
McKendree	73,723	(22,858)	(5,208)	45,657	(28,066)
MHLP I	47,066	(10,009)	14,526	51,583	4,517
MHLP II	12,034	8,522	(15,982)	4,574	(7,460)
MHLP III	21,081	(4,174)	(3,655)	13,252	(7,829)
MHLP IV	0	3,172	712	3,883	3,883
MHLP V	0	2,004	(1,365)	639	639
MHLP VI	0	1,045	(2,435)	(1,390)	(1,390)
MPDU 2004	142,587	4,594	2,273	149,454	6,867
MPDU 2007	0	0	(2,327)	(2,327)	(2,327)
MPDU 2007 Phase II	12,022	10,484	(5,654)	16,852	4,830
Pooks Hill High-Rise	206,913	(27,546)	141,933	321,301	114,388
Pooks Hill Mid-Rise	127,718	3,131	18,160	149,009	21,291
Strathmore Court	521,922	89,964	(75,112)	536,774	14,852
Subtotal	**1,564,189**	**58,546**	**159,658**	**1,782,395**	**218,206**
Properties with restricted cash flow (external and internal)					
The Ambassador	86,540	(10,764)	82,111	157,888	71,348
Brookside Glen (The Glen)	184,343	21,348	40,376	246,067	61,724
CDBG Units	(131)	4,633	(5,713)	(1,211)	(1,080)
Dale Drive	15,011	(134)	8,136	23,013	8,002
Diamond Square	116,356	(8,440)	(44,170)	63,745	(52,611)
NCI Units	(1,455)	9,483	8,586	16,614	18,069
NSP Units	(740)	6,097	13,803	19,160	19,900
Paint Branch	2,544	3,206	12,743	18,493	15,949
Southbridge	67,535	(169,604)	94,826	(7,243)	(74,778)
State Rental Combined	65,469	(1,827)	37,656	101,298	35,829
Tanglewood	139,684	(272,241)	229,333	96,775	(42,909)
Westwood Tower	155,607	26,823	(1,292)	181,138	25,531
Subtotal	**830,763**	**(391,420)**	**476,395**	**915,737**	**84,974**
TOTAL ALL PROPERTIES	**2,394,952**	**(332,874)**	**636,053**	**2,698,132**	**303,180**

FY 13 Third Quarter Operating Budget to Actual Comparison
For HUD Funded Programs

	(9 Months) Budget	(9 Months) Actual	Variance
Public Housing Rental			
Revenue	9,190,353	9,256,802	66,449
Expenses	9,437,279	9,250,929	186,350
Net Income	**(246,926)**	**5,873**	**252,799**
Housing Choice Voucher Program			
HAP Revenue	58,437,126	59,406,499	969,373
HAP Payments	58,437,126	59,850,083	(1,412,957)
Net HAP	**0**	**(443,584)**	**(443,584)**
Admin. Fees & Other Inc.	4,549,239	4,503,885	(45,354)
Admin. Expense	5,126,343	4,977,026	149,317
Net Administrative	**(577,104)**	**(473,141)**	**103,963**
Net Income	**(577,104)**	**(916,725)**	**(339,621)**

FY 13 Third Quarter Operating Budget to Actual Comparison
For Public Housing Rental Programs - Net Cash Flow

	(9 Months) Budget	Variance Income	Variance Expense	(9 Months) Actual	Variance
Elizabeth House	23,516	(668)	114,108	136,956	113,440
Holly Hall	(76,872)	7,539	32,562	(36,770)	40,102
Arcola Towers	21,090	1,807	81,878	104,776	83,686
Waverly House	79,771	(19,769)	143,896	203,897	124,126
Seneca Ridge	(54,192)	8,398	(50,445)	(96,239)	(42,047)
Emory Grove / Washington Square	(199,337)	(431)	(7,291)	(207,059)	(7,722)
Towne Centre Place / Sandy Spring Meadow	(92,444)	882	(28,888)	(120,450)	(28,006)
Ken Gar / Parkway Woods	(3,651)	(23,082)	19,242	(7,492)	(3,841)
Scattered Sites Central	(73,621)	37,796	28,337	(7,488)	66,133
Scattered Sites East	10,913	62,314	(18,488)	54,739	43,826
Scattered Sites Gaithersburg	(28,179)	42,662	(38,862)	(24,379)	3,800
Scattered Sites North	142,079	(19,084)	(63,116)	59,879	(82,200)
Scattered Sites West	5,385	(31,349)	(23,142)	(49,105)	(54,490)
Resident Services	(1,384)	(568)	(3,440)	(5,391)	(4,007)
TOTAL ALL PROPERTIES	**(246,926)**	**66,447**	**186,351**	**5,874**	**252,800**

FY 13 Third Quarter Capital Budget to Actual Comparison
For Capital Improvements

	(12 Months) Budget	(9 Months) Actual	Variance
General Fund			
East Deer Park	25,000	2,988	22,012
Kensington Office	292,500	90,825	201,675
Information Technology	959,075	420,159	538,916
Subtotal	**1,276,575**	**513,972**	**762,603**
Opportunity Housing			
The Ambassador	71,629	87,153	(15,524)
Alexander House	240,040	96,942	143,098
The Barclay	55,354	13,501	41,853
Brookside Glen (The Glen)	59,600	25,999	33,601
CDBG Units	0	1,508	(1,508)
Chelsea Towers	14,370	955	13,415
Chevy Chase Lake	291,700	115,206	176,494
Dale Drive	5,340	732	4,608
Diamond Square	284,050	33,113	250,937
Fairfax Court	15,800	8,203	7,597
Glenmont Crossing	85,245	25,588	59,657
Glenmont Waverly	58,040	13,329	44,711
Greenhills	80,206	32,741	47,465
Holiday Park	40,540	7,980	32,560
Jubilee Falling Creek	2,000	784	1,216
Jubilee Hermitage	4,500	796	3,704
Jubilee Woodedge	2,000	2,265	(265)
Magruder's Discovery	45,625	16,621	29,004
McHome	83,050	30,349	52,701
McKendree	31,550	26,719	4,831
MetroPointe	15,200	8,506	6,694
The Metropolitan	130,200	87,662	42,538
Montgomery Arms	240,500	114,019	126,481
MHLP I	21,850	10,122	11,728
MHLP II	0	3,603	(3,603)
MHLP III	0	3,774	(3,774)
MHLP IV	0	0	0
MHLP V	0	6,323	(6,323)
MHLP VI	0	3,770	(3,770)
MPDU 2004	14,000	24,529	(10,529)
MPDU 2007	0	0	0
MPDU 2007 Phase II	0	165	(165)
64 MPDUs	135,150	38,761	96,389
TPM - 59 MPDUs	141,430	69,223	72,207
Oaks at Four Corners	275,608	120,322	155,286
NCI Units	0	11,742	(11,742)
NSP Units	0	10,282	(10,282)
Paddington Square	46,600	13,228	33,372
Paint Branch	17,590	7,695	9,895
TPM - Pomander Court	39,520	18,975	20,545
Pooks Hill High-Rise	228,400	63,500	164,900
Pooks Hill Mid-Rise	362,200	48,528	313,672
Scattered Site One Dev. Corp.	142,591	76,282	66,309
Southbridge	0	0	0
Sligo Development Corp.	96,300	15,582	80,718
State Rental Combined	197,850	109,760	88,090
Strathmore Court	93,825	40,933	52,892
Tanglewood	27,480	5,274	22,206
TPM - Timberlawn	249,235	69,990	179,245
Westwood Tower	212,110	105,019	107,091
Subtotal	**4,158,278**	**1,628,053**	**2,530,225**
TOTAL	**5,434,853**	**2,142,025**	**3,292,828**

APPROVAL OF FY'13 THIRD QUARTER BUDGET AMENDMENT

June 5, 2013

- **The net effect of the FY'13 Third Quarter Budget Amendment is a balanced budget.**
- **Total operating budget for the Agency has decreased from $226.3 million to $225.6 million.**
- **Total capital budget for the Agency has decreased from $35.4 million to $35.3 million.**
- **Personnel Complement remains unchanged.**
- **No policy changes are reflected in the budget amendment.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
Terri Fowler Ext. 9507
Craig Reed Ext. 9667

RE: Approval of FY'13 Third Quarter Budget Amendment

DATE: June 5, 2013

STATUS: Committee Reports: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To amend the FY'13 Budget so that it reflects an accurate plan for the use of the Agency's financial resources for the remainder of the year.

BACKGROUND:
The HOC Budget Policy provides for the Executive Director to propose any budget amendments for the Commission to consider that may better reflect the revenues and expenses for the remainder of the year.

ISSUES FOR CONSIDERATION:

Operating Budget Amendments: Attachment I is a detailed chart of the following proposed transactions. Below is a description of the proposed amendment:

- **Opportunity Housing Fund:**
  - On December 18, 2012, **Tanglewood** and **Sligo Hills** were refinanced using Tax Credit Equity. This budget amendment will remove the budget for January 2013 through June 2013 from both properties. A CY'13 First Quarter Tax Credit Budget Amendment will also be presented to incorporate this six month period into the new Tax Credit property and extend the budget through December 2013 for the calendar year. Both income and expenses in the Opportunity Housing Fund will be decreased by $731,657. The breakout is as follows:
    - **Tanglewood –** Reduce both income and expenses by $447,188.
    - **Sligo Hills** – Reduce both income and expenses by $284,469.

Capital Budget Amendments: Attachment I is a detailed chart of the following proposed transactions. Below is a description of the proposed amendment:

- **Capital Improvements:**
    - This budget amendment reflects the removal of the capital budgets for January 2013 through June 2013 for both **Tanglewood** and **Sligo Hills** of $13,530 and $11,854, respectively, for a total of $25,384 for FY'13. (See Opportunity Housing Fund)

BUDGET IMPACT:
The net effect of the FY'13 Third Quarter Budget Amendment maintains a balanced budget. The total FY'13 Operating Budget for HOC decreased from $226,330,667 to $225,599,010. This is a decrease of $731,657. The total FY'13 Capital Budget for HOC has decreased from $35,357,051 to $35,331,667. This is a decrease of $25,384. Approval by the Commission of any budget amendments will revise the FY'13 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:
The FY'13 Third Quarter Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the May 21, 2013 meeting. Action is requested at the June 5, 2013 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission approve the proposed amendments to the FY'13 Budget.

Resolution No. **Re: Approval of FY'13 Third Quarter Budget Amendment**

WHEREAS, the Housing Opportunities Commission adopted a budget for FY'13 on June 6, 2012; and

WHEREAS, the Commission's Budget Policy allows for amendments to the budget; and

WHEREAS, the Commission has reviewed several proposed budget amendments to the FY'13 Budget; and

WHEREAS, the net effect of the FY'13 Third Quarter Budget Amendment is a balanced budget.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'13 Operating Budget by decreasing total revenues and expenses for the Agency from $226.3 million to $225.6 million.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY'13 Capital Budget by decreasing revenues and expenses for the Agency from $35.4 million to $35.3 million.

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Patrice Birdsong
Special Assistant to the Commission

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FY 2013 Adopted Operating Budget Third Quarter Amendment	Revenues	Expenses	Second Quarter Budget Amendment	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	Third Quarter Budget Amendment
General Fund								
General Fund	$17,381,467	$18,668,767	**($1,287,300)**	$0	$0	$17,381,467	$18,668,767	**($1,287,300)**
Multi-Family & Single Family Bond Funds								
Multi-Family Fund	$24,281,615	$24,281,615	**$0**	$0	$0	$24,281,615	$24,281,615	**$0**
Single Family Fund	$15,972,601	$15,972,601	**$0**	$0	$0	$15,972,601	$15,972,601	**$0**
Opportunity Housing Fund								
Opportunity Housing Reserve Fund (OHRF)	$865,280	$705,670	**$159,610**	$0	$0	$865,280	$705,670	**$159,610**
Opportunity Housing & Development Corps	$57,639,208	$55,609,410	**$2,029,798**	($731,657)	($731,657)	$56,907,551	$54,877,753	**$2,029,798**
Restricted to OHRF	$0	$159,610	**($159,610)**	$0	$0	$0	$159,610	**($159,610)**
Public Fund								
Public Housing Fund	$12,978,477	$12,795,236	**$183,241**	$0	$0	$12,978,477	$12,795,236	**$183,241**
Restricted to Public Housing	$0	$183,241	**($183,241)**	$0	$0	$0	$183,241	**($183,241)**
Housing Choice Voucher Program	$83,981,820	$84,724,318	**($742,498)**	$0	$0	$83,981,820	$84,724,318	**($742,498)**
Federal , State and Other County Grants	$13,230,199	$13,230,199	**$0**	$0	$0	$13,230,199	$13,230,199	**$0**
TOTAL - ALL FUNDS	**$226,330,667**	**$226,330,667**	**$0**	**($731,657)**	**($731,657)**	**$225,599,010**	**$225,599,010**	**$0**

FY 2013 Adopted Capital Budget Third Quarter Amendment	Revenues	Expenses	Second Quarter Budget Amendment	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	Third Quarter Budget Amendment
Capital Improvements								
East Deer Park	25,000	25,000	**$0**	$0	$0	$25,000	$25,000	**$0**
Kensington Office	$292,500	$292,500	**$0**	$0	$0	$292,500	$292,500	**$0**
Information Technology	$959,075	$959,075	**$0**	$0	$0	$959,075	$959,075	**$0**
Opportunity Housing Properties	$4,158,278	$4,158,278	**$0**	($25,384)	($25,384)	$4,132,894	$4,132,894	**$0**
Public Housing Properties	$6,311,749	$6,311,749	**$0**	$0	$0	$6,311,749	$6,311,749	**$0**
Capital Development Projects								
Southbridge (formerly known as Aspen Court)	$136,500	$136,500	**$0**	$0	$0	$136,500	$136,500	**$0**
Scattered Site One Development Corporation	$2,037,756	$2,037,756	**$0**	$0	$0	$2,037,756	$2,037,756	**$0**
Tanglewood/Sligo Hills Apartments	$21,436,193	$21,436,193	**$0**	$0	$0	$21,436,193	$21,436,193	**$0**
TOTAL - ALL FUNDS	**35,357,051**	**35,357,051**	**$0**	**($25,384)**	**($25,384)**	**35,331,667**	**35,331,667**	**$0**

Footnotes - explanation of changes

OH I Reduce budget for Tanglewood - ($447,188)
OH I Reduce budget for Sligo Hills - ($284,469)
OH E Reduce budget for Tanglewood - ($447,188)
OH E Reduce budget for Sligo Hills - ($284,469)

Capital Improvements

OH E Reduce budget for Tanglewood - ($13,530)
Reduce budget for Sligo Hills - ($11,854)

APPROVAL OF CY'13 FIRST QUARTER TAX CREDIT BUDGET AMENDMENT

June 5, 2013

- **On December 18, 2012, Tanglewood and Sligo Hills were refinanced as one property using Tax Credit Equity.**
- **This amendment will amend the Tax Credit Portfolio budgets to include Tanglewood / Sligo Hills LP.**
- **The property is projected to generate a cash flow of $457,830 for CY'13 which will be restricted.**
- **This amendment will increase income and expenses by $1,468,173 to reflect the addition of these units in the Tax Credit Portfolio.**
- **This amendment will increase the capital budget by $51,156 to reflect the addition of these units in the Tax Credit Portfolio.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
Terri Fowler Ext. 9507
Craig Reed Ext. 9667

RE: Approval of CY'13 First Quarter Tax Credit Budget Amendment

DATE: June 5, 2013

STATUS: Committee Reports: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To amend the CY'13 Budget so that it reflects an accurate plan for the use of the Agency's financial resources for the remainder of the year.

BACKGROUND:
The HOC Budget Policy provides for the Executive Director to propose any budget amendments for the Commission to consider that may better reflect the revenues and expenses for the remainder of the year.

ISSUES FOR CONSIDERATION:

Operating Budget Amendments: Below is a description of the proposed amendment:

- **Tanglewood / Sligo Hills LP:**
  - On December 18, 2012, **Tanglewood** and **Sligo Hills** were refinanced as one property using Tax Credit Equity. This budget amendment will add the new property to the CY'13 Tax Credit Budgets. Both income and expenses for the new property will be $1,468,173. It should be noted that the projected cash flow of $457,830 is restricted to the property.

Capital Budget Amendments: Below is a description of the proposed amendment:

- **Capital Improvements:**
  - This budget amendment reflects the addition of the capital budget for **Tanglewood / Sligo Hills LP** of $51,156.

BUDGET IMPACT:
The Tax Credit Budgets are adopted as separate entities. The CY'13 Operating Budget for Tanglewood / Sligo Hills LP will be $1,468,173. The CY'13 Capital Budget for Tanglewood / Sligo Hills LP will be $51,156.

TIME FRAME:
The CY'13 First Quarter Tax Credit Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the May 21, 2013 meeting. Action is requested at the June 5, 2013 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends Commission approval of the proposed amendments to the CY'13 Budget.

Resolution No. **Re: Approval of CY'13 First Quarter Tax Credit Budget Amendment**

WHEREAS, the Housing Opportunities Commission adopted the tax credit budgets for CY'13 on November 7, 2012; and

WHEREAS, the Commission's Budget Policy allows for amendments to the budget; and

WHEREAS, the Commission has reviewed the amendment to add the Tanglewood / Sligo Hills LP Budget to the CY'13 Tax Credit Portfolio Budgets.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the CY'13 Tax Credit Portfolio Budgets by increasing both revenues and expenses by $1,468,173 to reflect the addition of these units.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the CY'13 Tax Credit Capital Budget by increasing both revenues and expenses by $51,156 to reflect the addition of these units.

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Patrice Birdsong
Special Assistant to the Commission

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APPROVAL TO EXTEND THE USE OF THE PNC BANK LINE OF CREDIT TO FINANCE MONTGOMERY HOMES LIMITED PARTNERSHIP (MHLP) I, VII AND PADDINGTON SQUARE DEVELOPMENT CORPORATION MORTGAGE LOANS

June 5, 2013

- **MHLP I and MHLP VII as well as the Paddington Square Development Corporation REMIC loan are financed under the PNC Bank Line of Credit.**

- **The MHLP loans represent continued financing for expired tax credit partnership transactions which are awaiting permanent financing. The Paddington Square Development Corporation loan will be retired with long-term financing of the property utilizing a HUD 223 (f) loan which is expected to occur in FY 2014.**

- **Staff requests that the maturity date for MHLP I, MHLP VII and Paddington Square Development Corporation be extended to June 7, 2014.**

- **The estimated cost under the Line of Credit is based on the one month LIBOR rate of 0.20% plus 90 basis points as of May 29, 2013. The interest rate charged to the MHLPs by the General Fund for use of the Line of Credit will remain at 6.00%. Paddington Square Development Corporation will continue to be charged interest at the Line of Credit rate charged by PNC.**

- **The total amount of interest expense for the draws on the PNC Bank Line of Credit for FY'14 is estimated to be $145,657. After paying the interest to the Line of Credit of $84,949, the net amount of interest paid to the General Fund for the 12-month period will be $60,708.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
Belle Seyoum Finance Ext. 9476

RE: Approval to Extend the Use of the PNC Bank Line of Credit to Finance Montgomery Homes Limited Partnership (MHLP) I, VII and Paddington Square Development Corporation Mortgage Loans

DATE: June 5, 2013

STATUS: Committee Reports: Deliberation X

OVERALL GOAL & OBJECTIVE:
To extend the use of the PNC Bank Line of Credit to finance Montgomery Homes Limited Partnership (MHLP) I, VII and Paddington Square Development Corporation Mortgage loans.

BACKGROUND:
There are currently two remaining MHLP mortgage loans (MHLP I and VII) and the Paddington Square Development Corporation REMIC Loan financed under the PNC Bank Line of Credit which are due to expire June 7, 2013. Staff requests to extend the maturity dates for another year or a new expiration date of June 7, 2014. The total borrowing authority under the PNC Bank Line of Credit is $60 million. The unobligated amount as of March 31, 2013 is $27 million. The PNC Bank Line of Credit Agreement taxable borrowing rate is Libor plus 90 basis points.

The table below lists the current maturity date, outstanding amounts as of May 21, 2013, the current rate of interest paid to HOC for use of the Line of Credit, estimated cost under the Line of Credit and net amount paid to HOC. The estimated cost under the Line of Credit is based on the one month LIBOR rate of 20 basis points as of May 29, 2013 plus the additional 90 basis points.

	Current Maturity Date	Amount	Interest Rate	Estimated Annual Cost under LOC 1.1037%	Net Amount to HOC 4.9%	Total
MHLP I	June 7, 2013	$ 698,019	6.0%	$ 7,704	$ 34,177	$ 41,881
MHLP VII	June 7, 2013	541,855	6.0%	5,980	26,531	32,511
Paddington Sq. (REMIC Loan)	June 7, 2013	6,456,895	1.1037%	71,265	-	71,265
Total		$ 7,696,769		$ 84,949	$ 60,708	$ 145,657

The compliance period for MHLP VII expired on December 31, 2010. The limited partner has agreed to assign its interests to HOC for no consideration. HOC plans to leave the Partnership in place and transfer the limited partner interest to a new LLC wholly owned by HOC. The authorization to accept the assignment of interests from the limited partner is among the items for deliberation at the June 5, 2013 meeting of the Commission.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve extending the maturity dates for MHLP I, VII and Paddington Square Development Corporation under the PNC Bank Line of Credit for a one-year period not to exceed June 7, 2014

PRINCIPALS:

Montgomery Homes Limited Partnership I, VII and Paddington Square Development Corporation
PNC Bank
HOC

BUDGET IMPACT:

The amount of interest expense for FY'14 is estimated to be $145,657. The net benefit to HOC's General Fund will be $60,708 based on LIBOR rate as of May 29, 2013 and anticipated outstanding amounts as of May 21, 2013.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed this item at the May 21, 2013 meeting. Staff requests action at the June 5, 2013 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends approval to use the PNC Bank Line of Credit to extend the refinancing of Montgomery Homes Limited Partnership (MHLP) I, VII and Paddington Square Development Corporation mortgages until June 7, 2014.

RESOLUTION: **RE:** Approval to Extend the Use of the PNC Bank Line of Credit to Finance Montgomery Homes Limited Partnership (MHLP) I, VII and Paddington Square Development Corporation Mortgage Loans

WHEREAS, MHLP I, MHLP VII and Paddington Square Development Corporation mortgage loans are currently financed through the PNC Bank Line of Credit which will shortly expire; and

WHEREAS, it is proposed to extend the use of the PNC Bank Line of Credit to finance MHLP I, MHLP VII and Paddington Square Development Corporation mortgage loans for a period not to exceed one year at the monthly LIBOR rate plus 90 basis points; and

WHEREAS, the Commission currently intends and reasonably expects to participate in a tax-exempt borrowing to finance the acquisition/rehabilitation/placing in service of residential/dwelling units for MHLP I, MHLP VII and Paddington Square Development Corporation in an amount not to exceed $60,000,000, all or a portion of which may reimburse the Commission for the portion of such capital expenditures incurred or to be incurred subsequent to the date which is 60 days prior to the date hereof but before such borrowing, within 18 months of the date of such capital expenditures or the placing in service of dwelling units, whichever is later (but in no event more than three years after the date of the original expenditure of such moneys); and

WHEREAS, the Commission desires to declare its official intent to reimburse the Commission for capital expenditures with the proceeds of future tax-exempt borrowing.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that:

1. The Executive Director is authorized to execute all documents and agreements necessary to continue in effect the use of the current Line of Credit with PNC Bank in an amount not to exceed $7,696,769 for interim financing for MHLP I, MHLP VII and Paddington Square Development Corporation ("the Project") for a term not to exceed one year with an annual Interest rate of one month LIBOR plus 90 basis points. (The current LIBOR interest rate is subject to change and may be higher when the loans are actually financed.) In addition, MHLP I and MHLP VII will be charged by the Commission an interest rate of 6.0% for use of the Line of Credit for the same period to be paid to the General Fund, and Paddington Square Development Corporation will continue to reimburse the General Fund the annual interest rate of one month LIBOR plus 90 basis points being charged by PNC Bank.

2. The Commission presently intends and reasonably expects to participate in a tax-exempt borrowing in an amount not to exceed $60,000,000 within 18 months of the date of the expenditure of moneys for the acquisition/rehabilitation/placing in service of residential/dwelling units or the date upon which the Project is placed in service or abandoned, whichever is later (but in no event more than three years after the date of the original expenditure of such moneys), and to allocate all or a portion of the proceeds thereof to reimburse the Commission for its expenditures in connection with the Projects.

3. The Commission hereby desires to declare its official intent, pursuant to 26 C.F.R. §1.150-2, to reimburse the Commission for such capital expenditures with the proceeds of the Commission's future tax-exempt borrowing.

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Patrice M. Birdsong
Special Assistant to the Commission

ACCEPTANCE OF CY'12
TAX CREDIT AUDITS

June 5, 2013

- **The Finance Division was responsible for the successful completion of 15 Tax Credit Partnership Property Audits for CY'12.**

- **A standard unqualified audit opinion was received for all 15 Tax Credit Partnership Property Audits from the respective independent certified public accounting firms performing the audits.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM:

Staff:	Division:	
Gail Willison	Finance	Ext. 9480
Belle Seyoum	Finance	Ext. 9476
Varun Chawla	Finance	Ext. 9512
Jim Atwell	Internal Audit	Ext. 9426

RE: Acceptance of CY'12 Tax Credit Audits

DATE: June 5, 2013

STATUS: Committee Reports**:** Deliberation __X__

OVERALL GOAL & OBJECTIVE:
Acceptance of the calendar year (CY) 2012 Tax Credit Partnership Property Audits.

BACKGROUND:
HOC maintains 17 tax credit partnerships. Two of the tax credit partnerships, Strathmore Court and The Metropolitan, are reported on a fiscal year basis in order to be consistent with the market rent portions of those properties. The other 15 tax credit partnerships consist of scattered sites and multifamily properties. Each of these individual tax credit partnerships are required to have an annual audit to satisfy investor requirements. The following tax credit partnership properties were audited as of December 31, 2012:

PROPERTY
Montgomery Homes Limited Partnership VII
Montgomery Homes Limited Partnership VIII
Montgomery Homes Limited Partnership IX (Scattered Site and Pond Ridge)
Montgomery Homes Limited Partnership X
Shady Grove Apartments, LP
The Willows of Gaithersburg Associates, LP
Manchester Manor Apartments, LP
MV Affordable Housing Associates, LP
Georgian Court Silver Spring, LP
The Barclay, LP
Spring Garden, LP
Forest Oak Towers Apartments, LP
Wheaton Metro Limited Partnership (Metro Pointe)

4913 Hampden Lane LP
Tanglewood and Sligo LP

See Appendix A for further details on each of the tax credit partnership properties that report on a calendar year basis. Each of the 15 CY'12 Tax Credit Partnership Property Audits received a standard unqualified audit opinion from the independent certified public accounting firms performing the audits. The Internal Auditor, Jim Atwell, has reviewed each audit.
Finance staff in conjunction with the Internal auditor will present the audits to the Commission at the June 5, 2013 meeting.

There were no audit findings related to any of the properties.

ISSUES FOR CONSIDERATION:
Does the Commission wish to accept the 15 CY'12 Tax Credit Partnership Property Audits?

BUDGET IMPACT:
There is no budget impact related to acceptance of the 15 CY'12 Tax Credit Partnership Property Audits.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the 15 CY'12 Tax Credit Partnership Property Audits at the May 21, 2013 meeting. Staff requests Commission action at the June 5, 2013 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends acceptance of the 15 Tax Credit Partnership Property Audits.

RESOLUTION: **RE:** Acceptance of CY'12 Tax Credit Audits

WHEREAS, the Housing Opportunities Commission of Montgomery County has completed the CY'12 Tax Credit Audits for 15 tax credit partnership properties; and

WHEREAS, a standard unqualified audit opinion was received for all 15 of the CY'12 Tax Credit Partnership Property Audits from the respective independent certified public accounting firms performing the audits.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission accepts the audits.

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Patrice M. Birdsong
Special Assistant to the Commission

Appendix A

TAX CREDIT AUDIT STATUS
CY: 2012

	Name of the Partnership	Number of Units	Scattered Site	Remaining Compliance Yrs left	Audit Firm	MFD Firm	Opinion	Finding
1	Montgomery Homes LP VII	35	Yes	None	Grubman Anand, P.C.		Unqualified	None
2	Montgomery Homes LP VIII	49	Yes	None	Kozak, Pollekoff & Goldman, P.C.		Unqualified	None
3	Montgomery Homes LP IX (Scattered Site & Pond Ridge)	116	Yes/No	None	Kozak, Pollekoff & Goldman, P.C.		Unqualified	None
4	Montgomery Homes LP X	75	Yes	2	Ghenene & Associates	Yes	Unqualified	None
5	Shady Grove Apartments, LP	144	No	1	Grubman Anand, P.C.		Unqualified	None
6	The Willows of Gaithersburg Associates, LP	195	No	1	Kozak, Pollekoff & Goldman, P.C.		Unqualified	None
7	Manchester Manor Apartments, LP	53	No	2	CohnReznick LLP		Unqualified	None
8	MV Affordable Housing Associates, LP	94	No	4	Ghenene & Associates	Yes	Unqualified	None
9	Georgian Court Silver Spring LP	147	No	3	Novogradac & Company		Unqualified	None
10	Barclay One Associates LP	81	No	8	Kozak, Pollekoff & Goldman, P.C.		Unqualified	None
11	Spring Garden One Associates LP	83	No	8	Grubman Anand, P.C.		Unqualified	None
12	Forest Oak Towers LP	175	No	10	Kozak, Pollekoff & Goldman, P.C.		Unqualified	None
13	Wheaton Metro Limited Partnership	53	No	10	Novogradac & Company		Unqualified	None
14	4913 Hampden Lane LP	12	No	13	Novogradac & Company		Unqualified	None
15	Tanglewood and Sligo LP	132	No	15	Novogradac & Company		Unqualified	None

AUTHORIZATION TO WRITE-OFF BAD DEBT RELATED TO TENANT ACCOUNTS RECEIVABLE

June 5, 2013

- HOC's current policy is to provide for an allowance for any tenant accounts receivable balance in excess of 90 days. In addition, HOC periodically proposes the write-off of uncollected former resident balances.

- The proposed write-off of former tenant accounts receivable balances for the period July 1, 2012 through April 30, 2013 is $188,192. In the past, the write-off was presented for the twelve month period July 1 through June 30. The actual write off was done in the next fiscal period. This method resulted in a lower PHAS score in FY'12 and as suggested by HUD, this year's write-off reflects only ten months outstanding bad debt and will be recorded within the same fiscal year to help increase the FY'13 PHAS score.

- Total major write-offs are as follows: Public Housing $64,264, Opportunity Housing $83,225, Tax Credit properties $29,857, 236 properties $4,629 and Supportive Housing $6,217.

- The next anticipated write-off will cover from May 1, 2013 through April 30, 2014. The write-off will be performed in the fourth quarter of FY'14 and will include all former tenant accounts receivable balances from May 1, 2013 through April 30, 2014.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM:

Staff:	Division:	
Gail Willison	Finance	Ext. 9480
Belle Seyoum	Finance	Ext. 9476
Joy Flood	Housing Management	Ext. 9621

RE: Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable

DATE: June 5, 2013

STATUS: Committee Reports: Deliberation _X_

OVERALL GOAL & OBJECTIVE:
To approve the authorization to write-off bad debt related to tenant accounts receivable.

BACKGROUND:
Currently, HOC's policy is to provide for an allowance for any tenant accounts receivable balance in excess of 90 days. In addition, HOC periodically proposes the write-off of uncollected former resident balances. This process updates the financial records to accurately reflect the receivables and the potential for collection. All former tenant accounts receivable balances proposed to be written-off are recorded in the HOC bad debt database as well as the Equifax Credit Bureau file. Any balances of a $1,000 or more will be submitted to Bregman, Berbert, Schwartz and Gilday, LLC for further pursuit. Through our own collection efforts and the services of the law firm, we continue to pursue all debts.

The proposed write-off of former tenant accounts receivable balances for the fiscal year period July 1, 2012 through April 30, 2013 is $188,192. The last approved write-off was for $229,958 in October 3, 2012 which covered the time period from July 1, 2011 to June 30, 2012. For purposes of comparison, we have reported the previous fiscal write-off for the ten month period July 1, 2011 through April 30, 2012. The total write-off for this period is $191,632.

The current ten month write-off of $188,192 is a decrease of $3,440 or 1.79% compared to the previous ten month write-off amount of $191,632. The write-off for FY'13 is attributable to several factors including the continued economic downturn that has resulted in a loss of jobs for our tenants and considerably more evictions and tenants skips. In addition, the eviction process may take up to four months with a tenant in place accruing rent receivables during that time.

The following amounts by property type are proposed to be written off:

Property Type	Write-offs 7/1/12-4/30/13	Prior Write-offs 7/1/11-4/30/12	$ Change 7/1/12-4/30/13	% Change 7/1/12-4/30/13
Public Housing	**$ 64,264**	**$ 62,595**	$ 1,669	2.67%
Opportunity Housing	**83,225**	**78,663**	4,562	5.80%
Tax Credit Properties	**29,857**	**20,797**	9,060	43.57%
236 Properties	**4,629**	**8,069**	(3,440)	-42.63%
Supportive Housing	**6,217**	**21,508**	(15,291)	-71.09%
Total	**$ 188,192**	**$ 191,632**	$ (3,440)	-1.79%

The following table shows by Fund which properties had the highest suggested write-offs:

Fund/Property	Amount
Public Fund	
PH Scattered Sites - Central	$6,229
PH Scattered Sites - East	6,069
PH Scattered Sites - Gaithersburg	3,372
PH Scattered Sites – North	1,408
PH Scattered Sites – West	14,289
Elizabeth House	144
Emory Grove	4,985
Washington Square	17,433
Holly Hall	1,988
Arcola Towers	1,296
Waverly House	568
Parkway Woods	4,385
Towne Centre Place	2,098
Total	$64,264
Percent to total Public Fund Write-offs	34%
Opportunity Housing (OH) Fund	
McKendree	191
MPDU I/64	460
State Rental Partnership Combined	-1
State Renal Partnership VII	0
MPDU 2004	32
MHLP II	15,776
MHLP III	4,172
MHLP IV	3,978
MHLP VI	550
Magruders	31,607

Scattered Site One Dev Corp.	14,360
Sligo Development Corp./MPDU	1,116
TPM Development Corp. – Pomander Court	10,984
Total	$83,225
Percent to total Opportunity Housing Fund Write-offs	45%
Tax Credit Properties	
Hampden Lane	1,311
MHLP II	8,236
MHLP VIII	7,077
MHLP X	2,613
MHLP IX – Pondridge	5,260
MHLP IX – MPDU	5,360
Total	$29,857
Percent to total Tax Credit Properties Write-offs	16%
236 Properties	
Bauer Park	$1,239
Town Center Apartments	3,390
Total	$4,629
Percent to total Tax Credit Properties Write-offs	2%
Supportive Housing	
SHP Turnkey Leasing	$254
McKinney X – County	515
McKinney VIII	36
McKinney XII – Perm. Supp Housing	5,412
Total	$6,217
Percent to total Tax Credit Properties Write-offs	3%

Within the Public Housing properties, there was an increase in write-offs of $1,669 or 2.67% from last year. The write-offs are attributable to eviction and non-payment of rent as well as charges placed on the units related to damages which remain uncollected.

Within the Opportunity Housing portfolio, there was an increase in write-offs of $4,562 or 5.8% from the previous year. The current year write-offs are attributable to tenant evictions and skips as well as damages on the units which remain uncollected. Property Management has stated that many of the families in these units have difficulty making their monthly payments, and any downturn in employment or family situation can cause rent delinquencies and possible eviction.

Within the Tax Credit properties, there was an increase in write-offs of $9,060 or 43.57% from the previous year. The current year write-offs are attributable to tenant evictions and skips and tenants leaving units with damages that are discovered after move-out.

Within the 236 properties, there was a decrease in write-offs of $3,440 or 43.63% from the previous year. The majority of the write off is related to three tenants who were moved to nursing homes and one tenant who was deceased.

Lastly, within the Supportive Housing program, there was a decrease in write-offs of $15,291 or 71.09% from the previous year. The majority of current year write-offs are attributable to one tenant who is no longer in the program.

The next anticipated write-off will cover FY'14. The write-off will be performed in the fourth quarter of FY'14 and will include all former tenant accounts receivable balances from May 1, 2013 through April 30, 2014. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the debt database.

ISSUES FOR CONSIDERATION:
Does the Commission wish to authorize the write-off of bad debt related to tenant accounts receivable?

BUDGET IMPACT:
The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The bad debt expense was recorded when the initial allowance was established as a result of the receivable balance being 90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

TIME FRAME:
The Budget, Finance and Audit Committee authorized the write-off of bad debt related to tenant accounts receivable at the May 21, 2013 meeting. Staff requests Commission action at the June 5, 2013 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends Commission authorization to write-off bad debt related to tenant accounts receivable.

RESOLUTION NO.

RE: Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable

WHEREAS, HOC's current policy is to provide for an allowance for any tenant accounts receivable balance in excess of 90 days; and

WHEREAS, HOC periodically proposes the write-off of uncollected former resident balances which updates the financial records to accurately reflect the receivables and the potential for collection; and

WHEREAS, the proposed write-off of former tenant accounts receivable balances for the period July 1, 2012 through April 30, 2013 is $64,264 from Public Housing, $83,225 from Opportunity Housing, $29,857 from Tax Credit properties, $4,629 from 236 properties and $6,217 from Supportive Housing, totaling $188,192.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that authorization is granted to the Executive Director to write-off bad debt totaling $188,192 related to tenant accounts receivable.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, June 5, 2013.

Patrice M. Birdsong
Special Assistant to the Commission

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ADOPTION OF THE FY'14 BUDGET

June 5, 2013

- **The Budget, Finance and Audit Committee has reviewed the Executive Director's FY'14 Recommended Budget and additional changes included in the proposed budget.**

- **The proposed FY'14 Operating Budget is $229.3 million.**

- **The proposed FY'14 Capital Budget is $40.4 million.**

- **The FY'14 proposed Personnel Complement includes a total of 365.8 work years.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM:

Staff:	Gail Willison	Division: Finance	Ext. 9480
	Terri Fowler	Division: Finance	Ext. 9507
	Craig Reed	Division: Finance	Ext. 9667

RE: Adoption of the FY'14 Budget

DATE: June 5, 2013

STATUS: Committee Reports: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Adoption of the FY'14 Budget.

BACKGROUND:
The Executive Director's FY'14 Recommended Budget was presented at the April 3, 2013 Commission meeting. Since then, the Budget, Finance and Audit Committee met with staff four times to review and discuss the budget in detail. They have completed their review and the proposed budget for FY'14 is now before the full Commission for adoption. There will be a short presentation of the proposed FY'14 Budget at this Commission meeting.

ISSUES FOR CONSIDERATION:
The total FY'14 proposed Operating Budget is $229.3 million which is a reduction of $6.3M from the Recommended Budget presented on April 3, 2013. The majority of this decrease is the result of reduced Housing Assistance Payments (HAP) revenue and expenses in the Housing Choice Voucher (HCV) Program.

The total proposed FY'14 Capital Budget is $40.4 million which is an increase of $17.3M from the Recommended Budget presented on April 3, 2013. The majority of this increase is the result of two additional development projects for Greenhills Apartments and TPM-Timberlawn.

The Agency's task of producing a balanced operating budget continues to be challenged by the economy. For FY'14, the impacts of nominal rent increases, Federal sequestration, rising benefit costs, and increasing Other Post Employment Benefits (OPEB) obligations have further exacerbated this issue. However, one thing has remained the same throughout the process and that is HOC's commitment to its staff and the residents of Montgomery County.

As HOC's approach to providing affordable housing and services to the residents of Montgomery County evolves in response to the challenging fiscal climate, it is crucial for the Agency to undertake a more proactive and forward-looking budget practice to ensure long-term fiscal sustainability. To this end, HOC is moving towards zero-based, multiyear budgeting for FY'14.

Development of the FY'14 proposed Budget required each division to build their respective budgets monthly from the bottom up evaluating each revenue and expenditure. Where possible, resources were reprogrammed and discretionary spending was reduced to enable us to do more with less. In addition, the Agency began a comprehensive approach during FY'13 to invest in a greater reliance on electronic resources to produce ongoing savings in operational costs. The impacts of this upfront investment will be realized incrementally over the next couple of years as the Agency adapts to a new way of conducting business. Finally, the reorganization of the Property Management Division to create ten service HUBs will provide opportunity for improved service and response time as well as efficiency and savings.

A forecast was extended through FY'15 to provide information, today, on the challenges the Agency will face in the near future to allow time for planning and redirection as deemed appropriate. Although, the current FY'15 forecast projects a shortfall of approximately $225,000, many factors could impact this projection in the coming months, both positively and negatively. They include, but are not limited to, the state of the local economy, changes in Federal funding, changes in rental and fee income, and rising benefit costs.

The Department of Housing and Urban Development (HUD) is requiring that all Public Housing Authorities (PHAs) implement a Central Office Cost Center or COCC. As a result, the General Fund was split into two components: one to reflect the Agency Overhead related to Federal Programs and corresponding Fee Income, and one to reflect the Agency Overhead related to Non-Federal Programs and corresponding Fee Income. The income from Federal sources is limited to the allowable management fee for each respective program which resulted in reduced fee expenses for both Public Housing and the Housing Choice Voucher Program and a new fee expense for the Capital Fund Grant (See Public Fund). Income from Non-Federal sources is calculated via the Indirect Cost Model and is reflected in the Bond Funds and Opportunity Housing Fund as changes to expenses. The impact of these changes is reflected as a change to income in the General Fund.

The major differences in this proposed Operating Budget from the Executive Director's FY'14 Recommended Budget are due to:

General Fund:
Revenues increased in the General Fund (Attachment 1-1) by $810,044. There are several reasons for change. Two new one-time Loan Management Fees were added for Olde Town Gaithersburg and Churchill totaling $820,529. There was also an increase in Development Corporation Fees of $131,373 based on the updates to the Personnel Complement and Indirect

Cost Model (See Opportunity Housing). In addition, the update to the Agency Personnel Complement resulted in a net increase of $214,357 in transfers to the General Fund. Finally, Fee Income totaling $78,007 was added based on proper accounting for the anticipated Development Corporation Fee from Scattered Site Two Development Corporation and management fee from the State Rental Assistance Program (RAP) grant. These increases were offset by the following reductions. Fee income based on the establishment of the COCC and update to the Indirect Cost Model decreased by $388,322. Additionally, Commitment Fee Income decreased by $67,250 based on changes to the structure of fees from Olde Towne Gaithersburg, and changes in the timing of fees from Churchill, Greenhills Apartments, and Paddington Square. Forty percent of the change in Commitment Fees or $26,900 is reflected in the General Fund. The balance of the reduction or $40,350 is in the Opportunity Housing Reserve Fund (OHRF). Finally, changes in the structure of the Greenhills Apartments refinancing resulted in a decrease to Asset Management Fee income of $19,000.

Expenses decreased in the General Fund (Attachment 1-1) by $304,300 as a result of an update to the Personnel Complement. Included in this update was a restructuring of the Real Estate Development Division that resulted in an increase to expenses in the General Fund that will be funded by the Opportunity Housing Reserve Fund (See OHRF).

The Recommended Budget included draws from the General Fund Operating Reserve (GFOR) and Other Post Employment Benefit (OPEB) Reserve of $528,536 and $352,410, respectively. As a result of the cumulative changes between the Recommended and Proposed Budgets, these draws have been removed. In addition, $250,000 of the one-time Loan Management Fees will be restricted to the GFOR for future operating shortfalls.

Multifamily Bond Funds:
Expenses in the Multifamily Bond Fund decreased by $8,948 based on an update to the Personnel Complement which was slightly offset by an increase in the management fee expense.

A corresponding decrease is reflected in revenues to reflect the decrease in the Bond Draw to support the operations of the Multifamily programs.

Single Family Bond Funds:
Expenses in the Single Family Bond Fund increased by $90,078 based on an update to the Personnel Complement and management fee.

A corresponding increase is reflected in revenues to reflect the increase in the Bond Draw to support the operations of the Single Family programs.

Opportunity Housing Fund:
Revenues increased in the **Opportunity Housing and Development Corporation** properties by $5,112 as a result of HUB budget refinements. Expenses increased by a net of $28,970 as a

result of updates to the Personnel Complement and fees charged for Agency overhead and asset management, lower debt service payments for Pooks Hill High-Rise based on the December 2012 refinancing, decreases in the Trash Collection Contracts, and HUB budget refinements. For unrestricted properties, the net effect of these changes was a decrease in property cash flow and increase in Development Corporation Fees to the Agency. For restricted properties, the net effect was a decrease in excess cash that remains at the properties.

Revenues decreased in the **Opportunity Housing Reserve Fund** (OHRF) by $40,350 as a result of decreased overall Commitment Fees (See General Fund). Expenses increased by $214,237 to reflect costs associated with the full Real Estate Development Personnel Complement.

The Recommended Budget included a surplus of $55,060 that was to be restricted to the OHRF. As a result of the decrease in anticipated fees and increase to expenses, the surplus has been removed and a draw of $199,527 from existing funds has been added ($40,350 + $214,237 - $55,060 = $199,527).

Public Fund:
Income decreased by $808,681 in the **Public Housing Rental Program** primarily as a result of changes to the Interim Financing funding for capital improvements which removed the funding for Scattered Sites and adjusted funding for the remaining portfolio. There were also small reductions based on a revised Public Housing Financial Self Sufficiency (FSS) award, HUB refinements, and revised transfers resulting from the complement update for the FSS staff. Expenses decreased by $1,185,786 to reflect the removal of the capital improvements for Scattered Sites, adjustments to capital improvements for the remaining portfolio, HUB refinements, updates to the Personnel Complement and management fee expenses, and decreases in Trash Collection Contracts.

The Recommended Budget projected a draw from reserves of $434,295 to cover the projected shortfall. This amount will be reduced by $377,105 to reflect the net decrease in costs offset by decreased income ($1,185,786 - $808,681 = $377,105). This results in a projected draw of $57,190 ($434,295, - $377,105 = $57,190).

Expenses decreased in the **Public Housing Home Ownership Program** by $2,543 to reflect updates to the Personnel Complement and management fee expenses, and decreases in Trash Collection Contract. The Recommended Budget projected a draw from reserves of $15,360 to cover the projected shortfall. This amount will be reduced by the decrease in costs.

Revenues decreased in the **Housing Choice Voucher Program** by $5,263,294 to reflect adjustments to Housing Assistance Payments (HAP) and administrative fee income based on revisions to utilization. There was also a small reduction in transfers resulting from the complement update for the FSS Staff. Expenses decreased by $5,912,354 as a result of lower HAP expenses, updates to the Personnel Complement and management fee expenses, and revisions to other administrative expenses. Finally, the budget now reflects the draws from

previously unspent HAP revenues (Net Restricted Assets or NRA) as well as restrictions of the funds received but not yet used for the Tenant Protection Vouchers received for the Public Housing Disposition.

Federal, State and County Grants decreased by $35,819. There were several factors that contributed to the decrease:

- The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) grants, formerly known as McKinney grants, were reduced by $178,116 based on the FY'13 Fair Market Rents (FMRs). Expenses were decreased by $165,404 to reflect the lower funding. In addition, the Personnel Complement update resulted in further expense reductions of $74,509. The draw from existing HEARTH funds to balance the grants will be reduced by $61,797 to reflect the net decrease in costs offset by decreased income ($165,404 + $74,509 - $178,116 = $61,797).

- As a result of implementing the COCC, administrative personnel costs are no longer charged to the Capital Fund Grant. They are now reflected in the General Fund. A management fee of 10% of the projected grant amount will now be charged to the Capital Fund Grant and show as income in the COCC. The amount of Capital Fund Grant used for non-construction costs was increased by $187,952 to cover the net increase to soft costs resulting from the new $178,000 management fee, $115,000 in other additional fees that were added back to the grant, offset by the $105,048 reduction in personnel costs ($178,000 + $115,000 - $105,048 = $187,952).

- The Personnel Complement update on the remaining grants resulted in a net expense reduction of $25,063. Where appropriate, other miscellaneous expenses were changed in the remaining restricted grants to balance the grants. Where this was not appropriate, there were additional changes in draws from existing funds or transfers from the County Contract to balance the grants affected by complement update.

- Finally, the transfer to the General fund to cover Resident Services related expenditures was increased by $22,780 to fully cover the costs.

Personnel Complement:
The FY'14 proposed Personnel Complement includes a total of 365.8 work years.

Capital Budget:
The FY'14 Capital Budget reflects the items that were discussed at the Budget, Finance and Audit Committee meetings during April and May. The revised Capital Budget reflects a net increase of $17,269,641.

- **Capital Improvements Budget**
  The capital improvements budget for TPM-Timberlawn was reduced by $22,000 to reflect the removal of improvements that will now be covered by the planned renovations for the property.

- **Capital Development Budget:**
  Two new projects were added to the capital development budget for renovations at Greenhills Apartments of $9,327,890 and TPM-Timberlawn of $7,906,075. In addition, the development budget for Scattered Site One Development Corporation for FY'14 decreased by $24,962 based on a change in the timing of expenses. Finally, the development budget for Scattered Site Two Development Corporation for FY'14 increased by $82,638 as a result of a timing change in expenses.

Enclosure 1 includes two spreadsheets that detail the major changes made from the FY'14 Recommended Operating Budget and Capital Budget to the FY'14 Budgets proposed for adoption.

Enclosure 2 includes the updated charts from the Summary and Capital Budget sections of the FY'14 Recommended Budget document reflecting the proposed budgets.

Enclosure 3 includes the resolutions to adopt the FY'14 Operating and Capital Budgets and Personnel Complement.

BUDGET IMPACT:
Adoption of the FY'14 Budget will set the financial plan for the fiscal year. Quarterly reviews will keep it updated and relevant.

TIME FRAME:
Adoption of the FY'14 Budget at the June 5, 2013 meeting will allow time for staff to implement the budget for the beginning of the fiscal year, July 1st. The Commission needs to adopt a budget for FY'14 before the fiscal year begins on July 1, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
To adopt the FY'14 Operating and Capital Budgets, related resolutions and Personnel Complement by approving the attached resolutions (Enclosure 3).

ENCLOSURES:

1) Spreadsheets highlighting major budget changes from Executive Director's FY'14 Recommended Operating Budget and Recommended Capital Budget

2) Revised charts from Summary and Capital Budget sections of the Executive Director's FY'14 Recommended Budget

3) Resolutions to adopt the FY'14 Budget and Personnel Complement

   A - Adoption of the FY'14 Budgets, Bond Draw Downs and Transfers

   B - Adoption of FY'14 Personnel Complement

   C - Adoption of FY'14 Reimbursement Resolution

Spreadsheets Highlighting Major Budget Changes from FY'14 Recommended Operating and Capital Budgets

Enclosure 1

FY 2014 Proposed Operating Budget Comparison from Recommended Budget	Revenues	Expenses	Recommended Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	Proposed Budget
General Fund								
General Fund	$17,949,730	$19,040,006	**($1,090,276)**	$810,044	$304,300	$18,759,774	$19,344,306	**($584,532)**
Draw from GFOR	$528,536	$0	**$528,536**	($528,536)	$0	$0	$0	**$0**
Draw from OPEB Reserve	$352,410	$0	**$352,410**	($352,410)	$0	$0	$0	**$0**
Restricted to GFOR	$0	$0	**$0**		$250,000	$0	$250,000	**($250,000)**
Multi-Family & Single Family Bond Funds								
Multifamily Fund	$24,711,749	$24,711,749	**$0**	($8,948)	($8,948)	$24,702,801	$24,702,801	**$0**
Single Family Fund	$15,834,756	$15,834,756	**$0**	$90,078	$90,078	$15,924,834	$15,924,834	**$0**
Opportunity Housing Fund								
Opportunity Housing Reserve Fund	$908,690	$853,630	**$55,060**	($40,350)	$214,237	$868,340	$1,067,867	**($199,527)**
Opportunity Housing & Development Corps	$58,985,018	$57,551,113	**$1,433,905**	$5,112	$28,970	$58,990,130	$57,580,083	**$1,410,047**
Draw from GFOR for Metropointe Deficit	$151,137	$0	**$151,137**	$0	$0	$151,137	$0	**$151,137**
Draw from OHRF	$0	$0	**$0**	$199,527	$0	$199,527	$0	**$199,527**
Restricted to OHRF	$0	$55,060	**($55,060)**	$0	($55,060)	$0	$0	**$0**
Public Fund								
Public Housing Rental	$12,954,500	$13,388,795	**($434,295)**	($808,681)	($1,185,786)	$12,145,819	$12,203,009	**($57,190)**
Draw from Public Housing Reserves	$434,295	$0	**$434,295**	($377,105)	$0	$57,190	$0	**$57,190**
Public Housing Homeownership	$70,160	$85,520	**($15,360)**	$0	($2,543)	$70,160	$82,977	**($12,817)**
Draw from Public Housing Reserves	$15,360	$0	**$15,360**	($2,543)	$0	$12,817	$0	**$12,817**
Housing Choice Voucher Program	$88,600,207	$89,975,919	**($1,375,712)**	($5,263,294)	($5,912,354)	$83,336,913	$84,063,565	**($726,652)**
Federal , State and Other County Grants	$14,138,355	$14,138,355	**$0**	($35,819)	($35,819)	$14,102,536	$14,102,536	**$0**
TOTAL - ALL FUNDS	**$235,634,903**	**$235,634,903**	**$0**	**($6,312,925)**	**($6,312,925)**	**$229,321,978**	**$229,321,978**	**$0**

Footnotes - explanation of changes

GF I Increase Loan Management Fee Income - $820,529
GF I Increase Development Corporation Fees based on changes to properties - $131,373
GF I Impact of update to personnel complement - $214,357
Increase transfer from OHRF for Real Estate Developemnt Personnel costs - $214,237
Increase transfer from County for Resident Services related expenditures- $22,780
Increase draw to cover cost of Project Manager for Scattered Site One Dev. Corp. - $10
Decrease funding from Community Partners for Resident Counselor - ($22,670)
GF I Add Development Corporation Fee from Scattered Site Two Dev. Corp. - $74,188
GF I Add Management Fee from State RAP Grant = $3,819
GF I Impact of COCC and update to Indirect Cost Model - ($388,322)
Increase Management Fee Income from Bond Programs - $89,840
Increase Property Management Fees - $125,030
Add Management Fee from Capital Fund Grant = $178,000
Decrease Asset Management Fee Income - ($128,130)
Decrease Public Housing Management Fee Income - ($33,210)
Decrease HCVP Management Fee Income - ($619,852)
GF I Decrease Commitment Fee Income - ($26,900)
GF I Adjust Asset Management Fee Income - ($19,000)
GF E Update Real Estate Personnel - $214,237
GF E Update Personnel Complement - $90,063
GF **Remove draw from General Fund Operating Reserves (GFOR) - ($528,536)**
GF **Remove draw from OPEB Reserves - ($352,410)**
GF **Add Contribution to GFOR - $250,000**

MF I Decrease Bond Drawdown for Personnel Complement Update net of Increase to Management Fee - ($8,948)
MF E Update Management Fee - $140
MF E Update Personnel Complement - ($9,088)

SF I Increase Bond Drawdown for Personnel Complement Update and Increase to Management Fee - $90,078
SF E Update Personnel Complement - $378
SF E Update Management Fee - $89,700

OHRF I Decrease Commitment Fee Income - ($40,350)
OHRF I Add draw from existing funds -$199,527
OHRF E Increase transfer to General Fund for Real Estate Development Personnel costs - $214,237
OHRF **Remove Restricted Excess Cash Flow - ($55,060)**

OH I Update income based on HUB refinements - ($5,112)
OH E Increase Development Corporation Fee Expense based on changes to properties - $131,373
OH E Increase Allocated Overhead expense -$125,030
OH E Update expenses based on HUB refinements - $21,393
OH E Increase 50% restriction of RfR for Dale Drive - $330
OH E Decrease Asset Management Fee Income - ($128,130)
OH E Update Pooks Hill Highrise Debt Service - ($78,824)
OH E Update Trash Collection Contracts - ($16,728)
OH E Update Personnel Complement - ($6,841)
OH E Decrease restricted cash flow - ($18,633)

PH-Rental I Adjust Interim Financing for Maintenance Improvements for Non-Scattered Sites - $159,542
PH-Rental I Remove Interim Financing for Scattered Site Maintenance Improvements - ($793,352)
PH-Rental I Remove Interim Financing for Maintenance Improvements funded by Capital Fund Grant (CFG) - ($169,460)
PH-Rental I Adjust FSS grant - ($3,000)
PH-Rental I Update income based on HUB refinements - ($1,388)
PH-Rental I Decrease transfer from County for FSS personnel costs - ($1,023)
PH-Rental E Update Personnel Complement - $37,308
PH-Rental E Update expenses based on HUB refinements - $23,691
PH-Rental E Adjust Maintenance Improvements for Non-Scattered Sites - $58,380
PH-Rental E Remove Scattered Site Maintenance Improvements - ($1,069,016)
PH-Rental E Remove Maintenance Improvements funded by Capital Fund Grant (CFG) - ($169,460)
PH-Rental E Update Management Fee - ($33,130)
PH-Rental E Update Trash Collection Contracts - ($33,559)
PH-Rental **Decrease draw from reserves - ($377,105)**

PH-Homeownership E Update Personnel Complement - ($1,023)
PH-Homeownership E Update Trash Collection Contracts - ($1,440)
PH-Homeownership E Update Management Fee - ($80)
PH-Homeownership **Decrease draw from reserves - ($2,543)**

HCV I Add draw from HCV Program Net Restricted Assets (NRA) - $241,585
HCV I Decrease HCV Housing Assistance Payment HAP Revenue - ($5,320,106)
HCV I Decrease HCV Administrative fees based on utilization - ($176,463)
HCV I Decrease transfer from County to balance FSS - ($8,310)
HCV E Restrict unspent HAP Revenue to NRA - $608,616
HCV E Decrease HCV Housing Assistance Payments - ($5,687,137)
HCV E Update Management Fee - ($619,852)
HCV E Update Personnel Complement - ($158,981)
HCV E Decrease administrative expenses - ($55,000)

Grants I Increase draw from CFG to cover soft costs - $187,952
Grants I Transfer County grant funding from Housing Resources to Resident Services $21,851
Grants I Decrease HEARTH (McKinney) grants based on FY'13 FMRs - ($178,116)
Grants I Decrease draw from HEARTH (McKinney) existing Funds - ($61,797)
Grants I Decrease draw from SHRAP existing Funds to balance grants- ($5,558)
Grants I Decrease transfer from County for State Pass-through Grants - ($121)
Grants I Decrease County Closing Cost Grant based on actuals - ($30)
Grants E Add Management Fee to Capital Fund Grant = $178,000
Grants E Adjust expenses for Capital Fund Grant = $115,000
Grants E Increase transfer to General Fund for Resident Services related expenditures- $22,780
Grants E Transfer County grant funding from Housing Resources to Resident Services $21,851
Grants E Increase restricted cash from Service Coordinator Grant- $9,490
Grants E Decrease HEARTH (McKinney) expenses based on grant reductions - ($165,404)
Grants E Decrease Personnel Costs charged to Capital Fund Grant - ($105,048)
Grants E Decrease Personnel Costs charged to HEARTH (McKinney) grants - ($74,509)
Grants E Update Personnel Complement - ($25,063)
Grants E Adjust expenses on restricted grants - ($3,462)
Grants E Decrease transfer to Public Housing for FSS personnel costs - ($1,023)
Grants E Decrease transfer to HCV Program for FSS personnel costs - ($8,310)
Grants E Decrease transfers from County for State Passthrough Grants - ($121)

FY 2014 Proposed Capital Budget Comparison from Recommended Budget	Revenues	Expenses	Recommended Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	Proposed Budget
Capital Improvements								
East Deer Park	$36,000	$36,000	**$0**	$0	$0	$36,000	$36,000	**$0**
Kensington Office	$464,725	$464,725	**$0**	$0	$0	$464,725	$464,725	**$0**
Information Technology	$1,387,100	$1,387,100	**$0**	$0	$0	$1,387,100	$1,387,100	**$0**
Opportunity Housing Properties	$5,471,406	$5,471,406	**$0**	($22,000)	($22,000)	$5,449,406	$5,449,406	**$0**
Public Housing Properties	$4,650,000	$4,650,000	**$0**	$0	$0	$4,650,000	$4,650,000	**$0**
Capital Development Projects								
Greenhills Apartments	$0	$0	**$0**	$9,327,890	$9,327,890	$9,327,890	$9,327,890	**$0**
Scattered Site One Development Corporation	$1,756,060	$1,756,060	**$0**	($24,962)	($24,962)	$1,731,098	$1,731,098	**$0**
Scattered Site Two Development Corporation	$618,775	$618,775	**$0**	$82,638	$82,638	$701,413	$701,413	**$0**
Tanglewood/Sligo Hills Apartments	$8,706,576	$8,706,576	**$0**	$0	$0	$8,706,576	$8,706,576	**$0**
TPM-Timberlawn	$0	$0	**$0**	$7,906,075	$7,906,075	$7,906,075	$7,906,075	**$0**
TOTAL - ALL FUNDS	**$23,090,642**	**$23,090,642**	**$0**	**$17,269,641**	**$17,269,641**	**$40,360,283**	**$40,360,283**	**$0**

Footnotes - explanation of changes

CI I Decrease Capital Improvements budget for Timberlawn - ($22,000)
CI E Decrease Capital Improvements budget for Timberlawn - ($22,000)

CD I Add Capital Development Budget for Greenhills Apartments - $9,327,890
CD I Add Capital Development Budget for TPM-Timberlawn - $7,906,075
CD I Adjust Capital Development Budget for Scattered Site Two - $82,638
CD I Adjust Capital Development Budget for Scattered Sites One - ($24,962)
CD E Add Capital Development Budget for Greenhills Apartments - $9,327,890
CD E Add Capital Development Budget for TPM-Timberlawn - $7,906,075
CD E Adjust Capital Development Budget for Scattered Site Two - $82,638
CD E Adjust Capital Development Budget for Scattered Sites One - ($24,962)

Revised
Summary Section and Capital Budget Section
FY'14 Recommended Budget Document

Enclosure 2

Budget Overview

June 5, 2013

Fund Summary Overview	FY 2014 Proposed Budget		
	Revenues	Expenses	Net
General Fund	$18,759,774	$19,344,306	($584,532)
Contribution to GFOR		$250,000	($250,000)
Multifamily Bond Funds	$24,702,801	$24,702,801	$0
Single Family Bond Funds	$15,924,834	$15,924,834	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	$868,340	$1,067,867	($199,527)
Draw from OHRF	$199,527	$0	$199,527
Opportunity Housing & Development Corporation Properties	$58,990,130	$57,580,083	$1,410,047
Draw from GFOR for MetroPointe Deficit	$151,137	$0	$151,137
Public Fund			
Public Housing Fund	$12,215,979	$12,285,986	($70,007)
Draw from Public Housing Reserves	$70,007	$0	$70,007
Housing Choice Voucher Program	$83,336,913	$84,063,565	($726,652)
Federal, State and County Grants	$14,102,536	$14,102,536	$0
TOTAL - ALL FUNDS	$229,321,978	$229,321,978	$0

*** Revenues and Expenses include inter-company Transfer Between Funds**

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FY14 Revenue and Expense Summary

June 5, 2013

Operating Budget

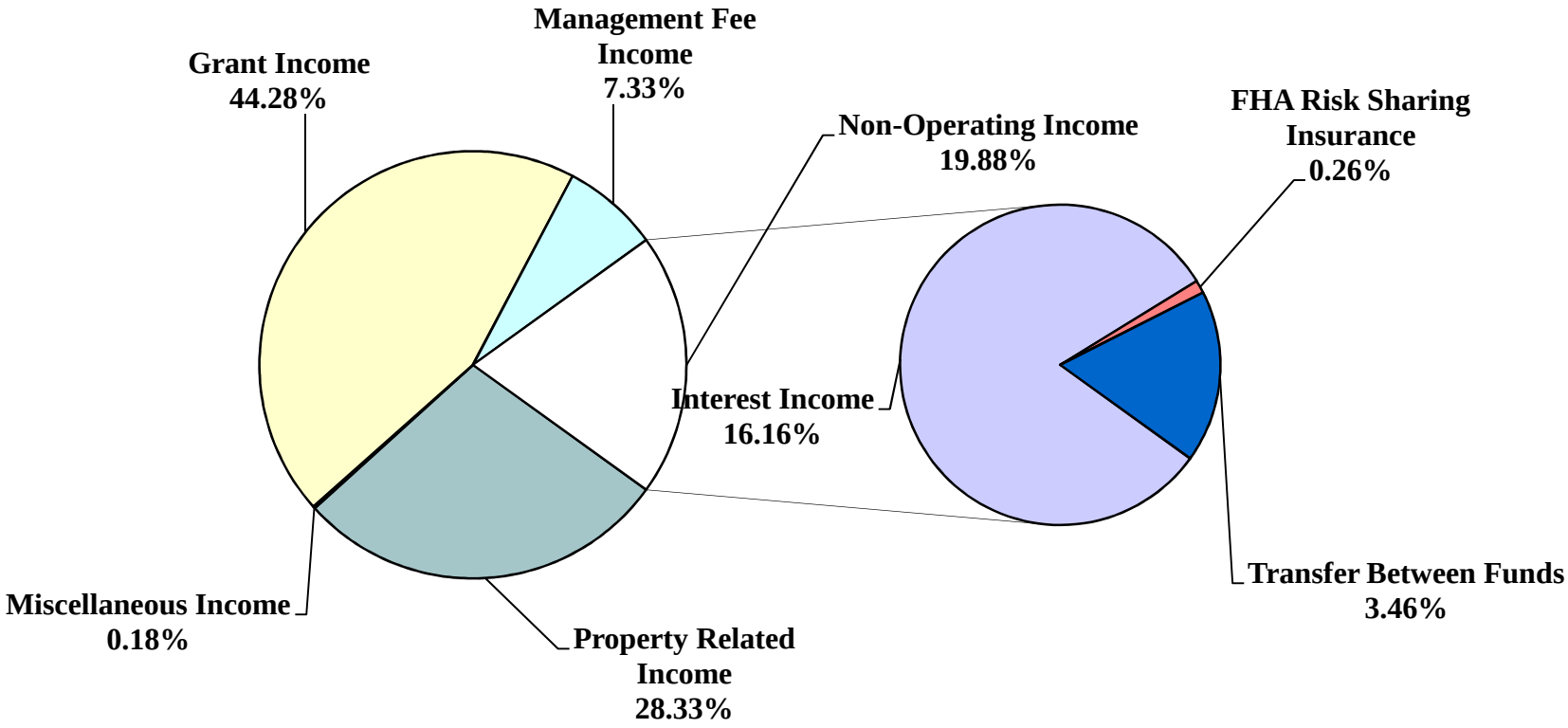
Operating Income	
Tenant Income	$63,522,009
Non-Dwelling Rental Income	$1,440,570
Federal Grant	$92,759,786
State Grant	$173,693
County Grant	$8,616,893
Management Fees	$16,807,539
Miscellaneous Income	$413,350
TOTAL OPERATING INCOME	**$183,733,840**
Operating Expenses	
Personnel Expenses	$38,493,843
Operating Expenses - Fees	$14,571,225
Operating Expenses - Administrative	6,802,188
Tenant Services Expenses	$3,849,750
Protective Services Expenses	$721,166
Utilities Expenses	$6,366,992
Insurance and Tax Expenses	$1,619,078
Maintenance Expenses	$7,929,624
Housing Assistance Payments (HAP)	$78,145,723
TOTAL OPERATING EXPENSES	**$158,499,589**
NET OPERATING INCOME	**$25,234,251**

Non-Operating Budget

Non-Operating Income	
Investment Interest Income	$37,059,593
FHA Risk Sharing Insurance	$590,420
Transfer Between Funds	$7,938,125
TOTAL NON-OPERATING INCOME	**$45,588,138**
Non-Operating Expenses	
Interest Payment	$42,363,867
Mortgage Insurance	$896,299
Principal Payment	$7,668,502
Operating and Replacement Reserves	$5,810,280
Restricted Cash Flow	$4,249,798
Development Corporation Fees	$4,720,552
Miscellaneous Bond Financing Expenses	$1,225,748
FHA Risk Sharing Insurance	$590,420
Transfer Out Between Funds	$3,296,923
TOTAL NON-OPERATING EXPENSES	**$70,822,389**
NET NON-OPERATING ADJUSTMENTS	**($25,234,251)**

Source of Funds

June 5, 2013



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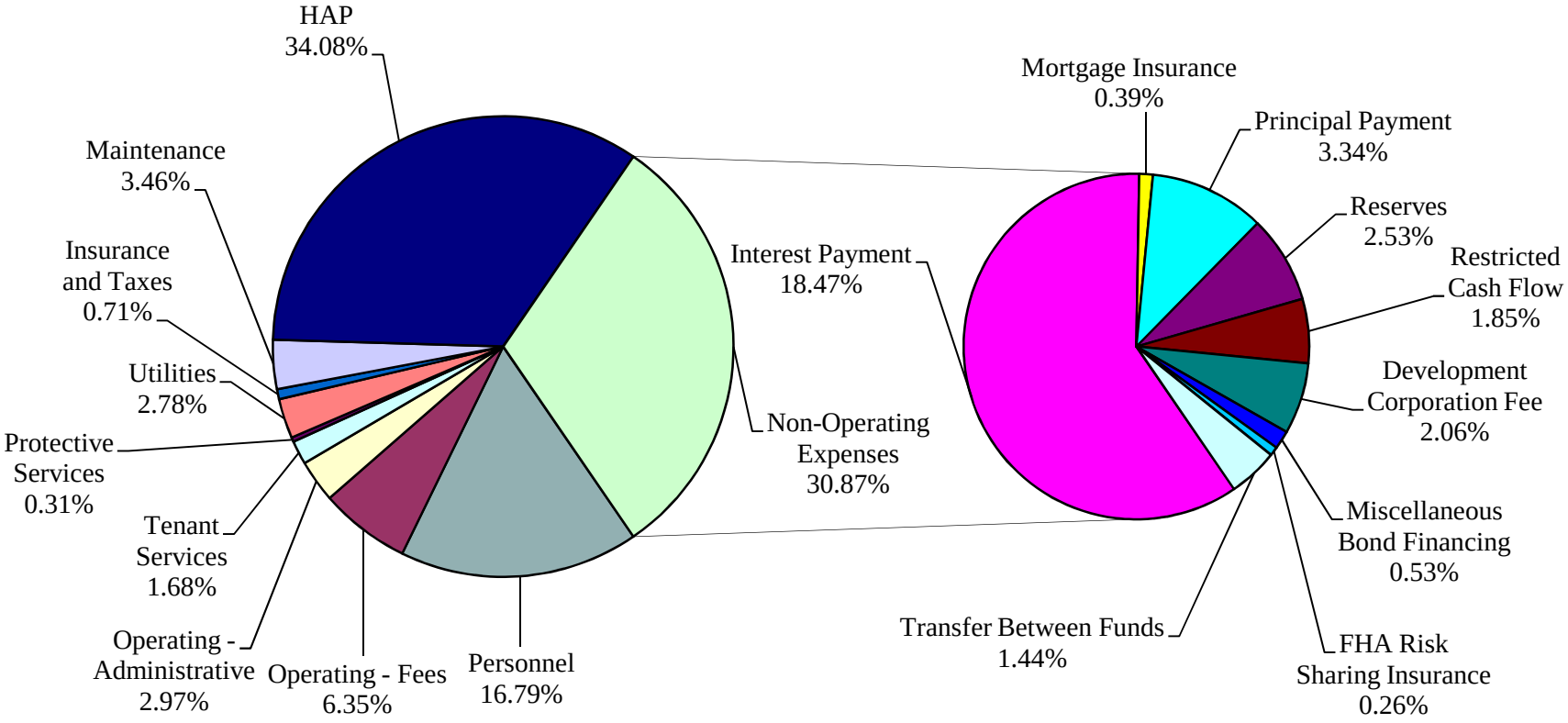
Use of Funds

June 5, 2013



Total Agency Operating Budget Summary

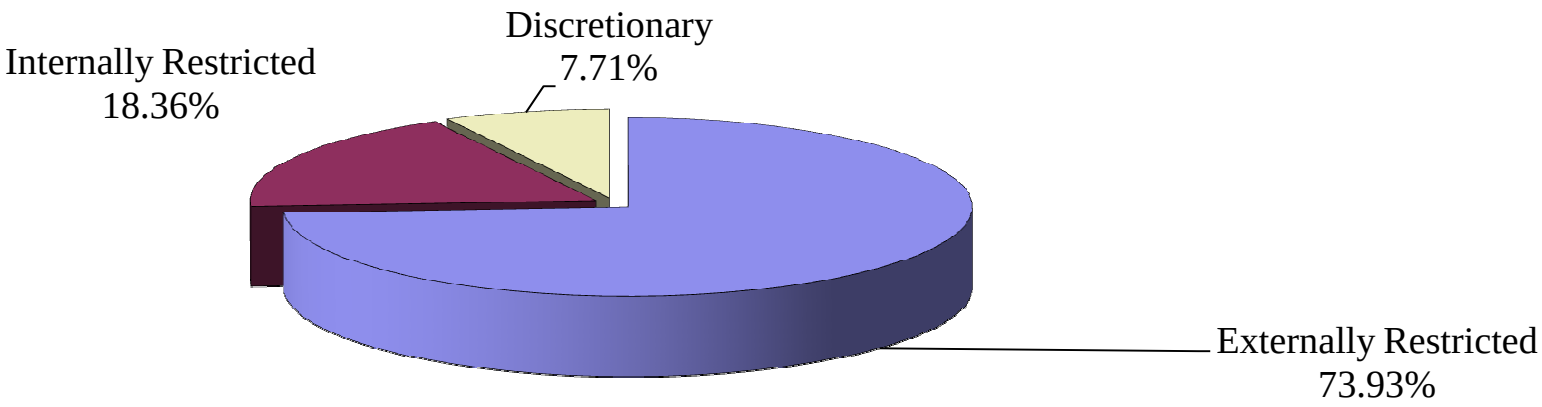
June 5, 2013

Total Revenue and Expense Statement	FY 2011 Actual	FY 2012 Actual	FY 2013 Amended Budget	FY 2014 Proposed Budget	FY 2015 Reforecast
Operating Income					
Tenant Income	56,554,822	57,772,519	61,550,820	63,522,009	65,040,922
Non-Dwelling Rental Income	1,359,149	1,391,745	1,107,477	1,440,570	1,520,191
Federal Grant	92,450,289	91,558,047	95,506,939	92,759,786	94,292,764
State Grant	180,281	227,930	173,690	173,693	173,693
County Grant	8,254,382	7,822,500	7,786,017	8,616,893	9,090,983
Management Fees	16,336,382	14,010,473	15,074,910	16,807,539	17,345,742
Miscellaneous Income	456,586	317,018	222,514	413,350	413,932
TOTAL OPERATING INCOME	**$175,591,891**	**$173,100,232**	**$181,422,367**	**$183,733,840**	**$187,878,227**
Operating Expenses					
Personnel Expenses	33,880,753	34,078,114	36,831,985	38,493,843	40,875,059
Operating Expenses - Fees	15,851,856	14,486,605	14,850,258	14,571,225	14,794,662
Operating Expenses - Administrative	6,067,082	6,306,398	6,345,947	6,802,188	6,662,849
Tenant Services Expenses	3,751,488	3,659,103	3,706,193	3,849,750	3,842,062
Protective Services Expenses	854,975	852,637	694,612	721,166	736,982
Utilities Expenses	6,723,249	6,198,486	6,752,641	6,366,992	6,478,719
Insurance and Tax Expenses	1,145,688	1,282,790	1,361,167	1,619,078	1,812,334
Maintenance Expenses	6,452,906	7,301,862	7,638,109	7,929,624	7,895,856
Housing Assistance Payments (HAP)	75,057,151	79,441,669	78,786,789	78,145,723	81,717,848
TOTAL OPERATING EXPENSES	**$149,785,148**	**$153,607,664**	**$156,967,701**	**$158,499,589**	**$164,816,371**
NET OPERATING INCOME	**$25,806,743**	**$19,492,568**	**$24,454,666**	**$25,234,251**	**$23,061,856**
Non-Operating Income					
Investment Interest Income	38,601,878	36,270,991	37,221,303	37,059,593	37,058,570
FHA Risk Sharing Insurance	594,027	607,957	542,797	590,420	590,420
Transfer Between Funds	9,124,665	12,067,988	7,144,200	7,938,125	9,421,882
TOTAL NON-OPERATING INCOME	**$48,320,570**	**$48,946,936**	**$44,908,300**	**$45,588,138**	**$47,070,872**
Non-Operating Expenses					
Interest Payment	41,841,211	40,140,421	43,388,952	42,363,867	42,108,210
Mortgage Insurance	698,221	758,485	719,926	896,299	877,366
Principal Payment	6,201,945	6,455,366	6,814,562	7,668,502	7,772,403
Operating and Replacement Reserves	8,616,425	6,603,063	4,976,008	5,810,280	5,911,526
Restricted Cash Flow	5,832,343	5,890,020	4,675,554	4,249,798	4,120,447
Development Corporation Fees	3,095,939	2,302,289	3,605,409	4,720,552	5,106,329
Miscellaneous Bond Financing Expenses	1,114,404	1,244,946	1,062,976	1,225,748	1,225,748
FHA Risk Sharing Insurance	594,027	607,957	542,797	590,420	590,420
Transfer Out Between Funds	4,955,662	3,820,220	3,576,782	3,296,923	2,645,282
TOTAL NON-OPERATING EXPENSES	**$72,950,177**	**$67,822,767**	**$69,362,966**	**$70,822,389**	**$70,357,731**
NET NON-OPERATING ADJUSTMENTS	**($24,629,607)**	**($18,875,831)**	**($24,454,666)**	**($25,234,251)**	**($23,286,859)**
NET CASH FLOW	**$1,177,136**	**$616,737**	**$0**	**$0**	**($225,003)**

FY 2014 Revenue Restrictions

June 5, 2013

Revenue Restriction (Showing externally placed restrictions)	Externally Restricted	FY 14 Proposed Budget Internally Restricted	Discretionary	Total
Operating Income				
Property Related Income	$22,026,487	$41,374,908	$1,561,184	$64,962,579
Federal Grant	$92,759,786			$92,759,786
State Grant	$173,693			$173,693
County Grant	$8,616,893			$8,616,893
Management Fees	$0	$717,960	$16,089,579	$16,807,539
Miscellaneous Income	$405,850		$7,500	$413,350
TOTAL OPERATING INCOME	**$123,982,709**	**$42,092,868**	**$17,658,263**	**$183,733,840**
Non-Operating Income				
Interest Income	$37,034,593		$25,000	$37,059,593
FHA Risk Sharing	$590,420			$590,420
Transfer Between Funds	$7,938,125			$7,938,125
TOTAL NON-OPERATING INCOME	**$45,563,138**		**$25,000**	**$45,588,138**
TOTAL - ALL REVENUE SOURCES	**$169,545,847**	**$42,092,868**	**$17,683,263**	**$229,321,978**



Opportunity Housing & Development Corporations

June 5, 2013

Opportunity Housing and Development Corps FY 2014 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual RfR & Operating Reserve Escrow	Asset & Loan Management Fees	FY 2014 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2014 Net Cash Flow to HOC
Alexander House	$5,480,928	$1,998,163	$3,482,765	$1,808,521	$150,000	$242,510	$1,281,734	$0	$1,281,734	$0
Ambassador	$1,603,810	$940,682	$663,128	$384,056	$68,976	$134,870	$75,226	$75,226	$0	$0
The Barclay	$1,296,777	$390,549	$906,228	$682,538	$22,800	$59,260	$141,630	$0	$141,630	$0
Brookside Glen (The Glen)	$1,539,094	$621,970	$917,124	$503,775	$62,246	$70,180	$280,923	$280,923	$0	$0
CDBG Units	$40,963	$21,553	$19,410	$924	$18,486	$0	$0	$0	$0	$0
Chelsea Towers	$308,212	$219,902	$88,310	$67,729	$8,400	$0	$12,181	$0	$0	$12,181
Chevy Chase Lake	$1,230,790	$487,556	$743,234	$535,336	$33,996	$53,020	$120,882	$0	$120,882	$0
Dale Drive	$104,588	$68,558	$36,030	$0	$17,781	$7,800	$10,449	$10,449	$0	$0
Diamond Square	$1,205,372	$889,611	$315,761	$119,177	$108,448	$21,170	$66,966	$66,966	$0	$0
Fairfax Court	$297,285	$111,580	$185,705	$56,582	$26,820	$14,040	$88,263	$0	$0	$88,263
Glenmont Crossing	$1,927,135	$824,616	$1,102,519	$828,908	$29,100	$75,640	$168,871	$164,211	$4,660	$0
Glenmont Westerly	$1,669,124	$730,655	$938,469	$538,843	$30,600	$79,540	$289,486	$128,289	$161,197	$0
Greenhills	$1,181,005	$434,913	$746,092	$619,437	$78,000	$69,276	($20,621)	$0	$0	($20,621)
Holiday Park	$305,494	$130,307	$175,187	$101,563	$13,320	$0	$60,304	$0	$0	$60,304
Jubilee Hermitage	$41,039	$24,363	$16,676	$0	$2,004	$0	$14,672	$0	$0	$14,672
Jubilee Woodedge	$31,672	$19,704	$11,968	$0	$2,004	$0	$9,964	$0	$0	$9,964
Jubilee Falling Creek	$31,556	$23,497	$8,059	$0	$2,004	$0	$6,055	$0	$0	$6,055
Magruder's Discovery	$2,208,204	$762,525	$1,445,679	$941,362	$35,196	$0	$469,121	$0	$469,121	$0
McHome	$424,514	$297,736	$126,778	$0	$16,404	$0	$110,374	$0	$0	$110,374
McKendree	$186,789	$151,729	$35,060	$0	$11,196	$0	$23,864	$0	$0	$23,864
MetroPointe	$2,623,123	$776,203	$1,846,920	$1,959,389	$29,988	$8,680	($151,137)	$0	$0	($151,137)
Metropolitan, The	$7,141,372	$1,940,796	$5,200,576	$2,320,482	$97,200	$59,430	$2,723,464	$2,300,765	$422,699	$0
Montgomery Arms	$1,821,705	$707,234	$1,114,471	$694,037	$46,200	$100,590	$273,644	$0	$273,644	$0

Opportunity Housing & Development Corporations (cont.)

June 5, 2013

Opportunity Housing and Development Corps FY 2014 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual RfR & Operating Reserve Escrow	Asset & Loan Management Fees	FY 2014 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2014 Net Cash Flow to HOC
(cont.)										
MHLP II	$27,624	$16,624	$11,000	$0	$0	$0	$11,000	$0	$0	$11,000
MHLP III	$53,821	$40,511	$13,310	$0	$0	$0	$13,310	$0	$0	$13,310
MPDU 2007 - Phase II	$62,602	$27,633	$34,969	$0	$0	$0	$34,969	$0	$0	$34,969
MPDU I (64)	$877,255	$494,064	$383,191	$230,830	$27,540	$0	$124,821	$0	$0	$124,821
TPM - MPDU II (59)	$818,743	$399,057	$419,686	$232,517	$17,700	$0	$169,469	$0	$169,469	$0
NCI Units	$159,459	$96,563	$62,896	$0	$62,896	$0	$0	$0	$0	$0
NSP Units	$86,428	$47,769	$38,659	$0	$38,659	$0	$0	$0	$0	$0
The Oaks @ Four Corners	$1,267,274	$707,151	$560,123	$285,796	$48,000	$93,570	$132,757	$132,757	$0	$0
Paddington Square	$2,782,305	$1,028,831	$1,753,474	$1,373,769	$58,104	$104,970	$216,631	$108,316	$108,315	$0
Paint Branch	$163,463	$102,186	$61,277	$30,108	$8,400	$0	$22,769	$22,769	$0	$0
TPM - Pomander Court	$402,685	$155,587	$247,098	$46,907	$7,200	$0	$192,991	$0	$192,991	$0
Pooks Hill Mid-Rise	$889,946	$287,319	$602,627	$364,608	$55,860	$38,990	$143,169	$0	$0	$143,169
Pooks Hill High-Rise	$2,762,159	$1,035,723	$1,726,436	$1,036,741	$141,756	$192,870	$355,069	$0	$355,069	$0
Scattered Sites One	$2,446,495	$1,503,943	$942,552	$568,755	$114,000	$23,004	$236,793	$0	$236,793	$0
Scattered Sites Two	$783,454	$398,058	$385,396	$239,359	$69,962	$0	$76,075	$19,018	$57,057	$0
Sligo MPDU III	$286,325	$234,850	$51,475	$0	$9,192	$0	$42,283	$0	$42,283	$0
Southbridge	$496,925	$249,238	$247,687	$0	$10,800	$30,410	$206,477	$103,239	$0	$103,238
State Rental Combined	$1,768,604	$1,649,084	$119,520	$0	$87,096	$0	$32,424	$32,424	$0	$0
Strathmore Court	$3,577,772	$1,151,969	$2,425,803	$1,206,471	$53,772	$117,740	$1,047,820	$242,820	$0	$805,000
TPM - Timberlawn	$1,932,627	$668,040	$1,264,587	$471,401	$26,748	$83,430	$683,008	$0	$683,008	$0
Westwood Towers	$4,440,474	$1,990,629	$2,449,845	$1,815,708	$212,004	$165,310	$256,823	$256,823	$0	$0
TOTAL	$58,786,991	$24,859,231	$33,927,760	$20,065,629	$1,960,858	$1,846,300	$10,054,973	$3,944,995	$4,720,552	$1,389,426
From reserves planned to fund specific property operating deficits										
Greenhills							20,621			$20,621
MetroPointe							151,137			$151,137
Net Cash Flow - All Properties							$10,226,731			$1,561,184

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Master Lease Properties

June 5, 2013

Master Lease Properties FY 2014 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2014 Projected Cash Flow	Excess Cash Flow Restricted	Development Corporations Fees	FY 2014 Net Cash Flow to HOC
Avalon Bay	$160,536	$160,536	$0	$0	$0	$0	$0	$0	$0	$0
Palisades	$21,982	$21,982	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$182,518	$182,518	$0	$0	$0	$0	$0	$0	$0	$0

Capital Budget Overview

June 5, 2013

Capital Budget Summary	FY 2014 Proposed Budget
Capital Improvements	
East Deer Park	$36,000
Kensington Office	$464,725
Information Technology	$1,387,100
Opportunity Housing Properties	$5,449,406
Public Housing Properties	$4,650,000
SUBTOTAL	**$11,987,231**
Capital Development Projects	
Greenhills	$9,327,890
Scattered Site One Development Corporation	$1,731,098
Scattered Site Two Development Corporation	$701,413
Tanglewood/Sligo Hills Apartments	$8,706,576
TPM-Timberlawn	$7,906,075
SUBTOTAL	**$28,373,052**
TOTAL	**$40,360,283**

Capital Budget
Facilities and IT

June 5, 2013

Capital Improvement Budgets Facilities & IT Department	FY 2014 Proposed Budget			
		Revenue Sources		
	Total Expenses	Operating Budget	Financing	FY 2014 RfR
Facilities				
Equipment & Facilities	$500,725	$0	$500,725	$0
Subtotal - Facilities	**$500,725**	**$0**	**$500,725**	**$0**
Information Technology (IT)				
Computer Software	$414,600	$0	$414,600	$0
Computer 'Equipment	$937,500	$0	$937,500	$0
Electrical Equipment	$35,000	$0	$35,000	$0
Subtotal - IT Improvements	**$1,387,100**	**$0**	**$1,387,100**	**$0**
TOTAL	**$1,887,825**	**$0**	**$1,887,825**	**$0**

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Capital Budget
Opportunity Housing

June 5, 2013

Capital Improvements Budget Opportunity Housing & Development Corporations	FY 2014 Proposed Budget			
		Revenue Sources		
	Total Expenses	Property Reserves	OH Property Reserve	FY 2014 RfR
Alexander House	$263,890	$81,140	$32,750	$150,000
Ambassador	$78,612	$78,612	$0	$0
Barclay, The	$61,976	$61,976	$0	$0
Brookside Glen (The Glen)	$78,200	$78,200	$0	$0
Chelsea Towers	$13,720	$13,720	$0	$0
Chevy Chase Lake	$148,950	$87,029	$27,925	$33,996
Dale Drive	$4,870	$4,870	$0	$0
Diamond Square	$393,850	$393,850	$0	$0
Fairfax Court	$13,500	$13,500	$0	$0
Glenmont Crossing	$120,885	$33,866	$57,919	$29,100
Glenmont Westerly	$67,624	$43,009	$0	$24,615
Greenhills	$37,325	$37,325	$0	$0
Holiday Park	$30,470	$7,443	$9,707	$13,320
Jubilee Falling Creek	$4,000	$4	$1,992	$2,004
Jubilee Hermitage	$5,178	$3,002	$172	$2,004
Jubilee Woodedge	$3,600	$4	$1,592	$2,004
Magruder's Discovery	$30,635	$30,635	$0	$0
McHome	$120,359	$0	$103,955	$16,404
McKendree	$93,600	$0	$82,404	$11,196
MetroPointe	$43,413	$43,413	$0	$0
Metropolitan	$235,998	$235,998	$0	$0
Montgomery Arms	$174,000	$156,005	$0	$17,995
MPDU I (64)	$263,875	$0	$236,335	$27,540
TPM - MPDU II (59)	$234,356	$0	$216,656	$17,700
Oaks @ Four Corners, The	$256,858	$142,793	$66,065	$48,000
Paddington Square	$58,393	$58,393	$0	$0
Paint Branch	$28,480	$0	$20,080	$8,400
TPM - Pomander Court	$39,220	$0	$32,020	$7,200
Pooks Hill High-Rise	$796,800	$796,800	$0	$0
Pooks Hill Mid-Rise	$202,600	$202,600	$0	$0
Scattered Site One	$357,300	$54,474	$188,826	$114,000
Scattered Site Two	$27,250	$27,250	$0	$0
Sligo MPDU III	$183,950	$0	$174,758	$9,192
Southbridge	$2,800	$2,800	$0	$0
State Rental Combined	$329,344	$329,344	$0	$0
Strathmore Court	$272,925	$40,695	$178,458	$53,772
TPM - Timberlawn	$46,220	$1,169	$18,303	$26,748
Westwood Tower	$324,380	$213,345	$0	$111,035
TOTAL	**$5,449,406**	**$3,273,264**	**$1,449,917**	**$726,225**

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Capital Budget
Public Housing

June 5, 2013

Capital Improvement Budgets Public Housing Properties	FY 2014 Proposed Budget		
		Revenue Sources	
	Total Expenses	Capital Fund Program (Yr.22)	County Funds
Specific Property Improvements			
Elizabeth House	$155,000	$100,000	$55,000
Holly Hall	$475,000	$250,000	$225,000
Arcola Towers	$2,600,000	$0	$2,600,000
Waverly House	$150,000	$150,000	$0
Ken Gar	$0	$0	$0
Parkway Woods	$100,000	$0	$100,000
Towne Centre Place	$250,000	$0	$250,000
Sandy Spring Meadow	$50,000	$0	$50,000
Emory Grove	$263,000	$200,000	$63,000
Washington Square	$135,000	$0	$135,000
Seneca Ridge	$472,000	$200,000	$272,000
Tobytown	$0	$0	$0
Scattered Sites Central	$0	$0	$0
Scattered Sites East	$0	$0	$0
Scattered Sites Gaithersburg	$0	$0	$0
Scattered Sites North	$0	$0	$0
Scattered Sites West	$0	$0	$0
TOTAL	**$4,650,000**	**$900,000**	**$3,750,000**

Capital Budget
Capital Development Projects

June 5, 2013

GREENHILLS
Funding Schedule

Funding Source	Total	Thru FY12	Est. FY13	FY14	FY15
Bond Financing	$9,327,890	$0	$0	$9,327,890	$0
TOTAL	$9,327,890	$0	$0	$9,327,890	$0

Capital Budget
Capital Development Projects

June 5, 2013

SCATTERED SITE ONE DEVELOPMENT CORPORATION
Funding Schedule

Funding Source	Total	Thru FY12	Est. FY13	FY14	FY15
Bond Financing	$9,200,000	$0	$7,331,825	$1,731,098	$137,077
TOTAL	$9,200,000	$0	$7,331,825	$1,731,098	$137,077

Capital Budget
Capital Development Projects

June 5, 2013

SCATTERED SITE TWO DEVELOPMENT CORPORATION
Funding Schedule

Funding Source	Total	Thru FY12	Est. FY13	FY14	FY15
Bank Loan	$4,669,351	$0	$3,967,938	$701,413	$0
TOTAL	$4,669,351	$0	$3,967,938	$701,413	$0

Capital Budget
Capital Development Projects

June 5, 2013

TANGLEWOOD /SLIGO HILLS APARTMENTSS
Funding Schedule

Funding Source	Total	Thru FY12	Est. FY13	FY14	FY15
Tax Credit Equity	$14,206,500	$0	$5,682,767	$6,108,974	$2,414,759
State	$2,000,000	$0	$919,949	$703,711	$376,340
Bank Loan	$9,371,393	$0	$7,142,068	$1,893,891	$335,434
HOC Seller Note/Proceeds from Sale	$3,190,410	$0	$3,190,410	$0	$0
TOTAL	**$28,768,303**	**$0**	**$16,935,194**	**$8,706,576**	**$3,126,533**

Capital Budget
Capital Development Projects

June 5, 2013

TPM-Timberlawn
Funding Schedule

Funding Source	Total	Thru FY12	Est. FY13	FY14	FY15
Bond Financing	15,812,150	0	0	7,906,075	7,906,075
TOTAL	$15,812,150	$0	$0	$7,906,075	$7,906,075

ADOPTION OF THE FY'14 BUDGET RESOLUTIONS

A - Adoption of the FY'14 Budgets, Bond Draw Downs and Transfers

B - Adoption of FY'14 Personnel Complement

C - Adoption of FY'14 Reimbursement Resolution

Enclosure 3

RESOLUTION NO. **RE:** Adoption of the FY'14 Budgets, Bond Draw Downs and Transfers

WHEREAS, the Commission needs to adopt a budget based on the current chart of accounts in use before July 1, 2013; and

WHEREAS, the Commission needs to approve the transfer of equity between Agency funds.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby adopts a total Operating Budget of $229.3 million for FY'14 by fund as attached.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County approves the draw down of bond funds for the Operating Budget as follows:

$ 1,394,030 from the Multifamily Bond Fund (1984 and 1982 Open Indentures)
$ 1,939,821 from the Single Family Bond Fund

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County approves the following transfers between funds in order to balance the Operating Budget:

Up to $1,561,184 from the cash flow from the Opportunity Housing properties in the Opportunity Housing Fund to the General Fund.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County hereby adopts a Capital Budget for FY'14 of $40.4 million as attached.

_____
Patrice Birdsong
Special Assistant to the Commission

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Attachment A

RESOLUTION NO. **RE:** Adoption of FY'14 Personnel Complement

WHEREAS, in accordance with Section 220 of the Housing Opportunities Commission's Personnel Policy, the Commission approves, establishes, modifies, or abolishes all positions or classes of positions in the act of adopting the annual budget; and

WHEREAS, the FY'14 Budget supports the positions as listed in the FY'14 Personnel Complement (attached to this resolution).

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves the FY'14 Personnel Complement with a total of 365.80 work years.

_____

Patrice Birdsong
Special Assistant to the Commission

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Attachment B

EXECUTIVE DIVISION

Position Title	Status	Grade	Total	
Executive Director	Full Time	A	1	
Staff Attorney	Full Time	EX-02	1	
Deputy Staff Counsel	Full Time	EX-01	1	
Chief Information Officer	Full Time	EX-01	1	
Director of Human Resources	Full Time	EX-01	1	
Internal Auditor	Full Time	28	1	
Labor Relations Manager	Full Time	28	1	
Compliance Oversight Manager	Full Time	27	1	
Facilities Manager	Full Time	27	1	
Special Assistant to the Executive Director	Full Time	27	1	
Housing Programs Coordinator	Full Time	26	1	
Human Resources Supervisor	Full Time	26	1	
Network Manager	Full Time	26	1	
Applications Development Supervisor	Full Time	25	1	
Assistant Public Affairs Officer	Full Time	25	1	
Business Analyst	Full Time	25	1	
Compliance Manager	Full Time	25	1	
Communications Manager	Full Time	24	1	
Senior Programmer/Analyst	Full Time	24	1	
Executive Assistant to the Executive Director	Full Time	22	1	
Programmer/Analyst	Full Time	22	1	
Special Assistant to the Commission	Full Time	22	1	
Telecommunications Specialist	Full Time	22	1	
Compliance Inspector	Full Time	21	3	
Facilities Buyer II	Full Time	21	1	
Human Resources Specialist II	Full Time	21	2	
Management Analyst I	Full Time	21	2	
Network Technician	Full Time	21	1	
Public Information Specialist	Full Time	21	1	
Webmaster	Full Time	21	1	
Facilities Maintenance Specialist	Full Time	20	1	
Senior Technician	Full Time	20	1	
Administrative Assistant	Full Time	19	1	
Human Resources Specialist I	Full Time	19	1	
Junior Programmer/Analyst	Full Time	19	1	
PC Technician	Full Time	18	1	
Help Desk Analyst	Full Time	16	1	
Human Resources Assistant	Full Time	16	1	
Office Manager	Full Time	16	1	
Office Manager I	Full Time Term	16	1	
Program Assistant III	Full Time	16	1	
Records Management Clerk II	Full Time	13	1	
Mail & Supply Technician	Full Time	12	2	
Receptionist	Full Time	11	1	
Facilities Assistant	Full Time	10	1	
Applications Developer	Full Time	TBD	1	
Applications Support Specialist	Full Time	TBD	1	
Network Administrator	Full Time	TBD	1	
Total (Percentage of Total Work Years)			**53**	**14.49%**

FINANCE DIVISION

Position Title	Status	Grade	Total	
Chief Financial Officer	Full Time	EX-02	1	
Controller	Full Time	33	1	
Assistant Controller	Full Time	30	1	
Budget Officer	Full Time	29	1	
Assistant Budget Officer	Full Time	25	1	
Accounting Manager	Full Time	28	2	
Procurement Officer	Full Time	27	1	
Accounting Supervisor	Full Time	25	4	
Resident Accounting Supervisor	Full Time	25	1	
Financial Analyst	Full Time	24	2	
Disbursement Supervisor	Full Time	23	1	
Accountant II	Full Time	21	12	
Cash/Investment Manager	Full Time	21	1	
Management Analyst II	Full Time	22	1	
Payroll Supervisor	Full Time	22	1	
Accountant I	Full Time	19	4	
Administrative Assistant	Full Time	19	1	
Buyer II	Full Time	19	1	
Resident Accounting Specialist II	Full Time	19	1	
Lead Disbursement Specialist	Full Time	18	1	
Buyer I	Full Time	17	1	
Resident Accounting Specialist I	Full Time	17	1	
Office Manager	Full Time	16	1	
Payroll Assistant	Full Time	16	2	
Program Assistant III	Full Time	16	1	
Resident Accounting Clerk I	Full Time	15	2	
Accounting Clerk I	Full Time	14	4	
Office Assistant II	Full Time	12	1	
Total (Percentage of Total Work Years)			**52**	**14.22%**

HOUSING RESOURCES DIVISION

Position Title	Status	Grade	Total	
Director of Housing Resources	Full Time	EX-01	1	
Assistant Director of Housing Resources	Full Time	29	1	
Customer Service Center Director	Full Time	27	2	
Customer Service Center Manager	Full Time	25	1	
Customer Service Manager	Full Time	25	1	
Management/ Compliance Specialist	Full Time	24	1	
Program Coordinator	Full Time	24	1	
Customer Service Supervisor	Full Time	22	3	
Federal Programs Analyst	Full Time	22	1	
Financial Analyst	Full Time	22	1	
Lead Housing Specialist	Full Time	21	3	
Lead Inspector	Full Time	21	1	
Management Analyst I	Full Time	21	1	
Administrative Assistant	Full Time	19	1	
Housing Specialist II	Full Time	19	15	
Program Specialist	Full Time	19	1	
Rent Market Analyst	Full Time	18	1	
Housing Specialist I	Full Time	17	6	
Program Assistant III	Full Time	16	3	
Program Assistant I	Full Time	14	7	
Administrative Aide III	Full Time	13	2	
Total (Percentage of Total Work Years)			**54**	**14.76%**

MORTGAGE FINANCE DIVISION

Position Title	Status	Grade	Total	
Director of Mortgage Finance	Full Time	EX-02	1	
Assistant Director of Mortgage Finance	Full Time	29	1	
Portfolio Manager	Full Time	28	1	
Senior Multifamily Underwriter	Full Time	28	1	
Single Family Loan Management Supervisor	Full Time	27	1	
Financial Analyst	Full Time	24	1	
Homeownership Coordinator	Full Time	24	1	
Program Specialist III	Full Time	22	2	
Mortgage Servicing Specialist II	Full Time	21	1	
Program Specialist II	Full Time	21	1	
Administrative Assistant	Full Time	19	1	
Homeownership Specialist	Part Time	19H	0.5	
Program Specialist I	Full Time	18	2	
Office Manager I	Full Time	16	1	
Total (Percentage of Total Work Years)			**15.5**	**4.24%**

PROPERTY MANAGEMENT DIVISION

Position Title	Status	Grade	Total	
Director of Property Management	Full Time	EX-01	1	
Assistant Director of Property Management/Operations	Full Time	29	1	
Program Oversight Manager	Full Time	28	1	
Regional Manager	Full Time	27	2	
Scattered Sites Operations Manager	Full Time	23	1	
Management Analyst II	Full Time	22	1	
Property Manager	Full Time	22	10	
Community Manager	Full Time	21	7	
Maintenance Specialist	Full Time	21	1	
Total Quality Manager	Full Time	21	2	
Lead Trades Maintenance Worker	Full Time	19	2	
Senior Office Manager	Full Time	19	1	
Customer Service Specialist	Full Time	17	4	
Trades Maintenance Worker II	Full Time	17	35	
Inventory & Control Specialist	Full Time	16	1	
Program Assistant II	Full Time	15	4	
Trades Maintenance Worker I	Full Time	15	5	
Office Assistant III	Part Time	14H	0.6	
Administrative Aide III	Full Time	13	1	
Building Services Worker	Full Time	13	1	
Inventory & Control Assistant	Full Time	12	1	
Custodian	Full Time	8	12	
Total (Percentage of Total Work Years)			**94.6**	**25.86%**

REAL ESTATE DIVISION

Position Title	Status	Grade	Total	
Housing Acquisition Manager	Full Time	28	2	
Senior Financial Analyst	Full Time	26	2	
Project Manager	Full Time	25	2	
Project Manager	Full Time Term	25	1	
Management Analyst II	Full Time	22	1	
Program Specialist II	Full Time	21	1	
Total (Percentage of Total Work Years)			**9**	**2.46%**

RESIDENT SERVICES DIVISION

Position Title	Status	Grade	Total	
Director of Resident Services	Full Time	EX-01	1	
Assistant Director of Resident Services	Full Time	29	1	
Resident Service Supervisor II	Full Time	27	1	
Resident Service Supervisor I	Full Time	26	1	
Program Coordinator	Full Time	25	4	
Grants Coordinator	Full Time	24	1	
Special Events/Volunteer Coordinator	Full Time	24	1	
Disability Program Coordinator	Full Time Term	22	1	
Family Resource Center Director	Full Time	22	4	
Program Service Coordinator	Full Time	22	1	
Program Specialist IIA	Full Time	22	2	
Program Specialist IIA	Full Time Term	22	1	
Resident Employment Coordinator	Full Time	22	1	
Management Analyst I	Full Time Term	21	1	
Resident Counselor III	Full Time	20	23	
Resident Counselor III	Full Time Term	20	19	
Resident Counselor III	Part Time	20H	2.5	
Resident Counselor III	Part Time Term	20H	2.1	
Resident Services Program Specialist	Full Time Term	20	3	
Administrative Assistant	Full Time	19	1	
Housing Stabilization Specialist	Full Time Term	19	3	
Housing Stabilization Specialist	Part Time Term	19H	0.5	
Housing Locator	Full Time Term	18	1	
Housing Specialist	Full Time Term	18	1	
Intake Specialist	Full Time Term	16	1	
Administrative Aide III	Full Time	13	3	
Administrative Aide III	Part Time	13H	0.5	
Emergency Assistance Intake Aide	Part Time Term	13H	0.5	
Community Aide	Full Time Term	11	5	
Community Aide	Part Time Term	11H	0.6	
Total (Percentage of Total Work Years)			**87.7**	**23.97%**

GRAND TOTAL	**365.80**	**74.14%**

RESOLUTION

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY (THE "COMMISSION") DECLARING ITS OFFICIAL INTENT TO REIMBURSE ITSELF WITH THE PROCEEDS OF A FUTURE TAX-EXEMPT BORROWING FOR CERTAIN CAPITAL EXPENDITURES TO BE UNDERTAKEN BY THE COMMISSION; IDENTIFYING SAID CAPITAL EXPENDITURES AND THE FUNDS TO BE USED FOR SUCH PAYMENT; AND PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission"), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of the multifamily rental housing properties which provide a public purpose; and

WHEREAS, the Commission has determined that it is in the best interest of the Commission to make certain capital expenditures on the projects named in this Resolution; and

WHEREAS, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to finance such capital expenditures in an amount not to exceed **$17,000,000**, *all or a portion of which may reimburse* the Commission for the portion of such capital expenditures incurred or to be incurred subsequent to the date which is 60 days prior to the date hereof but before such borrowing, and the proceeds of such tax-exempt borrowing will be allocated to reimburse the Commission's expenditures within 18 months of the later of the date of such capital expenditures or the date that *each of* the Projects (as hereinafter defined) is placed in service (but in no event more than 3 years after the date of the original expenditure of such moneys); and

WHEREAS, the Commission hereby desires to declare its official intent, pursuant to Treasury Regulation §1.150-2, to reimburse the Commission for such capital expenditures with the proceeds of the Commission's future tax-exempt borrowing for such projects named in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION THAT:

Section 1. ***Declaration of Official Intent.*** The Commission presently intends and reasonably expects to finance certain Commission facilities and property improvements to **Alexander House, Ambassador, The Barclay, Brookside Glen, Chelsea Towers, Chevy Chase Lake, Dale Drive, Diamond Square, Fairfax Court, Glenmont Crossing, Glenmont Westerly, Greenhills, Holiday Park, Jubilee Hermitage, Jubilee Woodedge, Jubilee Falling Creek, Magruder's Discovery, McHome, McKendree, MetroPointe, The Metropolitan, Montgomery Arms, MPDU 2007 Phase II, MPDU I, TPM Development Corporation, The Oaks at Four**

Corners, Paddington Square, Paint Branch, Pooks Hill High-Rise, Pooks Hill Mid-Rise, Scattered Site One Development Corporation, Scattered Site II Development Corporation, MPDU III, Southbridge, State Rental Combined, Strathmore Court, Tanglewood & Sligo LP, and Westwood Tower and capital improvements to the Commission's administrative offices and information technology (collectively, the "Projects") with moneys currently contained in its Operating Reserve Account, Replacement Reserve Account, General Fund Property Reserve Account and from its operating cash, as described and set forth in the Commission's capital improvements budgets for the Projects.

Section 2. ***Dates of Capital Expenditures.*** All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related to the Projects as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

Section 3. ***Issuance of Bonds or Notes.*** The Commission presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds in an amount not to exceed **$17,000,000 will be applied** to reimburse the Commission for its expenditures in connection with the Projects.

Section 4. ***Confirmation of Prior Acts.*** All prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Projects, shall be and the same hereby are in all respects ratified, approved and confirmed.

Section 5. ***Repeal of Inconsistent Resolutions.*** All other resolutions of the Commission, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the *extent* of such inconsistency.

Section 6. ***Effective Date of Resolution.*** This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED at a regular meeting held this ____ day of _____.

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Patrice Birdsong
Special Assistant to the Commission

Attachment C

Development and Finance Committee

AUTHORIZATION TO ACCEPT THE TRANSFER OF LIMITED PARTNERSHIP INTERESTS IN METROPOLITAN OF BETHESDA LIMITED PARTNERSHIP AND USE CASH FLOW OF METROPOLITAN DEVELOPMENT CORPORATION TO PAY EXIT TAXES OF METROPOLITAN OF BETHESDA LIMITED PARTNERSHIP

JUNE 5, 2013

- In 1997, HOC created a condominium structure to own the affordable and market rate units known as The Metropolitan. The structure also includes an Air Rights Lease with the County in which the County is entitled to annual cash flow distributions.

- The Tax Credit Compliance Period of Metropolitan of Bethesda Limited Partnership (the "Partnership"), which owns the affordable units, ended on December 31, 2012. The market rate units and retail spaces are owned by Metropolitan Development Corporation.

- The Limited Partner, an affiliate of M&T Bank, has received its benefits as projected and desires to exit the Partnership.

- Staff determined there are Exit Taxes of approximately $725,000 in connection with the transfer of the Limited Partnership interests. The Exit Taxes result from significant deficits generated by the Partnership during the Compliance Period.

- The Partnership operating deficits have been funded by the Development Corporation as originally underwritten.

- Since the Limited Partner received the tax benefits associated with the operating deficits causing the Exit Taxes, staff submitted a proposal to M&T Bank, N.A. (the "Bank") requesting it fund a significant share of the Exit Tax. The Bank has preliminarily agreed to the proposal and is seeking internal approval.

- Since the Exit Tax is a Partnership liability caused by the operating deficits, the Exit Tax should be treated like the operating deficits and funded by the cash flow of the Development Corporation.

- Since the outcome of the negotiation with M&T Bank is undetermined at this time, staff is requesting the use of cash flow to fund up to the full amount of the Exit Tax.

- Staff requests that the Commission accept the recommendation of the Development and Finance Committee and approve a resolution to accept the transfer of limited partnership interests in the Partnership and use the cash flow of Metropolitan Development Corporation to pay the Exit Taxes of the Partnership.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Staff: Brown/Benjamin/Rubin
Division: Mortgage Finance Ext. 9589/9590/9625

RE: Authorization to Accept the Transfer of Limited Partnership Interests in Metropolitan of Bethesda Limited Partnership and Use Cash Flow of Metropolitan Development Corporation to pay Exit Taxes of Metropolitan of Bethesda Limited Partnership

DATE: June 5, 2013

COMMITTEE REPORT: Deliberation _X_

OVERALL GOAL & OBJECTIVE:
To facilitate the transfer of Limited Partner interests of the Metropolitan of Bethesda Limited Partnership (Partnership) using, as necessary, a portion of the cash flow of Metropolitan Development Corporation (Development Corporation).

BACKGROUND:
The Metropolitan, otherwise known as the Development, is a 12-story, mixed use apartment building consisting of 308 residential units, approximately 15,000 square feet of retail space and a six-story parking garage. The property is located in the central business district of Bethesda, Maryland. Completed in 1997, HOC created a condominium structure whereby 92 LIHTC units are owned by the Partnership, a tax credit partnership of which HOC is the General Partner with a 1% interest and an affiliate of M&T Bank, N.A. (the "Bank") is the Limited Partner with a 99% interest; the remainder of the apartments (216 market rate units) and the retail space are owned by the Development Corporation, a wholly owned subsidiary of HOC.

Montgomery County (the "County") owns the land and parking structure upon which the development resides. As part of the transaction, HOC entered into an Air Rights Lease with the County providing HOC with a leasehold estate for one level of the six-level parking garage and a portion of the air rights above the garage (the County retains the remainder of the air rights). The development was underwritten such that the Partnership would generate deficits and the Development Corporation would generate cash flow. The operating deficits created tax loss benefits for the tax credit investor as well as an Exit Tax Liability of the Partnership.

The Development was underwritten such that cash flow of the Development Corporation is used to support the entire project. The cash flow has been used to fund capital expenditures of the Development Corporation and the Partnership, operating deficits of the Partnership, management fees for both, etc. The Development Corporation and Partnership generated cash flow of $1,989,985 and ($600,411) respectively in FY'12. Since the Exit Tax is another expense of the Partnership, to the extent that HOC as the General Partner is responsible for its payment, this obligation should be funded from cash flow.

The cash flow distribution between HOC and the County is based on a formula outlined in the Air Rights Lease Agreement. The formula involves a set of criteria that includes a cash flow contingent payment of a PILOT to the County and a test of whether HOC is receiving 25% of the total cash flow (the 25% Test – see attached Exhibit A).

If these requirements are met, then the split is 50% to both the County and HOC. If these requirements are not met, the distribution is 80% to the County and 20% to HOC. Historically, the development has not produced enough cash flow to pay the PILOT and meet the 25% Test, so the split has been 80/20. However, in future years, the development may be able to support a payment of the PILOT and an equal distribution of the remaining funds between the County and HOC.

For FY'13, HOC estimates that the cash flow will be sufficient to support a 50/50 split, the first such split since inception of the distribution. Exhibit A provides two examples of the calculation of cash flow to be distributed; one example has the test falling below 25% and the other above 25%. A calculation of Cash Flow is provided to the County within 45 days of fiscal year end.

Action Requested

Staff requests the Commission approve a resolution authorizing the following at its June 2013 meeting:

1. Accept the Transfer of the Limited Partner's interests in Metropolitan of Bethesda Limited Partnership; and

2. Approve the use of up to $725,000 of the Development Corporation cash flow to pay the Exit Tax liability of the Limited Partner to facilitate the transfer of Limited Partner interests.

Transfer of Limited Partnership Interests

Background: The LIHTC Compliance Period for the Partnership ended on December 31, 2012. The Partnership is further subject to a 15-year Extended Use Agreement requiring the property to maintain the LIHTC affordability requirement for an additional 15 years. The Limited Partner, an affiliate of M&T, has received its benefits, credits and losses consistent with the underwriting**.** Both General and Limited Partners desire for the Limited Partner to transfer its interests and exit the Partnership.

The overall development was underwritten so that the Partnership would generate losses. The transfer of the Limited Partner interests to HOC through the Buyout Option will create significant Exit Taxes; yet based on tax counsel review, this approach is the only way to effectuate the transfer.

Transfer Options: Staff wishes to assume full ownership of the Partnership so it can renovate the units without the complications of a 99% Limited Partner. Staff also wishes to preserve all funding options including a possible resyndication. The Limited Partnership Agreement contains several provisions which allow for the transfer of the Limited Partner's interests including Donation, Right of First Refusal and Buyout Option.

Since there is insufficient value to donate the property, the Buyout Option is the most financially advantageous approach to transfer the Limited Partner's interests and assume full ownership of the Partnership. The Buyout Option is equal to the Exit Taxes of approximately $725,000.

Staff also consulted with Klein Hornig, HOC's tax credit counsel to confirm the Exit Taxes were an obligation of the General Partner in the exercise of the Buyout Option. Staff also explored alternative strategies of the General Partner to effectuate a transfer of Limited Partner interests without assuming the Exit Tax obligation. Klein Hornig reviewed the partnership agreement and confirmed that there were no other options available to the General Partner.

Exit Taxes: In preparation for the transfer of Limited Partner interests, staff completed an analysis of the Partnership and determined that there are Exit Taxes of approximately $725,000.

Exit Tax is a tax on the negative capital account on the sale of the Limited Partner's interest due to operating losses in excess of capital contributed. The Exit Tax is an obligation of the General Partner if it elects to choose the Buyout Option as the approach to effectuate a transfer of the Limited Partnership interests.

Staff engaged the accounting and consulting firm of Cohn Reznick to: 1) evaluate the Partnership's tax position, 2) calculate the Exit Tax amount, and 3) confirm the value of the Partnership for the purposes of evaluating the Donation Option. Reznick confirmed the Exit Tax amount and concluded that there was insufficient value for a donation.

Status of the Transfer: Staff is currently in negotiations with M&T Bank concerning the funding of the Exit Taxes and the transfer of Limited Partner Interests. Although the funding of Exit Taxes is an obligation of the General Partner under the Buyout Option, the Limited Partner received all of the tax benefits associated with the operating losses causing the Exit Taxes. Therefore, staff proposed to M&T Bank that it fund a significant portion of the Exit Taxes. The Bank has preliminarily agreed to the proposal in concept and is currently preparing a presentation to senior staff. The outcome of this negotiation and timing of the transfer is unclear at this point.

Use of Development Corporation Cash Flow for Exit Taxes

Air Rights Lease Cash Flow Calculation: The calculation of cash flow under the Air Rights Lease includes operating income and standard deductions for operating expense, debt service, replacement reserve contributions and capital expenses.

Funding of Exit Taxes: Although the Exit Taxes were unforeseen and not explicitly included in the cash flow calculation, it is a Partnership liability caused by the operating deficits and therefore should be treated like operating deficits and funded from the Development Corporation's cash flow. Once the transfer is completed, the renovation of the affordable units will be completed.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the transfer of Limited Partner Interests in the Partnership? Does the Commission wish to approve of the use of the Development's cash flow

of up to $725,000 to pay the Limited Partner's Exit Taxes to facilitate the transfer of its interests to HOC?

PRINCIPALS:
Housing Opportunities Commission, Metropolitan Development Corporation, Metropolitan of Bethesda Limited Partnership, and First Maryland Bancorp, the Limited Partner of the Partnership and an affiliate of M&T Bank.

BUDGET IMPACT:
None

TIME FRAME:
Action at the June 5, 2013 meeting of the Commission.

STAFF RECOMMENDATION:
The staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve a resolution to accept the transfer of the Partnership interest to HOC using a portion of the Development's cash flow not to exceed $725,000 to pay the Limited Partner's Exit Taxes.

RESOLUTION NO:

Re: Authorization to Accept the Transfer of Limited Partnership Interests in Metropolitan of Bethesda Limited Partnership and Use Cash Flow of Metropolitan Development Corporation to Pay Exit Taxes of Metropolitan of Bethesda Limited Partnership

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland as amended, known as the Housing Authorities Law, and the Agreement by and between the Housing Opportunities Commission of Montgomery County and Montgomery County, Maryland (the "County"), effective July 1, 2012, as amended; and

WHEREAS, in 1997, the Commission created a condominium, subject to an air rights lease, to provide for the division of the units in the building between Metropolitan Development Corporation, (the "Corporation") a corporation wholly controlled by the Commission, and a limited partnership known as Metropolitan of Bethesda Limited Partnership (the "Partnership"), in which the Commission is the General Partner with a 1% interest and an affiliate of M&T Bank is the Limited Partner with a 99% interest; and

WHEREAS, the Partnership receives the benefits of Section 42 of the Internal Revenue Code of 1986 by providing 92 units to persons and families who qualify for housing under the Low Income Housing Tax Credit Program; and

WHEREAS, since the tax credit compliance period ended on December 31, 2012, the Limited Partner has expressed a desire to exit the Partnership by transfering its limited partnership interests to the Commission or an entity controlled by the Commission; and

WHEREAS, during the operation of the Partnership and the units owned by it, annual deficits have been incurred over and above those anticipated at the time of the establishment of the Partnership; and

WHEREAS, the Corporation has funded the annual deficits of the Partnership from cash flow from the operation of units it owns; and

WHEREAS, as a result of the unanticipated losses, upon transfer of the limited partnership interest, an exit tax is due to reflect the additional benefit the Limited Partner received during its participation in the Partnership; and

WHEREAS, under the terms of the Partnership Agreement, the Commission, as General Partner, is obligated to pay certain exit taxes of the Limited Partner of approximately $725,000 in connection with the exercise of the Buyout Option, the most financially advantageous approach available to the General Partner to effectuate a transfer of the limited partnership interest; and

WHEREAS, since the Corporation funded the deficits for the Partnership and the exit tax is a liability of the Partnership caused by the generation of significant annual deficits, the Corporation should fund the exit tax as well; and.

WHEREAS, since the Limited Partner received the tax benefits associated with the deficits, a proposal was submitted to the Limited Partner requesting that it fund a substantial portion of the exit taxes; and

WHEREAS, maintaining the Partnership in existence by transferring the Limited Partner's interest to an entity wholly controlled by the Commision minimizes costs and complexity of execution and preserves capitalization and financing flexibility while developing a longer term plan.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the transfer and assignment of limited partnership interests from the Limited Partner in the Partnership to an entity wholly controlled by the Commission, Tax Credit Holding Company, LLC.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that to complete the transfer and assignment of the limited partnership interests, Metropolitan Development Corporation is authorized to pay, from cash flow from the operation of its units at the Metropolitan, that portion of the exit tax due which is not otherwise funded by the Limited Partner, but not to exceed $725,000.

BE IT FURTHER RESOLVED that the Executive Director is authorized to execute all documents necessary and appropriate to transfer and assign the limited partnership interests of the Limited Partner in the Partnership to an entity wholly controlled by the Commission.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on June 5, 2013.

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Patrice M. Birdsong
Special Assistant to the Commission

Exhibit A

Examples of the Air Rights Lease Cash Flow Distribution Calculation

	Example 1 CF < 25%	**Example 2 CF > 25%**
NOI for Calculation of (RCF)	$5,000,000	$5,000,000
Debt Service	-$2,708,998	-$2,708,998
Required Reserve Contribution	-$138,600	-$138,600
Non-Reserves Capital Expenses	-$1,200,000	$0
Remaining Cash Flow (RCF)	$952,402	$2,152,402
PILOT Payments	$400,992	$400,992
Net Parking Revenue	$198,439	$198,439
First Distribution to County	**$599,431**	**$599,431**
RCF after First Distribution	$352,971	$1,552,971
Cash Flow subject to Second Distribution	$352,971	$1,552,971
to HOC - 50%	$176,486	**$776,486**
to County - 50%	$176,486	**$776,486**
Cash Flow Test - 25%*	23%	56%
Less than 25%		
80% to County**	**$761,922**	
20% to HOC	**$190,480**	

1. If the Cash Flow test is less than 25% (meaning, if HOC's share of the cash flow is less than 25% of the County's cash flow under the First and Second Distributions), the cash flow distribution is split 80% 20% as shown in Example 1

* 25% cash flow test = $176,486 / ($176,486 + $599,431)

** 80% = $952,402 * .80

2. If Cash Flow test is 25% or greater, the split between HOC and the County is 50% as shown in Example 2

AUTHORIZATION TO ACCEPT THE ASSIGNMENT OF LIMITED PARTNERSHIP INTERESTS FROM THE LIMITED PARTNER IN MONTGOMERY HOMES LIMITED PARTNERSHIP (MHLP) VII

JUNE 5, 2013

- In 1992, Montgomery Homes Limited Partnership VII (hereinafter referred to as "MHLP VII" or the "Partnership") was formed to acquire and develop 35 affordable scattered site, moderately priced dwelling units (MPDUs) located throughout Montgomery County.

- Financed with, among other sources, the Low Income Housing Tax Credit (LIHTC), the Partnership's compliance period ended on December 31, 2010.

- The Limited Partner, an affiliate of Geico, received its benefits as projected and desires to exit the Partnership.

- The Limited Partner has agreed to assign its interests to a substitute Limited Partner, an affiliate of HOC.

- Staff has elected to leave the Partnership in place and a to-be-formed substitute Limited Partner, Tax Credit Holding Company, LLC, an affiliate of HOC, will accept and hold the Limited Partner's transferred interests until a longer term development plan has been developed.

- The units of MHLP VII will require a renovation estimated to be between $15,000 to $20,000 per unit within a few years. The longer term plan will likely include the units of MHLP VII as well as other scattered site units to create a larger, more efficient development.

- On May 17, the Development and Finance Committee agreed to recommend acceptance of the Limited Partner's assignment of interests.

- Staff requests that the Commission accept the recommendation of the Development and Finance Committee and approve a resolution to accept the assignment of Limited Partnership Interests from the Limited Partner in MHLP VII to Tax Credit Holding Company, LLC.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Staff: Brown/Benjamin/Rubin
Division: Mortgage Finance Ext.9589/9590/9625

RE: Authorization to Accept the Assignment of Limited Partnership Interests from the Limited Partner in Montgomery Homes Limited Partnership (MHLP) VII

DATE: June 5, 2013

COMMITTEE REPORT: Deliberation _X__

OVERALL GOAL & OBJECTIVE:
To accept the assignment of the Limited Partnership interests from the limited partner ("Limited Partner") upon the expiration of the Low Income Housing Tax Credit (LIHTC) Compliance Period and assume 100% ownership of MHLP VII.

BACKGROUND:
Montgomery Homes Limited Partnership VII (hereinafter referred to as "MHLP VII" or the "Partnership") was formed in 1992 for the purpose of acquiring and developing 35 moderately-priced dwelling units (MPDUs) to be operated as rental housing for low- and moderate-income families. These single family homes, built in 1993 and 1994, are scattered throughout Montgomery County. The two and three bedrooms include single family homes, townhomes, and duplex and individual units within multifamily buildings.

The Partnership was formed as part of the financing structure to raise capital from, among other sources, equity from the sale of LIHTCs to acquire the units. HOC is the General Partner of the Partnership with a 1% ownership interest. The Limited Partner, an affiliate of Geico, who provided the LIHTC equity investment, owns 99% of the Partnership. The Partnership is subject to a 15-year compliance period (Compliance Period) under which, among other things, the Limited Partner is required to remain in the Partnership to receive their benefits. The Partnership is further subject to a 15-year Extended Use Agreement requiring the property to maintain the LIHTC affordability requirements for an additional 15 years. The Compliance Period expired on December 31, 2010.

Transfer of Limited Partner Interests through Donation

After receiving the anticipated benefits, Limited Partners are typically interested in exiting the limited partnership at the end of the compliance period. Provisions within the Limited Partnership Agreement allow for the transfer of limited partnership interests. An assignment is one method of transferring interests and is typically employed when there is no meaningful residual value, capital improvement needs, value after the deduction of debt, and any other waterfall deductions provided within the partnership agreement. In January 2013, staff submitted a formal request to the Limited Partner requesting that they assign their limited partnership interests to the Partnership. HOC plans to leave the Partnership in place and transfer the Limited Partner's interests to a substitute Limited Partner, Tax Credit Holding Company, LLC, a newly created LLC wholly owned by HOC. Upon execution of the assignment, HOC or an affiliate will become the sole owner of the property.

Status of the Property

MHLP VII is one of several scattered site developments managed by the HOC Property Management Division. The following is an update of the property's status.

Public Purpose: 100% of the units are rent and income restricted at or below 60% of area median income pursuant to the tax credit investment.

Physical Condition: The 35 units are in good physical condition yet, as is typical after 15 years of operations, the units require varying levels of renovation. An internal unit-by-unit physical needs assessment was completed recently. Although the units have varying physical needs, the range of capital needs includes the following repairs, replacements and updates: HVAC, windows, kitchens and baths, hot water heaters, carpeting and appliances. The per unit renovation cost estimates range from $15,000 to $20,000 with the average at the lower end of the range.

Financial Condition: The performance indicators below demonstrate good financial performance:

Performance Indicators	
Occupancy Rate (4/30/13)	100%
NOI before Ground Lease Payments[1]	$180,731
NOI after Ground Lease Payments	($7,746)

1

1 Ground Lease Payments are made to HOC

The only debt encumbering this property is a HOC Line of Credit with an outstanding balance of $543,835 as of year-end 2012.

Property Value: In connection with the assignment, staff completed an estimate of value using a conservative cap rate of 7.5% resulting in an as-is value of $2.4 million or $68,571 per unit. The as-is value assumes the existing income restrictions.

Longer Term Plan: Under conservative conventional financing terms (including an interest rate of 7% and a DSC ratio of 1.25), MHLP VII can support a maximum loan of $1,786,000; the maximum supportable loan amount is well beyond the property's capital needs of approximately $700,000 conservatively assuming a $20,000 per unit renovation plus repayment of the line of credit.

HOC is a general partner in several other scattered site limited partnerships (MHLP VIII, MHLP IX and MHLP X - totaling 200 units) whose compliance periods have either ended or will be ending in the next few years. In connection with the development of a longer term plan for MHLP VII, there may be an opportunity for HOC to consolidate ownership of the MHLP units to form a larger, more efficient scattered site development much like Scattered Site One Development Corporation, a recently closed development consolidating several of the earlier MHLP developments. MHLP VII has more than sufficient value and income to support a conventional loan to renovate the units. However, the bundling of scattered site units will create a larger, more efficient development.

Until a longer term plan has been developed, HOC will continue to own and manage these scattered site units.

Status of Donation: The Limited Partner has agreed to assign its interests to HOC for no consideration. Staff anticipates the execution of the assignment shortly after Commission approval.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the transfer and ownership of assigned Limited Partnership Interests of the Limited Partner in Montgomery Homes Limited Partnership VII?

PRINCIPALS:
Housing Opportunities Commission, MHLP VII, and the Limited Partner, Plaza Resources, Inc. (Geico affiliate).

BUDGET IMPACT:
None

TIME FRAME:
Action at the June 5, 2013 meeting of the Commission.

STAFF RECOMMENDATION:
The staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve a resolution to accept the assignment of Limited Partnership Interests from the Limited Partner in Montgomery Homes Limited Partnership VII to Tax Credit Holding Company, LLC.

RESOLUTION: **RE:** Authorization to Accept the Assignment of Limited Partnership Interests from the Limited Partner in Montgomery Homes Limited Partnership (MHLP) VII

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and the Agreement by and between the housing Opportunities Commission of Montgomery County and Montgomery County, Maryland (the "County"), effective July 1, 2012, as amended (together, the "Act"); and

WHEREAS, in 1992, Montgomery Homes Limited Partnership VII ("Partnership") was formed, with the Commission as General Partner and one Limited Partner, to acquire and develop 35 affordable scattered sites (the "Property"), moderately priced dwelling units located in Montgomery County using as a financing vehicle, equity raised from the sale of Low Income Housing Tax Credits (the "LIHTC"); and

WHEREAS, the tax credit compliance period ended on December 31, 2010, and the Limited Partner has expressed a desire to exit the Partnership by assigning its limited partnership interests to the Commission; and

WHEREAS, in January 2013, formal request to the Limited Partner requesting an assignment of its limited partner interests was submitted; and

WHEREAS, in March 2013, the Limited Partner agreed to the assignment of limited partnership interests; and

WHEREAS, on May 17, 2013, the Development and Finance Committee approved the assignment of limited partner interests; and

WHEREAS, maintaining the Partnership in existence minimizes costs and complexity of execution and preserves capitalization and financing flexibility while developing a longer term plan.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the acceptance of the transfer and ownership of assigned limited partnership interests from the Limited Partner in the Partnership to Tax Credit Holding Company, LLC.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on June 5, 2013.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL OF THE FINANCING PLAN FOR GREENHILLS APARTMENTS

JUNE 5, 2013

- Greenhills Apartments (the "Property"), built in 1984, consists of 78 townhomes and apartments and is located on an eight acre parcel in Damascus. There has been no major renovation to the buildings since initial construction.
- In 2008, the Commission issued Variable Rate Demand Obligation (VRDO), Series A bonds under its Multiple Purpose Indenture that financed Greenhills Apartments. These bonds are supported by a Letter of Credit from PNC Bank, N.A. ("PNC"), which has been extended to March 27, 2014.
- In March 2013, the Commission approved a Final Development Plan to refinance and renovate the Property and authorized the selection of Hamel Builders, as general contractor (GC), to perform the renovations for an amount up to $3.8 million.
- Staff has explored options for providing permanent fixed-rate financing and received term sheets with an invitation to apply for financing from PNC and Bellwether Enterprise. These proposals were evaluated along with a bond financing option with mortgage insurance under the FHA Risk Sharing Program.
- The FHA Risk Sharing execution will impact the final GC contract amount given the need to allow for Davis Bacon wage scale; therefore, the GC contract shall not exceed $4.1 million.
- FHA Risk Sharing requirements will cause the Property's covenants to be modified restricting 31% of units at 50% AMI. The current covenants restrict 24 units (or 31%) at 60% AMI even though, operationally, these units are in fact restricted to income levels at 50% AMI.
- Staff presented its findings to the Development and Finance Committee at its May 17, 2013 meeting with a request that the Committee recommend to the Commission an approval of the proposed financing plan, which will allow staff to begin the underwriting process for an FHA Risk Sharing execution.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Staff: Brown/Benjamin/Arrington Ext. 9589/9590/9760
Division: Mortgage Finance

RE: Approval of the Financing Plan for Greenhills Apartments

DATE: June 5, 2013

COMMITTEE REPORT: Deliberation __X___

OVERALL GOAL & OBJECTIVE:
To obtain the Commission's approval of the Financing Plan for Greenhills Apartments.

BACKGROUND:
Greenhills Apartments (the "Property") was constructed on 8.2041 acres on the east side of Route 27 just south of downtown Damascus in 1984. Originally built as part of a larger condominium community, HOC purchased the residual 52 townhome and 26 apartment units in 11 buildings in 1998.

On March 6, 2013, the Commission approved a Final Development Plan to refinance and renovate the Property. The Property's mortgage is currently financed with proceeds of variable rate bonds issued in 2008 in the HOC Multiple Purpose Indenture, which is supported by a Letter of Credit from PNC Bank, N.A. (PNC) and has been extended to March 27, 2014. While the Final Development Plan assumed underwriting for a Fannie Mae Green Refinance Plus execution, staff stated that a FHA Risk Sharing execution would be considered as well.

<u>The Project</u>
The Final Development Plan includes a full renovation of assets to be completed with residents in place. The property has not undergone any major renovation (other than roof replacements) since it was originally constructed 25 years ago. These improvements will not only address curb appeal but also, and more importantly, increase energy efficiency, extend the property's useful life, and allow the property to continue to compete in the market. Please see the attached Project Summary for additional information.

Hamel Builders, the selected general contractor, has estimated the cost for the renovation to be $4.1 million, including an allowance for Davis Bacon (a requirement under FHA Risk Sharing). Previously, staff advised that the final contract price to be negotiated would not exceed $3.8 million. An FHA Risk Sharing execution was not contemplated at the time. The renovation project is estimated to take 12 months, and no significant tenant displacement is expected from the renovation.

Public Purpose

The Property's covenants restrict 24 units or 31% of units to households that do not exceed 60% AMI. However, since the Damascus area is naturally affordable, the affordable units have been restricted operationally to households that do not exceed 50% AMI. Given that FHA requires affordability at either 20% of units at 50% AMI or 40% of units at 60% AMI, Greenhills will meet the 50% AMI requirement and will have its covenants reflect this affordability restriction.

Financing Options

Staff has explored options for providing permanent financing for this transaction. Staff received term sheets from Bellwether Enterprise (hereafter "Enterprise") for a 10, 15 and 30 year option, and evaluated these alongside a tax-exempt bond refinancing approach with mortgage insurance from FHA pursuant to its Risk Sharing Agreement with HOC. Staff also received a term sheet from PNC, but similar to the Enterprise proposal, this option provided for a Fannie Mae execution, which was determined to not be competitive.

Given the allowable loan amount, ability to prepay the FHA mortgage and redeem the bonds after 10 years, and the potential to earn commitment and loan management fees, staff has concluded that the FHA alternative is the best financing option. While Enterprise's 10-year term competed well on interest rate and minimum debt service coverage, its loan limit and prepayment penalty terms were not competitive with Risk Sharing. Enterprise's loan limits would also not allow the transaction to generate Developer Fees. Below is a comparison of the options considered:

Factors	Bellwether Enterprise			HOC (FHA)
Loan Term in Years	**10 year**	**15 year**	**30 year**	**30 year**
Amortization Term in Years	30 year	30 year	30 year	30 year
Loan Amount	**$8,850,000**	**$8,850,000**	**$8,500,000**	**$9,436,493**
MIP	n/a	n/a	n/a	0.50%
Fixed Interest Rate[1]	4.09%	4.72%	5.32%	4.24%
Minimum DSC	1.15	1.15	1.15	1.20
LTV	85%	85%	85%	85%
Prepayment in Years	9.5 years	14.5 years	15 years	10 years
Minimum Pre-Payment Penalty Fee[2]	1%	1%	1%	none
Financing Costs				
Commitment Fee [3]	($177,000)	($177,000)	($170,000)	($188,720)
Placement Fee	($88,500)	($88,500)	($85,000)	$0
Lender Legal processing fee	($20,000)	($20,000)	($20,000)	$0
Application fee (Freddie Mac)	($5,000)	($5,000)	($5,000)	$0
Finance Fee/Cost of Issuance	$0	$0	$0	($188,720)
Mortgage Insurance Premium	$0	$0	$0	($47,190)
Financing Costs Total[4]	**($290,500)**	**($290,500)**	**($280,000)**	**($424,630)**

[1] Enterprise's rate is as of 4/26/13; FHA rate is as of 5/24/13.
[2] Prepayment penalty (yield maintenance) is calculated based on the difference in the interest rate and referenced rate defined in the mortgage note and the remaining payments on the loan multiplied by the interest rate differential. Minimum prepayment premium is 1%.
[3] Commitment Fee is earned by Lender; HOC will earn $188,720 on this transaction.
[4] Although the FHA Risk Sharing execution appears more expensive, HOC will earn loan management fees equivalent to 0.25% of the mortgage amount over the life of the loan ($23,591 annually; $707,737 during loan term).

Operations Risk Assessment

When underwriting this transaction, staff reviewed the historical operation of the property; occupancy trends and proposed rents; examined the market and Greenhills' position within it; stress tested vacancy as we considered the risk of move-outs due to homeownership; re-examined the scope of renovation; and reviewed the Marketing Plan devised by the property management company, McShea Residential. Please see the attached Project Summary for the findings.

Financing Plan

Given the above analysis of financing options and operational risk, the 78 units being refinanced support approximately $9.4 million in new tax-exempt debt. Please see the attached Project Summary for a Sources & Uses breakdown. The project's stabilized operating budget is anticipated to produce $751,462 in net operating income during the first stabilized year (FY15). This is underwritten to support a new 30-year mortgage with a 1.21:1 debt service coverage (DSC), assuming a 4.5% interest rate (inclusive of trustee and Commission fees). Of the total project costs, $4.2 is budgeted to retire existing debt that supported the acquisition of the Property. An additional $5.2 will fund renovation, financing and closing costs.

The use of bond cap will not be required for this transaction. The loan for this refinancing will be funded using the proceeds of governmental, tax-exempt bonds with a mortgage insured under the FHA Risk Sharing program. Considering this transaction will be credit enhanced with mortgage insurance, FHA will require HOC to take at least 50% of the risk on these loans.

The declining Mortgage Insurance Premium collected for this transaction will also be split equally between HOC and FHA. Staff proposes that the Commission assume 50% of the risk of the transaction.

Conclusion

An Enterprise/Fannie Mae execution opens up an alternative to the traditional FHA Risk Sharing bond financing option and would broaden the range of financing options available to HOC. However, it is the staff's conclusion that the FHA Risk Sharing Program offers the best financing option for Greenhills for the following reasons:

1) Longer maturity and shorter prepayment penalty period. The FHA execution provides a 30-year loan term allowing the Commission the flexibility for future refinancing. The loan will be funded from the proceeds of tax-exempt bonds; consequently, the initial 10-year lock out period applies with no prepayment penalty thereafter. When compared to the Enterprise/Fannie Mae executions, 9.5, 14.5 and 15 year lock-out periods and a 1% prepayment penalty, the FHA option is more favorable.

2) With the FHA execution, Greenhills will be in a positive financial position with the first year cash flow of $130,520 and the debt service coverage of 1.21 (see Attachment C for 10-Year Cash Flow Projection).

3) Loan management and asset management fees of $47,182 will be collected on a yearly basis which is income to the Commission. Additionally, the aggregate loan management fee, if the loan is held to maturity, is approximately $707,737. Loan management nor asset management fees are contemplated under the Enterprise/Fannie Mae option.

4) By comparison, the expected FHA mortgage rate inclusive of loan management and trustee fee is competitive to the Enterprise rate. The final rate will be determined at the time the bonds are priced.

In addition, the 10-year cash flow (Attachment C) exhibits the property's financial performance. Assuming 2.75% growth in revenue, 3% growth in expenses, and a 7% allowance for vacancy and concession, the DSC is projected to be 1.21 in fiscal year 2015 with cash flow of $83,337. Using these same assumptions, the DSC is projected to increase to 1.49 in 2023. Although the transaction was underwritten with a 4.5% interest rate, the final interest rate will not be known until the final pricing of the bonds. The transaction as proposed is expected to be supported by its operations.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the recommendation of the Development and Finance Committee to approve the financing plan for Greenhills Apartments?

PRINCIPALS:
Housing Opportunities Commission of Montgomery County
Greenhills Development Corporation (to be formed)

BUDGET IMPACT:
No adverse effect on the FY13/FY14 Budget. The transaction will pay an upfront financing fee of 2% of the total bonds issued (approximately $188,720; $75,488 to the General Fund and $113,232 to the OHRF) and ongoing annual Loan Management and Asset Management Fees of 25 basis points each (approximately $47,182).

TIME FRAME:
Action at the June 5, 2013 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the Financing Plan for Greenhills Apartments.

RESOLUTION: **RE: Approval of the Financing Plan for Greenhills Apartments**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and the Agreement by and between the Housing Opportunities Commission of Montgomery County and Montgomery County, Maryland (the "County"), effective July 1, 2012, as amended (together, the "Act"), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, Greenhills is a 78-unit townhouse and apartment complex located at 10560 Tralee Terrace, Damascus, Maryland which the Commission acquired in 1998; and

WHEREAS, the current financing for the Property was provided by a mortgage in the original principal amount of $4,200,000 in 2008, with funds obtained through the Commission's 2008 Variable Rate Demand Obligation (VRDO), Series A bonds; and

WHEREAS, the outstanding balance on the loan for the Property is approximately $4,200,000; and

WHEREAS, on March 6, 2013, the Commission approved a Final Development Plan to refinance and renovate the Property and authorized the selection of Hamel Builders to perform the renovation for an amount up to $3.8 million but now the FHA financing requires Davis Bacon wage scale, increasing the renovation cost to an amount up to $4.1 million; and

WHEREAS, a variety of options for permanent fixed-rate financing for the Property have been explored including loans with a Fannie Mae execution and a bond financing approach with mortgage insurance under the FHA Risk Sharing Program (FHA); and

WHEREAS, after the review of the options for financing the Property, it appears that a loan under the FHA Risk Sharing Program offers the best alternative available to the Commission as shown in the financing plan dated June 5, 2013 (the "Financing Plan") presented to the Commission.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Financing Plan for Greenhills Apartments using the proceeds of governmental, tax-exempt bonds with a mortgage insured under the FHA Risk Sharing Program is hereby approved and the underwriting process utilizing that method is to commence.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to enter into a contract with Hamel Builders for the renovation of Greenhills with the final price of the contract to be negotiated but not to exceed $4.1 million including an allowance for the Davis-Bacon Act prevailing wages, to the extent deemed necessary. Construction shall not commence until and is contingent upon the completion of financing.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on June 5, 2013.

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Patrice M. Birdsong
Special Assistant to the Commission

GREENHILLS APARTMENTS
PROJECT SUMMARY

I. PROJECT INFORMATION

1. **Project Name:** Greenhills Apartments

2. **Location:** 10560 Tralee Terrace, Damascus, Maryland 20872

3. **Developer:** HOC

4. **Current Occupancy/Occupancy Trends:** 95% occupied; average occupancy over the last six years is 96% (see below annual averages):

2013	94.4% YTD	2010	93.5%
2012	94.7%	2009	96.8%
2011	98.0%	2008	98.1%

5. **Unit Mix and Proposed Rent Schedule:**

UNIT TYPE	TOTAL UNITS	% OF TOTAL UNITS	UNIT SIZE S.F.	MARKET UNITS	MARKET RENT	AFFORDABLE UNITS @ 50% AMI	AFFORDABLE RENT
2 BR Flat	26	33%	1,100	17	$1,427	9	$1,194
2 BR TH	30	38%	1,100	21	$1,504	9	$1,219
3 BR TH	22	28%	1,100	16	$1,591	6	$1,379
TOTAL	**78**			**54**		**24**	

Post-renovation, Greenhills' market rents will increase by 3% or ~$40, and the affordable rents will increase by 2.5% or ~$30.

6. **Public Purpose/Low to Moderate Income Units:** The current restrictions of 24 units (31%) for households that do not exceed 60% AMI will be modified to the lower 50% AMI income limit standard.

7. **Description of Site:** Located on 8.2041 acres on the east side of Route 27 just two miles south of downtown Damascus, and six miles from I-270 (Exit 16). Originally constructed as part of a larger condominium community, the residual townhome and apartment units make up 11 buildings.

8. **Description of the Existing Improvements:** Originally built in 1984, HOC acquired the property in 1998. The buildings are wrapped with aluminum siding

and contain their original metal frame windows. Capital replacement of equipment and fixtures is budgeted annually and has been conducted on an as-needed basis. Each unit has either a deck or patio and all units have a wood burning fireplace and washer/dryer. Property amenities include a tot lot and access to a bike and jogging trail.

9. **Market Survey:** Greenhills is positioned and competing well in the surrounding Germantown/Clarksburg/Damascus market. Greenhills is currently 95% occupied and the surrounding communities are averaging 94% occupancy. Current rents for two-bedroom units in the surrounding communities are demanding on average $1,491. Post renovation, Greenhills will remain affordable with average rents at $1,465. Three-bedroom units in surrounding communities are on average 300 s.f. larger with rents averaging $1,838, while Greenhills will be the more affordable option with rents at $1,591 post renovation.

10. **Move-Outs Due to Home Purchase:** Based on the new rents, staff has determined that for the same monthly amount, a resident could qualify for a $250,000 mortgage. New construction townhome products in Damascus are above this price point by approximately $80,000+.

    The majority of the townhome sales in Damascus are resales that are aged and could require additional capital needs.

11. **Vacancy/Concessions:** Vacancy and concessions are underwritten at 7%. Should vacancy/concessions grow a percentage point every year for five years from stabilization (FY15), and assuming an average income growth rate of 2.75% annually, the property would still be able to meet its debt service requirement.

10. **Description of Project/Renovation:** A full renovation of assets to be completed with residents in place. The property has not undergone any major renovation (other than roof replacements) since it was originally constructed 25 years ago. These improvements will not only address curb appeal but also and more importantly increase energy efficiency, extend the property's useful life, and allow the property to continue to compete in the market. The renovation scope of work includes but is not limited to the following:

    - replacement of siding, gutters, windows, decks and patios;
    - interior kitchen and bathroom upgrades including but not limited to energy efficient appliances, new cabinets, countertops, fixtures and lighting;
    - replacement of HVAC units, hot water heaters, furnaces;
    - replacement of fireboxes and removal of existing flues; and,

- site improvements including paving, new trash enclosures, landscaping, signage, and concrete repairs.

The renovation is expected to be completed in 12-months and will be performed with residents in place. This effort will require coordination with management (McShea Residential), the residents, and the general contractor to eliminate disruption to the resident.

Resident meetings will be held to explain the renovation and what's expected of all parties and management will provide written notices throughout the construction period. Management will work with a company to provide plastic storage containers for residents to use during the renovation of their unit. Management will also set up one (or two, if necessary) hospitality suite(s) that will be available to residents during the daytime hours when construction is working in the residents' units. Vacancy and concessions are underwritten at 12% during the construction period (FY14). A three month operating reserve of approximately $103,000 is also included as a Use in the transaction.

The scope of the renovation is comprehensive and includes considerable green improvements. The green components and the replacement of exterior siding doors and windows will benefit the residents greatly, as they should experience savings in their utility expenses.

11. **Marketing Plan:** McShea Residential has developed a marketing strategy during the renovation to retain the property's existing residents and attract new residents in the case of turnover. The marketing campaign encompasses strategies for an advertising blitz, lease renewals, concessions and referral fees.

12. **Development Sources & Uses Breakdown:**

SOURCES	AMOUNT	PER UNIT
TAX-EXEMPT BOND MORTGAGE	$9,436,493	$120,981
TOTAL SOURCES	**$9,436,493**	**$120,981**

USES	AMOUNT	PER UNIT
PAYOFF EXISTING MORTGAGE	$4,200,000	$53,846
CONSTRUCTION COSTS (incl. fees)	$4,321,996	$55,410
FINANCING EXPENSES	$424,630	$5,444
SOFT COSTS (consultants, closing costs, etc.)	$309,044	$3,962
RESERVES	$180,823	$2,318
TOTAL USES	**$9,436,493**	**$120,981**

13. **Stabilized Operations:**

STABILIZED PROFORMA (FY15)	YR 1	PER UNIT
INCOME	$1,255,392	$16,095
EXPENSES[1]	$503,931	$6,461
NOI	**$751,462**	**$9,634**
DEBT SERVICE	$620,942	$7,961
CASH FLOW[2]	**$130,520**	**$1,673**
DSC	**1.21**	

[1]Includes $78,000 ($1,000 per unit annually) in Replacement Reserves; to be verified by PNA.
[2]Loan Management and Asset Management Fees will be collected totaling $47,182 annually (0.50% of mortgage amount); Net Cash Flow is equal to $83,337.

14. **Loan to Value Ratio:** 0.82:1 or 82%

15. **Availability of Utilities:** All utilities (electric, gas, water/sewer, telephone, cable, internet) are available.

16. **Zoning Status:** Zoned RT-12.5, which allows for 12.5 residential townhomes per acre of usable area. Property complies with zoning.

17. **Site Control:** Property was purchased by HOC in 1998. Upon tax-exempt bond closing, the property will be sold to a Development Corporation, a single asset mortgagor.

II. FINANCING STRUCTURE

1. **Type of Loan:** Fixed-rate amortizing loan funded from the proceeds of tax-exempt bonds.

2. **Loan Term:** 30-year amortization; 30-year term.

3. **Projected Interest Rate:** Rate will be determined at bond pricing. Underwriting assumes 4.5% or 6.58% all in rate.

4. **HOC Fees:**
   - Financing Fee – $188,720 or 2% of mortgage amount to be paid upfront
   - Loan Management Fee – $23,591 annually over the life of the loan
   - Asset Management Fee – $23,591 annually over the life of the loan

III. CREDIT ENHANCEMENT

1. **Type:** FHA Risk Sharing; consistent with FHA requirements, staff proposes that HOC take at least 50% of the risk on this transaction.

2. **Credit Enhancement Fees:** 0.5% or $47,190; the declining annual mortgage insurance premium will be shared equally by HOC and FHA respectively.

IV. DEVELOPMENT TEAM

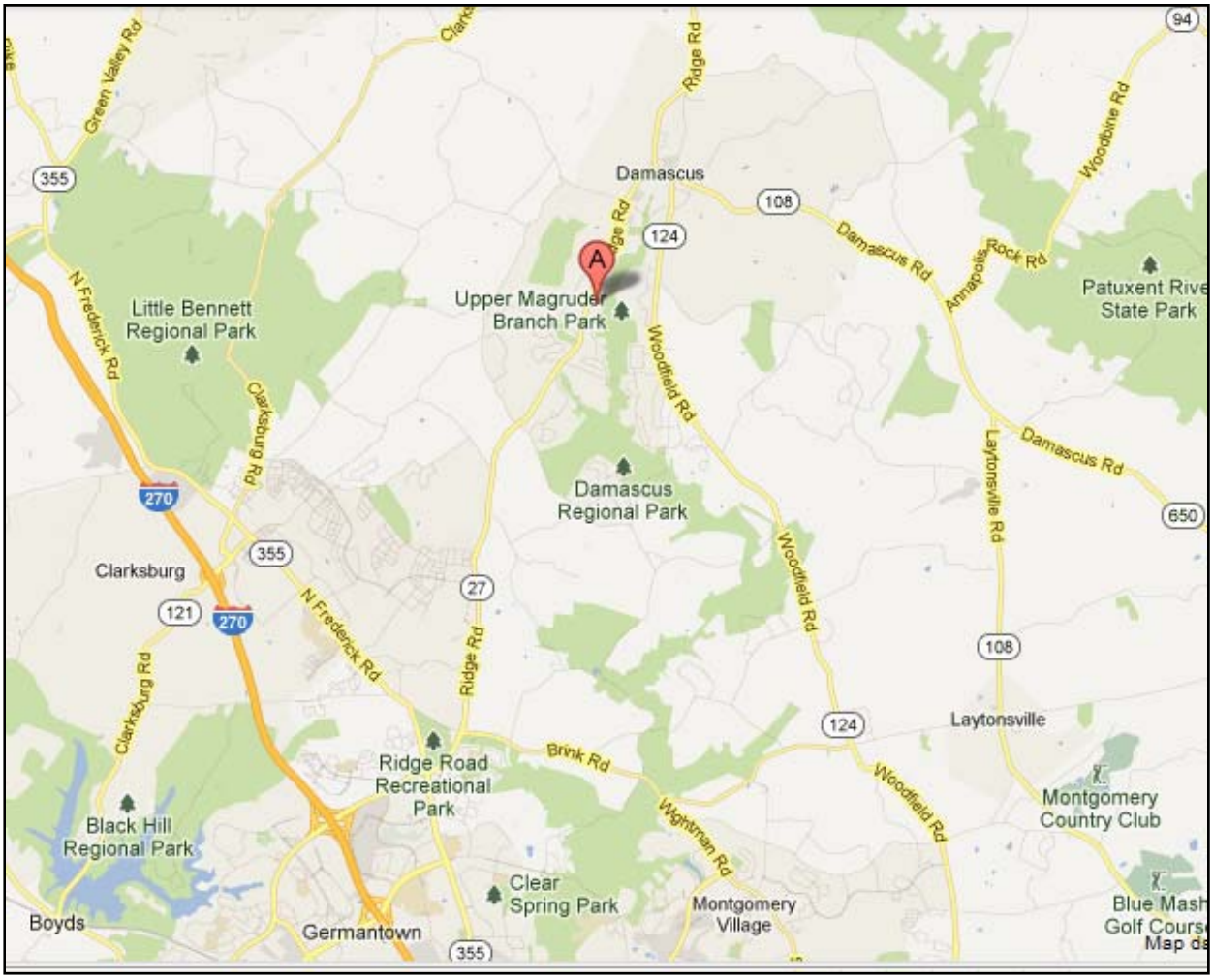
1.	**Contractor:**	Hamel Builders, Inc. 5710 Furnace Avenue, Suite H Elkridge, MD 21075
2.	**Architect:**	Bennett Frank McCarthy Architects, Inc. 1400 Spring Street, Suite 320 Silver Spring, MD 20910
3.	**Management Agent:**	McShea Residential Services, Inc. 100 Lakeforest Boulevard, Suite 500 Gaithersburg, MD 20877

V. ATTACHMENTS

Location Map
HOC HUB Location Map
10-Year Cash Flow

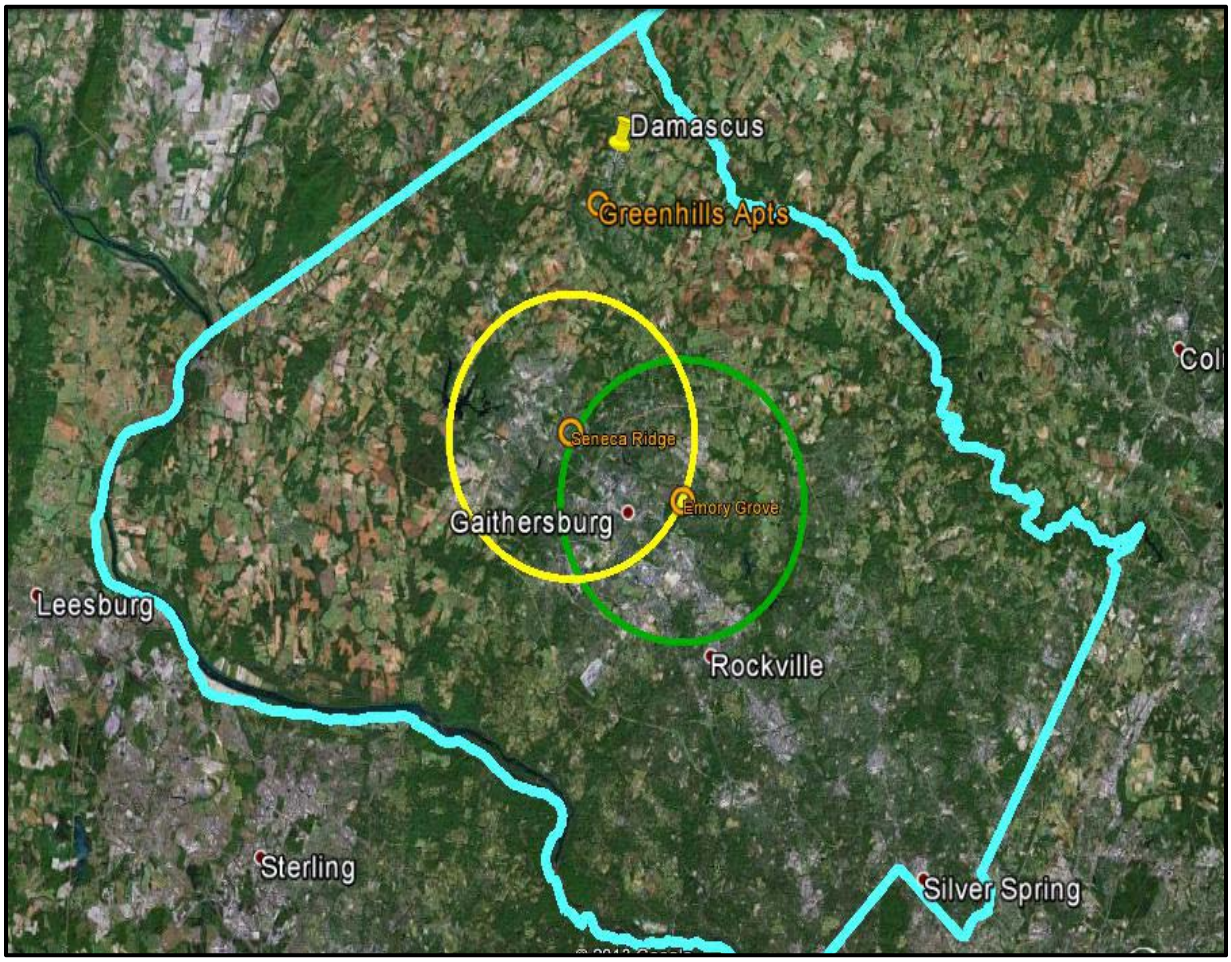
GREENHILLS APARTMENTS

LOCATION MAP



GREENHILLS APARTMENTS

LOCATION MAP
(in relation to nearest HUBs)



Greenhills
Damascus, Maryland
10-Year Cash Flow Projection

ASSUMPTIONS				STABILIZED									
Avg Income Growth	2.75%			2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Vacancy/Concessions Rate	7.00%		11.55%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Expense Growth Rate	3.00%												
Management Fee	4.00%												
			1	2	3	4	5	6	7	8	9	10
			FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE
			2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
INCOME												
Residential Units			$1,291,267	$1,326,777	$1,363,263	$1,400,753	$1,439,274	$1,478,854	$1,519,522	$1,561,309	$1,604,245	$1,648,362
Less: Vacancy/Concessions			($149,126)	($92,874)	($95,428)	($98,053)	($100,749)	($103,520)	($106,367)	($109,292)	($112,297)	($115,385)
Net Rental/Tenant INCOME			$1,142,141	$1,233,903	$1,267,835	$1,302,700	$1,338,525	$1,375,334	$1,413,156	$1,452,018	$1,491,948	$1,532,977
	2012											
	monthly/unit											
Less: Non-Dwell Vacancy Loss	($212)		($16,525)	($16,980)	($17,447)	($17,926)	($18,419)	($18,926)	($19,446)	($19,981)	($20,531)	($21,095)
Other Income/Revenue	$480		$37,440	$38,470	$39,528	$40,615	$41,731	$42,879	$44,058	$45,270	$46,515	$47,794
			$20,915	$21,490	$22,081	$22,688	$23,312	$23,953	$24,612	$25,289	$25,984	$26,699
EFFECTIVE GROSS INCOME			**$1,163,055**	**$1,255,392**	**$1,289,916**	**$1,325,388**	**$1,361,837**	**$1,399,287**	**$1,437,767**	**$1,477,306**	**$1,517,932**	**$1,559,675**
OPERATING EXPENSES												
Administrative & Legal/Tenant Services	$762		$59,426	$61,209	$63,045	$64,937	$66,885	$68,891	$70,958	$73,087	$75,279	$77,538
Bad Debt	$163		$12,700	$13,081	$13,473	$13,878	$14,294	$14,723	$15,164	$15,619	$16,088	$16,571
Management Fee	$586		$45,686	$49,356	$50,713	$52,108	$53,541	$55,013	$56,526	$58,081	$59,678	$61,319
Utilities	$114		$8,907	$9,175	$9,450	$9,733	$10,025	$10,326	$10,636	$10,955	$11,284	$11,622
Payroll & Benefits	$1,702		$132,755	$136,738	$140,840	$145,065	$149,417	$153,899	$158,516	$163,272	$168,170	$173,215
R&M / Contract Services	$1,564		$121,954	$125,613	$129,381	$133,263	$137,261	$141,378	$145,620	$149,988	$154,488	$159,123
Insurance	$163		$12,690	$13,071	$13,463	$13,867	$14,283	$14,711	$15,153	$15,607	$16,075	$16,558
Taxes	$220		$17,173	$17,689	$18,219	$18,766	$19,329	$19,909	$20,506	$21,121	$21,755	$22,407
TOTAL OPERATING EXPENSES	$5,273		**$411,292**	**$425,931**	**$438,585**	**$451,616**	**$465,034**	**$478,851**	**$493,079**	**$507,730**	**$522,817**	**$538,352**
Replacement Reserve	$1,000		$78,000	$78,000	$80,340	$82,750	$85,233	$87,790	$90,423	$93,136	$95,930	$98,808
TOTAL EXPENSES	$6,273		**$489,292**	**$503,931**	**$518,925**	**$534,366**	**$550,267**	**$566,641**	**$583,503**	**$600,866**	**$618,747**	**$637,160**
Expense Ratio			42.07%	40.14%	40.23%	40.32%	40.41%	40.49%	40.58%	40.67%	40.76%	40.85%
NET OPERATING INCOME (excludes C.E.)		**(9,436,493)**	**$673,763**	**$751,462**	**$770,991**	**$791,022**	**$811,570**	**$832,646**	**$854,265**	**$876,440**	**$899,185**	**$922,515**
Debt Service-New Mortgage			$620,942	$620,942	$620,942	$620,942	$620,942	$620,942	$620,942	$620,942	$620,942	$620,942
Asset and Loan Management Fees			$47,182	$47,182	$47,182	$47,182	$47,182	$47,182	$47,182	$47,182	$47,182	$47,182
Total Debt Service			$668,125	$668,125	$668,125	$668,125	$668,125	$668,125	$668,125	$668,125	$668,125	$668,125
Cash Flow After Total Debt Service			**$5,639**	**$83,337**	**$102,866**	**$122,898**	**$143,445**	**$164,521**	**$186,140**	**$208,315**	**$231,060**	**$254,390**
Debt Coverage Ratio			108.51%	121.02%	124.16%	127.39%	130.70%	134.09%	137.58%	141.15%	144.81%	148.57%

APPROVAL OF FEASIBILITY AND PUBLIC PURPOSE FOR THE CROSSING AT OLDE TOWNE APARMENTS TRANSACTION

JUNE 5, 2013

- At its March 13, 2013 meeting upon the recommendation of the Development and Finance Committee, the Commission adopted an Inducement Resolution in the amount of $33 million for The Crossing at Olde Towne, a 199-unit multifamily apartment building to be constructed on a 2.2-acre site at 200 Olde Towne Avenue in Gaithersburg, Maryland.

- The development will provide 199 (100%) affordable units in Old Town Gaithersburg. All of the units will be occupied by households whose income is 60% of the Washington, DC-MD-VA Area Median Income (AMI).

- The development, as proposed, will be financed using a number of sources including: tax-exempt bonds, Low Income Housing Tax Credit (LIHTC) equity, proceeds from the sale of a Ginnie Mae (GNMA) security in the FHA insured mortgage amount, a seller note, and deferred developer fee.

- Given the financial commitments to the project and operating projections, this project is believed to be feasible. By providing 199 units at 60% of the AMI, the public purpose to be provided by the development is appropriate.

- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and adopt the Resolution to approve the feasibility and public purpose provided by the financing and construction of The Crossing at Olde Towne Apartments.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Brown/Benjamin/Arrington/Jarvis Ext. 9589/9590/9760/9762
Division: Mortgage Finance

RE: Approval of Feasibility and Public Purpose for The Crossing at Olde Towne Apartments Transaction

DATE: June 5, 2013

COMMITTEE REPORT: Deliberation _X_

OVERALL GOAL & OBJECTIVE:
To increase the supply of affordable housing in Montgomery County.

BACKGROUND:
Staff received an application from RST Development, LLC requesting tax-exempt financing for a 199-unit multifamily apartment building planned for construction in Gaithersburg, Maryland. On February 17, 2013, staff presented to the Development and Finance Committee a request for approval of an Inducement Resolution for The Crossing at Olde Towne Apartments Transaction. The Inducement Resolution in the approximate amount of $33,000,000 was approved by the Commission on March 13, 2013.

<u>The Property and Public Purpose</u>
The property will be constructed at 200 Olde Towne Avenue. As proposed, The Olde Towne development will provide 199 affordable units (100%). All of the units will be occupied by households with incomes at 60% of the Area Median Income (AMI). One hundred percent of the units are to be supported with proceeds raised from the sale of Low Income Housing Tax Credits (LIHTC). The unit features and project amenities are listed in the attached Project Summary. The proposed project will be financed using a number of sources including: tax-exempt bonds, LIHTC equity, proceeds from the sale of a Ginnie Mae (GNMA) security in the FHA insured mortgage amount, a seller note, and deferred developer fee.

While the development as proposed is 100% affordable, it will be located in an area of Old Town Gaithersburg whose market for housing has experienced a surge in the development of high-end market rate units. This effectively contributes to a mixed-income community enabling households of limited income to live in a neighborhood near employment, amenities, and services.

Funding

The construction of the project will be financed with approximately $23,200,000 of tax-exempt bond proceeds and proceeds from the sale of a GNMA security. The bonds will be outstanding and used for the construction loan only, estimated to be 36 months. At the end of the construction loan period, the bonds will be redeemed using cash from the sale of the GNMA security. The transaction will be insured by FHA under the 221(d)(4) mortgage insurance program. The developer anticipates receiving the FHA commitment by June 30, 2013. RST Development, LLC has enlisted Citibank N.A. (a subsidiary of Citigroup) as the lender for this transaction.

Citibank N.A.

Citibank N.A (Citibank), one of the major international banks, is the consumer banking arm of Citigroup. Citibank has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions. Citibank provides consumers, corporations, governments and institutions with a broad range of financial products and services including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth.

Citi Community Capital (CCC), which is the main avenue through which Citigroup works to finance affordable housing and community investment projects reported the largest total volume for 2012 with $2.6 billion in financing, up from $2.1 billion in 2011. CCC has been a consistent leader in the number of multifamily affordable housing bond issuances for the past two decades, leading the market in 2011. CCC was also ranked #1 among affordable housing lenders in the U.S. five out of the last six years.

In March 2013, Citi Community Capital provided $250 million in financing, one of its largest single investments in affordable housing, to help create or preserve nearly 6,000 units of low- and moderate-income housing in New York State. A portion of the $250 million will also be used for the Storm Recovery Loan Fund, a pilot program to provide up to $40 million in low-cost loans to owners of multifamily properties impacted by Hurricane Sandy.

Bond Cap

Since this is a privately-owned development, bond cap will be required in the amount of the tax-exempt loan. As the attached project summary indicates, staff is currently processing the tax-exempt loan in the amount of $23,200,000.

Attached to this memorandum is a copy of the Commission's Bond Cap Matrix (Matrix) (Attachment E) and its Summary (Attachment F). The Matrix analyzes the Commission's commitment of bond cap to this transaction and measures qualitative and quantitative variables. The maximum aggregate possible score is 48.

The Qualitative Index measures 15 variables. Out of a possible 36 points, The Crossing at Olde Towne scored 34 points or 94%. The project's development plan is considered sound in terms of affordability, design, location, and delivery schedule.

The Quantitative Index measures four variables. Out of a possible 12 points, The Crossing at Olde Towne scored eight points or 67%. The Matrix compares the quantitative indices to other HOC financed projects. The indices and values related to Olde Towne are listed below:

- Tax Exempt Savings Index - For every dollar of savings to the developer, the property achieves $2.21 of public purpose.
- Cap Usage Index - For every dollar of bond cap allocated, the property achieves $1.28 in public purpose.
- Public Purpose Index - The percentage of the total market potential that is devoted to public purpose is 25% for this transaction.
- Unit Cap Cost Index - For every dollar of cost per unit, $0.45 is provided in volume cap.

Out of a possible 48 points for both qualitative and quantitative indices, The Crossing at Olde Towne scored 42 points or 88% of the Bond Cap Matrix. Staff believes this presents adequate reason to allocate $23.2 million of bond cap to this transaction. This is due mostly to the deep public purpose, upfront fees earned by HOC, the greater than 15-year term of affordability, and its sound development plan.

Financial and Feasibility Summary

As indicated above, HOC will fund a tax-exempt loan in the amount of $23,200,000 with a term up to 36 months (construction period). However, the permanent mortgage of $31,472,700 will be FHA insured under the 221(d)(4) program. The project will be supported by the FHA insured mortgage for a term of 40 years. Staff's review of the underwriting shows debt service coverage of 1.15 based on net operating income of $1,716,826 with cash flow in the first stabilized year estimated at $223,190. See Attachment B for the cash flow projection. While the underwriting has been reviewed by staff, it is being completed by AGM, an underwriter of FHA/GNMA loans.

Conclusion

Given the financial commitments to the project and operating projections, this project is believed to be feasible. By providing 199 units at 60% of the AMI, the allocation of the Commission's volume cap to this transaction is appropriate and supported by the discussion in the Bond Cap Matrix Summary (Attachment F).

To assist in your deliberation, staff has attached: the Project Summary, a Site Location Map, 10-year year Cashflow, Rent Chart, Bond Volume Cap Chart, Bond Cap Matrix and Bond Cap Matrix Summary. These attachments provide more details of the proposed financing.

ISSUES FOR CONSIDERATION:
Does the Commission wish to accept the recommendation of the Development and Finance Committee to approve the feasibility and public purpose for The Crossing at Olde Towne Apartments?

PRINCIPALS:
RST Development, LLC
Robert Copeland
Todd Copeland
M. Scott Copeland

BUDGET IMPACT:
The transaction will pay an upfront financing fee of 1% of the total bonds issued (approximately $232,000) and a Loan Management Fee of (approximately $543,000). The loan management fee was calculated on the Net Present Value of 25 basis points on the bond amount for 17 years, to be paid up front.

TIME FRAME:
Action at the June 5, 2013 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and adopt the Resolution and approve the feasibility and public purpose provided by financing and construction of The Crossing at Olde Towne Apartments.

RESOLUTION **Re: Approval of Feasibility and Public Purpose for The Crossing at Olde Towne Apartments Transaction**

WHEREAS, at its March 13, 2013 meeting upon the recommendation of the Development and Finance Committee, the Commission adopted an Inducement Resolution in the amount of $33 million for The Crossing at Olde Towne, a 199-unit multifamily apartment building to be constructed on a 2.2-acre site at 200 Olde Towne Avenue in Gaithersburg, Maryland; and

WHEREAS, the development will provide 199 (100%) affordable units in Old Town Gaithersburg, all of which will be occupied by households whose income is 60% of the Washington, DC-MD-VA Area Median Income (AMI); and

WHEREAS, the development, as proposed, will be financed using a number of sources including tax-exempt bonds, LIHTC equity, proceeds from the sale of a Ginnie Mae (GNMA) security in the FHA insured mortgage amount, a seller note, and deferred developer fee; and

WHEREAS, a review of the transaction has been completed and it has been determined that given the financial commitments to the project and operating projections, this project is believed to be feasible and, by providing 199 units at 60% of the AMI in a submarket that has recently experienced the development of a number of luxury market rate developments, the public purpose to be provided by the development is deemed appropriate.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the staff to proceed with the review and processing of the necessary financing application.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on June 5, 2013.

S
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Patrice M. Birdsong
Special Assistant to the Commission

THE CROSSING AT OLDE TOWNE
PROJECT SUMMARY

I. PROJECT INFORMATION

- Project Name: The Crossing at Olde Towne
- Location: 200 Olde Towne Avenue, Gaithersburg, MD 20877
- Developer: RST Development, LLC
- Unit Mix and Proposed Rents:

UNIT TYPE	# OF TOTAL UNITS	% OF TOTAL UNITS	UNIT SIZE S.F.	UTILITY ALLOWANCE	AVERAGE PROPOSED RENTS
1 BD / 1 BH	69	35%	801	$89	$1,090
2 BD / 2 BH	40	20%	1,001	$145	$1,270
2 BD / 2 BH	84	42%	1,215	$145	$1,270
3 BD / 2 BH	6	3%	1,574	$149	$1,480
TOTAL	**199**	**100%**			

- Low to Moderate Income Units: 100% of the 199 units will be affordable to households making 60% of Area Median Income. The 2013 HUD published income limit for the one-bedroom is $48,330; two-bedroom is $57,960; and three-bedroom is $66,960. See Attachment C for maximum rent allowable for households making 60% of Area Median Income.

- Total Development Cost Breakdown:

Sources & Uses of Funds

SOURCES	AMOUNT	PER UNIT
GNMA Investment Sale Proceeds	$31,472,700	$158,154
Primary Financing From Bond Proceeds (Construction Period Only)	$23,200,000	$116,583
Repayment Of Tax-Exempt Bonds After Construction Completion	($23,200,000)	($116,583)
LIHTC Equity	$13,637,439	$68,530
Deferred Developer Fee	$1,910,000	$9,598
Seller Note	$3,014,892	$15,150
TOTAL	**$50,035,031**	**$251,432**

USES	AMOUNT	PER UNIT
Acquisition Costs	$6,368,000	$32,000
Construction Costs (Incl fees)	$34,104,942	$171,382
Developer Fee[1]	$3,820,000	$19,196
Financing Expenses	$4,339,466	$21,806
Soft Costs (Fees, taxes, insurance, etc.)	$280,298	$1,408
Reserves	$1,122,325	$5,640
TOTAL	**$50,035,031**	**$251,432**

- Tax Credit Eligibility: The proposed Tax-Exempt Loan Amount is $23,200,000 ($116,583 per unit) with a Tax Credit Basis of $39,300,000. The Tax-Exempt Loan is 59.03% of Eligible Tax Credit Basis plus land.

- Description of Site: The site is approximately 2.2 acres, generally level and at street grade. The land is cleared with an asphalt surface parking lot and graded grassy space. See Attachment A for site location map.

- Description of Project: The project, to be known as The Crossing at Olde Towne, will be a five-story elevator building with adjoining parking structure. A portion of the parking structure is currently in use by the City of Gaithersburg and contains approximately 100 spaces. An additional parking structure tying together the existing parking structure and the new residential building will be constructed bringing the total parking spaces to approximately 294. Each residential unit will be allocated one parking space and residents will be able to reserve additional spaces for a fee.

- The project will consist of 69 one-bedroom units, 124 two-bedroom units, and six three-bedroom units. The two and three bedrooms will have a mix of one and two bathroom units. Each unit will contain a full size refrigerator/freezer, electric oven/range, microwave oven with exhaust fan mounted over the range, dishwasher, disposal and stainless steel sink. Additionally, each unit will have a washer and dryer, individual heat pump HVAC system for heating and cooling, and an electric hot water heater. Residents will pay electric; landlord will pay cold water and trash.

- Project amenities include a resident clubroom, library, cyber café, fitness center, tot room, and vending area. The building will include two courtyards.

[1]CDA maximum developer fee for a tax credit transaction is $2.5 million. The developer has applied for a waiver which is pending.

- Availability of Utilities: On site utilities will be provided by:
  Verizon - Phone and internet,
  Pepco - Electricity,
  WSSC - Water and Sewer.

- Zoning Status: The property is zoned Division 21-CBD, Use Group R-2, permitting the development of the property.

- Site Control: The property is currently owned by an affiliate of RST Development. At the time of tax exempt bond closing, the property will be sold to a new entity controlled by an RST Development General Partner and a Tax Credit Investor Limited Partner.

II. FINANCING STRUCTURE

1. Type of Loan: Tax-Exempt, interest only with principal due at maturity.
   The construction of the project will be financed with approximately $23,200,000 of tax-exempt bond proceeds and proceeds from the sale of a GNMA security. The transaction will be insured by FHA under the 221(d)(4) mortgage insurance program. The bonds will close simultaneously with the 221(d)(4) mortgage and GNMA sale. While the ultimate financing will be a taxable FHA insured mortgage, the initial financing will be tax-exempt bonds which will allow the property to raise additional development dollars from the sale of limited partnership interest

2. Loan Term: 36 months (Construction period only)

3. Projected Interest Rate: Approximately 0.82% for the tax-exempt loan and approximately 3.45% for the permanent mortgage.

4. Bond Purchaser: Citibank N.A.

5. HOC Fees: Approximately $775,000 (1% up front financing fee of $232,000 and loan management fee of $543,000).

III. CREDIT ENHANCEMENT

1. Type: The tax-exempt bonds will not be credit enhanced. They will be directly placed with Citibank.

2. Credit Enhancement Fees: N/A

IV. DEVELOPER INFORMATION

1. Previous Experience with HOC: HOC financed the Gramax in 2003 and Galaxy in 2010.

2. Developer Qualifications: RST has successfully created long-term value in both ground-up construction development and acquisition/rehabilitation projects. With over 8,000 units in its portfolio and another 1,000 in various stages of development, RST has excelled in uncovering unique opportunities and has successfully utilized many financial vehicles.

V. DEVELOPMENT TEAM

1. Contractor:
   Clark Builders Group, Inc.
   Mr. Glenn Ferguson
   4401 Wilson Blvd., Suite 600
   Arlington, VA 22203

2. Architect:
   A.R. Meyers & Associates, LLC
   Mr. Alan Myers
   8720 Georgia Avenue, Suite 503
   Silver Spring, MD 20910

3. Management Agent:
   Hercules Real Estate Services, Inc.
   Mr. Todd Copeland
   168 Business Park Drive, Suite 103
   Virginia Beach, VA 23462

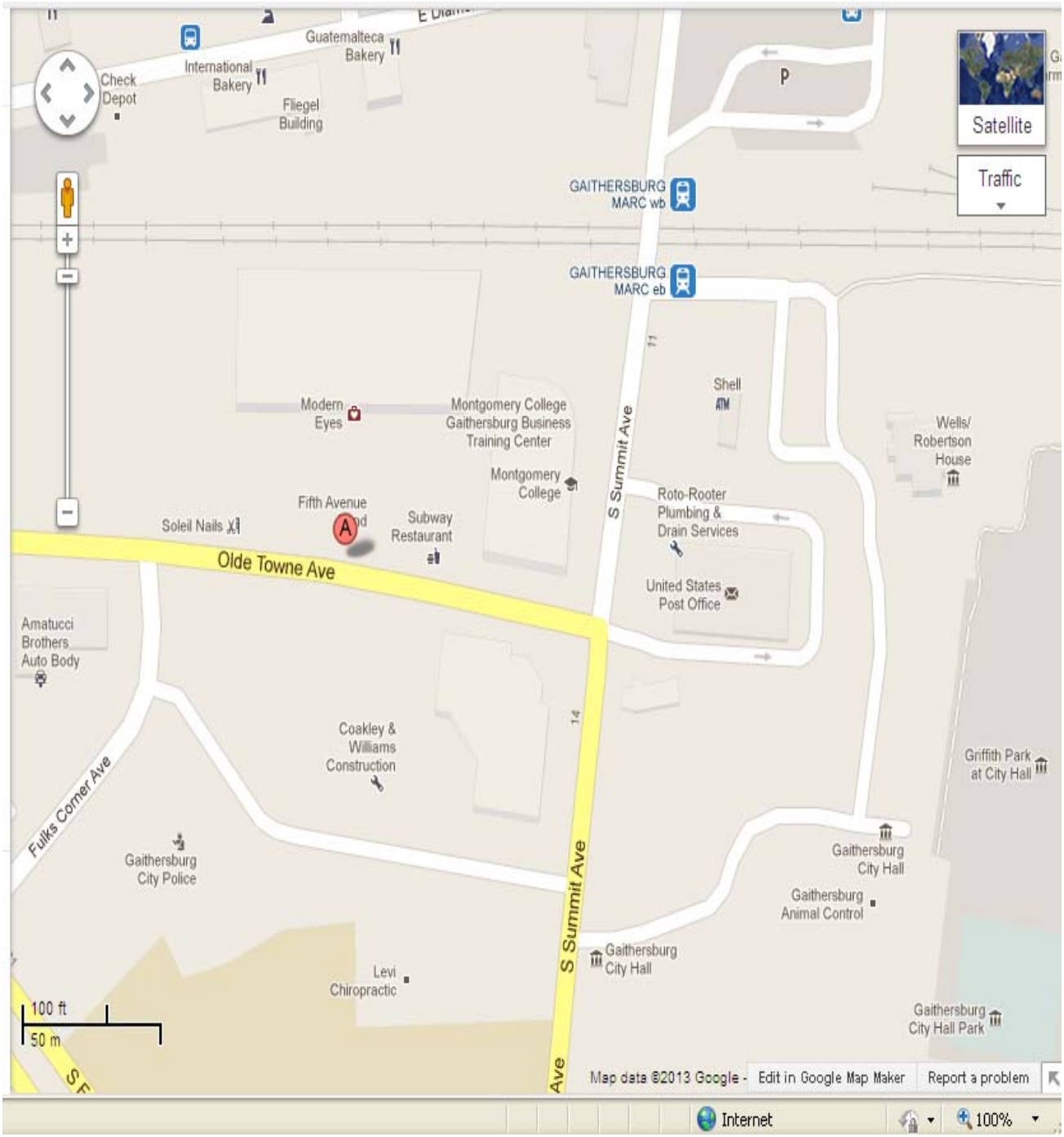
VI. ATTACHMENTS

Site Location Map – Attachment A
10-year Cash Flow – Attachment B
Rent Chart – Attachment C
Bond Volume Cap Chart – Attachment D
Bond Cap Matrix – Attachment E
Bond Cap Matrix Summary – Attachment F

ATTACHMENT A

Site Location Map

The Crossing at Olde Towne



ATTACHMENT B
10-Year Cash Flow

The Crossing at Olde Towne
Gaithersburg, MD

Total Units	199

Assumptions

Vacancy Rate	5.00%
Income Growth Rate	3.00%
Expense Growth Rate	2.00%
Reserve for Replacement Growth Rate	3.00%
Management Fee Growth Rate	3.00%

	1 FY2016	2 FY2017	3 FY2018	4 FY2019	5 FY2020	6 FY2021	7 FY2022	8 FY2023	9 FY2024	10 FY2025
RENTAL INCOME										
Gross Rent Potential	$2,899,560	$2,986,547	$3,076,143	$3,168,428	$3,263,480	$3,361,385	$3,462,226	$3,566,093	$3,673,076	$3,783,268
Other Income	$138,945	$143,113	$147,407	$151,829	$156,384	$161,075	$165,908	$170,885	$176,011	$181,292
NET RENTAL INCOME	**$3,038,505**	**$3,129,660**	**$3,223,550**	**$3,320,256**	**$3,419,864**	**$3,522,460**	**$3,628,134**	**$3,736,978**	**$3,849,087**	**$3,964,560**
Less: Vacancy	($151,925)	($156,483)	($161,177)	($166,013)	($170,993)	($176,123)	($181,407)	($186,849)	($192,454)	($198,228)
EFFECTIVE GROSS INCOME	**$2,886,580**	**$2,973,177**	**$3,062,372**	**$3,154,244**	**$3,248,871**	**$3,346,337**	**$3,446,727**	**$3,550,129**	**$3,656,633**	**$3,766,332**
OPERATING EXPENSES										
Administrative	$99,500	$101,490	$103,520	$105,590	$107,702	$109,856	$112,053	$114,294	$116,580	$118,912
Payroll	$218,900	$223,278	$227,744	$232,298	$236,944	$241,683	$246,517	$251,447	$256,476	$261,606
Management Fee	$86,597	$89,195	$91,871	$94,627	$97,466	$100,390	$103,402	$106,504	$109,699	$112,990
Utilities	$79,600	$81,192	$82,816	$84,472	$86,162	$87,885	$89,643	$91,435	$93,264	$95,129
Operating & Maintenance	$203,975	$208,055	$212,216	$216,460	$220,789	$225,205	$229,709	$234,303	$238,989	$243,769
Insurance	$49,750	$50,745	$51,760	$52,795	$53,851	$54,928	$56,027	$57,147	$58,290	$59,456
Taxes	$361,782	$369,018	$376,398	$383,926	$391,604	$399,437	$407,425	$415,574	$423,885	$432,363
TOTAL OPERATING EXPENSES	**$1,100,104**	**$1,122,972**	**$1,146,324**	**$1,170,169**	**$1,194,519**	**$1,219,384**	**$1,244,775**	**$1,270,705**	**$1,297,184**	**$1,324,225**
Replacement Reserve	$69,650	$71,740	$73,892	$76,108	$78,392	$80,743	$83,166	$85,661	$88,231	$90,877
TOTAL EXPENSES	**$1,169,754**	**$1,194,712**	**$1,220,216**	**$1,246,277**	**$1,272,910**	**$1,300,127**	**$1,327,941**	**$1,356,366**	**$1,385,415**	**$1,415,102**
NET OPERATING INCOME	**$1,716,826**	**$1,778,465**	**$1,842,157**	**$1,907,966**	**$1,975,961**	**$2,046,210**	**$2,118,786**	**$2,193,763**	**$2,271,218**	**$2,351,230**
DEBT SERVICE	**$1,493,636**	**$1,493,636**	**$1,493,636**	**$1,493,636**	**$1,493,636**	**$1,493,636**	**$1,493,636**	**$1,493,636**	**$1,493,636**	**$1,493,636**
DEBT SERVICE COVERAGE	**1.15**	**1.19**	**1.23**	**1.28**	**1.32**	**1.37**	**1.42**	**1.47**	**1.52**	**1.57**
NET CASH FLOW	**$223,190**	**$284,830**	**$348,521**	**$414,331**	**$482,325**	**$552,574**	**$625,151**	**$700,128**	**$777,583**	**$857,594**

Replacement Reserve is $350 per unit.

The Crossing at Olde Towne

Gaithersburg, MD

UNIT TYPE	# OF TOTAL UNITS	% OF TOTAL UNITS	UNIT SIZE S.F.	UTILITY ALLOWANCE	AVERAGE PROPOSED RENTS	MONTHLY TOTAL	MAXIMUM RENT @ 60% AMI	% OF MAXIMUM RENT
1 Br / 1 Ba	69	35%	801	$89	$1,090	$1,179	$1,208	98%
2 Br / 2 Ba	45	23%	1,001	$145	$1,270	$1,415	$1,449	98%
2 Br / 2 Ba	79	40%	1,215	$145	$1,270	$1,415	$1,449	98%
3 Br / 2 Ba	6	3%	1,574	$149	$1,480	$1,629	$1,674	97%
TOTAL	**199**	**100%**						

VOLUME CAP NEED/USE FOR HOC AND PRIVATELY OWNED PROPERTIES IN MONTGOMERY COUNTY (5-31-2013)

($'000)

	2007	2008	2009	2010	2011	2012	2013	Comments / Notes
Balance Carried Forward	**$18,414**	**$0**	**$21,144**	**$50,544**	**$15,241**	**$48,567**	**$63,184**	
Special Allocation	**$30,000**	**$14,573**			**$20,000**			See Notes at the bottom.
Annual Bond Cap Allocation	**$27,715**	**$27,744**	**$29,400**	**$30,297**	**$32,726**	**$32,618**	**$33,228**	
	7%	0.11%	6%	3%	8%	-0.33%	2%	
TOTAL BOND CAP AVAILABLE	**$76,128**	**$42,317**	**$50,544**	**$80,841**	**$67,967**	**$81,184**	**$96,413**	
HOC PROGRAMS								
Single Family	$57,073	$14,573	$0	$1,850	$19,400	$18,000	$12,000	Due to increased activity, $27M of volume cap was approved for use in the single family program in 2007 to meet the demands of first time home buyers. A second special $30 million allocation of bond cap was awarded by DBED in 2007 and used in the second bond issuance of 2007. The bonus cap allocated to Montgomery County pursuant to HR3221 was used in the program in 2008. Two bond issues, 2009A under the 1979 indenture and 2009ABC under the new 2009 indenture, closed in 2009. The volume cap of $12 million in 2013 represents the remainder of the 2010 TEFRA (public approval).
Wheaton - Ambassador Apartments						$0		Refunding of prior bonds for a 100% LIHTC property. Compliance period expired in December 2008. Resyndication of LIHTC and substantial renovation of the property. Bond issue is not expected to close until 2015.
TOTAL HOC PROGRAMS	**$76,128**	**$14,573**	**$0**	**$1,850**	**$19,400**	**$18,000**	**$12,000**	
PRIVATE DEVELOPERS								
Silver Spring - Leafy House		$6,600						Acquisition and renovation by Victory Housing, Inc. of a 181-unit development located in Kensington/SS. The financing plan used Tax Exempt bonds, LIHTC and HIF funds for this 100% affordable housing development
Silver Spring - The Galaxy				$38,450				New construction of 195 units in Southern Silver Spring; LIHTC; RST Development LLC. 42% affordable, 58% market.
Silver Spring - The Argent				$25,300				Financing of a 96-unit failed condominium development in Southern Silver Spring; LIHTC; Blair Mill Associates, LLC. 100% affordable.
Gaithersburg - Olde Towne							$23,200	New construction of 199 units in Olde Towne Gaithersburg. The proposed financing plan will include multiple sources: tax-exempt bonds, GNMA investment sale proceeds, LIHTC, seller note, and developer fee.
Germantown - Churchill							$13,000	New construction of 133 units in Germantown. The proposed financing plan will include multiple sources: tax-exempt bonds, GNMA investment sale proceeds, LIHTC, and developer fee.
TOTAL PRIVATE ACTIVITY	**$0**	**$6,600**	**$0**	**$63,750**	**$0**	**$0**	**$36,200**	
TOTAL BOND CAP REMAINING	**$0**	**$21,144**	**$50,544**	**$15,241**	**$48,567**	**$63,184**	**.**	

[1]In 2005 and 2007, the Maryland Department of Business and Economic Development (DBED) allocated $30 million of additional bond cap in each of the two years that were used in the Single Family Mortgage Purchase Program. In 2008, pursuant to HR3221, Montgomery County received $14.573 million of new volume cap for housing.

[2]$20 million of bond cap owed to HOC by CDA. This will be returned to HOC upon request, as needed.

Olde Towne Attachment E - Bond Cap Matrix.xls

PUBLIC PURPOSE MATRIX

PROPERTY INFORMATION	SUBJECT	DEAL A	DEAL B	DEAL C	DEAL D	DEAL E	DEAL F	DEAL G	DEAL H	DEAL I	DEAL J	DEAL K
							Deal not Financed					
Name	**CROSSING @ OLDE TOWNE**	GALAXY APARTMENTS	VICTORY FOREST	FOREST OAK TOWERS	COVENANT VILLAGE	OAKFIELD APARTMENTS	STRATFORD PLACE	CLOPPERS MILL MANOR	CHARTER HOUSE	BLAIR PARK APARTMENTS	OLNEY MANOR	RANDOLPH MANOR
(a) Units	**199**	195	181	175	89	371	350	102	212	52	100	83
(b) Location	**Gaithersburg**	Silver Spring	Silver Spring	Gaithersburg	Germantown	Wheaton	Gaithersburg	Germantown	Silver Spring	Silver Spring	Silver Spring	Silver Spring
(c) Total Bond Cap	**23,200,000**	40,219,400	6,221,414	18,000,000	7,000,000	38,000,000	31,000,000	7,800,000	14,000,000	2,700,000	7,000,000	5,500,000
(d) Bond Cap Per Affordable Unit	**116,583**	490,480	34,372	102,857	122,893	105,052	**89,466**	**95,588**	**330,189**	**57,447**	**70,000**	**66,265**
(e) Total Cost	**51,650,000**	57,364,920	14,040,000	26,768,122	15,340,852	69,742,675	49,170,514	12,627,199	24,258,524	6,106,776	12,066,900	9,690,249
(f) Cost per Unit	**259,548**	294,179	77,569	152,961	172,369	187,986	140,487	123,796	114,427	117,438	120,669	116,750
(g) Public Purpose - Required	20% @ 50% or 40% @ 60%	20% @ 50% or 40% @ 60%	90% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%	20% @ 50%; 40% @ 60%
(h) Public Purpose - Proposed	**100% @ 60%**	8.21% @ 30%; 5.64 @ 50%; 28.65% @ 60%	100% @ 60%	100% @ PBV	19% @ 40%; 25% @ 50%; 20% @ 60%; 36% @ Mkt	10% @ 40%; 87.5% @ 60%; 2.5% @ Mkt	19% @ 50%; 80% @ 60%; 1% @ Mkt	20% @ 40%; 20% @ 50%; 40% @ 60%	20% @ 50%	23% @ HCV, 67% @ 60%, 10% @ Mkt	20% @ 40%; 80% @ 60%	20% @ 40%; 80% @ 60%
(i) Public Purpose - Fees	**775,000**	402,194	62,214	180,000	70,000	380,000	310,000	78,000	140,000	27,000	70,000	55,000
(j) Affordable Units	**199**	82	181	175	57	362	347	82	42	47	100	83
(k) Developer	**RST Development**	RST Development	Victory Housing	HOC	CDI and Victory Housing	Fairfield Residential LLC	Fairfield Residential LLC	J. Kirby Development/ Blaze Cook	Homes For America	MHP, Inc.	J. Kirby Development/ Osprey Group	J. Kirby Development/ Osprey Group
(l) Apartment Type	**Midrise**	Midrise	Midrise	High-rise	Garden	Garden	Garden	Garden	Hi Rise	Garden	Garden	Garden
(m) Bedroom Type	**1,2**	1,2	1	1,2	1,2	1,2,3	1,2	1, 2,	Eff., 1, 2, 3	1, 2, 3	1, 2	1, 2
(n) Financing Date	**2013**	2010	2008	2007	2006	2005	2005	2004	2004	2004	2004	2003
(o) Delivery Date	New Construction 2 years	New Construction 2 years	Preservation Immediate	Preservation Immediate	New Construction 2 years	Preservation 3.5 Years	Preservation 1 Year	New Construction 1 year	1 year	Preservation 1 Year	New Construction 1 year	New Construction 1 year

COMPARATIVE INDICES													
1	TAX EXEMPT SAVINGS INDEX	2.21	1.74	3.41	0.79	10.86	2.90	1.69	9.39	0.51	9.51	20.02	20.75
2	CAP USAGE INDEX	1.28	1.09	1.72	0.19	2.53	0.34	0.06	2.32	0.14	1.91	3.60	3.29
3	PUBLIC PURPOSE INDEX	0.25	0.24	0.22	0.05	0.30	0.09	0.02	0.28	0.03	0.29	0.38	0.35
4	**UNIT CAP COST INDEX**	**0.45**	**1.67**	**0.44**	**0.67**	**0.71**	**0.56**	**0.64**	**0.77**	**2.89**	**0.49**	**0.58**	**0.57**
5	**QUALITATIVE INDEX (MAX 36)**	**34**	**34**	**33**	**32**	**35**	**34**	**32**	**32**	**31**	**34**	**32**	**32**
6	**QUANTITATIVE INDICES (MAX 12)**	**8**	**6**	**9**	**5**	**11**	**7**	**4**	**10**	**4**	**11**	**10**	**10**
7	**TOTAL SCORE (MAX 48)**	**42**	**40**	**42**	**37**	**46**	**41**	**36**	**42**	**35**	**45**	**42**	**42**
	MAXIMUM SCORE	48.00	48.00	48.00	48.00	48.00							
8	**PERCENTAGE SCORE**	**88%**	**83%**	**88%**	**77%**	**96%**	**85%**	**75%**	**88%**	**73%**	**94%**	**88%**	**88%**

OLDE TOWNE ATTACHMENT F – BOND CAP MATRIX SUMMARY DESCRIPTION OF QUALITATIVE & QUANTITATIVE VARIABLES

Public Purpose and Bond Cap Matrix
Qualitative Variables

The matrix shows the basic property information for The Crossing at Olde Towne (the "Development" or "Olde Towne") as well as the list of 11 other properties that were evaluated for HOC financing:

1.	Galaxy Apartments (2010)
2.	Victory Forest (2008)
3.	Forest Oak Towers (2007)
4.	Covenant Village (2006)
5.	Oakfield Apartments (2005)
6.	Stratford Place Apartments (Not Financed)
7.	Clopper's Mill Manor (2004)
8.	Charter House (No bond cap allocated)
9.	Blair Park Apartments (2004)
10.	Olney Manor Apartments (2004)
11.	Randolph Manor Apartments (2002)

Qualitative Variables – Most of these factors for Olde Towne are detailed in the Commission Memorandum and the attachments. Staff's assessment follows:

1. *Public Purpose – Subsidy.* **Positive.**
The current projections for the Development anticipate public purpose that is more than the basic requirement. The minimum requirement for a tax-exempt bond financed transaction is that 20% of the units are offered to households with incomes at or below 50% of the area median income (AMI) or 40% of the units are offered to households with incomes at or below 60% of the AMI.

   As planned, 199 units (100%) will be restricted to residents at 60% of the Washington, DC-MD-VA Area Median Income (AMI).

   The proforma rents for the Development are below the maximum allowable 2013 area median rents, adjusted for family size averaging 98% of maximum allowable rents. One bedroom units are $1,085, two bedroom units are $1,277 and three bedroom units are $1,476.

2. *Fees* – **Positive.**
The transaction is estimated to yield $232,000 in commitment fees to the Commission and, given that the property will require monitoring for 15 years in compliance with the qualified project period; HOC will also be due a loan management fee. HOC has negotiated an upfront loan management fee in lieu of a monthly payment equal to $543,000. Total fees to HOC will be $775,000.

OLDE TOWNE ATTACHMENT F – BOND CAP MATRIX SUMMARY
DESCRIPTION OF QUALITATIVE & QUANTITATIVE VARIABLES

3. *Structure – Term of Affordability.* **Positive.**
   The financing of the Development will benefit from the syndication of 4% Low Income Housing Tax Credits (LIHTC) and the developer has applied for a PILOT for real estate taxes. Under the LIHTC Extended Use Agreement, the affordability period will be 30 years.

4. *Credit Enhancement - Risk to HOC.* **None.**
   The construction of the project will be financed with approximately $23,200,000 of tax-exempt bond proceeds and proceeds from the sale of a GNMA security. The bonds will not have credit enhancement because they will be privately placed with Citibank and cash collateralized with proceeds from the sale of GNMA security. The transaction will be insured by FHA under the 221(d)(4) mortgage insurance program.

5. *Readiness to Proceed* – **Immediate.**
   The Development is ready to proceed. The property is currently owned by an affiliate of RST Development. At the time of tax exempt bond closing, the property will be sold to a new entity controlled by an RST Development General Partner and a Tax Credit Investor Limited Partner. The Development team is in place, building permits in hand and the FHA Firm Commitment Application was submitted on February 19, 2013. Construction will begin immediately following closing.

6. *Need to Use Bond Cap* **– Neutral.**
   As proposed, the financing of Olde Towne and its ownership structure requires an allocation of $23,200,000 of private activity volume cap. On a per unit basis, the Olde Towne transaction uses $116,583 of bond cap to produce each affordable unit. These bonds will only be outstanding and used during the construction period.

   Although the Public Purpose Index is low given the modest market rents in the Gaithersburg area in comparison to Rockville, Bethesda or Silver Spring, where market rents are much higher, the property is still providing a substantial public purpose by providing 100% of its units to households who earn 60% or less of the area median income. It also generates fees to the Commission that enables it to continue to realize its public purpose mission.

OLDE TOWNE ATTACHMENT F – BOND CAP MATRIX SUMMARY
DESCRIPTION OF QUALITATIVE & QUANTITATIVE VARIABLES

7. *Geography* - **Positive.**
The Crossing at Olde Towne is located in the Olde Towne District of the City of Gaithersburg. The Development is located on the north side of Olde Towne Avenue and south side of the railroad tracks for CSX and MARC. It is one block north of Route 355 (S. Frederick Avenue) via Fulks Corner Avenue.

Olde Towne is a historic community with many specialty shops. A robust transportation network will serve the Development including MetroBus, RideOn and MARC. In addition the Development will have access to services including a wide variety of retail shops, grocery stores and pharmacies, are in close proximity. Other nearby neighborhood amenities within a five mile radius include the U.S. Post Office, schools, Shady Grove Metro Station, Shady Grove Adventist Hospital, libraries and recreational facilities, Lakeforest Mall and the Universities of Shady Grove.

The community holds annual events and festivities including an annual Labor Day parade, Celebrate Gaithersburg Street Festival and the Taste of Gaithersburg. All of the buildings in this area are protected due to their historic importance and new development must be congruent with the historic storefronts.

The Development is located five miles from the Great Seneca Science Corridor Master Plan approved by the Montgomery County Council in May 2010. The plan calls for 17.5 million square feet of commercial space and 52,000 jobs. One of the main developments proposed within the corridor is The Johns Hopkins University's 4.7 million square foot science park. In addition, the National Cancer Institute's Administrative and Program Campus will be located 5.6 miles from the subject site.

8. *Developer Experience* –**Strong.**
The developer of The Crossing at Olde Towne is RST Development, LLC. Below is a description:

RST III, LLC (RST)
RST III is an affiliate of RST Development, LLC and is the developer of the subject project. Both companies are Virginia limited liability companies that acquire, develop, and manage real estate located primarily in Virginia, Maryland, South Carolina, Georgia and Pennsylvania. The companies specialize in the development, financing, and operation of affordable apartment communities, utilizing tax exempt bonds and low income housing tax credits as the primary financing vehicles. They also develop, own and operate market rate

communities. RST was also the developer and owner of The Galaxy and The Gramax which benefited from HOC's bond financing in 2010 and 2002, respectively. RST is headquartered in Virginia Beach, VA. RST Development, LLC was formed in 1997 by Robert O. Copeland, M. Scott Copeland, and Todd A. Copeland. These individuals are the principals of the developer.

In addition to the formation of RST Development, the principals also formed Hercules Real Estate Services, Inc. to act as the management company for RST Development's projects. Hercules currently manages more than 7,700 units. RST Development, LLC has more than 7,500 units in its portfolio and another 1,000 units in various stages of development.

Staff's review of the financial information for the principals of the developer has concluded that based on the level of personal financial strength as well as their level of experience and their holdings of real estate, they possess the capabilities to support the subject transaction.

The principals of RST Development, LLC are:

- Mr. Robert O. Copeland presently owns, operates, and manages over 1,500,000 square feet of retail space and 150,000 square feet of office space, independent of his multifamily holdings through RST. Mr. Robert Copeland is the family patriarch and is the father of Todd and Scott Copeland, the other principals in the transaction. Mr. Copeland's net worth is $36 million.
- Mr. Todd A. Copeland has a very comprehensive experience in real estate. He was responsible for the renovation, marketing, and re-tenanting plans of a distressed apartment complex and the rehabilitation of a 700-unit Tax Credit apartment complex in Jacksonville and North Carolina. In 1996, Mr. Todd Copeland formed Hercules Real Estate to manage a portfolio of 1,800 apartment units located in Virginia and North Carolina. Currently, Hercules manages over 7,700 units located primarily in Virginia, Maryland, North Carolina, and Washington D.C. Mr. Copeland's net worth is $16 million.
- Mr. M. Scott Copeland is actively involved in the acquisition of existing properties and shares, with his brother Todd, the oversight responsibilities of Triangle Construction and Hercules Real Estate Services. Mr. Copeland also has experience as a commercial leasing broker in Washington DC and with the successful conversion of hundreds of condominium units. Mr. Copeland's net worth is $13 million.

OLDE TOWNE ATTACHMENT F – BOND CAP MATRIX SUMMARY
DESCRIPTION OF QUALITATIVE & QUANTITATIVE VARIABLES

9. *Project Design* – **Positive.**
   The Crossing at Olde Towne will be a 199-unit affordable rental community on a 2.2 acre site with parking for 294 vehicles to be provided via a structured parking garage within the building and the City's adjoining garage. Each residential unit will be allocated one parking space and residents will be able to reserve additional spaces for a fee.

   The project will consist of 69 one-bedroom units, 124 two-bedroom units and six three-bedroom units. The two- and three-bedrooms will have a mix of one and two bathroom units. Each unit will contain: full size refrigerator/freezer, electric oven/range, microwave oven with exhaust fan mounted over the range, dishwasher, disposal and stainless steel sink. Additionally, each unit will have a washer and dryer, individual heat pump, HVAC system for heating and cooling, and an electric hot water heater. Residents will pay electric; landlord will pay for cold water and trash.

   Project amenities include: resident clubroom, library, cyber café, fitness center, tot room, and vending area. The building will include two courtyards and a pool.

10. *Apartment Type* – **Mid-rise.**
    The units of The Crossing at Olde Towne will be in a mid-rise, five-story structure with an elevator.

11. *Bedroom Mix* – **Neutral.**
    The Crossing at Olde Towne will offer a variety of one-bedroom and two-bedroom floor plans. There will be 69 one-bedroom units, 124 two-bedroom units and six three-bedroom units. The Development unit distribution offers more two-bedroom units and fewer three-bedroom units than both the Class A and Class B communities nearby; however, the percentage of one-bedroom units is in line with the Class A communities.

12. *Cost Per Unit* – **Positive.**
    The overall per unit cost of the development is $259,548 and of this $156,306 (approximately 60%) is allocated as hard construction cost (does not include design fees).

13. *Delivery date* – **Positive.**
    The building is ready for construction to commence. The developer anticipates an 18-month construction period. This means delivery of the building to the market at or near the beginning of 2015. Two multifamily communities, one located five miles north and the other five miles south of the Development, are under construction for completion by early 2016.
    It is estimated that with these three communities there will still be excess demand in the market place for additional rental units.

14. *HOC Ownership* – **None.**

15. *Community Needs* – **High.**
    The Crossing at Olde Towne will provide high quality housing in an expanding market area. As an affordable development, it will provide 100% of its units at 60% of AMI. This market area is growing; however, the new and planned multifamily units are targeted to higher end luxury renters. The new construction with Class A amenities, free garage parking and affordable rents, will give the Development an extremely competitive position in the market.

    Of these qualitative variables, The Crossing at Olde Towne scored 33 out of 36 on the Bond Cap Matrix.

    <u>Indices</u>
    The indices were first introduced in discussion of the Silver Spring Phase V development in 2002 with the expectation that the analysis would gain relevance over time as more projects are compared. By itself, an index has little meaning unless it can be measured against the results for other transactions.

    In the case of The Crossing at Olde Towne, the quantitative results indicate that it is a relatively good use of bond cap. Overall, the subject scored eight out of 12 on the quantitative factors of the Bond Cap Matrix.

    Index 1. – Tax Exempt Savings Index. For every dollar of savings to the developer, we achieve $2.21 of public purpose.

    Index 2. – Cap Usage Index. For every dollar of bond cap allocated, we achieve $1.28 in public purpose.

    Index 3. – Public Purpose Index. The percentage of the total market potential that is devoted to public purpose is 25% for this transaction.

OLDE TOWNE ATTACHMENT F – BOND CAP MATRIX SUMMARY
DESCRIPTION OF QUALITATIVE & QUANTITATIVE VARIABLES

Index 4 – Unit Cap Cost Index. For every dollar of cost per unit, $0.45 is provided in volume cap.

Taken together, staff believes that the qualitative and the quantitative variables present adequate reason to allocate $23.2 million of bond cap to this transaction. This is due mostly to the deep public purpose relative to re-market, upfront fees earned by HOC, the greater than 15-year term on affordability, and a sound project in terms of design, location and delivery schedule.

ADOPTION OF AN INDUCEMENT RESOLUTION FOR THE CHURCHILL SENIOR LIVING PHASE II APARTMENTS TRANSACTION

JUNE 5, 2013

- Staff has received an application from Oakwood Properties, Inc. requesting financing through the issuance of tax-exempt bonds for a 133-unit senior housing facility, Churchill Senior Living Phase II (Churchill), planned for construction in Germantown, Maryland. The tax-exempt bonds will be privately placed with Citibank, N.A.

- Churchill Senior Living Phase II is the second phase of a three-phase development. The three-phase development will include a total of 300 units. Phase I opened in 2001 with 121 units. Phase II will be constructed at 21000 Father Hurley Boulevard.

- The development will provide 121 affordable units (91%). The affordable units will be occupied by households with incomes at 60% of the Washington, DC-MD-VA Area Median Income. The housing costs (rents plus utilities) for the public purpose units will be restricted to 30% of the applicable income.

- As proposed, Churchill will be financed using tax-exempt bonds, developer's equity, and equity raised from the sale of Low Income Housing Tax Credits (LIHTC).

- Staff requests that the Commission accept the recommendation of the Development and Finance Committee and adopt the attached Inducement Resolution for Churchill Senior Living Phase II Apartments in an amount up to $23,000,000.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Brown/Benjamin/Jarvis Ext. 9589/9590/9762
Division: Mortgage Finance

RE: Adoption of an Inducement Resolution for the Churchill Senior Living Phase II Apartments Transaction

DATE: June 5, 2013

COMMITTEE REPORT: Deliberation _X_

OVERALL GOAL & OBJECTIVE:
To increase the supply of affordable senior housing in Montgomery County.

BACKGROUND:
Staff has received an application from Oakwood Properties, Inc. requesting tax-exempt financing for a 133-unit senior housing facility, Churchill Senior Living Phase II (Churchill/Property), planned for construction in Germantown, Maryland. Churchill Senior Living Phase II is the second phase of a three-phase development. The three-phase development will include a total of 300 units. Phase I opened in 2001 with 121 units. Of the 121 units, 47% or 57 units are income restricted to households with incomes at 50% of the DC-VA-MD Area Median Income (AMI) and 53% or 64 units are restricted to households with incomes at 60% of the DC-VA-MD AMI. Phase I reportedly has sustained occupancy greater than 95% since lease-up. Churchill will be constructed at 21000 Father Hurley Boulevard and will be financed using tax-exempt bonds, developer's equity, and equity raised from the sale of Low Income Housing Tax Credits (LIHTC). The Property will consist of a five-story mid-rise plus lower level building with elevator service. Levels one through four will be connected to the rear of Phase I's existing building, creating an irregular shaped structure with a secure interior courtyard. The Property will be a mixed-income senior housing community targeting seniors ages 62 and older. Of the 133 units, 91% or 121 units (30 one bedroom and 91 two bedroom) will be income restricted to households with incomes at 60% of the DC-VA-MD AMI and 9% or 12 (two-bedroom) market-rate units will be available to renters.

Funding
The bond proceeds will be used for the construction loan only and is estimated to be outstanding for 36 months. At the end of the construction period, the bonds will be redeemed and the property will be funded with taxable proceeds from the sale of GNMA securities. The construction of the project will be financed with approximately $13,000,000 of tax-exempt bond proceeds and proceeds from the sale of a GNMA security. The bonds will not have credit enhancement because they will be privately placed with Citibank, N.A. and cash collateralized with proceeds from the sale of GNMA securities. The transaction will be insured by FHA under the 221(d)(4) mortgage insurance program. The bonds will close simultaneously with the 221(d)(4) mortgage and GNMA sale. While the ultimate financing will be a taxable FHA insured mortgage, the initial financing will be tax-exempt bonds which will allow the property to raise additional development dollars from the sale of limited partnership interest.

County Interest
The Property will receive a PILOT from Montgomery County for the income-restricted units. The PILOT will remain in effect until the property is no longer qualified, the partnership is in default, breaches the requirements, files for bankruptcy, or restrictions to the program are changed in the Annotated Code of Maryland.

Public Purpose
Churchill will provide 121 affordable units (91%). The affordable units will be occupied by households with incomes at 60% of the Area Median Income. The 2013 HUD published income limit for a one-bedroom unit is $48,330; and two-bedroom unit is $57,960. Because the property is supported with equity raised from the sale of LIHTC, the housing costs (rents plus utilities) for the public purpose units will be restricted to 30% of the applicable income.

Bond Cap
The transaction will require bond cap in the amount of the tax-exempt bonds, $13,000,000. An inducement resolution for the approximate amount of $23,000,000 (the maximum mortgage amount) is requested; however, only $13,000,000 in bonds is expected to be placed. The Bond Cap Chart (Attachment D) provides a summary of volume cap that is available to HOC and for this transaction.

Along with the Bond Cap Chart, the Project Summary, Site Location Map, 10-year Cash Flow, and Rent Chart are attached to assist in deliberation.

Should this project go forward, the next step in the Commission's process would be an analysis of public purpose and feasibility followed by the adoption of an Authorizing Resolution.

ISSUES FOR CONSIDERATION:
Does the Commission accept the recommendation of the Development and Finance Committee to approve the adoption of an Inducement Resolution for Churchill Senior Living Phase II Apartments?

PRINCIPALS:
Oakwood Properties, Inc.
Joseph Parreco
Housing Opportunities Commission

BUDGET IMPACT:
The transaction will pay an upfront financing fee of 1% of the total bonds issued (approximately $125,000) and a Loan Management Fee of (approximately $326,458). The loan management fee reflects the Net Present Value of 25 basis points on the bond amount for 17 years, discounted at 7%, to be paid up front.

TIME FRAME:
Action at the June 5, 2013 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission accept the recommendation of the Development and Finance Committee to approve the adoption of an Inducement Resolution for Churchill Senior Living Phase II Apartments in an amount up to $23,000,000.

RESOLUTION **Re: Adoption of an Inducement Resolution for the Churchill Senior Living Phase II Apartments Transaction**

WHEREAS, one of the public purposes of the Housing Opportunities Commission of Montgomery County (the "Commission") is to promote the construction of and acquisition of multifamily rental housing developments in Montgomery County to be occupied by eligible persons and families; and

WHEREAS, the Commission is authorized to issue tax-exempt bonds to provide the acquisition, construction and permanent financing for such developments; and

WHEREAS, the Commission has been asked to consider the issuance of tax-exempt bonds to finance the construction loan for a senior housing facility, The Churchill Senior Living Phase II (a 133-unit development located at 21000 Father Hurley Boulevard, Germantown, Montgomery County, Maryland 20874), which is intended for occupancy by seniors ages 62 and over (the "Project"); and

WHEREAS, the Commission sees this financing arrangement as an opportunity to further its goals in meeting said public purposes.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the staff to proceed with the review and processing of the necessary financing application.

BE IT FURTHER RESOLVED that it is the intention of the Commission to issue tax-exempt bonds in the maximum principal amount of $23,000,000 to provide financing for the acquisition and construction financing of the development project. The foregoing represents an expression of intent in order to satisfy the provision of Section 1.150-2 of the United States Income Tax Regulations and is not a commitment by the Commission to issue said bonds. Issuance of said bonds shall: 1) be at the discretion of the Commission, 2) shall be subject to the final satisfactory underwriting and approval of all documents, provisions, covenants, and all other provisions as may be required by the Commission and 3) shall be subject to final acceptance of same by the owner of the project.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on June 5, 2013.

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Patrice M. Birdsong
Special Assistant to the Commission

CHURCHILL SENIOR LIVING PHASE II
PROJECT SUMMARY

I. PROJECT INFORMATION

- Project Name: Churchill Senior Living Phase II
- Location: 21000 Father Hurley Boulevard, Germantown, MD 20874
- Developer: Oakwood Properties, Inc.
- Unit Mix and Proposed Rents:

UNIT TYPE	# OF TOTAL UNITS	% OF TOTAL UNITS	UNIT SIZE S.F.	UTILITY ALLOWANCE	AVERAGE PROPOSED RENTS
1 BD / 1 BH	30	23%	618-724	$62	$1,100
2 BD / 1 BH	79	59%	796-929	$97	$1,200
2 BD / 2 BH	12	9%	929	$97	$1,200
2 BD / 2 BH	12	9%	929	0	$1,600
TOTAL	**133**	**100%**			

- Low- to Moderate-Income Units: The project will produce 121 affordable units. Of the 133 units, 91% will be affordable to households making 60% of Area Median Income. In addition to the 60% low-income units, 9% of Phase II will be market rate units that will serve tenants who are over income for the low-income units. The 2013 HUD published income limit for the one-bedroom unit is $48,330 and two-bedroom unit is $57,960.

- Total Development Cost Breakdown:
  Sources of Funds

SOURCES	AMOUNT	PER UNIT
GNMA Investment Sale Proceeds	$20,600,900	$154,894
Primary Financing From Bond Proceeds (Construction Period Only)	$13,000,000	$97,744
Repayment Of Tax-Exempt Bonds After Construction Completion	$(13,000,000)	$(97,744)
LIHTC Equity	$7,566,636	$56,892
Deferred Developer Fee	$930,258	$6,994
TOTAL	**$29,097,794**	**$218,780**

Uses of Funds

USES	AMOUNT	PER UNIT
Acquisition Costs	$-	$ -
Construction Costs (Incl. fees)	$21,576,397	$162,228
Developer Fee Costs[1]	$2,816,367	$21,176
Financing Expenses	$2,553,157	$19,197
Soft Costs (marketing and syndication)	$544,182	$4,091
Guarantees & Reserves	$1,607,691	$12,088
TOTAL	**$29,097,794**	**$218,780**

- Proposed Tax-Exempt Loan Amount - $13,000,000 ($97,744 per unit).

- Description of Site: The property is a 1.05 acre parcel located in northern Montgomery County in Germantown. Access to the area is good; several roadways provide easy access to highways that run between Frederick County and the District of Columbia. There is parking located on Phase I or along adjacent Waters Landing Community Center Parcel.

  The site is accessible to various forms of public transportation. The Germantown MARC train station is 1.5 miles southwest of the site, off Germantown Road/Route 118. In addition, the Montgomery County Ride-On bus provides regular service and METRO, route 98, has a designated stop at the front entrance. See Attachment A for Site Location Map.

- Description of Project: Churchill Senior Living Phase II is the second phase of a three-phase development located in Germantown MD. Phase I opened in 2001. It has sustained occupancy greater than 95% since lease-up and has a waiting list. This second phase will enable management to offer more units that will share amenities and services with Phase I. Phase II will offer the same quality development and extensive senior services as Phase I.

- Project Amenities: Residents will have access to all existing amenities at Churchill Senior Living Phase I including a community room, sunroom, billiards and game room, reading room, fitness center, arts and crafts room, central laundry room and wellness center. Churchill Senior Living Phase II will add several amenities to the campus. Additional amenities will include an internet café, additional central laundry room, storage areas, a beauty salon and a movie theater.

[1] CDA maximum developer fee for a tax credit transaction is $2.5 million. The developer has applied for a waiver which is pending.

- Availability of Utilities: On site utilities will be provided by:
  Comcast – Phone and internet
  First energy Corp – Electricity
  WSSC – Water and Sewer
  Washington Gas – Natural Gas

- Zoning Status: Property is zoned T-S (Town Sector) in accordance with Chapter 59 of the Montgomery County Code (Zoning Ordinance).

- Site Control: There will be a ground lease between Oakwood Properties, Inc., a Maryland corporation (Lessor) and Churchill Senior Living II, LLC, a Maryland limited liability company (Lessee).

II. FINANCING STRUCTURE

1. Type of Loan: Tax-Exempt, interest only with principal due at maturity.

2. Loan Term: 36 months (construction term)

3. Projected Interest Rate: Approximately 3.25%

4. Bond Information: Citibank, N.A. to purchase the tax-exempt bonds.

5. HOC Fees: Approximately $451,458 (1% up front financing fee of $125,000 and loan management fee of $326,458).

III. CREDIT ENHANCEMENT

1. Type: N/A

2. Credit Enhancement Fees: N/A

IV. DEVELOPER INFORMATION

1. Previous Experience with HOC: N/A

2. Developer Qualifications: Oakwood Properties, Inc. assembled the site for multi-phase 300 unit senior living rental community in Germantown, Churchill Senior Living Phase I. The Developer is responsible for all aspects of the Project including site selection, purchasing of the land, zoning, design, construction, lease-up and on-going project operations. Phase I was placed in service in 2001 and has shown consistent performance and profitability.

V. DEVELOPMENT TEAM

1. Contractor:
   Hamel Builders
   Mr. Tom Wahl
   5701 Furnace Avenue, Suite H
   Elkridge, MD 21074

2. Architect:
   Grimm & Parker Architects
   Mr. Logan Schutz
   11720 Beltsville Drive, Suite 600
   Calverton, MD 20705

3. Management Agent:
   Oakbridge Management, LLC
   Mr. Matthew Parreco
   17901 Hollingsworth Drive
   Derwood, MD 20855

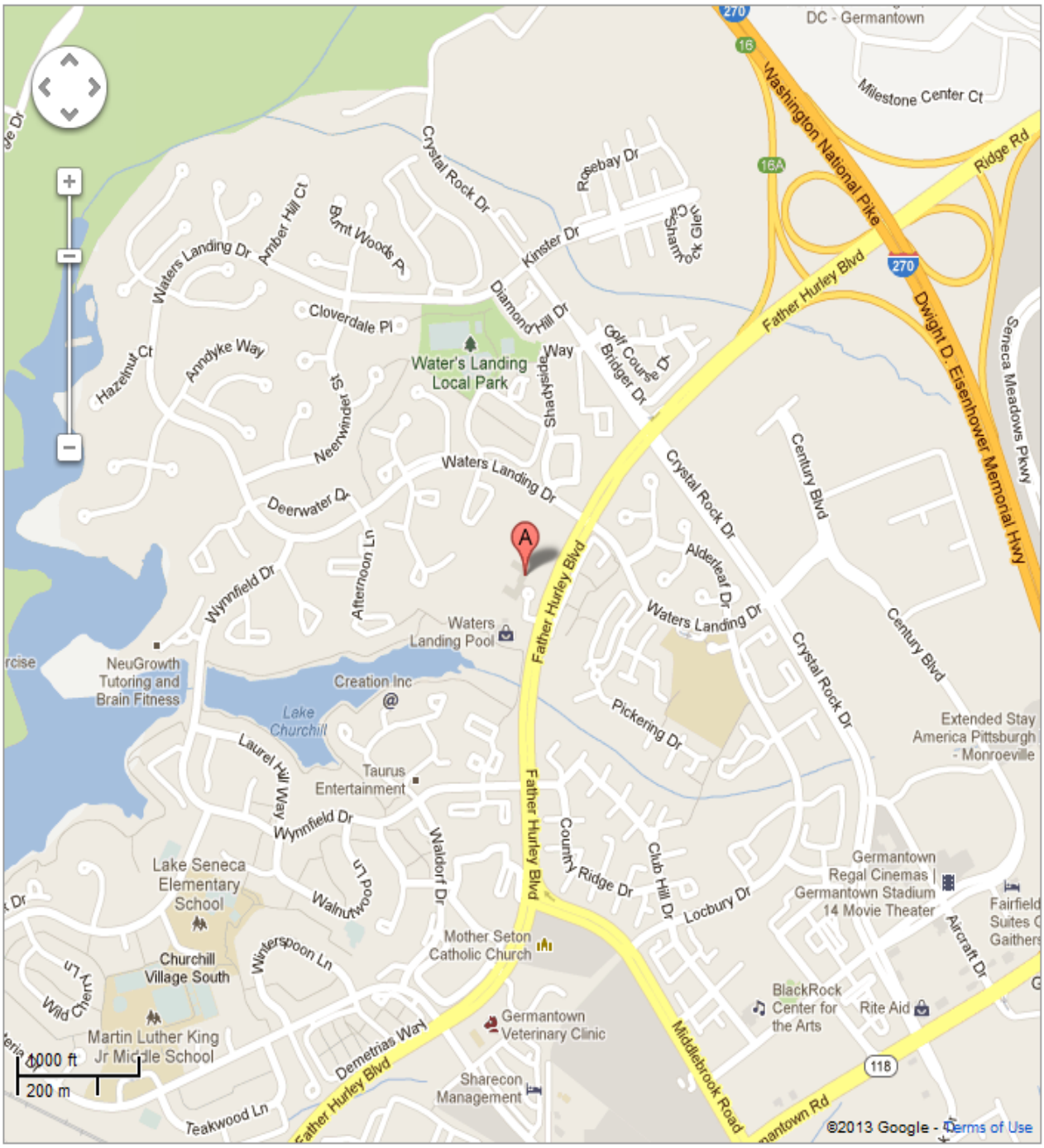
VI. ATTACHMENTS

Site Location Map – Attachment A
10-year Cash Flow – Attachment B
Rent Chart – Attachment C
Bond Cap Chart – Attachment D

ATTACHMENT A

Site Location Map

Churchill Senior Living Phase II



ATTACHMENT B
10-Year Cash Flow

Churchill Senior Living Phase II
Germantown, MD

Total Units 133

Assumptions

Residential Vacancy Rate	7.0%
Non-Residential Vacancy Rate	20.0%
Income Growth Rate	2.0%
Expense Growth Rate	3.0%
Management Fee Growth Rate	3.0%

		1 FY2016	2 FY2017	3 FY2018	4 FY2019	5 FY2020	6 FY2021	7 FY2022	8 FY2023	9 FY2024	10 FY2025
RENTAL INCOME											
Low-Income Units		$1,740,528	$1,775,339	$1,810,845	$1,847,062	$1,884,003	$1,921,684	$1,960,117	$1,999,320	$2,039,306	$2,080,092
Market Rate Units		$235,008	$239,708	$244,502	$249,392	$254,380	$259,468	$264,657	$269,950	$275,349	$280,856
Non Residential Income		$69,069	$70,450	$71,859	$73,297	$74,763	$76,258	$77,783	$79,339	$80,925	$82,544
NET RENTAL INCOME		**$2,044,605**	**$2,085,497**	**$2,127,207**	**$2,169,751**	**$2,213,146**	**$2,257,409**	**$2,302,557**	**$2,348,608**	**$2,395,581**	**$2,443,492**
Less: Residential Vacancy		($138,288)	($141,053)	($143,874)	($146,752)	($149,687)	($152,681)	($155,734)	($158,849)	($162,026)	($165,266)
Less: Non Residential Vacancy		($13,814)	($14,090)	($14,372)	($14,659)	($14,953)	($15,252)	($15,557)	($15,868)	($16,185)	($16,509)
EFFECTIVE GROSS INCOME		**$1,892,504**	**$1,930,354**	**$1,968,961**	**$2,008,340**	**$2,048,507**	**$2,089,477**	**$2,131,267**	**$2,173,892**	**$2,217,370**	**$2,261,717**
OPERATING EXPENSES	***Per unit***										
Administrative	*$595*	$79,083	$81,455	$83,899	$86,416	$89,009	$91,679	$94,429	$97,262	$100,180	$103,185
Management Fee	*$427*	$56,775	$57,911	$59,069	$60,250	$61,455	$62,684	$63,938	$65,217	$66,521	$67,852
Utilities	*$515*	$68,495	$70,550	$72,666	$74,846	$77,092	$79,404	$81,787	$84,240	$86,767	$89,370
Operating & Maintenance	*$2,104*	$279,846	$288,241	$296,889	$305,795	$314,969	$324,418	$334,151	$344,175	$354,501	$365,136
Taxes and Insurance	*$566*	$75,292	$77,551	$79,877	$82,274	$84,742	$87,284	$89,903	$92,600	$95,378	$98,239
TOTAL OPERATING EXPENSES	***$4,207***	**$559,491**	**$575,708**	**$592,400**	**$609,582**	**$627,266**	**$645,470**	**$664,207**	**$683,494**	**$703,347**	**$723,782**
Replacement Reserve	*$343*	$45,618	$46,987	$48,396	$49,848	$51,343	$52,884	$54,470	$56,104	$57,788	$59,521
TOTAL EXPENSES	***$4,550***	**$605,109**	**$622,695**	**$640,796**	**$659,430**	**$678,610**	**$698,354**	**$718,677**	**$739,598**	**$761,134**	**$783,303**
NET OPERATING INCOME		**$1,287,395**	**$1,307,659**	**$1,328,164**	**$1,348,910**	**$1,369,897**	**$1,391,123**	**$1,412,589**	**$1,434,293**	**$1,456,235**	**$1,478,414**
DEBT SERVICE		**$920,962**	**$920,962**	**$920,962**	**$920,962**	**$920,962**	**$920,962**	**$920,962**	**$920,962**	**$920,962**	**$920,962**
DEBT SERVICE COVERAGE		**1.40**	**1.42**	**1.44**	**1.46**	**1.49**	**1.51**	**1.53**	**1.56**	**1.58**	**1.61**
NET CASH FLOW		**$366,433**	**$386,697**	**$407,202**	**$427,948**	**$448,935**	**$470,161**	**$491,627**	**$513,331**	**$535,273**	**$557,452**

Churchill Senior Living Phase II
Germantown, MD

UNIT TYPE	# OF TOTAL UNITS	% OF TOTAL UNITS	UNIT SIZE S.F.	UTILITY ALLOWANCE	AVERAGE PROPOSED RENTS	MONTHLY TOTAL	MAXIMUM RENT @ 60% AMI	% OF MAXIMUM RENT
1BD / 1 BH	30	23%	618-724	$62	$1,100	$1,162	$1,208	96%
2 BD / 1 BH	79	59%	796-929	$97	$1,200	$1,297	$1,449	90%
2 BD / 2 BH	12	9%	929	$97	$1,200	$1,297	$1,449	90%
2 BD / 2 BH	12	9%	929	$0	$1,600	$1,600	N/A	N/A
TOTAL	**133**	**100%**						

VOLUME CAP NEED/USE FOR HOC AND PRIVATELY OWNED PROPERTIES IN MONTGOMERY COUNTY (5-31-2013)

($'000)

	2007	2008	2009	2010	2011	2012	2013	Comments / Notes
Balance Carried Forward	**$18,414**	**$0**	**$21,144**	**$50,544**	**$15,241**	**$48,567**	**$63,184**	
Special Allocation	**$30,000**	**$14,573**			**$20,000**			See Notes at the bottom.
Annual Bond Cap Allocation	**$27,715**	**$27,744**	**$29,400**	**$30,297**	**$32,726**	**$32,618**	**$33,228**	
	7%	0.11%	6%	3%	8%	-0.33%	2%	
TOTAL BOND CAP AVAILABLE	**$76,128**	**$42,317**	**$50,544**	**$80,841**	**$67,967**	**$81,184**	**$96,413**	
HOC PROGRAMS								
Single Family	$57,073	$14,573	$0	$1,850	$19,400	$18,000	$12,000	Due to increased activity, $27M of volume cap was approved for use in the single family program in 2007 to meet the demands of first time home buyers. A second special $30 million allocation of bond cap was awarded by DBED in 2007 and used in the second bond issuance of 2007. The bonus cap allocated to Montgomery County pursuant to HR3221 was used in the program in 2008. Two bond issues, 2009A under the 1979 indenture and 2009ABC under the new 2009 indenture, closed in 2009. The volume cap of $12 million in 2013 represents the remainder of the 2010 TEFRA (public approval).
Wheaton - Ambassador Apartments						$0		Refunding of prior bonds for a 100% LIHTC property. Compliance period expired in December 2008. Resyndication of LIHTC and substantial renovation of the property. Bond issue is not expected to close until 2015.
TOTAL HOC PROGRAMS	**$76,128**	**$14,573**	**$0**	**$1,850**	**$19,400**	**$18,000**	**$12,000**	
PRIVATE DEVELOPERS								
Silver Spring - Leafy House		$6,600						Acquisition and renovation by Victory Housing, Inc. of a 181-unit development located in Kensington/SS. The financing plan used Tax Exempt bonds, LIHTC and HIF funds for this 100% affordable housing development
Silver Spring - The Galaxy				$38,450				New construction of 195 units in Southern Silver Spring; LIHTC; RST Development LLC. 42% affordable, 58% market.
Silver Spring - The Argent				$25,300				Financing of a 96-unit failed condominium development in Southern Silver Spring; LIHTC; Blair Mill Associates, LLC. 100% affordable.
Gaithersburg - Olde Towne							$23,200	New construction of 199 units in Olde Towne Gaithersburg. The proposed financing plan will include multiple sources: tax-exempt bonds, GNMA investment sale proceeds, LIHTC, seller note, and developer fee.
Germantown - Churchill							$13,000	New construction of 133 units in Germantown. The proposed financing plan will include multiple sources: tax-exempt bonds, GNMA investment sale proceeds, LIHTC, and developer fee.
TOTAL PRIVATE ACTIVITY	**$0**	**$6,600**	**$0**	**$63,750**	**$0**	**$0**	**$36,200**	
TOTAL BOND CAP REMAINING	**$0**	**$21,144**	**$50,544**	**$15,241**	**$48,567**	**$63,184**	**$48,213**	

[1]In 2005 and 2007, the Maryland Department of Business and Economic Development (DBED) allocated $30 million of additional bond cap in each of the two years that were used in the Single Family Mortgage Purchase Program. In 2008, pursuant to HR3221, Montgomery County received $14.573 million of new volume cap for housing.

[2]$20 million of bond cap owed to HOC by CDA. This will be returned to HOC upon request, as needed.

Deliberation

and/or

Action

ADOPTION OF SUPPLEMENTAL RESOLUTION TO THE RESOLUTION PROVIDING FOR THE ISSUANCE OF SINGLE FAMILY MORTGAGE REVENUE BONDS OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

June 5, 2013

- The 1979 Single Family Bond Resolution (the "Resolution") constitutes the basic framework for the Commission's issuance of Mortgage Revenue Bonds to support the Mortgage Purchase Program. The Resolution is written to provide for the use of bond proceeds to purchase whole loans by the Commission.

- On May 1, 2013, the Commission approved the structure and cost of issuance budget for a 2013ABC Single Family Mortgage Revenue Bond Issuance to refund various outstanding Single Family Mortgage Revenue Bonds and issue new debt.

- Bond funds created by the issuance of new debt will be used to purchase Mortgage Backed Securities. In order for the new bond funds to be used for the purchase of MBS, the Resolution needs to be amended to incorporate appropriate language to that effect. Unlike the 2009 Single Family Housing Revenue Bond Resolution, which provides for the use of bond funds to purchase MBS, the 1979 Mortgage Revenue Bond Resolution does not.

- Kutak Rock, LLP, HOC Bond Counsel, has prepared a Supplemental Resolution to the 1979 Bond Resolution for the purpose of incorporating references and language which will permit the use of bond funds under the 1979 Bond Resolution to be used for the purchase of Mortgage Backed Securities and servicing by a Master Servicer.

- Staff recommends that the Commission adopt the Supplemental Resolution to the 1979 Bond Resolution. This will commence with the closing of the 2013 Series ABC Single Family Bond Issuance in June 2013.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Staff: Brown/DeBrine Division: Mortgage Finance Ext. 9589/9599

RE: Adoption of Supplemental Resolution to the Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds of the Housing Opportunities Commission of Montgomery County

DATE: June 5, 2013

STATUS: Consent _____ Deliberation __X___ Status Report_____ Future Action

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OVERALL GOAL & OBJECTIVE:
To incorporate specific language with respect to the authority of the Commission to use bond funds to purchase Guaranteed Mortgage Securities (Mortgage Backed Securities) under the Single Family Mortgage Revenue Bond Resolution adopted in March 1979.

BACKGROUND:
Action Requested
The Commission is being asked to adopt a Supplemental Resolution to the Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds of the Housing Opportunities Commission of Montgomery County (the "1979 Bond Resolution") for the purpose of incorporating language to enable the Mortgage Purchase Program to use bond funds from the 1979 Bond Resolution to purchase Mortgage Backed Securities (MBS) or a participation in MBS.

2013 ABC Refunding and New Debt
On May 2, 2012, the Commission approved the addition of Mortgage Backed Securities and participation in the secondary market for the Mortgage Purchase Program.

On May 1, 2013, the Commission approved a 2013ABC Single Family Mortgage Revenue Bond Issue to refund various single family mortgage revenue bonds and issue new debt. The 2013ABC Single Family Mortgage Revenue Bonds will be issued under the 1979 Bond Resolution. The funds created from the issuance of new debt will be used to purchase MBS or participation in MBS. The mortgage loans securitized in the MBS will be serviced by a Master Servicer. The MBS will be guaranteed by either Ginnie Mae, the Federal Home Loan Mortgage Corporation (Freddie Mac), or Fannie Mae.

The 1979 Bond Resolution is silent about such use of bond funds and the presence of a Master Servicer. HOC Bond Counsel, Kutak Rock, LLP, has advised staff that the 1979 Bond Resolution should be amended to provide for the use of bond proceeds under the 1979 Bond Resolution to purchase MBS or participation therein and the use of a Master Servicer. Kutak Rock, LLP further advises that such a change will not require the consent of the bondholders but can be implemented upon approval by the Commission and the Trustee.

Kutak Rock, LLP has drafted the attached Supplemental Resolution to the 1979 Bond Resolution. In addition, the 1979 Bond Resolution showing the language to be included and excluded is attached for reference. Approval of the Supplemental Resolution approves the various insertions and exclusions as shown in the attachment.

The amended 1979 Bond Resolution will contain new definitions for a Guaranteed Mortgage Security (synonymous with MBS) and Master Servicer. Generally, throughout the current document the language that refers to Mortgage Loans will add references to Guaranteed Mortgage Securities.

The 2009 Bond Resolution was amended in October 2012 to clarify certain language enabling the Mortgage Purchase Program to use bond funds to purchase Mortgage Backed Securities (MBS) in addition to whole loans originated under that resolution.

ISSUES FOR CONSIDERATION:
Should the Commission adopt the Supplemental Resolution to incorporate language in the 1979 Bond Resolution enabling the Single Family Program to use bond funds issued under the 1979 Bond Resolution to purchase Mortgage Backed Securities or a participation therein?

PRINCIPALS:
HOC

BUDGET IMPACT:
None.

TIME FRAME:
A decision by the Commission at the meeting of June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends adoption of the Supplemental Resolution to the 1979 Single Family Bond Resolution enabling the Single Family Program to use bond funds issued under the 1979 Bond Resolution to purchase Mortgage Backed Securities or a participation therein.

RESOLUTION NO. 2013-___ **RE: Amendment to Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds, adopted March 28, 1979, as amended**

SUPPLEMENTAL RESOLUTION
TO THE
RESOLUTION PROVIDING FOR THE ISSUANCE OF
SINGLE FAMILY MORTGAGE REVENUE BONDS OF
THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

Adopted June 5, 2013

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") adopted on March 28, 1979 a Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds and adopted amendments to such Resolution on December 15, 1982, August 1, 1983, June 1, 1986, June 26, 1991, May 17, 1995, June 9, 1999, May 3, 2000, September 18, 2002, December 1, 2005, April 2, 2008 and December 7, 2011 (collectively, the "Bond Resolution"); and

WHEREAS, the Bond Resolution provides that the Commission may at any time or from time to time adopt a resolution amending and supplementing the Bond Resolution for the purposes of clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect, which, upon (i) filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) filing with the Commission of an instrument in writing made by the Trustee consenting to such resolution, shall be fully effective in accordance with its terms; and

WHEREAS, the Commission has determined that it is appropriate to further amend and supplement the Bond Resolution for such purposes in accordance with the terms and conditions contained therein;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County to amend and supplement the Bond Resolution by making the additions which appear with computer-generated double-underscoring and making the deletions which appear with computer-generated strike-throughs, in each case, in the composite copy of the Bond Resolution attached hereto as Exhibit A.

After giving effect to this Supplemental Resolution, the composite copy of the Bond Resolution reflects the entire Bond Resolution as in effect on the date hereof.

This Resolution amending and supplementing the Bond Resolution shall take effect immediately upon adoption and upon filing with the Trustee of this Resolution copy hereof certified by the Authorized Officer of the Commission and receipt by the Commission of written consent by the Trustee to this Resolution.

The foregoing resolution was adopted upon a motion by Commissioner _____ and seconded by Commissioner _____. Affirmative votes were cast by Commissioners _____. [Commissioners _____ were necessarily absent and did not participate in the vote.]

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, June 5, 2013.

S
E
A
L

_____
Patrice M. Birdsong
Special Assistant to the Commission

TRUSTEE CONSENT

The Bank of New York Mellon Trust Company N.A., as trustee under the Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds of the Housing Opportunities Commission of Montgomery County, adopted March 28, 1979, as amended (the "Bond Resolution"), does hereby consent to the foregoing Supplemental Resolution to the Bond Resolution adopted by the Commission on June 5, 2013.

THE BANK OF NEW YORK MELLON
TRUST COMPANY N.A.

By: _____
Authorized Agent

EXHIBIT A

~~**AMENDED AND RESTATED**~~

RESOLUTION

PROVIDING FOR THE ISSUANCE OF

SINGLE FAMILY MORTGAGE REVENUE BONDS

OF THE

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Adopted March 28, 1979 (Resolution No. 79-26)

Amended December 15, 1982 (Resolution No. 82-162)
Amended August 1, 1983 (Resolution No. 83-103)
Amended June 1, 1986 (Resolution No. 86-62)
Amended June 26, 1991 (Resolution No. 91-95)
Amended May 17, 1995 (Resolution No. 95-82)
Amended June 9, 1999 (Resolution No. 99-45)
Amended May 3, 2000 (Resolution 2000-41)
Amended September 18, 2002 (Resolution No. 02-80)
Amended December 1, 2005 (Resolution No. 2005-126a)
Amended April 2, 2008 (Resolution No. 08-41)
Amended December 7, 2011 (Resolution No. 11-110)
Amended June 5, 2013 (Resolution No. 13-___)

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Resolution No. _____

AMENDED AND RESTATED RESOLUTION PROVIDING FOR THE ISSUANCE OF SINGLE FAMILY MORTGAGE REVENUE BONDS OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

_____

BE IT RESOLVED BY THE COMMISSIONERS OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY:

ARTICLE I

DETERMINATIONS AND DEFINITIONS

Section 1.01. Authority and Purpose. This Bond Resolution is adopted under authority and in accordance with the provisions of the Acts for the purpose of facilitating the development of a sufficient supply of decent, safe and sanitary single family residential housing in Montgomery County, Maryland at prices affordable by persons who individually or as part of a family unit lack sufficient income or assets to enable them without financial assistance to live in decent, safe and sanitary dwellings without overcrowding, by providing funds to make ~~or~~, purchase or finance or refinance Mortgage Loans, including through the purchase of Guaranteed Mortgage Securities, for the construction, acquisition and rehabilitation of Homes within Montgomery County, Maryland; and for the purpose of establishing covenants, agreements and procedures to assure that Revenues received from financing such Mortgage Loans and Guaranteed Mortgage Securities will be sufficient for the repayment of money borrowed for this purpose, and that Revenues exceeding the amounts needed for this purpose will be applied in accordance with law for other programs authorized by the Acts.

Section 1.02. Contract with Trustee and Bondholders. As provided in the Acts and in consideration of the acceptance by the Trustee of the trusts herein created and of the purchase and acceptance of Bonds and coupons of any Series issued hereunder by any who shall from time to time be holders thereof:

(a) the provisions of this Bond Resolution and applicable Series Resolutions shall be a contract of the Commission with the Trustee and the holders of the Bonds and coupons;

(b) the Commission covenants that it will cause to be paid to and deposited with the Trustee, or to the Trustee's credit with Fiduciaries designated by the Commission, all proceeds of Bonds, all payments of Mortgage Loans, Guaranteed Mortgage Securities and securities made and purchased from such proceeds and all income and receipts therefrom;

(c) the Commission pledges to the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds, at the times and in the manner provided in this Bond Resolution and applicable Series Resolutions, and grants a security interest in, (i) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds), (ii) all Mortgage Loans, Guaranteed Mortgage

Securities and Permitted Investments made or purchased from such proceeds (or in the case of the financing of participations in a Mortgage Loan or a Guaranteed Mortgage Security, only the participation interests therein), (iii) all Revenues, and (iv) all money, Permitted Investments and other assets and income held in and receivable by Funds and Accounts established by or pursuant to this Bond Resolution and applicable Series Resolution; all subject to the power of the Commission to direct withdrawals of amounts from said Funds and Accounts upon the conditions set forth in this Bond Resolution;

(d) the pledge made and security interests granted herein and the covenants and agreements herein set forth, to be performed by and on behalf of the Commission, shall be for the equal benefit, protection and security of holders of all such Bonds and coupons, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond or coupon over any other except as expressly provided or permitted herein;

(e) this pledge is valid and binding from the time when made, and the property so pledged and hereafter received by the Commission shall immediately be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Commission, whether or not such parties have notice thereof, and neither this Bond Resolution nor any other instrument by which such pledge is created need be recorded; and

(f) the Bonds are not general obligations of the Commission, but are limited obligations, payable out of the Revenues and other amounts and properties hereby pledged therefor and in which a security interest is hereby granted.

Section 1.03. Definitions. In this Bond Resolution, unless a different meaning clearly appears from the context, the following terms have the following respective meanings:

"Accountant's Certificate" means an opinion signed by any certified public accountant or firm of certified public accountants (who may be the accountant or firm that regularly audits the books and accounts of the Commission) from time to time selected by the Commission.

"Accreted Value" means with respect to the specified Bonds of any Series, the definition as specified in the Series Resolution.

"Acts" means Article 44A of the Annotated Code of Maryland (1971 Repl. Vol. and 1974 Cum. Supp.), as amended, known as the Housing Authorities Law, and Chapter 41 of the Laws of Montgomery County 1974, known as the Housing Opportunities Act, and the Agreement By and Between Housing Opportunities Commission of Montgomery County and Montgomery County, Maryland, executed March 9, 1979, and any other agreement executed pursuant to the aforementioned laws.

"Aggregate Principal Amount" means, with respect to any Bonds Outstanding, (i) the par value of Bonds with an Original Reoffering Price of not less than 98% of the par amount thereof (excluding Bonds which do not pay interest until maturity), (ii) the Accreted Value of Bonds

with an Original Reoffering Price of less than 98% of the par amount thereof, and (iii) the Accreted Value of Bonds which do not pay interest until maturity.

"Annual Budget" means the budget or amended budget for a Fiscal Year adopted by the Commission or in effect pursuant to Section 7.04.

"Authorized Newspapers" means newspapers printed in the English language, one of which is generally circulated in Montgomery County, Maryland and the other is a financial newspaper circulated in the Borough of Manhattan in the City and State of New York.

"Authorized Officer" means the Chairman, Vice Chairman or Executive Director of the Commission or any other person authorized by resolution of the Commission to perform an act or sign a document.

"Bond" means any Bond authorized under this Bond Resolution and issued pursuant to a Series Resolution.

"Bondholder" or "holder of Bonds" or "owner of Bonds" means the bearer of any coupon Bond not registered as to principal or registered (except Bonds registered to bearer) to bearer, and the registered owner of any registered Bond. The word "holder," when used with reference to a coupon, shall mean the bearer of such coupon.

"Bond Resolution" means this resolution, Resolution No. _____, adopted ~~December ___, 2011,~~June 5, 2013, as it may from time to time be amended, modified or supplemented as herein provided.

"Capitalized Interest Accounts" means the Accounts so designated which may be established pursuant to Section 5.02.

"Commission" means the Housing Opportunities Commission of Montgomery County, a public body corporate and politic.

"Cost of Issuance" means all items of expense payable or reimbursable directly or indirectly by the Commission and related to the authorization, sale and issuance of Bonds and the making~~ and purchase~~, purchasing, financing or refinancing of Mortgage Loans, including through the purchase of Guaranteed Mortgage Securities.

"Cost of Issuance Accounts" means the Accounts so designated which may be established pursuant to Section 5.02.

"Counsel's Opinion" means an opinion signed by any attorney or firm of attorneys (who may be employed by or of counsel to the Commission or an attorney or firm of attorneys retained by it in other connections) licensed to practice in the state in which he or it maintains an office, selected or employed by the Commission and satisfactory to the Trustee.

"Debt Service Fund" means the Fund so designated which is established by Section 6.01.

"Debt Service Reserve Fund" means the Fund so designated which is established (see foregoing Fund and Accounts definitions) by Section 6.01.

"Debt Service Reserve Requirement" means, as of any particular date of computation, an amount of money equal to ten percent of the Aggregate Principal Amount of Outstanding Bonds.

"Defaulted Mortgage Loan" means a Mortgage Loan held by the Commission on which payments are sixty or more days in arrears or a Mortgage Loan described in a certificate of an Authorized Officer and stated therein to be in default under its terms, or one on which payments are sixty days in arrears.

"Escrow Accounts" means accounts held by Mortgage Lenders or by the Commission for the making of Escrow Payments pursuant to Section 6.09.

"Escrow Payment" means any payment made to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any federal, state, local or private program intended to assist in providing Mortgage Loans, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan.

"Event of Default" means any occurrence or event described as an Event of Default in Section 9.01.

"Fair Market Value" means the fair market value of property determined by a qualified appraiser who is acceptable to the Commission.

"Federal Obligations" means direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America.

"Fiduciary" means any bank, trust company, national banking association or federally or state chartered savings and loan association having combined capital and surplus of not less than One Million Dollars.

"Financing Agreement" means a contractual agreement executed between the Commission and a Mortgage Lender, wherein the terms and conditions of the Program are set forth, and which ~~provides~~may provide, inter alia for the servicing of a Mortgage Loan, including the collection and deposit of payments and proper application of Escrow Payments.

"Fiscal Year" means the period of twelve calendar months commencing on July 1 in any calendar year and ending on June 30 in the following calendar year.

"General Reserve Fund" means the Fund so designated which is established by Section 6.01.

"Guaranteed Mortgage Security" means an interest-bearing security guaranteed as to payment of principal and interest by the Government National Mortgage Association, Fannie Mae or the Federal Home Loan Mortgage Corporation or any other agency or instrumentality of or chartered by the United States which has similar powers, in each case, backed by Qualified Mortgage Loans. If a participation interest in a Guaranteed Mortgage Security is financed under this Resolution, then each reference in this Resolution to a "Guaranteed Mortgage Security" shall mean the participation in such Guaranteed Mortgage Security.

"Home" means real property and improvements thereon (including, but not limited to, a condominium unit) which consists of one to four dwelling units, one of which is owned and occupied by the Mortgagor as his or her principal residence, and which satisfies other requirements which the Commission may from time to time establish.

"Initial Yield to Maturity" means the yield of any Bond as specified in the Series Resolution.

"Interest Account" means the Account so designated which is established in the Debt Service Fund by Section 6.01.

"Interest Payment Date" means each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

"Interest Requirement" means, as of any particular date of computation, the sum of the unpaid interest then due plus the interest to become due on all Outstanding Bonds on their next Interest Payment Date (if such computation is made on an Interest Payment Date for one or more Series of Bonds, such Interest Payment Date shall be treated as the next Interest Payment Date for such Series).

"Issue Date" means the date as of which any Series of Bonds is issued and from which interest thereon accrues, as specified by the applicable Series Resolution in accordance with Section 2.02.

"Master Servicer" means any public or private institution servicing certain Mortgage Loans, including those underlying Guaranteed Mortgage Securities.

"Mortgage" means a mortgage deed, deed of trust or other instrument securing a Mortgage Loan and constituting a first lien on a Home, subject only to encumbrances referred to in Section 5.04(d).

"Mortgage Lender" means any bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, life insurance company or other financial institution authorized to transact business within the State, or any agency or instrumentality of the United States or the State, making or holding a Mortgage Loan, including a Mortgage Loan underlying a Guaranteed Mortgage Security, whether for its own account or as agent of the Commission.

"Mortgage Loan" means an interest-bearing loan to a Mortgagor, secured by a Mortgage on a Home and evidenced by a promissory note and includes such a loan underlying a

Guaranteed Mortgage Security. If a participation interest in a Mortgage Loan is financed under this Resolution, then each reference in this Resolution to a "Mortgage Loan" shall mean the participation in such Mortgage Loan.

"Mortgage Loan Accounts" means the Accounts so designated which may be established pursuant to Section 5.03.

"Mortgage Pool Insurance Policy" means the mortgage pool insurance policy which is on file with the Commission issued by Verex Assurance, Inc., or any replacement policy or policies of a similar nature and purpose, in an amount equal to 10% of the initial aggregate principal amount of all Mortgage Loans except FHA Mortgage Loans (less any claims made and paid).

"Mortgage and Special Hazard Reserve Fund" means the Fund so designated which is established by Section 6.01.

"Mortgage and Special Hazard Reserve Requirement" means the greater of (i) the aggregate for all Series of Bonds of (a) an amount equal to 1 percent of the amount initially paid into the Mortgage Loan Account until the first principal payment date following the tenth year after the Issue Date for each Series of Bonds, and (b) thereafter 1 percent of the initial principal amount of all Mortgage Loans then outstanding with respect to each Series of Bonds, or (ii) $100,000.

"Mortgagor" means the obligor or joint obligors on a Mortgage Loan.

"Operating Budget" means the budget or amended budget for a Fiscal Year adopted by the Commission or in effect pursuant to Section 7.04.

"Optional Redemption Account" means the Account so designated which is established in the Redemption Fund by Section 6.01.

"Original Reoffering Price" means the original reoffering price of any Bond as set forth in the Series Resolution with respect to such Bond.

"Other Bonds" means other single family mortgage revenue bonds issued by the Commission, the refunding of which will make available funds to make ~~or~~, purchase or finance Mortgage Loans or Guaranteed Mortgage Securities hereunder.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been delivered under this Bond Resolution, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds or Federal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall

have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which other Bonds have been transferred, exchanged, executed and delivered under Sections 3.04 or 3.09.

"Participation Agreement" means any participation agreement among the Commission, the Trustee and the 2009 Resolution Trustee pursuant to which the terms governing the financing of participation interests in the Mortgage Loans and Guaranteed Mortgage Securities financed under the Resolution and the 2009 Resolution are specified.

"Paying Agent" means any bank or trust company designated pursuant to a Series Resolution to serve as a paying agency or place of payment for the Bonds of such Series, and any successors designated in accordance with this Bond Resolution.

"Permitted Investments" means any of the following which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) Federal Obligations; (ii) bonds, debentures, participation certificates, notes or other obligations issued or unconditionally guaranteed by any of the following: Bank for Cooperatives, Federal Financing Banks, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Student Home Marketing Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Small Business Administration or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the Commission's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality); (iii) Public Housing Bonds, Temporary Notes or Preliminary Loan Notes fully secured by contracts with the United States; (iv) certificates of deposit (including certificates of deposit of the Trustee), insured by the Federal Deposit Insurance Corporation, or fully secured by obligations of the kind specified in (i), (ii) and (iii) above; (v) repurchase agreements fully secured by obligations of the kind specified in (i) and (ii) above; and (vi) securities of, or other interests in, any open end or closed end management type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, 15. U.S.C. § 80a 1 et seq., if (i) the portfolio of the open end or closed end management type investment company or investment trust is limited to Federal Obligations and to repurchase agreements fully collateralized by Federal Obligations, and (ii) the open end or closed end management type investment company or investment trust takes delivery of that collateral, either directly or through an authorized custodian.

"Principal Account" means the Account so designated which is established in the Debt Service Fund by Section 6.01.

"Principal Requirement" means, as of any particular date of computation, for all Bonds then Outstanding, the sum of (i) all unpaid Aggregate Principal Amount (including Sinking Fund Installments) then due, plus (ii) the Aggregate Principal Amount (including Sinking Fund

Installments) due on the next Interest Payment Date, plus (iii) one-half of the Aggregate Principal Amount (including Sinking Fund Installments) to become due on the Interest Payment Date next succeeding the Interest Payment Date in (ii) above; provided that if such computation is made on an Interest Payment Date for one or more Series of Bonds, such Interest Payment Date shall be treated as the next Interest Payment Date for such Series.

"Private Mortgage Insurer" means a company qualified to provide insurance on mortgage loans purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, or any other agency or instrumentality of the United States to which the powers of either of them have been transferred or which has similar powers to purchase mortgage loans.

"Program" means the Commission's program of making ~~or~~, purchasing or financing Qualified Mortgage Loans, including through the purchase of Guaranteed Mortgage Securities, pursuant to the provisions of this Bond Resolution, including the payment, when due, of principal of and redemption premium, if any, and interest on Bonds.

"Program Expenses" means the reasonable and necessary expenses incurred by the Commission in carrying out the Program, including without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees of the Trustee, any depositary and any Paying Agent, the premium for the Mortgage Pool Insurance Policy; costs of issuance not paid from proceeds of Bonds; payments to pension, retirement, health and hospitalization funds; Qualified Hedge Agreement payments designated by an Authorized Officer including, without limitations, payments due upon the early termination of a Qualified Hedge Agreement; liquidity provider fees, bond insurer fees, remarketing agent fees, any Program Expenses provided for in a Series Resolution, and any other expenses required or permitted to be paid by the Commission allocable to the Program, but not including debt service on the Bonds, as set forth in an Operating Budget.

"Qualified Mortgage Loan" means a Mortgage Loan satisfying the conditions set forth in Section 5.04.

"Redemption Fund" means the Fund so designated which is established by Section 6.01.

"Revenue Fund" means the Fund so designated which is established by Section 6.01.

"Revenues" means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Commission from or related to the Program, including, without limitation, the payments and prepayments of principal of and interest on (1) Mortgage Loans (whether paid by or on behalf of the Mortgagor), but not including Escrow Payments or Service Charges, and not including financing, commitment or similar fees or charges of the Commission at or prior to the time of making or purchasing a Mortgage Loan and (2) Guaranteed Mortgage Securities.

"Serial Bonds" means Bonds so designated in a Series Resolution.

"Series" means all Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to Article III.

"Series Resolution" means a resolution of the Commission authorizing the issuance of Bonds pursuant to Article II.

"Service Charge" means any charge authorized to be deducted by a Mortgage Lender or a Master Servicer from payments on a Mortgage Loan and any reimbursement of the cost of servicing by the Commission, before deposit of the payments with the Trustee.

"Servicing Agreement" means any contractual agreement between the Commission and a Master Servicer with respect to the servicing of Mortgage Loans.

"Sinking Fund Installment" means any amount of money required by or pursuant to a Series Resolution to be paid on a specified date by the Commission toward the retirement of any particular Term Bonds before maturity.

"Special Redemption Account" means the Account so designated which is established in the Redemption Fund by Section 6.01.

"State" means the State of Maryland.

"Term Bonds" means Bonds so designated in a Series Resolution.

"Trustee" means the trustee appointed by or pursuant to Section 12.01, its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this Bond Resolution.

"2009 Resolution" means, collectively, the Single Family Housing Revenue Bond Resolution adopted by the Commission on November 20, 2009, as amended, and series resolutions adopted pursuant thereto.

"2009 Resolution Trustee" means the trustee appointed under the 2009 Resolution.

"Yield" means, with respect to a Mortgage Loan, an annual yield to maturity determined from a standard table of mortgage yields for monthly payment of self-amortizing mortgages.

Section 1.04. Interpretation. The following principles govern the interpretation of other words and phrases used in this Bond Resolution:

(a) Articles, sections, paragraphs and clauses mentioned by number only are those so numbered which are contained in this Bond Resolution;

(b) Captions, titles or headings preceding any article or section herein, and any table of contents or index attached hereto, are solely for convenience of reference and are not part of this Bond Resolution and shall not affect its meaning, construction or effect;

(c) Terms such as "herein," "hereunder," "hereby," "hereto" and "hereof" refer to this Bond Resolution and not to any particular section hereof unless so indicated, and "heretofore" and "hereafter" mean before and after the date of adoption of this Bond Resolution, respectively;

(d) Words importing the masculine gender include the feminine and neuter genders;

(e) Words importing the maturity of a Bond do not include or connote the becoming due of such Bond upon redemption thereof prior to maturity;

(f) Words importing persons include firms, associations, corporations and any other legal entities;

(g) Words importing the redemption or redeeming or calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond; and

(h) Words importing the singular number include the plural number, and vice versa.

ARTICLE II

ISSUANCE OF BONDS

Section 2.01. Authorization. To provide sufficient funds for the Program, and for the other purposes stated in Section 1.01, Bonds of the Commission, designated as Single Family Mortgage Revenue Bonds, are authorized to be issued from time to time without limitation as to amount, except as provided in this Bond Resolution or by law, and shall be issued subject to the terms, conditions and limitations established in this Bond Resolution and in one or more Series Resolutions. Each Series shall bear a letter and/or number designation sufficient to distinguish it from any other Series. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds or both.

Section 2.02. Series Resolutions. Each Series Resolution shall include a determination by the Commission that it is necessary to issue the Series of Bonds in the principal amount authorized thereby to provide sufficient funds to be used and expended for the Program, and shall specify and determine as to that Series:

(a) The authorized principal amount of Bonds;

(b) The date or dates of maturity of the Bonds (which shall be a July 1 or January 1), and the Issue Date;

(c) The rate or rates or the manner of determining the rate or rates of interest on the Bonds, and their Interest Payment Dates;

(d) The Bonds which are Term Bonds (if any) and those which are Serial Bonds (if any);

(e) The redemption price or prices and redemption date or dates and other terms of redemption of the Bonds (if any);

(f) The amount and date of each Sinking Fund Installment, if any, required to be paid;

(g) The form, title, designation and manner of numbering and lettering of the Bonds;

(h) The Paying Agent or Agents, if any;

(i) The purchasers and terms of sale, or the manner in which the Bonds are to be sold and provisions for the sale thereof;

(j) The purposes for which the Bond proceeds may be used, which shall be to provide funds for one or more of the following:

(1) for the making or purchasing of Qualified Mortgage Loans or Guaranteed Mortgage Securities;

(2) for the financing of Qualified Mortgage Loans previously made or purchased or underlying Guaranteed Mortgage Securities;

(3) for the refunding of any or all Outstanding Bonds or other bonds of the Commission, including any or all interest and redemption premiums thereon; and

(4) incident to these purposes, for the funding of a discount and the deposit of amounts determined by or pursuant to this Bond Resolution to be credited and paid into the Funds and Accounts referred to in Sections 2.04, 5.01 and 6.01;

(k) That notwithstanding any other provisions of the Series Resolution, upon issuance, sale and delivery of the Bonds, so much of the proceeds shall be deposited in the Debt Service Reserve Fund as is needed to establish a balance therein equal to the Debt Service Reserve Requirement, computed with reference to all Outstanding Bonds and to the Bonds authorized by the Series Resolution; and

(l) Any other provisions deemed advisable by the Commission, and not in conflict with or in substitution for the provisions of the Bond Resolution.

Each Series Resolution shall include a determination by the Commission that such Series of Bonds will not adversely affect the ability of the Commission to purchase Mortgage Loans or Guaranteed Mortgage Securities with the proceeds of Outstanding Bonds previously issued.

Section 2.03. Conditions Precedent to the Issuance of Bonds. After authorization by a Series Resolution and compliance with all requirements set forth therein, Bonds of a Series may be executed on behalf of the Commission and delivered to the initial purchasers or underwriters thereof, but only upon and subject to the conditions stated in Articles III and IV and the following conditions:

(a) The Commission shall furnish to the Trustee:

(1) copies of this Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(2) a Counsel's Opinion that:

(i) this Bond Resolution and the applicable Series Resolution have been duly adopted by the Commission and are valid and binding upon it and enforceable in accordance with their terms (subject to reasonable exceptions with respect to enforceability under bankruptcy laws or the police power of the State or similar laws);

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Commission does not exceed any legal limitation; and

(3) a certificate of an Authorized Officer, stating:

(i) the amounts of the proceeds of the Bonds (and any other funds) to be credited to the Funds and Accounts referred to in Section 5.01 at the time of delivery of the Bonds;

(ii) There is no Event of Default then existing under this Bond Resolution; and

(iii) that the issuance of the Bonds will have no material adverse effect on the ability of the Commission to pay the principal, premium, if any, and interest on all Bonds as and when the same are scheduled to be paid; and

(b) The Trustee shall determine and certify:

(1) that it has received the documents listed in subsection (a);

(2) that the amount to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in that Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee; and

(3) that the amount to be deposited in the Mortgage and Special Hazard Reserve Fund is sufficient to increase the amount in that Fund to the Mortgage and Special Hazard Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Section 2.04. Refunding Bonds. (a) In the event that a Series Resolution provides for the refunding of any Outstanding Bonds of one or more Series or for the refunding of any other outstanding bonds of the Commission, the certificate of an Authorized Officer required in Section 2.03(a) shall include instructions to the Trustee, satisfactory to the Trustee:

(i) with respect to any Outstanding Bonds, identifying the Bonds or interest and redemption premiums, if any, to be refunded and identifying separately those Bonds to be paid at their respective maturity dates and those, if any, to be redeemed at specified redemption prices and on specified dates at which such Bonds may be redeemed from funds held in the Special Redemption Account or from other funds;

(ii) with respect to any Outstanding Bonds, directing the Trustee to duly publish a notice of redemption as required by Section 4.04; and¶

(iii) with respect to any other outstanding bonds of the Commission, identifying such other bonds to be refunded and directing the Trustee to transfer the proceeds of the refunding Bonds to the trustee for the other bonds against simultaneous receipt by the Trustee of moneys and/or assets relating to such other bonds in the aggregate principal amount as shall be set forth in such instructions.

(b) At or before the time of delivery of Bonds issued to refund Outstanding Bonds, the Commission shall deposit with the Trustee an amount of money or Federal Obligations sufficient to comply with the provisions of Article VIII with reference to all of the Bonds to be refunded which shall be held by the Trustee in a special account separate from all other Funds and Accounts created by or pursuant to this Bond Resolution, irrevocably in trust for, and assigned to, the respective holders of Bonds and coupons being refunded, and used to pay, when due, the principal, premium, if any, and interest on said Bonds, in accordance with their terms and the terms of the notice of redemption, if any, required in subsection (a) (2). In addition to the proceeds of refunding Bonds, the Commission may direct the deposit in said special account of amounts held in any Fund or Account created by or pursuant to this Bond Resolution, which, by the terms of this Bond Resolution and any applicable Series Resolutions, are or may be pledged to the retirement of said Bonds;

(c) The Commission expressly reserves the right, to the extent now or hereafter permitted by law, of providing for the release and discharge of the rights and obligations created by this Bond Resolution with respect to part or all of the Bonds of any Series, and with respect to the principal or the interest payments thereon or both, and of providing for the payment from the proceeds of refunding Bonds, and from income from the investment thereof, of any part of the principal of or interest on the refunding Bonds, as well as the Bonds refunded.

(d) In the event that a Series Resolution provides for the refunding of any Other Bonds, such Series Resolution shall identify such Other Bonds to be refunded and provide

directions to the Trustee for the delivery of the proceeds of the refunding Bonds to the trustee for such Other Bonds for application to the refunding and redemption or payment at maturity of such Other Bonds.

Section 2.05. Other Obligations. Except as provided in this Article II, the Commission covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or superior charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to this Bond Resolution.

The Commission expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by the foregoing paragraph.

ARTICLE III

GENERAL BOND PROVISIONS

Section 3.01. Medium of Payment; Form and Date. (a) The Bonds shall be payable, with respect to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) The Bonds of each Series shall be issued in the form of coupon Bonds, registrable as to principal only, or in the form of fully registered Bonds without coupons, or in both such forms, as more fully specified by the Series Resolution, and all Bonds shall be in the principal amounts specified in the Series Resolution.

(c) Coupon Bonds of each Series shall be dated as of an Issue Date specified in the Series Resolution and shall bear interest from the Issue Date, payable on specified Interest Payment Dates in accordance with and upon surrender of the appurtenant interest coupons as they severally mature. Registered Bonds of each Series shall be dated as of specified in the Series Resolution. Registered Bonds of each Series shall bear interest from their date. Payment of interest on any registered Bond shall be made to the registered owner thereof and shall be paid by check or draft mailed to the registered owner at his address as it appears on the registration books of the Commission or at such other address as is furnished to Trustee in writing by such registered owner or in such other manner as is provided in the Series Resolution.

Section 3.02. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Bond Resolution as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the Commission prior to the delivery thereof.

Section 3.03. Execution. (a) The Bonds shall be executed in the name of the Commission by the manual or facsimile signature of its Chairman or Vice Chairman, attested by the manual signature of such officer or employee of the Commission as shall be directed by the Series Resolution authorizing the issuance thereof or upon the exchange of coupon Bonds for fully registered Bonds or fully registered Bonds for other fully registered Bonds or coupon Bonds by the manual signature of an authorized officer of the Trustee, or in such other manner as

may be required by law, and the official seal of the Commission shall be impressed, imprinted or reproduced on each Bond. In case any one or more of the commissioners, officers or employees of the Commission who shall have signed any of the Bonds or whose signature appears on any of the Bonds or coupons shall cease to be such commissioner, officer or employee before the Bonds are actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed them or whose signature appears thereon had not ceased to hold such office or be so employed. Any Bond of a Series may be signed on behalf of the Commission by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Commission, although at the Issue Date of the Bonds of such Series such persons may not have been authorized or have held such office or employment.

(b) The coupons to be attached to the coupon Bonds of each Series shall be signed by the facsimile signature of the Chairman or Vice Chairman of the Commission, or in such other manner as may be required by law, and the Commission may adopt and use for that purpose the facsimile signature of any person or persons who shall have been Chairman or Vice Chairman of the Commission at any time on or after the date of the Bonds of such Series, notwithstanding that he may not have been such Chairman or Vice Chairman at the Issue Date of any such Bond or may have ceased to be such Chairman or Vice Chairman at the time when any such Bond shall be actually delivered.

Section 3.04. Interchangeability. Coupon Bonds, upon surrender thereof at the principal office of the Trustee with all unmatured coupons attached, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity.

Registered Bonds, upon surrender thereof at the principal office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of coupon Bonds of the same Series and maturity with appropriate coupons attached, or of registered Bonds of the same Series and maturity.

Section 3.05. Negotiability, Transfer and Registry. All the Bonds issued under this Bond Resolution shall be negotiable as provided in Article 8 of the Uniform Commercial Code, subject to the provisions for registration and transfer contained in this Bond Resolution and the Series Resolutions and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Commission shall maintain and keep, at the principal office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at said office, the Commission shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds remain Outstanding, the Commission shall make all necessary provisions to permit the exchange and registration of Bonds at the principal office of the Trustee.

Section 3.06. Transfer and Registration of Coupon Bonds. All coupon Bonds shall pass by delivery, unless registered as to principal other than to bearer in the manner provided in this

Section. Any coupon Bond may be registered as to principal on the books of the Commission at the principal office of the Trustee, upon presentation thereof at said office and the payment of a charge sufficient to reimburse the Commission or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such registration, and such registration shall also be noted on such Bond. After said registration, no transfer thereof shall be valid, unless made on said books by the registered owner in person or by his attorney duly authorized in writing and similarly noted on such Bond; but such Bond may be discharged from registration by being in like manner transferred to bearer, after which it shall again become transferable by delivery. Thereafter such Bond may again, from time to time, be registered or discharged from registration in the same manner. Registration of any coupon Bond as to principal, however, shall not affect the negotiability by delivery of the coupons appertaining to such Bond, but every such coupon shall continue to pass by delivery and shall remain payable to bearer.

The Commission, the Trustee and any Paying Agent may deem and treat the bearer of any coupon as the absolute owner thereof, whether such coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and may deem and treat the bearer of any coupon Bond, which shall not at the time be registered as to principal other than to bearer, or the person in whose name any coupon Bond shall be registered upon the books of the Commission, as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal, and premium, if any, thereof and for all other purposes whatsoever except for the purpose of receiving payment of coupons, and neither the Commission nor the Trustee nor any Paying Agent shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Commission agrees to indemnify and save the Trustee and each Paying Agent harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such bearer or registered owner.

Section 3.07. Transfer of Registered Bonds. Each registered Bond shall be transferable only upon the books of the Commission, at the principal office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the Commission shall issue in the name of the transferee a new registered Bond or Bonds or, at the option of the transferee, coupon Bonds with appropriate coupons attached, of the same aggregate principal amount and Series and maturity as the surrendered Bond.

The Commission, the Trustee and any Paying Agent may deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the Commission as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, premium, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; neither the Commission, the Trustee nor any Paying Agent shall be affected by any notice to the contrary. The Commission agrees to indemnify and save the Trustee and each Paying Agent harmless from and against any

and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such registered owner.

Section 3.08. Regulations for Exchange and Transfer. In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the Commission shall execute and deliver Bonds in accordance with the provisions of this Bond Resolution. All Bonds and coupons surrendered in any such exchanges or transfers shall be held by the Trustee in safekeeping until directed by the Commission to be cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Commission or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. The Commission shall not be obligated to make any such exchange or transfer of Bonds of any Series during the fifteen days next preceding an interest Payment Date on the Bonds of such Series, or in the case of any proposed redemption of Bonds of such Series, after the first publication or the mailing of notice calling such Bonds or portions thereof for redemption has been given as herein provided, or during the fifteen days next preceding the date of the first publication of notice of such redemption.

Section 3.09. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Commission shall execute and deliver a new Bond (with appropriate coupons attached in the case of coupon Bonds) of like Series, maturity and principal amount as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and coupons, if any, destroyed, stolen or lost, upon filing with the Commission evidence satisfactory to it and complying with such other reasonable regulations as the Commission may prescribe and paying such expenses as the Commission may incur in connection therewith. All Bonds and coupons so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to the Commission. The Commission shall advise the Trustee and any Paying Agents by a certificate of an Authorized Officer of the issuance of substitute Bonds or coupons.

Section 3.10. Preparation of Definitive Bonds; Temporary Bonds. The definitive Bonds of each Series shall be lithographed or printed on steel engraved borders. Until the definitive Bonds of any Series are prepared, the Commission may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive coupon Bonds, except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds (which may be registrable as to principal and interest), substantially of the tenor of the definitive coupon Bonds in lieu of which such temporary Bond or Bonds are issued, but with or without coupons, in denominations of $5,000 or any multiples thereof authorized by the Commission, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest payable on such temporary Bonds in bearer form shall be payable only upon the presentation and surrender of the coupons therefor attached thereto or if no coupons for such interest are attached thereto, then only upon presentation of such temporary Bonds for notation thereon of the payment of such interest. The Commission, at its own expense, shall prepare and execute and, upon the surrender of such temporary Bonds, with all unmatured coupons, if any, and all matured coupons, if any, for which

no payment or only partial payment has been provided, attached, for exchange and the cancellation of such surrendered temporary Bonds and coupons without charge to the holder thereof, deliver in exchange therefor, at the principal office of the Trustee, definitive coupon Bonds, with appropriate coupons attached, or, at the option of the holder, definitive registered Bonds of authorized denominations, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Bond Resolution and this Series Resolution applicable thereto. All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

Section 3.11. Extension of Payment of Bonds and Coupons. The Commission shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any of the coupons or claims for interest by the purchase or funding of such Bonds, coupons or claims for interest, or by any other arrangement; in case the maturity of any of the Bonds or the time for payment of any such coupons or claims for interest shall be extended, such Bonds, coupons or claims for interest shall not be entitled, in case of any default under this Bond Resolution, to the benefit of this Bond Resolution or to any payment out of any assets of the Commission or the funds (except funds held in trust for the payment of particular Bonds or coupons) held by any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended coupons or claims for interest. Nothing herein shall be deemed to limit the right of the Commission to issue refunding Bonds as provided in Article II, and such issuance shall not be deemed to constitute an extension of the maturity of any Bond or of the time of payment of any coupon or claim for interest.

Section 3.12. Money Held for Particular Bonds and Coupons. The amounts held by any Paying Agent or the Trustee for the payment of the interest, principal or redemption price due on any date with respect to particular Bonds or coupons shall, pending such payment, be set aside and held in trust by it for the holders of the Bonds and coupons entitled thereto, and for the purposes of this Bond Resolution, such interest, principal or redemption price, after the due date thereof, shall no longer be considered to be unpaid.

Section 3.13. Cancellation of Bonds and Coupons. All Bonds and coupons purchased, redeemed or paid shall, if surrendered to the Commission or any Paying Agent, be cancelled by it and delivered to the Trustee, or if surrendered to the Trustee, be cancelled by it. No such Bonds or coupons shall be deemed Outstanding under this Bond Resolution and no Bonds or coupons shall be issued in lieu thereof. All such Bonds and coupons and all coupons detached from Bonds prior to delivery shall be cancelled and, upon order of the Commission, shall be destroyed and a certificate thereof delivered to the Commission.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Procedure and Prices. The Bonds of any Series which are redeemable prior to maturity shall be subject to redemption by or on behalf of the Commission prior to maturity, upon receipt by the Trustee of the certificate of an Authorized Officer referred to in Section 4.02 and upon published notice as provided in this Article, to such extent, through application of such moneys, at such time or times, in such order and on such other terms and conditions as shall be provided by this Bond Resolution and the applicable Series Resolution and in all cases, at a price equal to the principal amount or ~~Accreted Value~~accreted value, as appropriate and as specified in the Series Resolution, of each Bond or portion thereof to be redeemed, plus such redemption premium (if any), as shall be set forth in said Bonds and applicable upon such redemption, together with interest accrued to the redemption date. If less than all of the Bonds of such Series of like maturity then Outstanding are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine unless otherwise provided by a Series Resolution as to the Bonds therein authorized.

Section 4.02. Selection of Bonds to be Purchased or Redeemed. Any Bonds to be purchased or redeemed by the Trustee, except pursuant to a Sinking Fund Installment, shall be purchased or redeemed by the Trustee only upon receipt by the Trustee of a certificate of an Authorized Officer determining or certifying the following:

(a) The Series of Bonds to be purchased or redeemed in whole or in part;

(b) The maturities within such Series from which Bonds are to be purchased or redeemed;

(c) The principal amount and maximum price of Bonds within such maturities to be purchased or redeemed;

(d) The amount, if any, to be transferred from other moneys of the commission to pay applicable redemption premiums or purchase prices; and

(e) If any of the Bonds to be purchased or redeemed, as designated in clauses (a) and (b) above, are Term Bonds, the years in which Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments so determined are to be reduced, provided that the aggregate of such reductions in Sinking Fund Installments shall equal the aggregate principal amount or Accreted Value, as appropriate and as specified in the Series Resolution, of Term Bonds to be purchased or redeemed.

The Commission shall give written notice to the Trustee of its election to redeem Bonds which are subject to optional redemption and of the redemption date at least forty days prior to the redemption date or at such later date as shall be acceptable to the Trustee. In the event that the required notice of redemption shall have been given, the Commission covenants that it will, prior to the redemption date, pay to the Trustee an amount of cash which, in addition to any other moneys available therefor held by the Trustee, will be sufficient to redeem at the redemption

price thereof, plus interest accrued to the redemption date, all of the Bonds which are to be redeemed.

The Commission will not at any time cause Bonds to be purchased or redeemed, if this would have any material adverse effect on its ability to pay, when due, the principal of and interest on the Bonds Outstanding after such purchase or redemption.

Section 4.03. Selection of Bonds to be Redeemed by Lot. In the event of a partial redemption of Bonds of like Series and maturity, the Trustee shall assign to each registered Bond of such Series and maturity then Outstanding a distinctive number for each minimum principal amount or amounts of such Bonds upon issuance and shall select by lot, using such method of selection as it shall deem proper in its discretion and from the numbers of all coupon Bonds of such Series and maturity of the denomination of $5,000 then Outstanding and the numbers so assigned to such registered Bonds, as many numbers as, at such minimum principal amount or amounts for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the coupon Bonds of the denomination of $5,000 bearing the numbers so selected, but only so much of the principal amount of each such registered Bond of a denomination of more than such minimum principal amount or amounts shall be redeemed as shall equal such minimum principal amount or amounts for each number assigned to it and so selected. For the purposes of this Section, Bonds or portions of Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

Section 4.04. Notice of Redemption. When the Trustee shall be required or authorized, or shall receive notice from the Commission of its election pursuant to Section 4.02, to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of this Bond Resolution and the applicable Series Resolutions, select the Bonds to be redeemed and shall give notice, in the name of the Commission, of the redemption of Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and in the case of a registered Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portion of the principal thereof in the case of a registered Bond to be redeemed in part only, with interest accrued to such date, and that from and after such date, interest thereon shall cease to accrue and be payable. Such notice shall be given by publication thereof in Authorized Newspapers, at least once, not less than twenty-five days prior to such redemption date. The Trustee shall also mail a copy of such notice, postage prepaid, not less than twenty days before such redemption date, to the registered owner of any Bond, all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registry books, but failure so to mail any such notice shall not be a condition precedent to or affect the validity of any proceedings for the redemption of Bonds.

Section 4.05. Payment and Cancellation of Bonds Redeemed and Purchased. Notice having been given by publication in the manner provided in Section 4.04, the Bonds or portions thereof called for redemption and specified in said notice shall become due and payable on the

redemption date specified in said notice at the redemption prices thereof applicable on such date, plus unpaid interest on said Bonds or portions thereof accrued to such date, and upon presentation and surrender thereof at the place or places specified in said notice together with, in the case of Bonds registered otherwise than to bearer, a written instrument of transfer duly executed by the registered owner thereof or by his attorney duly authorized in writing, and in the case of coupon Bonds, all appurtenant coupons maturing subsequent to such date, said Bonds or portions thereof shall be paid at the said redemption prices, plus unpaid interest on said Bonds or portions thereof accrued to such date not represented by coupons for matured interest installments. All interest represented by coupons which shall have matured at or prior to such redemption date shall continue to be payable to the bearers of such coupons. If there shall be so called for redemption less than all of a registered Bond, the Commission shall execute and cause to be delivered, upon the surrender of such Bond to the Trustee, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, at the option of the owner thereof, either coupon Bonds or registered Bonds of like Series, designation, interest rate and maturity. If, on such redemption date, money for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest thereon accrued and unpaid to such date, shall be held by or on behalf of the Trustee so as to be available therefor on such date, and if notice of redemption thereof shall have been published as aforesaid, then from and after such redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable, the coupons for interest appertaining thereto maturing subsequent to such redemption date shall be void and said Bonds or portions of Bonds and coupons shall no longer be considered Outstanding hereunder. All money held by or on behalf of the Trustee for the redemption of particular Bonds shall be held in trust for the account of the holders of the Bonds so to be redeemed. All Bonds redeemed or purchased in accordance with the provisions of this Bond Resolution shall be cancelled by the Trustee.

Section 4.06. Purchase of Commission's Own Bonds. The Commission, as directed by an Authorized Officer, with the advice of bond counsel and financial advisor to the Commission, may purchase its own Bonds, which will be held by the Commission or the Trustee, as directed by the Commission, as Permitted Investments. Notwithstanding the provisions of Section 4.05 hereof, such Bonds, while held by the Commission or the Trustee, as Permitted Investments, will not be deemed cancelled, paid or extinguished, except that they will not be considered outstanding for purposes of determining the Outstanding Bonds in the event of a Default under this Bond Resolution or when effectuating amendments to this Bond Resolution.

ARTICLE V

APPLICATION OF BOND PROCEEDS; PROGRAM COVENANTS

Section 5.01. Deposit of Bond Proceeds. The proceeds from the sale of each Series of Bonds, together with any other funds directed by the applicable Series Resolution, shall be deposited with the Trustee on the date of delivery of the Bonds and credited in the following amounts to the following Funds and Accounts, respectively:

(a) To the Debt Service Reserve Fund, the amount, if any, needed to increase the balance therein to the Debt Service Reserve Requirement;

(b) To the Interest Account in the Debt Service Fund, the amount, if any, of interest accrued on the Bonds from their Issue Date to their date of delivery;

(c) To the Mortgage and Special Hazard Reserve Fund and to any Capitalized Interest Account or Cost of Issuance Account established by the applicable Series Resolution, the amounts, if any, allocated to them, respectively;

(d) To a special account to be held by the Trustee in the event that any Outstanding Bonds are directed by the Series Resolution to be refunded pursuant to Section 2.04, the amount needed for payment, or to provide for payment, of the principal of and interest and redemption premiums, if any, on the Bonds to be refunded; and

(e) To a Mortgage Loan Account, the remainder of the Bond proceeds.

Section 5.02. Temporary Accounts. (a) Each Series Resolution may establish a Capitalized Interest Account to provide funds to be transferred by the Trustee to the Interest Account in the Debt Service Fund at the times and in amounts set forth in a certificate of an Authorized Officer furnished to the Trustee, for the payment of interest to accrue on such Series of Bonds before Revenues are estimated to be available and sufficient for that purpose.

(b) Each Series Resolution may establish a Cost of Issuance Account to provide funds to be applied by the Trustee to pay the Cost of Issuance of such Series of Bonds at the times, to the persons, and in the amounts set forth in a certificate of an Authorized Officer furnished to the Trustee. Upon receipt of a certificate of an Authorized Officer stating that the Cost of Issuance has been fully paid, the Trustee shall transfer any remaining balance in such Account to the Mortgage Loan Account established by the Series Resolution or to the Revenue Fund as directed in a certificate of an Authorized Officer.

Section 5.03. Mortgage Loan Accounts. (a) Each Series Resolution shall establish a separate Mortgage Loan Account to be held by the Trustee, to record the receipt and disbursement of any proceeds of the Series of Bonds therein authorized for the making or purchase of Qualified Mortgage Loans, or for the financing of Qualified Mortgage Loans previously made or purchased or for the purchase of Guaranteed Mortgage Securities or for the financing of Guaranteed Mortgage Securities previously purchased.

(b) The Trustee shall from time to time pay out money held in each Mortgage Loan Account for the purpose of making or purchasing Qualified Mortgage Loans or purchasing Guaranteed Mortgage Securities or of reimbursing the Commission for payments made by it from other funds for ~~that purpose~~such purposes, upon receipt by the Trustee of a certificate of an Authorized Officer, stating:

(1) the Mortgage Loan Account from which the payment is to be made and the amount, manner and recipient of the payment, which may be made to the Commission or to a Mortgage Lender or Master Servicer or to such other entity as shall be directed in writing by the Commission to the Trustee;

(2) the loan number assigned by the Commission to the Mortgage Loan to be made or purchased and the names of the Mortgagor and the Mortgage Lender or Master

Servicer servicing the Mortgage Loan or identifying information about the Guaranteed Mortgage Security to be purchased from the specified Master Servicer; and

(3) that the Mortgage Loan to be purchased or financed is fully Qualified under the provisions of Section 5.04.

As soon as possible after the closing of the making, purchasing or ~~purchase~~financing of each Qualified Mortgage Loan, the Commission shall transmit to the Trustee a certificate of an Authorized Officer setting forth such information relating to each such Qualified Mortgage Loan as is required by Section 5.05 hereof.

All such certificates received by the Trustee from the Commission may be relied upon by the Trustee and shall be maintained in its possession, subject at all times during normal business hours to inspection by the Commission and, upon written request of the holders of not less than five percent in principal amount of the Bonds of any Series, by them or their agents and representatives.

(c) All interest and other income received from the deposit and investment of money in Mortgage Loan Accounts shall be transferred by the Trustee, as received, to the Revenue Fund.

(d) At least once in each six-month period during the period of disbursement of any Mortgage Loan Account the Commission shall require a report to be, made by an officer or employee of the Trustee covering all receipts and amounts then credited to the Mortgage Loan Account, as well as any securities specifically pledged or provided therefor, any investment thereof, and all disbursements made pursuant to the provisions of this Section. The reports shall be mailed by the Trustee to the Commission and, upon written request of the holders of not less than five percent in principal amount of the Bonds of any Series, to them or their agents or representatives.

(e) The Commission may, by a certificate of an Authorized Officer, direct the Trustee to transfer amounts in any Mortgage Loan Account to the Special Redemption Account.

(f) Notwithstanding any other provisions of this Section, the Trustee shall withdraw from any Mortgage Loan Account and transfer to the appropriate Account in the Debt Service Fund such amounts at such times as are required under the provisions of Section 6.04 for the payment of principal of (including Sinking Fund Installments) and interest on Bonds, when due and payable, or are directed by a certificate of an Authorized Officer to be so transferred pursuant to any provisions of Section 6.04.

Section 5.04. Qualification of Mortgage Loans. Each Mortgage Loan made~~ or~~, purchased or financed from the proceeds of Bonds shall conform to the following terms, conditions, provisions and limitations except to the extent, if any, that a variance therefrom is required by any agency or instrumentality of the United States of America ~~guarantying~~guaranteeing or insuring or otherwise assisting in the payment of the Mortgage Loan:

(a) Each Mortgage Loan ~~made~~financed by the Commission shall be made for the purpose of financing residential housing for a person or family of eligible income as

defined in the Acts and rules adopted by the Commission pursuant thereto. A Mortgage Lender shall covenant, with respect to each Mortgage Loan it sells ~~to~~under the ~~Commission~~Program, that the Mortgage Loan has been made substantially in accordance with its then current standard underwriting practices and all Program requirements, and that either:

(1) the Mortgage Loan is or has been made for the financing of residential housing for a person or family of eligible income as then defined in the Acts and regulations thereunder, or

(2) the proceeds of its sale ~~to~~under the ~~Commission~~Program, or its equivalent, will be reinvested in Mortgage Loans for the financing of residential housing for such persons or families.

(b) The proceeds of the Mortgage Loan must be expended solely for payment of the cost of construction of a new Home, of acquisition, with or without rehabilitation or improvement, of an existing Home, or of rehabilitation or improvement of an existing Home owned by the Mortgagor. Subject to Section 103 of the Internal Revenue Code of 1954, as amended, and the regulations promulgated thereunder, such cost may include land acquisition, utility installations, title examination and insurance, financing and commitment fees and discounts, refinancing and satisfaction of an existing loan or existing Mortgage on the property, and any other necessary incidental costs approved by the Commission pursuant to the Acts and its rules.

(c) The Mortgagor shall have marketable title in fee simple to the real property and improvements constituting the Home for which the Mortgage Loan is made or a leasehold interest therein under a lease for a term at least twice the term of the Mortgage Loan at the time when it is made ~~or~~, purchased or financed. The Mortgage and complementary financing statements, if required, shall be executed, recorded and filed in accordance with law, so as to create and constitute a valid first mortgage lien on such title or leasehold and a valid security interest in any personal property acquired with the proceeds of the Mortgage Loan and attached to or used or useful in connection with the Home.

(d) The Commission (or, in the case of a Mortgage Loan underlying a Guaranteed Mortgage Security, a Master Servicer) shall be furnished a mortgagee's title insurance policy insuring that the Mortgage is a first lien on the Home financed by the Mortgage Loan, subject only to liens for taxes and assessments and such other liens, encumbrances, reservations and imperfections of title as, in the judgment of the Commission, set forth in a certificate of an Authorized Officer, (or, if applicable, a Master Servicer) do not materially impair the use or value of the premises or as to which appropriate steps, in the judgment of the Commission as set forth in such certificate, (or, if applicable, a Master Servicer) have been taken to secure the interest of the Commission.

(e) Under the provisions of the Mortgage or accompanying documents, the Mortgagor shall:

(1) warrant the title to the Home and agree to appear in and defend any action or proceeding affecting the security of the Mortgage Loan, and to execute such further assurance as may be required to protect the title;

(2) covenant and represent that he owns the Home both legally and beneficially and has acquired it for use as a principal residence;

(3) covenant that he will procure and maintain insurance on the Home against fire and extended coverage risks and such other risks as may be required by the Commission, in amount equal to the full insurable value thereof, with a standard mortgage clause in favor of the Commission, (or, in the case of a Mortgage Loan underlying a Guaranteed Mortgage Security, a Master Servicer) and that he will reimburse the Commission (or, if applicable, a Master Servicer) for any premiums paid by it for such insurance on the Mortgagor's default in so insuring the Home;

(4) covenant that he will pay all taxes, special assessments and water and sewer and other lawful governmental charges with respect to the Home before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Home, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer (or, in the case of a Mortgage Loan underlying a Guaranteed Mortgage Security, a Master Servicer), for the purpose of contesting the same; that in the event of default in the payment thereof when due, the Commission, (or Master Servicer, if applicable) without notice to or demand of the Mortgagor, may pay the same or any of them; that all moneys paid by the Commission (or Master Servicer, if applicable) with respect to such taxes, assessments, charges or claims shall be a lien on the Home, added to the amount of the Mortgage Loan, secured by the Mortgage, and payable on demand with interest from the time of payment by the Commission (or Master Servicer, if applicable) at the rate applicable to the Mortgage Loan; and that upon request of the Commission (or Master Servicer, if applicable), the Mortgagor will exhibit to the Commission (or Master Servicer, if applicable) receipts for the payment of all items specified in this paragraph prior to the date when the same shall become delinquent;

(5) covenant that he will maintain the Home in good condition and repair, will not commit or suffer any waste, and will comply with all laws, ordinances and requirements of any governmental authority relating to the premises; and

(6) agree to make monthly Escrow Payments to the Commission or a Mortgage Lender or Master Servicer servicing a Mortgage Loan, sufficient to

accumulate funds for the payment of all taxes, governmental charges and insurance premiums when due.

(f) At the time of making, acquiring or ~~acquisition~~financing by the Commission, the unpaid principal amount of the Mortgage Loan must not exceed 80% (or such greater or lesser percentage as shall be required by state or federal law) of the Fair Market Value or purchase price (whichever is less) of the Home subject to the Mortgage, unless the Mortgage Loan is insured or guaranteed in one of the following ways:

(1) if a final commitment is received for insurance or guaranty by the Federal Housing Administration, the Farmers Home Administration or the Veterans Administration, or any other agency or instrumentality of the United States of America to which the powers of any of them have been transferred, or which has similar powers to insure or guaranty Mortgage Loans, the amount may be the maximum permitted under the regulations of such agency or instrumentality; provided that all Financing Agreements entered into with the Mortgage Lender shall require the Mortgage Lender to repurchase the Mortgage Loan if a final endorsement for insurance or guaranty is not received within sixty days, and any Mortgage Loan not so repurchased shall be sold, at the best obtainable price; or

(2) if the Commission is insured under a mortgage insurance policy by a Private Mortgage Insurer under which the insurer either (i) must pay a claim after foreclosure and receipt of title to the Home, equal to the entire unpaid principal, accrued interest and expenses of foreclosure of the Mortgage Loan, or (ii) may pay a specified insured percentage of the claim if it requests the Commission to retain title, then the maximum amount of the Mortgage Loan shall be a percentage not to exceed 100% (excepting loans insured by the Maryland Housing Fund) of the Fair Market Value or purchase price (whichever is less) equal to 75% plus said insured percentage.

(g) The Mortgage Loan may not be made ~~or~~, purchased or financed from the proceeds of any Series of Bonds unless the yield on such Mortgage Loan is at least 1/2% higher than the effective interest cost on the related Series of Bonds.

(h) The final maturity of the Mortgage Loan may not be later than the final maturity of the Series of Bonds from which the Mortgage Loan is made ~~or~~, purchased or financed unless (i) the Commission delivers to the Trustee a certificate of an ~~Authorized Officer~~authorized officer (which can be based on cash flows prepared by financial advisors to the Commission) to the effect that the making ~~or~~, purchasing or financing of such Mortgage Loans will not adversely affect the ability of the Commission to pay the principal of, premium, if any, and interest on the Bonds when due and payable or (ii) the interest rate on such Mortgage Loan is sufficient so that the monthly principal and interest payment on such Mortgage Loan is at least as great as the monthly principal and interest payment would be on a Mortgage Loan with (a) a maturity on the final maturity

date of such Series and (b) a yield that is 1/2 of 1% higher than the effective interest cost on such Series of Bonds.

(i) The Commission shall have entered into a Financing Agreement with respect to each Mortgage Loan~~, unless it determines to service the~~ and, if the originating Mortgage Lender will not be servicing such Mortgage Loan~~itself~~, a Servicing Agreement with respect thereto.

(j) The Commission shall not purchase~~ or~~, make or finance any Mortgage Loan at an amount greater than the unpaid principal amount thereof, plus accrued interest.

(k) Unless the Mortgage Loan is insured by the Federal Housing Administration, the Mortgage Loan shall be insured under a Mortgage Pool Insurance Policy.

(l) Unless the Mortgage Loan is insured by the Federal Housing Administration, the Mortgage Loan cannot increase the number of total Mortgage Loans ~~purchased~~financed with the proceeds of a Series of Bonds to more than ten percent (10%) of the units in a single condominium development unless the Commission or the insurer under the Mortgage Pool Insurance Policy has completed an on-site review of such development for Mortgage Loans under the Program.

(m) If a participation in the Mortgage Loan is financed (whether through direct purchase therein or through the purchase in a Guaranteed Mortgage Security), the participation interest being acquired shall be listed on the schedule to a Participation Agreement.

The Commission may participate in the financing of a Mortgage Loan with another party or parties, so long as the interest of each shall have equal priority as to lien in proportion to the amount of the Mortgage Loan secured, but such interests need not be equal as to interest rate, time or rate of amortization or otherwise.

Section 5.05. Program. The Commission shall, from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Acts as then amended and in effect and with the provisions of this Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by this Bond Resolution for other Program purposes, to make or purchase Qualified Mortgage Loans or purchase Guaranteed Mortgage Securities, shall do all such acts and things as are necessary to receive and collect Revenues and such payments for taxes, insurance and similar items as are normally escrowed by prudent mortgage servicing institutions in the State, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary, in the judgment of the Commission, for the enforcement of all terms, covenants and conditions of Mortgages, Mortgage Loans and Guaranteed Mortgage ~~Loans~~Securities.

The Commission shall (i) furnish to the Trustee full information regarding Mortgage Loans purchased or made by the Commission, (a) identifying each of the same by reference to the Commission loan number, the name of the borrower, the address of the applicable property,

the identification number of any federal or private insurance or guaranty, the principal amount due on ~~the~~such Mortgage Loan as of the date it was purchased or made, the interest rate on the Mortgage Loan, and the term of the Mortgage Loan, (ii) register Guaranteed Mortgage Securities in the name of (a) the Trustee or its nominee (or credited to the account of the Trustee or its nominee at a clearing corporation) or (b) in the case of participations in Guaranteed Mortgage Securities, the 2009 Resolution Trustee or its nominee (or credit to the account of the 2009 Resolution Trustee or its nominee at a clearing corporation), and (iii) in the case of participations in Mortgage Loans and Guaranteed Mortgage Securities to be funded by the Trustee, identify (A) to the Trustee the principal and interest percentages in those Mortgage Loans and Guaranteed Mortgage Securities to be funded by the Trustee and the participation interests therein to be funded by the 2009 Resolution Trustee or other person and (B) the Participation Agreement which governs those participations. The Commission shall maintain data as to the recording of the Mortgage relating to each Mortgage Loan purchased or made by it or, to the extent applicable, the assignment thereof.

The Commission reserves the right to transfer any amount from other legally available funds to the Trustee for credit to the Debt Service Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan or to advance such money to cure or avert a default on any Mortgage Loan. The Commission shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage Loan, but only after all other defaults thereunder have been cured.

The Commission covenants that it will not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or Mortgage in a manner detrimental to Bondholders.

The Commission covenants that it will at all times appoint, retain and employ competent personnel or agents for the purpose of carrying out its programs, including the Program. Such personnel shall be responsible for, among other things, monitoring the delivery of Mortgage Loans to the Commission, monitoring the registration of Guaranteed Mortgage Securities in the name of the Trustee, and monitoring the servicing of ~~said~~all Mortgage Loans financed under the Program. The Commission shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of personnel and their compensation, to the end that all persons employed by the Commission shall be qualified for their respective positions.

Section 5.06. Enforcement and Foreclosure of Mortgages. As to each Defaulted Mortgage Loan which has been approved for foreclosure, the Commission shall promptly furnish to the Trustee a certificate of an Authorized Officer stating the Commission loan number of the Defaulted Mortgage Loan which has been approved for foreclosure and the unpaid principal amount thereof. The Commission shall take or require a Mortgage Lender to take all such measures, actions and proceedings as are reasonably necessary and are deemed by it to be most effective to recover the balance due and to become due on each Defaulted Mortgage Loan which has been approved for foreclosure, including the curing of the default by the Mortgagor, foreclosure of the Mortgage, acceptance of a conveyance in lieu of foreclosure, sale of the Mortgage, renting or selling the Home, collection of any applicable mortgage insurance or

guaranties, and preservation of the title to and value of the Home, pending recovery of the balance of the Defaulted Mortgage Loan which has been approved for foreclosure.

The Commission shall not sell a Qualified Mortgage Loan prior to default for an amount less than the outstanding principal balance. Upon foreclosure of a Mortgage, the Commission shall bid for and purchase the Home covered thereby at the foreclosure or other sale thereof and shall acquire and take possession of the Home, maintaining it in the place and stead of the Mortgagor, in the manner required by the terms and provisions of the Mortgage. Upon or after foreclosure of a Defaulted Mortgage Loan or acquisition of the Home from the mortgagor in lieu of foreclosure, unless the Home is conveyed to the insurer of the Defaulted Mortgage Loan thereon:

(a) the Commission may resell the Home to any party at a price not less than the unpaid principal amount of the Defaulted Mortgage Loan and may make a Mortgage Loan with respect thereto as if the purchaser were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in Section 5.04.

(b) the Commission may resell the Home to any party at a cash price equal to the sum of (i) the then unpaid principal balance of the Defaulted Mortgage Loan, plus (ii) interest at the rate provided in the Mortgage Loan on that principal amount from the date of sale to the earliest date on which a like amount of Outstanding Bonds may be redeemed or will mature in excess of scheduled payments of principal of Qualified Mortgage Loans, plus (iii) any redemption premium and costs and expenses of payment of such Bonds, reduced by (iv) the amount of income estimated by an Authorized Officer to be received from the investment of this sum until used for the retirement of Bonds; or

(c) if the Fair Market Value of the Home, based on such reappraisal as the Commission deems necessary, is less than the sale price required under paragraph (a) or (b) above, as the case may be, the Home may nevertheless be sold at its Fair Market Value, provided that an amount equal to the deficiency shall be transferred to the Revenue Fund from the General Reserve Fund, if available.

Upon receipt of any Revenues with respect to any Defaulted Mortgage Loan or from operation of the Home subject to the Mortgage, after foreclosure or conveyance of the Home to the Commission in lieu of foreclosure, in excess of the amounts needed to preserve title to and the value of the Home, the Commission shall transmit such Revenues to the Trustee for deposit in the Revenue Fund.

Nothing in this Bond Resolution shall prohibit the Commission from causing a Mortgage Lender to repurchase a Mortgage Loan in accordance with the applicable Financing Agreement.

ARTICLE VI

APPLICATION OF REVENUES

Section 6.01. Establishment of Funds and Accounts. The following special Funds and Accounts are established, in addition to those which are or may be established pursuant to Article V, all of which shall be held by the Trustee or by a Fiduciary in the name of the Trustee:

(a) a Revenue Fund;

(b) a Debt Service Fund, including an Interest Account and a Principal Account;

(c) a Debt Service Reserve Fund;

(d) a Mortgage and Special Hazard Reserve Fund;

(e) a Redemption Fund, including an Optional Redemption Account and a Special Redemption Account; and

(f) a General Reserve Fund.

No amounts may be withdrawn, transferred or paid out of any of the above Funds or Accounts except as provided in this Article.

Section 6.02. Deposit of Revenues. The Commission will collect and deposit or will cause Mortgage Lenders to collect and deposit all Revenues derived from Mortgage Loans, including Defaulted Mortgage Loans, with the Trustee, or with Fiduciaries in the name of the Trustee, on the date of receipt or as soon thereafter as practicable. All Revenues derived from Guaranteed Mortgage Securities shall be deposited with the Trustee, or with Depositories in the name of the Trustee. The Trustee shall credit all such receipts to the Revenue Fund.

Section 6.03. Revenue Fund. On or before each Interest Payment Date or on such other date as otherwise directed by an Authorized Officer, the Trustee shall withdraw moneys in the Revenue Fund and credit to each of the following Funds and Accounts the amount indicated below in the following order of priority:

(a) To the Interest Account, the amount needed to increase the balance therein to the interest Requirement;

(b) To the Principal Account, the amount, if any, needed to increase the amount therein to the Principal Requirement;

(c) To the Debt Service Reserve Fund, the amount, if any, needed to increase the amount therein to the Debt Service Reserve Requirement;

(d) To the Mortgage and Special Hazard Reserve Fund, the amount, if any, needed to increase the amount therein to the Mortgage and Special Hazard Reserve Requirement;

(e) To the Commission, free and clear of the lien and pledge of this Bond Resolution, one-half of the Operating Budget for such Fiscal Year;

(f) If the amounts on deposit in the Mortgage Loan Accounts, the Aggregate Principal Account, the Debt Service Reserve Fund and any amounts to be retained in the Revenue Fund plus the outstanding principal balance of the Mortgage Loans and Guaranteed Mortgage Securities are equal to or greater than the Aggregate Principal Amount of the Outstanding Bonds, as and if directed by a certificate of an Authorized Officer furnished to Trustee, to the General Reserve Fund; provided, however, the Commission covenants not to transfer moneys from the Revenue Fund to the General Reserve Fund as provided in this paragraph during any period when the amount of Bond proceeds in a Mortgage Loan Account with respect to any Series of Bonds exceeds the Aggregate Principal Amount of Bonds with an Original Reoffering Price of not less ~~then~~than 98% of the part amount thereof (excluding Bonds which do not pay interest until maturity); and

(g) To one or more Mortgage Loan Accounts, to the Special Redemption Account or the Optional Redemption Account, as directed by a certificate of an Authorized Officer furnished to the Trustee, and if the Trustee is not so directed, any amounts in the Revenue Fund shall be retained therein.

[In determining the amount of the outstanding principal balance of the Mortgage Loans or Guaranteed Mortgage Securities for purposes of making the calculation under paragraph (f), the outstanding principal balance for Mortgage Loans which have a stated interest rate of less than 1/2 of 1% above the effective interest cost on the Series of Bonds from which the Mortgage Loan is ~~made~~financed shall be deemed to be the price for such Mortgage Loan which would result in a Yield of 1/2 of 1% above the effective interest cost on the applicable Series of Bonds.]

The Commission may, by a certificate of an Authorized Officer furnished to the Trustee, direct that, after the deposits required by paragraphs (a) through (d), all or any part of the moneys in the Revenue Fund be retained therein until the next succeeding Interest Payment Date.

Section 6.04. Debt Service Fund. (a) The Trustee shall withdraw from the Interest Account, on each Interest Payment Date, an amount equal to the unpaid interest due and payable on the Bonds on that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents, who shall apply it to such payment.

The Trustee shall then withdraw from the Principal Account (1) an amount equal to the principal amount or ~~Accreted Value~~accreted value, as appropriate, of the Outstanding Bonds, if any, maturing on that date, which shall be applied to the payment of the principal or ~~Accreted Value~~accreted value, as appropriate, of said Bonds when due or transmitted to one or more Paying Agents who shall apply it to such payment and (2) an amount equal to the Sinking Fund Installment, if any, due on that date, which shall be applied to the redemption of Term Bonds to

be redeemed on that date or transmitted to one or more Paying Agents who shall apply it to such redemption.

(b) On or before the 25th day, but not earlier than the 30th day, prior to each such Interest Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to select for redemption in the manner provided in this Section and Section 4.03 from all Outstanding Bonds subject to redemption from such Sinking Fund Installment a principal amount of such Bonds, equal to the aggregate principal amount of such Bonds redeemable with such Sinking Fund Installment, and shall call such Bonds for redemption from such Sinking Fund Installment on the next succeeding Interest Payment Date, and give notice of such call. On or before the 40th day next preceding any Interest Payment Date on which a Sinking Fund Installment is due, the Commission, by a certificate of an Authorized Officer, may (1) deliver to the Trustee for cancellation Bonds which are subject to redemption from such Sinking Fund Installment, or portions thereof, in an aggregate principal amount desired with all unmatured coupons, if any, attached or (2) receive a credit in respect of its Sinking Fund Installment obligation for any such Bonds, which prior to said date have been delivered to the Trustee for cancellation or redeemed (otherwise than through redemption from a Sinking Fund Installment) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment obligation. Each Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof on the obligation of the Commission with respect to such Sinking Fund Installments as the certificate of an Authorized Officer shall direct and the principal amount of such Bonds to be redeemed by such Sinking Fund Installment shall be accordingly reduced.

On or before the 40th day preceding each Interest Payment Date on which a Sinking Fund Installment is due, the Trustee may, and if directed by a certificate of an Authorized Officer shall, apply moneys in the Principal Account held for such Sinking Fund Installment to the purchase of Outstanding Bonds subject to redemption from such Sinking Fund Installment in the manner hereinafter provided, and upon such purchase such Bonds shall be canceled and the amount of such Sinking Fund Installment shall thereupon be reduced by the principal amount of such Bonds so purchased and canceled, provided that no such Bonds shall be so purchased within the 25 days next preceding the Interest Payment Date on which such Sinking Fund Installment is to be used to redeem Bonds. The price paid by the Trustee (excluding accrued interest, but including any brokerage and other charges) for any Bond purchased pursuant to this subsection shall not exceed the redemption price applicable on the next date on which such Bond could be redeemed in accordance with its terms from a Sinking Fund Installment. Subject to the limitations set forth and referred to in this Section, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its discretion may determine and as may be possible with the amount of money available in the Principal Account.

(c) Any excess amounts at any time held in the Debt Service Fund shall be credited by the Trustee to the Revenue Fund.

(d) Not later than 45 days before each Interest Payment Date the Trustee shall notify the Commission in writing if the aggregate amount in the Debt Service Fund, when added to the amount which the Trustee estimates will be received therein from the Revenue Fund prior to that

date, is insufficient to pay the interest and all principal and Sinking Fund Installments then due and payable, and shall state the estimated amount of such deficiency in the Interest Account and the Principal Account. Within 15 days after receiving any such notice, the Commission shall deliver to the Trustee a certificate of an Authorized Officer determining the amount, if any, which the Commission will pay to the Trustee or directs the Trustee to transfer within 15 days thereafter, for deposit in said Accounts, from its General Reserve Fund, from the Redemption Fund (except any amount required to pay Bonds previously called for redemption), from a designated Mortgage Loan Account or from the proceeds of refunding Bonds.

In the event that the amount in the Interest Account five days before any Interest Payment Date is not sufficient to pay all interest then due, or the amount in the Principal Account five days before any Interest Payment Date is not sufficient to pay all principal and Sinking Fund Installments then due, the Trustee shall withdraw the amount of such deficiency from the General Reserve Fund or, if that fund is not sufficient, shall withdraw the remaining amount of the deficiency from the Mortgage and Special Hazard Reserve Fund or, if that Fund is not sufficient, shall withdraw the remaining amount of the deficiency from the Debt Service Reserve Fund, for credit to the proper Account in the Debt Service Fund, provided that if the Debt Service Reserve Requirement will decrease on the next succeeding Interest Payment Date upon payment of Bonds for which moneys are or will thereby become available, the amount of such decrease shall be withdrawn from the Debt Service Reserve Fund prior to any withdrawal from the General Reserve Fund or the Mortgage and Special Hazard Reserve Fund.

If there remains a deficiency in the Debt Service Fund after withdrawing all money in the Debt Service Reserve Fund, the Trustee shall transfer money to restore the deficiency from any other Fund or Account established by this Bond Resolution, and the Trustee shall notify the Commission in writing.

Section 6.05. Debt Service Reserve Fund. If there is not a sufficient amount in the appropriate Account in the Debt Service Fund to provide for the payment when due of principal of and interest on the Bonds and any Sinking Fund Installments, and the deficiency cannot be fully restored from the General Reserve Fund and the Mortgage and Special Hazard Reserve Fund in accordance with Sections 6.04, 6.06 and 6.08, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Debt Service Fund the amount of the deficiency then remaining. The Trustee shall notify the Commission in writing prior to any such withdrawal from the Debt Service Reserve Fund.

If, on the day preceding any Interest Payment Date, all withdrawals from the Debt Service Reserve Fund have been made as required on the same or any prior date by any other provision of this Bond Resolution, the Trustee may withdraw at the direction of a certificate of an Authorized Officer any amount therein in excess of the Debt Service Reserve Requirement following such Interest Payment Rate and credit it to the Revenue Fund, and shall do so if necessary to pay principal of, premium, if any, and interest on the Bonds.

Section 6.06. Mortgage and Special Hazard Reserve Fund. The Trustee shall withdraw from the Mortgage and Special Hazard Reserve Fund and credit to each of the following Funds and Accounts the following respective amounts when required, after withdrawing all amounts

then or theretofore required to be paid into a Fund or Account preceding it in the following tabulation:

(a) To the Commission, any amount stated in a certificate of an Authorized Officer to be needed and not otherwise available for the payment of expenses or losses necessarily incurred or to be incurred (i) as a result of risks not covered by a standard hazard insurance policy, (ii) to acquire good and merchantable title to, and possession of, a Home subject to a Defaulted Mortgage Loan as a prerequisite to making a claim for mortgage insurance, or (iii) for the maintenance and preservation of the value of a Home subject to a Defaulted Mortgage Loan, including, but not limited to, real property taxes, insurance, foreclosure fees, including appraisal and legal fees, repairs, rehabilitation, maintenance, utilities and improvements necessary for sale;

(b) After all moneys in the General Reserve Fund have been expended, to the appropriate Account in the Debt Service Fund, the amount, if any, needed to produce a balance therein sufficient to pay any principal or interest then due and payable with respect to any Bonds or any Sinking Fund Installment in accordance with Section 6.04.

Except as provided in the foregoing paragraph, no amount shall at any time be withdrawn or transferred from the Mortgage and Special Hazard Reserve Fund unless the balance therein is equal to and is not reduced by such withdrawal or transfer below the Mortgage and Special Hazard Reserve Requirement.

Any balance in the Mortgage and Special Hazard Reserve Fund in excess of the Mortgage and Special Hazard Reserve Fund Requirement, may, at the discretion of an Authorized Officer, be withdrawn and credited by the Trustee to the Revenue Fund.

Section 6.07. Redemption Fund. Amounts credited to the Special Redemption Account, as directed by or pursuant to this Bond Resolution, or any Series Resolution, shall be used for the purchase or redemption of Bonds pursuant to Article IV; provided that such amounts may be transferred to one or more Mortgage Loan Accounts at any time, when directed by a certificate of an Authorized Officer, for the making ~~or~~, purchasing or financing of one or more additional Qualified Mortgage Loans.

All amounts transferred to the Redemption Fund and not credited to the Special Redemption Account shall be credited by the Trustee to the Optional Redemption Account and used for the purchase or redemption of Bonds pursuant to Article IV and the applicable Series Resolution; provided that such amounts may be transferred to one or more Mortgage Loan Accounts at any time, when directed by a certificate of an Authorized Officer, for the making, purchasing or ~~purchase~~financing of one or more additional Qualified Mortgage Loans.

Upon receipt of a certificate of an Authorized Officer pursuant to Section 4.02, the Trustee shall apply amounts in the Special Redemption Account or the Optional Redemption Account to the purchase of Bonds designated in the certificate at the most advantageous price obtainable with due diligence, not exceeding the redemption price applicable on the next date when such Bonds are redeemable from said Accounts, respectively, under the provisions of the applicable Series Resolution, provided that such Bonds shall not be purchased during the period

of 25 days next preceding the redemption date designated in the certificate. Bonds not so purchased shall be redeemed at the redemption price determined by the Series Resolution at the time and in the manner provided in Article IV.

Interest and other income from the investment or deposit of amounts in the Redemption Fund shall be transferred by the Trustee to the Revenue Fund upon receipt thereof.

Section 6.08. General Reserve Fund. Moneys in the General Reserve Fund may be withdrawn and transferred, as directed by a certificate of an Authorized Officer, to any other Fund or Account (except the Special Redemption Account unless specified by a Series Resolution) or to the Commission, free and clear of any lien or pledge created by this Bond Resolution, for any purpose authorized by the Acts; all subject to the provisions of Section 6.04(d) requiring the Trustee to transfer any amount remaining in the General Reserve Fund to the Debt Service Fund to make up a deficiency in the amount available for the payment of interest, principal and Sinking Fund Installments due on any Interest Payment Date. If on any Interest Payment Date the amounts on deposit in the Mortgage Loan Accounts, the Principal Account, the Debt Service Reserve Fund and any amount retained in the Revenue Fund are less than the Aggregate Principal Amount of Outstanding Bonds, the Trustee shall forthwith transfer moneys from the General Reserve Fund to the Revenue Fund to remedy such deficiency.

Section 6.09. Escrow Accounts. Escrow Payments received by the Commission ~~or~~, a Mortgage Lender or a Master Servicer, as applicable, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Commission or such Mortgage Lender or Master Servicer to the purpose for which such payments were received, and any such payments received by the Trustee (except in the capacity of a Mortgage Lender or Master Servicer), whether separately or as part of some other payment, shall immediately be paid by the Trustee to the Commission and applied by the Commission to the purpose for which they were received.

ARTICLE VII

PARTICULAR COVENANTS

Section 7.01. General. The Commission hereby particularly covenants and agrees with the Trustee and with the holders of the Bonds and the coupons appertaining thereto and makes provisions which shall be a part of its contract with such holders, to the effect and with the purpose set forth in the following provisions and Sections of this Article. The provisions of this Article shall be effective from and after the time of the delivery by the Commission of the first Bond issued under this Bond Resolution.

Section 7.02. Payment of Bonds. The Commission shall duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on the Bonds, at the dates and places and in the manner mentioned in the Bonds and in the coupons thereto appertaining, according to the true intent and meaning thereof, and shall pay or cause to be paid to the Trustee any part of any Sinking Fund Installments pursuant to any provision of this Bond Resolution.

Section 7.03. Payment of Lawful Charges. The Commission shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon the Commission or in respect of the Program or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the Program, and shall not create or suffer to be created any lien or charge upon the Revenues, or upon the Funds or Accounts created by this Bond Resolution, except the pledge and lien created by this Bond Resolution for the payment of the principal or premium, if any, and interest on the Bonds.

Section 7.04. Annual Budget. The Commission shall not later than the June 1 next preceding the beginning of each Fiscal Year prepare and file with the Trustee a preliminary budget of (i) expenditures for such Fiscal Year, including additions to any Fund referred to in Article V or Article VI, and provisions for payments with respect to principal, premium, if any, and interest on Bonds and amounts for Program Expenses included in the Commission's Operating Budget prepared pursuant to this Section, and (ii) Revenues and other receipts, including anticipated prepayments of Mortgage Loans owned by the Commission, for such Fiscal Year applicable to and available for such expenditures. As part of the Annual Budget the Commission shall prepare an Operating Budget specifying all Program Expenses for such Fiscal Year. The Commission shall comply with any reasonable request of the Trustee as to information contained in the classifications in which such budget shall be prepared and the divisions into which it shall be divided. Each such preliminary budget and every Annual Budget shall provide for Revenues sufficient with other payments and receipts for the Fiscal Year to meet and provide for the expenditures for the Fiscal Year. The Commission shall file with the Trustee a certificate of an Authorized Officer stating that the expenses specified in the Operating Budget are only Program Expenses and that after payment of amounts in the Operating Budget there will be Revenues sufficient to pay all principal, premium, if any, and interest on the Outstanding Bonds when and as the same becomes due and payable. In preparing each Operating Budget the Commission, to the extent that it is practicable, shall set a level of Program Expenses with the objective of having, within six years of the Issue Date of each Series, the principal amount of Outstanding Bonds of each Series equal to or less than the amount of (i) deposits in the Mortgage Loan Account, Principal Account and Debt Service Reserve Fund, (ii) the outstanding principal of Mortgage Loans and Guaranteed Mortgage Securities, and (iii) excess funds retained in Revenue Fund relating to such Series of Bonds.

On or before June 15 next preceding the beginning of each Fiscal Year, the Commission shall finally adopt the Annual Budget for such Fiscal Year. Copies of the Annual Budget shall be promptly filed with the Trustee.

If for any reason the Commission shall not have adopted the Annual Budget before the first day of any Fiscal Year, then the preliminary budget for such year, or if for any reason there shall not be a preliminary budget prepared, then the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted. For any purpose of computation under the provisions of Article VI, the Annual Budget for the preceding Fiscal Year shall be deemed to have been adopted for each Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted and a copy thereof filed with the Trustee.

The Commission may at any time adopt an amended Annual Budget for the then current Fiscal Year, but no such amended Annual Budget shall supersede any prior Annual Budget until the Interest Payment Date next succeeding the date such amended Annual Budget has been filed with the Trustee.

Section 7.05. Tax Covenant. The Commission shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Commission on the Bonds shall be exempt from all federal income taxation.

The Commission covenants and certifies to and for the benefit of the purchasers and holders of the Bonds from time to time Outstanding that so long as any of the Bonds remain Outstanding, moneys on deposit in any Fund or Account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner which will cause the Bonds to be classified as "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended. Pursuant to such covenant, the Commission obligates itself to comply throughout the term of the issue of the Bonds with the requirements of Section 103(c) of the Internal Revenue Code of 1954, as amended, and any regulations promulgated or proposed thereunder.

Section 7.06. Accounts and Reports. The Commission shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all Funds and Accounts established by or pursuant to this Bond Resolution, which shall at all reasonable times be subject to the inspection of the Trustee or of the holders of an aggregate of not less than five percent in Aggregate Principal Amount of Bonds then Outstanding or their representatives duly authorized in writing.

Annually, within 150 days after the close of each Fiscal Year, the Commission shall cause a report of audit of its financial records and an Accountant's Certificate with respect thereto to be made and filed with the Trustee. The report shall show (i) revenues and expenses for the Fiscal Year and (ii) assets, liabilities and fund balances at the end of the Fiscal Year, including all Funds and Accounts established by this Bond Resolution (which may be consolidated). Notwithstanding any other provision of this Bond Resolution, revenues and expenses shall be accrued, and assets shall be valued in such manner as is deemed by the Commission and the accountant to be necessary to present fairly the results of operations for the Fiscal Year and the financial position of such Funds and Accounts at the end of the Fiscal Year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding Fiscal Year.

A copy of each audit report and Accountant's Certificate shall be mailed promptly by the Commission to the managing underwriters of each Series of Bonds and to each Bondholder who shall have filed his name and address with the Commission for such purpose.

Section 7.07. Compliance with Conditions Precedent. Upon the Issue Date of any of the Bonds, all conditions, acts and things required by law or by this Bond Resolution or applicable Series Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, and such Bonds,

together with all other indebtedness of the Commission, shall be within every debt and other limit prescribed by law.

Section 7.08. Further Assurance. At any and all times, the Commission shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning or confirming all and singular the rights, Revenues, Funds and Accounts pledged, assigned and established pursuant to this Bond Resolution, including the moneys, Mortgage Loans, Guaranteed Mortgage Securities and Permitted Investments hereby pledged or assigned, or assigned in trust, or intended so to be, or which the Commission may hereafter become bound to pledge or assign in trust.

Section 7.09. Powers as to Bonds and Pledge. The Commission is duly authorized, pursuant to law, to authorize and issue the Bonds, to adopt this Bond Resolution and to pledge the Revenues and all Funds and Accounts established by this Bond Resolution, including the money, Permitted Investments ~~and~~, Mortgage Loans and Guaranteed Mortgage Securities therein purported to be pledged, in the manner and to the extent provided in this Bond Resolution, and to assign, transfer and set over unto the Trustee in trust the proceeds of the sale of the Bonds held in such Funds or the Accounts thereof or any securities or Permitted Investments purchased with such proceeds of the sale of Bonds, including the income thereof, purported to be so assigned in trust by this Bond Resolution, in the manner and to the extent provided in this Bond Resolution. The Revenues and other moneys, Mortgage Loans, Guaranteed Mortgage Securities, Funds and Accounts so pledged and the proceeds of sale of the Bonds so held in trust are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment in trust created by this Bond Resolution, and all corporate action on the part of the Commission to that end has been duly and validly taken. The Bonds and the provisions of this Bond Resolution are and will be the valid and legally enforceable limited obligations of the Commission in accordance with their terms and the terms of this Bond Resolution. The Commission shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other money, Mortgage Loans, Guaranteed Mortgage Securities, Funds and Accounts so pledged under the Bond Resolution, and the assignment in trust of the proceeds of sale of the Bonds created by this Bond Resolution, and all the rights of the Bondholders under this Bond Resolution, against all claims and demands of all persons whomsoever.

ARTICLE VIII

DISCHARGE OF LIEN

If the Commission shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of the Bonds and the coupons appertaining to the coupon Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, then unless there shall be delivered to the Trustee a certificate of an Authorized Officer to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of this Bond Resolution, and execute and deliver to the Commission such instruments in writing as shall be requisite to release the lien hereof, and reconvey, release,

assign and deliver unto the Commission any and all the estate, right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of this Bond Resolution, except cash held by the Trustee or any Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Bond Resolution when payment of the principal of, and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment and/or (2) Federal Obligations maturing as to principal and interest in such amount and at such time as will ensure the availability of sufficient moneys to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Bond Resolution, except for the purposes of any such payment from such moneys or Federal Obligations.

Notwithstanding the foregoing, no deposit under clause (b) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until: (i) proper notice of redemption of such Bonds shall have been previously given in accordance with Article IV, or in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, until the Commission shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the holders or owners of the Bonds and the holders of the coupons appertaining to the coupon Bonds, in accordance with Article IV that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with this Article and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds; or (ii) the maturity of such Bonds.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Commission shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instruction:

(I) stating the date when the principal (and premium, if any) of each such Bond is to be paid, whether at maturity or on a redemption date;

(II) to call for redemption pursuant to this Bond Resolution any Bonds to be redeemed prior to maturity pursuant to (I) hereof; and

(III) to publish, as soon as practicable, in the manner prescribed by Article IV a notice to the holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds as specified in (I) hereof.

All moneys so deposited with the Trustee as provided in this Article may at the direction of the Commission also be invested and reinvested in Federal Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Federal Obligations in the hands of the Trustee pursuant to this Article which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for application as are other moneys deposited in such Fund.

Notwithstanding any provision of any other Article of this Bond Resolution which may be contrary to the provisions of this Article, all moneys or Federal Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest and premium thereon, if any) and coupons appertaining to the coupon Bonds shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and Federal Obligations have been so set aside in trust.

Anything in Article X to the contrary notwithstanding, if moneys or Federal Obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the holder of each Bond affected thereby.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following shall constitute an event of default under this Bond Resolution and is herein called an "Event of Default":

(a) Interest on any of the Bonds is not paid on any date when due, or the principal or redemption price of any Bonds is not paid at maturity or at a redemption date at which the Bonds have been called for redemption, or a Sinking Fund Installment is not paid when due;

(b) If there is a default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Commission in this Bond Resolution or Series Resolution or in the Bonds contained, and such default is not remedied after notice thereof pursuant to Section 9.10;

(c) If the Commission shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; or

(d) If the State has limited or altered the rights of the Commission pursuant to the Acts, as in force on the date of this Bond Resolution, to fulfill the terms of any agreements made with the holders of Bonds or in any way impaired the rights and remedies of holders of Bonds while any Bonds are Outstanding.

Section 9.02. Remedies; Rights of Bondholders. Upon the occurrence of an Event of Default the Trustee may pursue any available remedy under the Acts, at law or in equity to enforce the payment of the principal and interest on the Bonds then Outstanding, including, without limitation, the following:

(a) Declare the principal of all Bonds Outstanding and the interest accrued thereon to be immediately due and payable, whereupon such principal and interest shall thereupon become immediately due and payable;

(b) The Commission shall effectuate the assignment to the Trustee of any or all of the Mortgage Loans and Mortgages held by the Commission and financed under the Program, and the Commission does hereby appoint the Trustee as its attorney in fact to execute such assignment. After such assignment, the Trustee shall have full power and authority to take such action with respect to the Mortgage Loans and Mortgages assigned~~,~~ and the Trustee shall have full power and authority to take such action with respect to the Guaranteed Mortgage Securities financed under the Program, all as the Trustee shall deem necessary or appropriate, subject only to the terms of such Mortgage Loans ~~and~~, Mortgages and Guaranteed Mortgage Securities;

(c) The books of record and account of the Commission and all records relating to the Program shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys; and

(d) The Commission, whenever the Trustee shall demand, will account as if it were the trustee of an express trust for all Revenues and other money, securities and Funds and Accounts pledged or held under this Bond Resolution for such period as shall be stated in such demand.

If an Event of Default shall have occurred and, if requested so to do by the holders of no less than 25% in Aggregate Principal Amount of Bonds then Outstanding and indemnified as provided in Section 12.03, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by this Section, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

No remedy by the terms of this Bond Resolution conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 9.03. Right of Bondholders to Direct Proceedings. Anything in this Bond Resolution to the contrary notwithstanding, the holders of a majority in Aggregate Principal Amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Bond Resolution, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Bond Resolution.

Section 9.04. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Bond Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 9.05. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and of any Program Expenses necessary to maintain the security for the Bonds, be deposited in the Debt Service Fund and all moneys in the Debt Service Fund (other than moneys held for redemption of Bonds duly called for redemption) shall be applied as follows:

(a) Unless the Aggregate Principal Amount of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, according to the amounts due to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid Aggregate Principal Amount of any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Bond Resolution), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due at the rate borne by the Bonds and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of Aggregate Principal Amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the persons entitled thereto as the same shall become due of the Aggregate Principal Amount of and interest on the Bonds which may thereafter become due either at maturity or upon call for

redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of Aggregate Principal Amount due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the Aggregate Principal Amount of all the Bonds shall have become or shall have been declared due, all such moneys shall be applied to the payment of the Aggregate Principal Amount and interest then due and unpaid upon the Bonds, without preference or priority of Aggregate Principal Amount over interest or of interest over Aggregate Principal Amount, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for Aggregate Principal Amount and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the Aggregate Principal Amount of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of subsection (b) of this Section in the event that the Aggregate Principal Amount of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of Aggregate Principal Amount to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond or coupon until such Bond or coupon shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Aggregate Principal Amount of and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee and any Paying Agent have been paid, any balance remaining in the Debt Service Fund shall be paid to the Commission.

Section 9.06. Remedies Vested in the Trustee. All rights of action (including the right to file proof of claims) under this Bond Resolution or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any holder of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the holders of the Outstanding Bonds and coupons.

Section 9.07. Rights and Remedies of Bondholders. No holder of any Bond or coupon shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Bond Resolution or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (1) a default has occurred of which the Trustee has been notified as provided in Section 9.02, or of which by said subsection it is deemed to have notice, (2) such default shall have become an Event of Default and the owners of not less than 25% in Aggregate Principal Amount of Bonds then Outstanding shall have made written notice to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, (3) they have offered to the Trustee indemnity as provided in Article XII, and (4) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Bond Resolution, and to any action or cause of action for the enforcement of this Bond Resolution, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Bond Resolution by his action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the holders of all Bonds then Outstanding. However, nothing contained in this Bond Resolution shall affect or impair the right of any Bondholders to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Commission to pay the principal of and interest on each of the Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner in the Bonds expressed.

Section 9.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Bond Resolution by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Commission, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, with regard to the property herein subject to this Bond Resolution, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 9.09. Waivers of Events of Default. The Trustee may at its discretion waive any Event of Default hereunder and its consequences, and shall do so upon the written request of the holders of (1) more than 66-2/3% in Aggregate Principal Amount of all the Bonds then Outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) more than 50% in Aggregate Principal Amount of all Bonds then Outstanding in the case of any other default; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity or sinking fund redemption date specified therein or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by the Bonds, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or

abandoned or determined adversely, then and in every such case the Commission, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 9.10. Notice of Defaults under Section 9.01(b); Opportunity of the Commission to Cure Such Defaults. Anything herein to the contrary notwithstanding, no default under Section 9.01(b) hereof shall constitute an Event of Default until actual notice of such default by first class mail (postage prepaid) shall be given to the Commission by the Trustee or by the holders of not less than 25% in Aggregate Principal Amount of all Bonds Outstanding and the Commission shall have had 60 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Commission within the applicable period and diligently pursued until the default is corrected.

ARTICLE X

SUPPLEMENTAL BOND RESOLUTIONS

Section 10.01. Supplemental Bond Resolutions Effective Upon Filing. For any one or more of the following purposes and at any time or from time to time, a resolution of the Commission supplementing this Bond Resolution may be adopted, which resolution, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(a) To close this Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Bond Resolution on, the issuance in the future of Bonds or of other notes, bonds, obligations or evidences of indebtedness;

(b) To add to the covenants or agreements of the Commission in this Bond Resolution, other covenants or agreements to be observed by the Commission which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;

(c) To add to the limitations or restrictions in this Bond Resolution, other limitations or restrictions to be observed by the Commission which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Commission by this Bond Resolution;

(e) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Bond Resolution, of the Revenues or any other money, Mortgage Loans, Guaranteed Mortgage Securities, Funds or Accounts; or

(f) To specify, determine or authorize by Series Resolution any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect.

Section 10.02. Supplemental Bond Resolutions Effective upon Consent of the Trustee. For any one or more of the following purposes and at any time or from time to time, a resolution of the Commission, amending or supplementing this Bond Resolution, may be adopted, which, upon (i) filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) filing with the Commission of an instrument in writing made by the Trustee consenting to such resolution, shall be fully effective in accordance with its terms:

(a) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Bond Resolution; or

(b) To insert such provisions clarifying matters or questions arising under this Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with this Bond Resolution as theretofore in effect.

(c) To specify, determine or authorize any amendment to this Bond Resolution which, in the opinion of the Trustee is not materially adverse to the interests of the Bondholders (and the Trustee may rely on the respective determinations of the nationally recognized rating agencies then rating the Bonds at the request of the Commission as to whether the rating on the Bonds will be adversely affected as conclusively establishing whether the change is materially adverse to the security of the Bondholders).

Section 10.03. Supplemental Bond Resolutions Requiring Consent of Bondholders. Exclusive of supplemental resolutions covered by Sections 10.01 and 10.02 and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in Aggregate Principal Amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Bond Resolution to the contrary notwithstanding, to consent to and approve the execution by the Commission and the Trustee of such resolutions supplemental hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Bond Resolution or in any supplemental resolutions; provided, however, that nothing in this Section contained shall permit, or be construed as permitting, without the consent of the holders of all Outstanding Bonds, (a) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the interest on any Bond issued hereunder, or (b) a reduction in the Aggregate Principal Amount of any Bond or the rate of interest, or sinking fund redemption requirements, thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the Aggregate Principal Amount of the Bonds required for consent to such supplemental resolution, or (e) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding hereunder or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

Section 10.04. Modifications by Unanimous Consent. Notwithstanding anything contained in the foregoing provisions of this Article, the terms and provisions of this Bond Resolution, and the rights and obligations of the Commission and the holders of the Bonds and coupons, in any particular, may be modified or amended in any respect upon the adoption by the Commission and filing in accordance with the provisions of this Article of a resolution of the Commission making such modification or amendment and the consent of such resolution of the holders of all of the Bonds then Outstanding, such consent to be given and proved as provided in Section 10.06, except that no notice to Bondholders, either by mailing or publication, shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the Trustee's written assent thereto.

Section 10.05. Supplemental Bond Resolutions Not Affecting Bondholders. At any time or from time to time, a resolution of the Commission amending or supplementing this Bond Resolution may be adopted, modifying any of the provisions of this Bond Resolution or releasing the Commission from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, provided that (a) no Bonds are Outstanding at the time the resolution becomes effective, or (b) such resolution, by its terms, is applicable only to the obligations, covenants, agreements, limitations, conditions and restrictions of and upon the Commission in relation to the holders of Bonds issued after it becomes effective. Any such resolution shall become effective upon adoption or at such other time as may be provided therein.

Section 10.06. Consent of Bondholders. The Commission may at any time adopt and file a resolution of the Commission making a modification or amendment permitted by the provisions of Section 10.03 or 10.04, to take effect when and as provided in this Section. A copy of such resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Commission to Bondholders and shall be published at least one time in Authorized Newspapers (but failure to mail such copy and request shall not affect the validity of such resolution when consented to as in this Section provided). Such resolution shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (1) the written consents of holders of the percentage of Outstanding Bonds specified in Section 10.03 or 10.04, as the case may be, and (2) a Counsel's Opinion stating that such resolution has been duly and lawfully adopted by the Commission in accordance with the provisions of this Bond Resolution, is authorized or permitted by the provisions of this Bond Resolution, and, when effective, will be valid and binding upon the Commission and enforceable in accordance with its terms, and (b) a notice shall have been published as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by evidence that such consent has been executed by a holder of Bonds as of the date such consent is given. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof), but, notwithstanding the provisions of Section 13.01, such consent may be revoked in writing by the filing with the Trustee, not later than the time when the written statement of the Trustee hereinafter in this Section provided for is filed, such a revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 13.01. The fact that a consent has not been revoked may likewise

be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee.

At any time after the holders of the required percentage of Bonds shall have filed their consents to such resolution, the Trustee shall make and file with the Commission a written statement that the holders of such required percentage of Bonds have filed and given such consents, and that proof of the holding of such Bonds has been examined and found sufficient by the Trustee. Such written statement shall be conclusive that such consents have been so filed and have been given. At any time thereafter notice, stating in substance that such resolution (which may be referred to as a resolution adopted by the Commission on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentage of Bonds and will be effective as provided in this Section, shall be published at least once in Authorized Newspapers and may be mailed to Bondholders (but failure to mail such notice shall not prevent such resolution from becoming effective and binding as in this Section provided). The Commission shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this Section to be made by or filed with the Trustee, shall be proof of the matters therein stated. Such resolution making such modification or amendment shall be deemed conclusively binding upon the Commission, the Trustee and the holders of all Bonds and coupons at the expiration of 40 days after the filing with the Trustee of proof of the first publication of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that the Trustee and the Commission, during such 40-day period and any further period during which any such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient.

Section 10.07. Authorization to the Trustee. The Trustee is authorized to accept the delivery of a certified copy of any resolution of the Commission referred to and permitted or authorized by Section 10.01, 10.02, 10.03, 10.04 or 10.05, upon satisfaction of any requirements with respect thereto, to consent to such resolution as provided in such Sections and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on a Counsel's Opinion that such resolution is authorized or permitted by the provisions of this Bond Resolution or contains no provisions which are contrary to or inconsistent with this Bond Resolution as theretofore in effect.

Section 10.08. Exclusion of Bonds. Bonds owned or held by or for the account of the Commission shall be excluded and shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Commission shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action under this Article, the Commission shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 10.09. Notation on Bonds. Bonds delivered after the effective date of any action taken as in this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Commission and the Trustee as to such

action, and upon demand of the holder of any Bond Outstanding at such effective date and presentation of such Bond for the purpose at the principal office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Commission or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Commission to conform to such action may be prepared and delivered, and upon demand of the holder of any Bond then Outstanding may be exchanged, without cost to such Bondholder, for Bonds of the same aggregate principal amount, Series, designation, maturity and interest rate upon surrender of such Bonds with all unpaid coupons, if any, appertaining thereto. Every holder of any Outstanding Bond shall, however, by his purchase and retention of a Bond, be deemed to consent to be bound by every modification and amendment of this Bond Resolution adopted in accordance with the provisions of this Article, whether or not noted or endorsed on or incorporated in such Bond.

ARTICLE XI

DEPOSITORIES OF MONEYS AND INVESTMENT OF FUNDS

Section 11.01. Depositories. All moneys held by the Trustee under the provisions of this Bond Resolution shall be deposited with the Trustee or one or more Fiduciaries in trust for the Trustee. All moneys deposited under the provisions of this Bond Resolution with the Trustee or any Fiduciary shall be held in trust and applied only in accordance with the provisions of this Bond Resolution, and each of the Funds and Accounts established by this Bond Resolution shall be a trust fund for the purposes thereof. The Trustee and the Commission shall not permit the deposit of any moneys with any Fiduciary in an amount exceeding the amount insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or fully secured by obligations of the kind specified in clauses (i), (ii) and (iii) of the definition of Permitted Investments.

Section 11.02. Investment of Funds and Accounts Held by the Trustee. Except as otherwise provided in this Bond Resolution, the Commission may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the Funds and Accounts held by the Trustee in Permitted Investments, the maturity or redemption date at the option of the holder of which shall coincide as nearly as practicable with the times at which moneys in said Fund or Account will be required for the purposes provided in this Bond Resolution.

Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of this Bond Resolution shall be deemed at all times to be a part of such Fund or Account, and except as otherwise expressly provided in this Bond Resolution, the income or interest earned by, or the increment to, a Fund or Account due to the investment thereof shall be transferred to the Revenue Fund as received.

In computing the amount in any Fund or Account held by the Trustee under the provisions of this Bond Resolution, except the Debt Service Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at the cost or market price thereof, whichever is lower, exclusive of accrued interest, except that securities covered by repurchase agreements shall be valued at market price. Where market prices for obligations held by the Trustee are not readily available, the Trustee may determine the market price for such obligations in such

manner as it deems reasonable. In computing the amount of the Debt Service Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par or at their cost to the Commission if purchased at less than par.

The Trustee shall sell at the best price obtainable, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. The Trustee shall advise the Commission in writing, on or before the 20th day of each calendar month, of the details of all cash and investments held for the credit of, and transactions in, each Fund or Account in its custody under the provisions of this Bond Resolution as of the end of the preceding month.

ARTICLE XII

THE FIDUCIARIES

Section 12.01. Trustee and Depositories; Appointment and Acceptance. (a) The Commission shall, by resolution adopted before the initial issuance of Bonds under this Bond Resolution, appoint as the Trustee hereunder a bank, trust company or national banking association having trust powers and having a combined capital and surplus of not less than $25,000,000 and deliver to the Trustee a copy of the resolution, certified by an Authorized Officer. Upon executing and delivering to the Commission its written acceptance of the duties and obligations imposed upon it by this Bond Resolution, the Trustee shall be and is hereby vested with all the property, rights, powers and duties granted, pledged and assigned to it by this Bond Resolution, in trust for the Bondholders.

(b) The Commission may by resolution appoint Fiduciaries as depositories of money held under the provisions of this Bond Resolution. Each Fiduciary shall signify its acceptance of the duties and obligations imposed upon it by this Bond Resolution by executing and delivering to the Commission and the Trustee written acceptance thereof. The Trustee may be a depository of any Fund or Account.

Section 12.02. Paying Agents. The Commission shall appoint one or more Paying Agents for each Series of Bonds by Series Resolution adopted prior to their delivery and may, at any time or from time to time by a supplemental bond resolution, appoint one or more other Paying Agents for such Bonds. Each Paying Agent shall be a bank, trust company or national banking association, having trust powers and having a capital and surplus aggregating at least $25,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Bond Resolution. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Bond Resolution by executing and delivering to the Commission and the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Paying Agent.

Section 12.03. Responsibilities of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Commission, and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to

the validity or sufficiency of this Bond Resolution or of any Series Resolution or any Bonds or coupons issued thereunder or in respect of the security afforded by this Bond Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except the Trustee to the extent such proceeds are paid to the Trustee in its capacity as Trustee or the application of any moneys paid to the Commission or others in accordance with this Bond Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability, to institute or defend any action or suit in respect of this Bond Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Section 12.04. Funds Held in Trust. All money held by any Fiduciary, as such, at any time pursuant to the terms of this Bond Resolution shall be and is hereby assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of this Bond Resolution.

Section 12.05. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Commission, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer stating the same, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Bond Resolution upon the faith thereof, but in its discretion the Fiduciary may, in lieu thereof, accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Commission to any Fiduciary shall be sufficiently executed if executed by an Authorized Officer.

Section 12.06. Preservation and Inspection of Documents. All reports, certificates, statements and other documents received by any Fiduciary under the provisions of this Bond Resolution shall be retained in its possession and shall be available at all reasonable times for inspection by the Commission, any other Fiduciary or any Bondholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of such Fiduciary, be destroyed or otherwise disposed of at any time six years after such date as the pledge created by this Bond Resolution shall be discharged as provided in Article VIII.

Section 12.07. Compensation and Expenses. Unless otherwise provided by contract with the Fiduciary, the Commission shall pay to each Fiduciary, from time to time, reasonable

compensation for all services rendered by it hereunder and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder, and each Fiduciary shall have a lien therefor on any and all funds at any time held by it hereunder. The Commission shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its negligence or default.

Section 12.08. Certain Permitted Acts. Any Fiduciary may become the owner of or may deal in Bonds or may act as a Mortgage Lender as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Bond Resolution, whether or not any such committee shall represent the holders of a majority in aggregate principal amount of the Bonds Outstanding.

Section 12.09. Resignation of Fiduciary. A Fiduciary, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by this Bond Resolution by giving not less than 60 days' written notice to the Commission and publishing notice thereof, specifying the date when such resignation shall take effect, in Authorized Newspapers within 20 days after the giving of such written notice. Such resignation shall take effect upon the day specified in such notice, unless previously a successor shall have been appointed by the Commission or Bondholders as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 12.10. Removal. A Fiduciary, or any successor thereof, may be removed at any time by the holders of a majority in Aggregate Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Commission, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Commission. Copies of each such instrument shall be delivered by the Commission to each Fiduciary and any successor thereof.

Section 12.11. Appointment of Successor Fiduciary. In case at any time a Fiduciary, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent or if a receiver, liquidator or conservator of such Fiduciary or of its property shall be appointed or if any public office shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Commission, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Fiduciary, notification thereof being given to the Commission, the predecessor Fiduciary and any other Fiduciaries. Pending such appointment, the Commission shall forthwith appoint a Fiduciary to fill such vacancy until a successor Fiduciary shall be appointed by Bondholders as herein authorized. The Commission shall publish notice of any such appointment in Authorized Newspapers within 20 days after such appointment. Any successor Fiduciary appointed by the Commission shall, immediately and without further act, be

superseded by a Fiduciary appointed by Bondholders. If in a proper case, no appointment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within 45 days after the Fiduciary shall have given to the Commission written notice as provided in Section 12.09 or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other Fiduciary or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Fiduciary. Any Fiduciary appointed under the provisions of this Section shall have the qualifications prescribed for its predecessor in Section 12.01 or Section 12.02.

Section 12.12. Transfer of Rights and Property to Successor Fiduciary. Any successor Fiduciary appointed hereunder shall execute, acknowledge and deliver to its predecessor Fiduciary, and also to the Commission, an instrument accepting such appointment, and thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if named herein as such Fiduciary, but the Fiduciary ceasing to act shall, nevertheless, on the written request of the Commission or of the successor Fiduciary, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under this Bond Resolution and shall pay over, assign and deliver to the successor Fiduciary any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Commission be required by such successor Fiduciary for more fully and certainly vesting in and confirming to such successor Fiduciary any such moneys, estates, properties, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Commission. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

Section 12.13. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a financial institution which is qualified to be a successor to such Fiduciary under Section 12.01 or Section 12.02 and shall be authorized by law to perform all the duties imposed upon it by this Bond Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Bond Resolution to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing.

Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Bond Resolution, and shall be conclusive in favor of the Trustee and any Paying Agent with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the registration books of the Commission maintained by the Trustee pursuant to this Bond Resolution.

Section 13.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Bond Resolution or the Bonds is intended or shall be construed to give to any person other than the Commission, the Fiduciaries and the holders of the Bonds or coupons, any legal or equitable right, remedy or claim under or in respect to this Bond Resolution or any covenants, conditions and provisions herein contained; this Bond Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Commission, the Fiduciaries and the holders of the Bonds and coupons as herein provided.

Section 13.03. Severability. If any provision of this Bond Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 13.04. Publications; Electronic Communications. In this Bond Resolution, whenever publications in an Authorized Newspaper on successive dates are referred to or implied, such publications need not all be made in the same Authorized Newspaper and shall be sufficient if made on such successive dates in any Authorized Newspaper circulated in the same area.

Any notice, direction or other communication given hereunder from the Commission to any Fiduciary, or from any Fiduciary to the Commission, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation of delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., New York City time, and otherwise on the next business day.

Section 13.05. Payments Due on Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bond shall be in the city of payment a Sunday or a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal may be made on the succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption.

Section 13.06. Applicable Provisions of Law. This Bond Resolution shall be governed by and construed in accordance with the laws of the State.

Section 13.07. No Recourse on Bonds. No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or on this Bond Resolution against any member or officer of the Commission or any person executing the Bonds by virtue of being such member, officer or person executing the Bonds.

Adopted by the Housing Opportunities Commission of Montgomery County the ___ day of _____, ~~2011.~~2013.

[SEAL]

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Attest:

By: _____
Chairman

By: _____
Secretary-Treasurer

The Bank of New York Mellon Trust Company N.A. accepts the trusts hereby created and agrees to perform the duties herein required of it upon the terms and conditions hereof.

_____ ___, ~~2011~~2013

[SEAL]

THE BANK OF NEW YORK MELLON
TRUST COMPANY N.A., Trustee

Attest:

By: _____
Name:
Title:

By: _____
Corporate Trust Officer

Document comparison by Workshare Compare on Wednesday, May 29, 2013 3:44:55 PM

Input:	
Document 1 ID	C:\NetDocs\MASTER 1979 HOC SF MRB Bond Resolution as Supplemented through December 2011.doc
Description	C:\NetDocs\MASTER 1979 HOC SF MRB Bond Resolution as Supplemented through December 2011.doc
Document 2 ID	C:\NetDocs\COMPOSITE SF MRB Bond Resolution for June 2013 Adoption.doc
Description	C:\NetDocs\COMPOSITE SF MRB Bond Resolution for June 2013 Adoption.doc
Rendering set	kutak option 1

Legend:	
Insertion	
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Style change	
Format change	
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Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	142
Deletions	56
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	198

ADOPTION OF SERIES RESOLUTION PROVIDING FOR THE ISSUANCE OF 2013 SERIES A, 2013 SERIES B, 2013 SERIES C SINGLE FAMILY MORTGAGE REVENUE BONDS

June 5, 2013

- On May 1, 2013, the Commission approved a structure and cost of issuance budget for an issuance of Single Family Mortgage Revenue Bonds to refund various outstanding Single Family Mortgage Revenue Bonds and to issue new debt. The Bonds are being issued under the 1979 Single Family Bond Resolution.

- The total size of the issuance is now expected to be $59,250,000, with $51,250,000 allocated for refunding and $8,000,000 allocated as new debt for zero percent interest rate loans.

- Pricing for the bonds occurred on May 29, 2013. Closing of the bond issue is scheduled for June 11, 2013.

- A Series Resolution is prepared for each series of bonds to be issued setting forth, among other things, authorization to issue the bonds, the purpose of the bonds and the application of proceeds, redemption provisions, types of accounts to be created, and authority to execute necessary documents.

- While three series of bonds are being issued, Kutak Rock, LLP, HOC Bond Counsel, has prepared a single Series Resolution to incorporate all three series in one document.

- Staff recommends adoption of the Series Resolution to issue 2013 Series A, 2013 Series B, and 2013 Series C Single Family Mortgage Revenue Bonds.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: DeBrine/Brown Division: Mortgage Finance Ext. 9599/9589

RE: Adoption of Series Resolution Providing for the Issuance of 2013 Series A, 2013 Series B, and 2013 Series C Single Family Mortgage Revenue Bonds

DATE: June 5, 2013

STATUS: Consent _____ Deliberation ___X___ Status Report_____ Future Action

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OVERALL GOAL & OBJECTIVE:
To reduce the overall debt service of the Single Family Program and to generate new bond funds in order to provide low rate mortgage financing to first time home buyers in Montgomery County.

BACKGROUND:
At the meeting on May 1, 2013, the Commission approved the basic structure and a cost of issuance budget to provide for the issuance of refunding of various single family mortgage revenue bonds and the issuance of new debt under the 1979 Bond Resolution. The initial approval was for a size of approximately $56,075,000 of refunding and $12,000,000 of new debt, totaling approximately $68,075,000, subject to market conditions.

The size of the full bond issue is currently expected to be approximately $59,250,000 and will be composed of a refunding of approximately $51,250,000 of various single family mortgage revenue bonds and approximately $8,000,000 of new debt to be loaned at a zero percent interest rate to make new mortgage loans. The issued bonds will be tax-exempt, term and series bonds issued in three series, Series A, Series B, and Series C.

The pricing and sale of the bonds occurred on May 29, 2013. Closing of the bond issue is scheduled for June 11, 2013.

Series Resolution
For each bond issue, the Commission is asked to approve one or more Series Resolutions which contain specific information about the series of bonds being issued. A Series Resolution authorizes the issuance of a particular series of bonds stating, among other things, the bonds'

purpose, redemption provisions, creation of certain accounts, and use of the bond proceeds.

Bond Counsel to the Commission, Kutak Rock, LLP, has prepared a single Series Resolution for the three series A, B, and C.

The Commission is being asked to adopt a single Series Resolution incorporating three series of bonds substantially in final form and included with this memorandum. The Commission is being asked to approve such insertions, modifications, and amendments as necessary at the discretion of the Executive Director and staff of the Commission with the advice of Bond Counsel in connection with the issuance of the bonds.

ISSUES FOR CONSIDERATION:
Should the Commission approve the Series Resolution providing for the issuance and sale of 2013 Series A, 2013 Series B, and 2013 Series C Mortgage Revenue Bonds?

PRINCIPALS:
HOC
Caine MItter & Associates, Incorporated, Financial Advisor
Kutak Rock, LLP, HOC Bond Counsel
Underwriting Team
BNY Mellon, Trustee

BUDGET IMPACT:
Expenses for the Single Family program are paid from excess revenue in the Single Family program. There is no impact on the FY13 operating budget.

TIME FRAME:
For action at the meeting of June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends approval of the Series Resolution providing for the issuance and sale of 2013 Series A, 2013 Series B and 2013 Series C Mortgage Revenue Bonds.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Resolution No. 2013-___

SERIES RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE

OF

$39,760,000 PRINCIPAL AMOUNT OF SINGLE FAMILY
MORTGAGE REVENUE BONDS, 2013 SERIES A OF THE HOUSING
OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

$16,225,000 PRINCIPAL AMOUNT OF SINGLE FAMILY
MORTGAGE REVENUE BONDS, 2013 SERIES B OF THE HOUSING
OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

$3,185,000 PRINCIPAL AMOUNT OF SINGLE FAMILY
MORTGAGE REVENUE BONDS, 2013 SERIES C OF THE HOUSING
OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

Adopted as of June 1, 2013

Resolution No. 2013-___

SERIES RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE

OF

$39,760,000 PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE REVENUE BONDS, 2013 SERIES A OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

$16,225,000 PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE REVENUE BONDS, 2013 SERIES B OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

AND

$3,185,000 PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE REVENUE BONDS, 2013 SERIES C OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

Adopted as of June 1, 2013

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") has previously issued certain Bonds to purchase Mortgage Loans from Mortgage Lenders pursuant to its single family mortgage program under the provisions of Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and Chapter 41 of the Laws of Montgomery County, 1974, as amended, known as the Housing Opportunity Act, and the Agreement by and between the Commission and Montgomery County, Maryland, effective July 1, 2012, as amended (the "Acts"); and

WHEREAS, the Commission adopted a Single Family Mortgage Revenue Bond Resolution on March 28, 1979, and adopted resolutions amending said Bond Resolution on December 15, 1982, as of August 1, 1983, as of June 1, 1986, as of June 26, 1991, on May 17, 1995, on June 9, 1999, on May 3, 2000, on September 18, 2002, as of December 1, 2005, on April 2, 2008, on December 7, 2011 and on June 5, 2013 (the "Bond Resolution"); and

WHEREAS, in order to obtain funds with which to refund and redeem certain prior outstanding bonds of the Commission and to make certain moneys available to finance additional Mortgage Loans it is deemed necessary and advisable to issue three series of Single Family Mortgage Revenue Bonds of the Commission as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. ***Definitions***. (a) Except as provided in subsection (b) hereof, all defined terms contained in the Bond Resolution when used in this 2013 Series A/B/C Resolution shall have the same meanings as set forth in the Bond Resolution.

(b) As used in this 2013 Series A/B/C Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bond Counsel*" means one or more attorneys or firms of attorneys with a nationally recognized standing in the field of municipal bond financings selected by the Commission.

"*Business Day*" means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York or in which the designated corporate trust office of the Trustee is located, are authorized by law to close or a day on which the New York Stock Exchange is closed.

"*Electronic Means*" means a facsimile transmission or any other electronic means of communication approved in writing by the Commission.

"*Interest Payment Date*" means each January 1 and July 1, commencing January 1, 2014.

"*1954 Code*" means the Internal Revenue Code of 1954, as amended, and the regulations of the United States Department of Treasury thereunder.

"*1986 Code*" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of Treasury thereunder.

"*Record Date*" means the 15th day of the calendar month next preceding each Interest Payment Date.

"*Refunded Bonds*" means the Series A Refunded Bonds, the Series B Refunded Bonds and the Series C Refunded Bonds.

"*Series A Refunded Bonds*" means the Commission's Single Family Mortgage Revenue Bonds, in the aggregate principal amount of $39,760,000, of the series and in the specific amounts set forth in Section 3.04 hereof.

"*Series B Refunded Bonds*" means the Commission's Single Family Mortgage Revenue Bonds, in the aggregate principal amount of $8,225,000, of the series and in the specific amounts set forth in Section 3.04 hereof.

"*Series C Refunded Bonds*" means the Commission's Single Family Mortgage Revenue Bonds, in the aggregate principal amount of $3,185,000, of the series and in the specific amounts set forth in Section 3.04 hereof.

"*Single Family Residence*" has the meaning ascribed to such term in the Financing Agreement.

"*Transferred Mortgage Loans*" means the Mortgage Loans previously financed in connection with the Refunded Bonds and, following the refunding and redemption of the Refunded Bonds, financed in connection with the 2013 Series Bonds.

"*2013 Series A Bonds*" means the Commission's Single Family Mortgage Revenue Bonds, 2013 Series A, in the aggregate principal amount of $39,760,000.

"*2013 Series A/B/C Resolution*" means this 2013 Series A/B/C Resolution of the Commission authorizing the issuance of the 2013 Series Bonds.

"*2013 Series A/B/C Mortgage Loan Account*" means the Account created pursuant to Section 3.01 hereof.

"*2013 Series A/B/C Rebate Account*" means the Account created pursuant to Section 3.02 hereof.

"*2013 Series A/B/C Refunding Account*" means the Account created pursuant to Section 3.02 hereof.

"*2013 Series B Bonds*" means the Commission's Single Family Mortgage Revenue Bonds, 2013 Series B, in the aggregate principal amount of $16,225,000.

"*2013 Series Bonds*" means, collectively, the 2013 Series A Bonds, the 2013 Series B Bonds and the 2013 Series C Bonds.

"*2013 Series C Bonds*" means the Commission's Single Family Mortgage Revenue Bonds, 2013 Series C, in the aggregate principal amount of $3,185,000.

The terms "hereby," hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this 2013 Series A/B/C Resolution, refer to this 2013 Series A/B/C Resolution.

Section 1.02. ***Authority for This 2013 Series A/B/C Resolution***. This 2013 Series A/B/C Resolution is adopted pursuant to the provisions of the Acts and the Bond Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF 2013 SERIES BONDS

Section 2.01. ***Authorization of Bonds, Principal Amount, Designation and Series***. In order to provide sufficient funds necessary for the refunding and redemption of the Series A

Refunded Bonds, the Series B Refunded Bonds and the Series C Refunded Bonds (collectively, the "Refunded Bonds") and to finance Mortgage Loans pursuant to the Acts and in accordance with and subject to the terms, conditions and limitations established in the Bond Resolution and this 2013 Series A/B/C Resolution, the 2013 Series Bonds are hereby authorized to be issued. The 2013 Series A Bonds in the aggregate principal amount of $39,760,000 will be entitled "Single Family Mortgage Revenue Bonds," and such Series of Bonds shall bear the additional designation "2013 Series A" and each Bond as so designated shall be entitled "Single Family Mortgage Revenue Bond, 2013 Series A." The 2013 Series B Bonds in the aggregate principal amount of $16,225,000 will be entitled "Single Family Mortgage Revenue Bonds," and such Series of Bonds shall bear the additional designation "2013 Series B" and each Bond as so designated shall be entitled "Single Family Mortgage Revenue Bond, 2013 Series B." The 2013 Series C Bonds in the aggregate principal amount of $3,185,000 will be entitled "Single Family Mortgage Revenue Bonds," and such Series of Bonds shall bear the additional designation "2013 Series C" and each Bond as so designated shall be entitled "Single Family Mortgage Revenue Bond, 2013 Series C." The 2013 Series Bonds may be issued only in fully registered form without coupons.

Section 2.02. ***Purposes***. The purposes for which the 2013 Series Bonds are being issued are (i) to refund and redeem $39,760,000 aggregate principal amount of the Series A Refunded Bonds, $8,225,000 aggregate principal amount of the Series B Refunded Bonds and $3,185,000 aggregate principal amount of the Series C Refunded Bonds, and in connection with such refunding and redemption, finance $45,651,007 of Transferred Mortgage Loans and (ii) to apply the remaining proceeds of the 2013 Series B Bonds to make $8,000,000 available for the purchase of newly originated Mortgage Loans and Guaranteed Mortgage Securities (or participations therein) to finance single family owner-occupied housing, subject to the limitations and provisions provided in Article V of the Bond Resolution.

Section 2.03. ***Issue Date and Payment***. The 2013 Series Bonds shall be dated the date of delivery thereof. The 2013 Series Bonds will bear interest from the date of delivery thereof, payable semiannually on January 1 and July 1 of each year commencing January 1, 2014. Interest on the 2013 Series Bonds shall be paid by check to the registered owners at their addresses as they appear as of the close of business on the Record Date on the registration books of the Commission maintained by The Bank of New York Mellon Trust Company, N.A., as trustee and registrar (the "Trustee") or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such registered owners on or prior to the Record Date or, upon timely written request of a registered owner of 2013 Series Bonds and payment of any applicable transfer fee, by wire transfer from the Trustee to the registered owner thereof. Principal of, redemption premium, if any, and interest due at maturity or upon redemption or purchase of the 2013 Series Bonds will be payable at the designated corporate trust office of the Trustee at maturity or earlier redemption or purchase.

Section 2.04. ***The 2013 Series Bonds***. (a) The 2013 Series A Bonds shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum as follows:

2013 Series A Bonds

Year	Amount	Interest Rate
July 1, 2017	$1,290,000	
January 1, 2018	1,575,000	
July 1, 2018	1,585,000	
January 1, 2019	1,595,000	
July 1, 2019	1,605,000	
January 1, 2020	1,625,000	
July 1, 2020	1,635,000	
January 1, 2021	1,660,000	
July 1, 2021	1,675,000	
January 1, 2022	1,705,000	
July 1, 2022	1,725,000	
January 1, 2023	1,745,000	
July 1, 2023	1,765,000	
January 1, 2024	1,785,000	
July 1, 2024	770,000	
January 1, 2031	16,020,000	

(b) The 2013 Series B Bonds shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum as follows:

2013 Series B Bonds

Year	Amount	Interest Rate
January 1, 2015	$1,585,000	
July 1, 2015	1,600,000	
January 1, 2016	1,605,000	
July 1, 2016	1,615,000	
January 1, 2017	1,550,000	
July 1, 2017	270,000	
July 1, 2033	4,400,000	
July 1, 2038	1,620,000	
July 1, 2043	1,980,000	

(c) The 2013 Series C Bonds shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum as follows:

2013 Series C Bonds

Year	Amount	Interest Rate
January 1, 2014	$1,585,000	
July 1, 2014	1,600,000	

Section 2.05. ***Original Reoffering Price.*** The Original Reoffering Price of the 2013 Series A Bonds shall be $_____, the Original Reoffering Price of the 2013 Series B Bonds

shall be $16,225,000 and the Original Reoffering Price of the 2013 Series C Bonds shall be $3,185,000.

Section 2.06. ***Denominations, Numbers and Letters***. The 2013 Series Bonds shall be issued as fully registered Bonds without coupons. The 2013 Series Bonds shall be issued in the denominations of $5,000 each or any integral multiple thereof. The 2013 Series A Bonds shall be numbered consecutively from one upwards with the prefix RA preceding each number, the 2013 Series B Bonds shall be numbered consecutively from one upwards with the prefix RB preceding each number and the 2013 Series C Bonds shall be numbered consecutively from one upwards with the prefix RC preceding each number.

Section 2.07. ***Exchange of 2013 Series Bonds.*** Subject to the limitations and upon payment of the charges provided in the Bond Resolution, the 2013 Series Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner thereof or by his or her attorney duly authorized in writing, may be exchanged, at the option of the registered owner thereof, for a like aggregate principal amount of registered 2013 Series Bonds without coupons of other authorized denominations of the same series and the same maturity. None of the 2013 Series Bonds may be exchanged for coupon Bonds.

Section 2.08. ***Trustee, Registrar and Paying Agent***. The Bank of New York Mellon Trust Company, N.A., is hereby appointed the Trustee, Registrar and Paying Agent of the 2013 Series Bonds.

Section 2.09. ***Redemption from Special Redemption Account***. The 2013 Series Bonds are subject to redemption at the option of the Commission, in whole or in part, at any time, from moneys deposited in the 2013 Series A/B/C Mortgage Loan Account and not used to make or purchase Mortgage Loans or purchase Guaranteed Mortgage Securities, at a price equal to, (i) for the 2013 Series A Bonds maturing on January 1, 2031, at the redemption prices (expressed as percentages of the principal amounts thereof) set forth in Exhibit A attached hereto, plus accrued interest thereon, if any, to the date fixed for redemption, or (ii) for all other 2013 Series Bonds, at the principal amount thereof plus accrued interest, if any, to the redemption date without premium, calculated as of the redemption date.

If the 2013 Series Bonds are redeemed from proceeds not used to make or purchase Mortgage Loans or purchase Guaranteed Mortgage Securities, then the amount of the 2013 Series A Bonds maturing on January 1, 2031 redeemed will be proportional to the total amount of 2013 Series Bonds being redeemed, and each cumulative amount set forth in the tables below will be recalculated to reflect such proportions.

The 2013 Series Bonds are subject to redemption at the option of the Commission, in whole or in part, at any time, at a price equal to the principal amount thereof plus accrued interest thereon, if any, to the date fixed for redemption, from Revenues relating to any Series of Bonds (primarily payments of principal and interest and Prepayments of principal on Mortgage Loans and Guaranteed Mortgage Securities and earnings on Permitted Investments) and any amounts available as a result of a reduction in the reserve requirements established pursuant to the

Resolutions, which are in excess of the amount required to pay principal of and interest on the Bonds in the then current year.

The 2013 Series Bonds are subject to redemption in part from moneys on deposit in the 2013 Series A/B/C Mortgage Loan Account if such moneys are not applied to the purchase of Mortgage Loans or Guaranteed Mortgage Securities by the date set forth in the final cash flows prepared for the issuance of the 2013 Series Bonds, unless the Commission prepares cash flows reflecting a later acquisition period and receives confirmation from any rating agency that has an outstanding rating on the 2013 Series Bonds, at the Commission's request, that the rating on the Bonds will not be lowered or withdrawn.

Prepayments of the portion of Mortgage Loans (including the Transferred Mortgage Loans) and Guaranteed Mortgage Securities financed from proceeds of the 2013 Series Bonds (as calculated by the Commission) will be applied at least once during each semi-annual period to the redemption of the 2013 Series A Bonds maturing on January 1, 2031 at par in an amount up to the cumulative amounts set forth in the following table, prior to the redemption of other Bonds.

Date	Cumulative Amount	Date	Cumulative Amount
January 1, 2014	$990,000	July 1, 2019	$10,565,000
July 1, 2014	1,940,000	January 1, 2020	11,260,000
January 1, 2015	2,865,000	July 1, 2020	11,920,000
July 1, 2015	3,785,000	January 1, 2021	12,545,000
January 1, 2016	4,705,000	July 1, 2021	13,140,000
July 1, 2016	5,620,000	January 1, 2022	13,700,000
January 1, 2017	6,530,000	July 1, 2022	14,230,000
July 1, 2017	7,415,000	January 1, 2023	14,730,000
January 1, 2018	8,260,000	July 1, 2023	15,200,000
July 1, 2018	9,065,000	January 1, 2024	15,645,000
January 1, 2019	9,835,000	July 1, 2024	16,020,000

Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans (including the Transferred Mortgage Loans) and Guaranteed Mortgage Securities including the assumptions that all such newly purchased Mortgage Loans and Guaranteed Mortgage Securities are purchased on July 1, 2014, and Prepayments on all such Mortgage Loans (including the Transferred Mortgage Loans) and Guaranteed Mortgage Securities are received at a rate equal to 75% of the Securities Industry and Financial Markets Association Standard Prepayment Model (the "SIFMA Model," as described below). Prepayments of Mortgage Loans and Guaranteed Mortgage Securities will be applied to the redemption of the 2013 Series A Bonds maturing on January 1, 2031, but only to the extent that such redemptions do not exceed the cumulative amounts set forth in the above table (provided that such prepayments may be applied to the redemption of 2013 Series A Bonds maturing on January 1, 2031 in excess of such cumulative amounts if such redemption is necessary to preserve the tax-exempt status of the 2013 Series Bonds).

If the amount available for such redemption is less than $100,000, the Commission may delay redemption of the 2013 Series A Bonds maturing on January 1, 2031 until the amount of Prepayments available totals $100,000 or more.

Prepayments of all such Mortgage Loans (including the Transferred Mortgage Loans) and Guaranteed Mortgage Securities financed from proceeds of the 2013 Series Bonds in excess of the amounts set forth in the above table, and up to the cumulative amounts set forth in the following table, will be applied to the redemption at par of Bonds and the 2013 Series A Bonds maturing on January 1, 2031 (provided that such Prepayments may be used to redeem the 2013 Series A Bonds maturing on January 1, 2031, if such redemption is necessary to preserve the tax-exempt status of the 2013 Series Bonds). Prepayments in excess of cumulative amounts set forth in the following table may be applied by the Commission to the redemption of the 2013 Series Bonds. The cumulative amounts in the following table are derived from certain assumptions related to such Mortgage Loans and Guaranteed Mortgage Securities including the assumptions that all such newly purchased Mortgage Loans and Guaranteed Mortgage Securities are purchased on July 1, 2014 and Prepayments on all such Mortgage Loans and Guaranteed Mortgage Securities are received at a rate equal to 375% of the SIFMA Model.

Date	Cumulative Amount	Date	Cumulative Amount
January 1, 2014	$5,220,000	July 1, 2019	$35,975,000
July 1, 2014	9,730,000	January 1, 2020	37,150,000
January 1, 2015	13,700,000	July 1, 2020	38,160,000
July 1, 2015	17,310,000	January 1, 2021	39,025,000
January 1, 2016	20,620,000	July 1, 2021	39,765,000
July 1, 2016	23,670,000	January 1, 2022	40,395,000
January 1, 2017	26,475,000	July 1, 2022	40,930,000
July 1, 2017	28,985,000	January 1, 2023	41,385,000
January 1, 2018	31,145,000	July 1, 2023	41,775,000
July 1, 2018	33,005,000	January 1, 2024	42,105,000
January 1, 2019	34,605,000	July 1, 2024	42,385,000

To comply with certain provisions of federal tax law, any funds deposited in the 2013 Series A/B/C Mortgage Loan Account are required to be applied to the redemption of the 2013 Series Bonds no later than December 11, 2016 to the extent that, on or before such date, such amount has not been applied to the purchase of Mortgage Loans and Guaranteed Mortgage Securities or to the earlier redemption of the 2013 Series Bonds. In addition, the following percentage of scheduled payments and Prepayments of principal of Mortgage Loans (including the Transferred Mortgage Loans) and Guaranteed Mortgage Securities financed with the proceeds of the 2013 Series Bonds received on or after the following dates, are required to be applied no later than the close of the first semi-annual period beginning after the date of receipt to the retirement of the 2013 Series Bonds through the payment thereof at maturity or upon redemption.

Date	Percent	Date	Percent
June 11, 2013	75.76%	January 6, 2015	85.09%
February 26, 2014	79.41	June 11, 2023	100.00

Section 2.10. ***Redemption from Optional Redemption Account***. (a) The 2013 Series Bonds maturing on or after July 1, 2023, other than the 2013 Series A Bonds maturing on January 1, 2031, are subject to redemption or purchase in lieu of redemption, at the option of the Commission, from moneys in the Optional Redemption Account in the Redemption Fund, in whole or in part, at any time on or after January 1, 2023 at the principal amount thereof, plus accrued interest thereon, if any, to the redemption date.

(b) The 2013 Series A Bonds maturing on January 1, 2031 are subject to redemption or purchase in lieu of redemption, at the option of the Commission, from funds available to the Commission, in whole or in part, at any time (1) on or after January 1, 2023 to but excluding July 1, 2023, at a price equal to ___% of the principal amount thereof, plus accrued interest thereon, if any, to the redemption or purchase date, (2) on or after July 1, 2023 to but excluding January 1, 2024, at a price equal to ___% of the principal amount thereof, plus accrued interest thereon, if any, to the redemption or purchase date, (3) on or after January 1, 2024 to but excluding July 1, 2024, at a price equal to ___% of the principal amount thereof, plus accrued interest thereon, if any, to the redemption or purchase date, and (4) on or after July 1, 2024, at one hundred percent (100%) of the principal amount thereof, plus accrued interest thereon, if any, to the redemption or purchase date.

To exercise the option to purchase the 2013 Series Bonds in lieu of redemption pursuant to this section, the Commission shall deliver written notice thereof to the Trustee no later than 12:00 Noon, New York City Time, on the date the 2013 Series Bonds would otherwise have been redeemed (the "Purchase-in-Lieu Date"), and the Commission shall transfer or cause to be transferred to the Trustee the moneys required to purchase the 2013 Series Bonds no later than 12:00 Noon, New York City Time, on such Purchase-in-Lieu Date. If notice of redemption has been given as required under the Bond Resolution, no additional notice to the Bondholders shall be required to be given of the exercise by the Commission of the option to purchase 2013 Series Bonds pursuant to this Section. All 2013 Series Bonds shall be deemed to have been purchased on the Purchase-in-Lieu Date provided funds sufficient to purchase the 2013 Series Bonds on the Purchase-in-Lieu Date have been deposited with the Trustee, and from and after such Purchase-in-Lieu Date, interest shall cease to accrue on the 2013 Series Bonds to the prior Bondholders, and the prior owners thereof shall have no rights with respect to such 2013 Series Bonds except to receive payment of the purchase price thereof and accrued interest to the Purchase-in-Lieu Date. Notwithstanding such purchase, the 2013 Series Bonds shall remain Outstanding for all purposes under this 2013 Series A/B/C Resolution and the Bond Resolution. Failure to mail the related notice of redemption or any defect therein shall not affect the validity of the purchase of the 2013 Series Bonds. The Commission's notice of purchase in lieu of redemption may be conditioned upon receipt of funds by the Trustee or may be withdrawn at any time as specified therein. The Commission's notice of purchase in lieu of redemption may be given in conjunction with a notice of redemption given pursuant to the Bond Resolution, in which case it shall so state and shall provide that a withdrawal of the purchase notice will not constitute a withdrawal of the redemption notice unless otherwise specified therein.

Section 2.11. ***Redemption from Sinking Fund Installments***. (a) The 2013 Series A Bonds maturing on January 1, 2031 are subject to mandatory redemption in part by lot on July 1, 2024 and on each July 1 and January 1 thereafter, to and including January 1, 2031, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

Year	Principal Amount (January)	Principal Amount (July)	Year	Principal Amount (January)	Principal Amount (July)
2024		$1,055,000	2028	$1,580,000	$1,600,000
2025	$1,450,000	1,465,000	2029	665,000	670,000
2026	1,490,000	1,510,000	2030	685,000	695,000
2027	1,535,000	1,560,000	2031	60,000 (maturity)	

(b) The Series B Bonds maturing on July 1, 2033 are subject to mandatory redemption in part by lot on January 1, 2031 and on each July 1 and January 1 thereafter, to and including July 1, 2033, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

Year	Principal Amount (January)	Principal Amount (July)	Year	Principal Amount (January)	Principal Amount (July)
2031	$645,000	$725,000	2033	$765,000	$775,000 (maturity)
2032	740,000	750,000			

(c) The Series B Bonds maturing on July 1, 2038 are subject to mandatory redemption in part by lot on January 1, 2034 and on each July 1 and January 1 thereafter, to and including July 1, 2038, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

Year	Principal Amount (January)	Principal Amount (July)	Year	Principal Amount (January)	Principal Amount (July)
2034	$150,000	$150,000	2037	$165,000	$170,000
2035	155,000	155,000	2038	175,000	175,000 (maturity)
2036	160,000	165,000			

(d) The Series B Bonds maturing on July 1, 2043 are subject to mandatory redemption in part by lot on January 1, 2039 and on each July 1 and January 1 thereafter, to and including July 1, 2043, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

Year	Principal Amount (January)	Principal Amount (July)	Year	Principal Amount (January)	Principal Amount (July)
2039	$180,000	$185,000	2042	$205,000	$210,000
2040	190,000	190,000	2043	210,000	215,000
2041	195,000	200,000			(maturity)

Section 2.12. ***Reserved***.

Section 2.13. ***Issue and Sale of 2013 Series Bonds***. The 2013 Series Bonds authorized to be issued herein shall be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, M&T Securities Inc., Morgan Stanley, PNC Capital Markets LLC and RBC Capital Markets, LLC (the "Underwriters") at the aggregate price of $_____ on the terms and conditions set forth in the Contract of Purchase dated May [30], 2013, by and between the Underwriters and the Commission (the "Contract of Purchase"). The Underwriters will receive an underwriting fee of $_____ relating to the sale of the 2013 Series Bonds. Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the 2013 Series Bonds.

Section 2.14. ***Delivery of 2013 Series Bonds***. (a) The 2013 Series Bonds shall be delivered, upon compliance with the provisions of the Bond Resolution to the order of the Underwriters named in Section 2.13 hereof, at such time and place as provided in, and subject to, the provisions of the Contract of Purchase.

(b) The Commission adopts the expectations, beliefs, assumptions and representations expressed and made on behalf of the Commission in the Preliminary Official Statement relating to the 2013 Series Bonds dated May 21, 2013 and in the Official Statement relating to the 2013 Series Bonds, dated May [30], 2013 (the "Official Statement") and hereby ratifies the Underwriters' use and distribution of the Preliminary Official Statement in selling the 2013 Series Bonds.

(c) The execution and distribution of the Official Statement and the execution of the Contract of Purchase are hereby approved and ratified.

(d) The Executive Director and Chairman, Vice-Chairman or Chairman pro tem are authorized to make such changes, deletions and additions to the provisions of this 2013 Series A/B/C Resolution, consistent with the purposes of this 2013 Series A/B/C Resolution, as they deem necessary or advisable to issue the 2013 Series Bonds.

Section 2.15. ***Further Authority***. The Chairman, Vice-Chairman, Chairman pro tem and Executive Director of the Commission are, and each of them is, hereby authorized to do or perform all such acts and to execute all such certificates, documents and other instruments as they or either of them deem necessary or advisable to provide for the issuance, sale and delivery of the 2013 Series Bonds.

Section 2.16. ***Trustee Authority to Facilitate Use of Securities Depository***. The authorized officers of the Trustee are, and each of them is, hereby authorized to do or perform such acts and to execute all such certificates, documents and other instruments as they or any of them deem necessary or advisable to facilitate the efficient use of a securities depository for all or any portion of the 2013 Series Bonds; provided that neither the Trustee nor the Commission may assume: (i) any obligations to such securities depository or beneficial owners of Bonds that are inconsistent with their obligations to any registered bondholder under this 2013 Series A/B/C Resolution or the Bond Resolution or (ii) any obligation which would directly or indirectly create obligations on the part of the Trustee or the Commission to persons who own 2013 Series Bonds or interests therein but who are not registered owners of 2013 Series Bonds, unless the Commission shall have consented in writing to such obligations.

Section 2.17. ***Special Procedures Relating to Partial Redemptions***. Notwithstanding the provisions of Section 4.05 of the Bond Resolution, the Commission, with the prior written consent of the Trustee, may enter into an agreement with an owner of any 2013 Series Bond having a denomination greater than $5,000 providing that such registered owner is authorized to effect a reduction in the face amount of such 2013 Series Bond by making a notation indicating the principal amount of such redemption and the date thereof on the payment grid attached to such 2013 Series Bond in lieu of surrendering such 2013 Series Bond to the Trustee for cancellation and the issuance of a new bond or bonds in the amount of the unredeemed portion thereof in accordance with Section 4.05 of the Bond Resolution. If the Commission and an owner enter into such an agreement, the records of the Trustee shall be conclusive in determining the outstanding principal amount of any 2013 Series Bond affected by the agreement, notwithstanding the failure of the owner to make any notation on the payment grid attached to such 2013 Series Bond of the redemption of a portion thereof, and shall be binding upon the owner, any heirs, personal representatives, successors or assigns, or any transferee or purchaser of such 2013 Series Bond. If the Commission enters into such an agreement with such an owner of any 2013 Series Bond, a notation of the effect of such agreement may be inserted in the form of any 2013 Series Bond to be delivered to such owner.

ARTICLE III

2013 SERIES BONDS

Section 3.01. ***Establishment of 2013 Series A/B/C Mortgage Loan Account.*** There is hereby established an account designated as the 2013 Series A/B/C Mortgage Loan Account, moneys in which shall be used for the purposes and as authorized by Section 5.03 of the Bond Resolution and this 2013 Series A/B/C Resolution. In addition, the Commission acknowledges that the 2013 Series Bonds have been structured to have certain redemption priorities and

protections, and the Commission covenants to apply moneys in the 2013 Series A/B/C Mortgage Loan Account to effect such priorities and protections.

Section 3.02. ***Establishment of 2013 Series A/B/C Refunding Account and 2013 Series A/B/C Rebate Account***. (a) There is hereby established a special account separate from all other funds and accounts, irrevocably in trust for, and assigned to, the Holders of the Refunded Bonds, designated as the 2013 Series A/B/C Refunding Account, moneys in which shall be used to pay the principal of the Refunded Bonds upon redemption as provided in Section 3.04 hereof and for such other purposes as authorized by the Bond Resolution and this 2013 Series A/B/C Resolution.

(b) There is hereby established a special account separate from all other funds and accounts, designated as the 2013 Series A/B/C Rebate Account, as authorized by Section 5.01 of the Bond Resolution, moneys in which shall be used to pay rebate to the United States as provided in Section 3.05 hereof.

Section 3.03. ***Application of Proceeds of the 2013 Series Bonds***. The Trustee shall apply the proceeds of the 2013 Series Bonds as follows:

(a) $39,760,000 representing the proceeds of the 2013 Series A Bonds shall be deposited into the 2013 Series A/B/C Refunding Account and shall be used to refund and redeem the Series A Refunded Bonds in accordance with Section 3.04 hereof.

(b) On June 11, 2013, the Trustee is hereby directed to transfer for deposit to the Special Redemption Account established pursuant to Section 6.01 of the Bond Resolution, $_____, representing the proceeds of the 2013 Series A Bonds deposited in the 2013 Series A/B/C Refunding Account to the trustee for the Series A Refunded Bonds for application to the refunding and redemption of the Series A Refunded Bonds in accordance with Section 3.04(a) hereof on June 17, 2013. Simultaneously with such transfer by the Trustee, the Trustee will deposit to the 2013 A/B/C Mortgage Loan Account on June ___, 2013, Transferred Mortgage Loans in the aggregate principal amount of $_____ relating to the Series A Refunded Bonds.

(c) $8,225,000 representing a portion of the proceeds of the 2013 Series B Bonds shall be deposited into the 2013 Series A/B/C Refunding Account and shall be used to refund and redeem the Series B Refunded Bonds in accordance with Section 3.04 below.

(d) On June 11, 2013, the Trustee is hereby directed to transfer for deposit to the Special Redemption Account established pursuant to Section 6.01 of the Bond Resolution, $8,225,000, being a portion of the proceeds of the 2013 Series B Bonds deposited in the 2013 Series A/B/C Refunding Account to the trustee for the Series B Refunded Bonds for application to the refunding and redemption of the Series B Refunded Bonds in accordance with Section 3.04(b) hereof on June 17, 2013. Simultaneously with such transfer by the Trustee, the Trustee will deposit to the 2013 A/B/C Mortgage Loan Account on June ___, 2013, Transferred Mortgage Loans in the aggregate principal amount of $_____ relating to the Series B Refunded Bonds.

(e) $8,000,000 representing the remaining proceeds of the 2013 Series B Bonds shall be deposited into the 2013 Series A/B/C Mortgage Loan Account.

(f) $3,185,000 representing the proceeds of the 2013 Series C Bonds shall be deposited into the 2013 Series A/B/C Refunding Account and shall be used to refund and redeem the Series C Refunded Bonds in accordance with Section 3.04 hereof.

(g) On June 11, 2013, the Trustee is hereby directed to transfer for deposit to the Special Redemption Account established pursuant to Section 6.01 of the Bond Resolution, $3,185,000, being a portion of the proceeds of the 2013 Series C Bonds deposited in the 2013 Series A/B/C Refunding Account to the trustee for the Series C Refunded Bonds for application to the refunding and redemption of the Series C Refunded Bonds in accordance with Section 3.04(a) hereof on June 17, 2013. Simultaneously with such transfer by the Trustee, the Trustee will deposit to the 2013 A/B/C Mortgage Loan Account on June ___, 2013, Transferred Mortgage Loans in the aggregate principal amount of $_____ relating to the Series C Refunded Bonds.

(h) No amount of the proceeds of the 2013 Series Bonds shall be deposited in the Debt Service Reserve Fund.

(i) No amount of the proceeds of the 2013 Series Bonds shall be deposited in the Mortgage and Special Hazard Reserve Fund.

(j) The Commission covenants to use its best efforts to apply the proceeds relating to the 2013 Series Bonds in the 2013 Series A/B/C Mortgage Loan Account to make or purchase Mortgage Loans or Guaranteed Mortgage Securities, provided, however, that nothing herein shall prohibit the Commission's use of moneys in any Mortgage Loan Account if necessary to maintain the tax-exempt status of the 2013 Series Bonds or to best achieve the objectives of the Program. In addition, the Commission acknowledges that the 2013 Series Bonds have been structured to have certain redemption priorities and protections, and the Commission covenants to apply moneys in the 2013 Series A/B/C Mortgage Loan Account to effect such priorities and protections.

(k) No amount of the proceeds of the 2013 Series Bonds shall be used to pay the costs of issuing the 2013 Series Bonds.

Section 3.04. ***Refunding and Redemption***. (a) The Commission hereby authorizes the Trustee, in its capacity as trustee for the Series A Refunded Bonds, to apply $39,760,000 delivered to it pursuant to Section 3.03(b) hereof to the payment of the principal due at maturity of an equal principal amount of the following Series A Refunded Bonds on June 17, 2013:

Series of Bonds	Amounts
Total	$39,760,000

(b) The Commission hereby authorizes the Trustee, in its capacity as trustee for the Series B Refunded Bonds, to apply $8,225,000, being a portion of the moneys delivered to it pursuant to Section 3.03(d) hereof to the payment of the redemption price of an equal principal amount of the following Series B Refunded Bonds on June 17, 2013:

Series of Bonds	Amounts
Total	$8,225,000

(c) The Commission hereby authorizes the Trustee, in its capacity as trustee for the Series C Refunded Bonds, to apply $3,185,000, being a portion of the moneys delivered to it pursuant to Section 3.03(f) hereof to the payment of the redemption price of an equal principal amount of the following Series C Refunded Bonds on June 17, 2013:

Series of Bonds	Amounts
Total	$3,185,000

(d) The Commission hereby notifies the Trustee that sufficient moneys are being deposited on the date of issuance of the 2013 Series Bonds into the 2013 Series A/B/C Refunding Account so that such moneys will be sufficient to pay the principal of the Refunded Bonds being redeemed on June 17, 2013.

(e) The Commission hereby authorizes and directs the Trustee in its capacity as trustee for the Refunded Bonds to pay the principal of the Refunded Bonds being redeemed on June 17, 2013 from the proceeds of the 2013 Series Bonds transferred to the Trustee pursuant to Sections 3.03(b), 3.03(d) and 3.03(f) hereof.

Section 3.05. ***Restriction as to "Arbitrage Bonds".*** The Commission shall not use or direct or permit the use of the proceeds of the 2013 Series Bonds or any other moneys held under the Bond Resolution or this 2013 Series A/B/C Resolution in any manner that would cause the 2013 Series Bonds to be "arbitrage bonds" within the meaning ascribed to such quoted term in the 1986 Code. The Commission covenants that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the 1986 Code. This covenant shall survive payment in full or defeasance of the 2013 Series Bonds. Money shall be deposited to the 2013 Series A/B/C Rebate Account by the Commission or by the Trustee at the written direction of the Commission and shall be held by the Trustee to the extent required to make the necessary payments to the United States pursuant to Section 148(f) of the 1986 Code. Upon receipt of the Commission's written directions, the Trustee shall remit part or all of the balances in the 2013 Series A/B/C Rebate Account to the United States as so directed. Any funds remaining in the 2013 Series A/B/C Rebate Account after redemption and payment of all of the 2013 Series Bonds and payment and satisfaction of any requirement to make payment to the United States pursuant to Section 148(f) of the 1986 Code, or provision for payment made satisfactory to the Trustee, shall be withdrawn and remitted to the Commission.

Section 3.06. ***Special Tax Covenants***. (a) The Commission hereby covenants: (i) to take all steps and actions necessary to assure the successful operation of the Program in a manner consistent with the preservation of the exclusion of the interest payable on the 2013 Series Bonds from gross income under Sections 103 and 143(e) and (f) of the 1986 Code and 103A of the 1954 Code, (ii) to take all steps and actions necessary to preserve the exclusion of the interest payable on the 2013 Series Bonds from gross income under Sections 103 and 143(e) and (f) of the 1986 Code and 103A of the 1954 Code and (iii) to refrain from taking any steps or actions that would impair or call into question the exclusion of the interest payable on the 2013 Series Bonds from gross income under Sections 103 or 143(e) and (f) of the 1986 Code or 103A of the 1954 Code.

(b) The Commission covenants not to use the proceeds of the 2013 Series Bonds to finance a Single Family Residence unless:

(1) The acquisition cost (within the meaning of Section 143(e) of the 1986 Code) of such Single Family Residence does not exceed 90% of the average area purchase price applicable to such Single Family Residence at the time of the financing of the Mortgage Loan, which average area purchase prices are set forth in Revenue Procedure 88-48 for the current period, unless such Single Family Residence is located in a Targeted Area, in which case the acquisition cost (within the meaning of Section 143 of the 1986 Code) may not exceed 110% of the average area purchase price applicable to such Single Family Residence; and

(2) The current annual income of the family using or intending to use the Single Family Residence as its principal residence does not exceed 115% (100% for families of less than three individuals) of the median gross income for the area in which such Single Family Residence is located, in accordance with regulations issued pursuant to Section 8 of the United States Housing Act of 1937.

These covenants may be modified from time to time pursuant to written instructions as delivered to the Trustee by the Commission, accompanied by an opinion of Bond Counsel permitting such modifications.

Section 3.07. ***Covenant for Use of Prepayments***. Subject to the provisions of Section 2.09 hereof, the Commission will apply repayments and prepayments of principal of Mortgage Loans or Guaranteed Mortgage Securities financed from the issuance of the 2013 Series Bonds that, under the Code, are not permitted to be used to finance additional Mortgage Loans or Guaranteed Mortgage Securities to the redemption of the 2013 Series Bonds.

ARTICLE IV

DETERMINATIONS REQUIRED BY THE BOND RESOLUTION

Section 4.01. ***Determination Concerning the Debt Service Reserve Fund***. In compliance with Section 2.02 of the Bond Resolution, the Commission determines that the amount in the Debt Service Reserve Fund is sufficient to maintain a balance therein equal to the Debt Service Reserve Requirement, computed with reference to all Outstanding Bonds and to the 2013 Series Bonds authorized hereunder.

Section 4.02. ***Determination Concerning the Issuance of the 2013 Series Bonds***. In compliance with Section 2.02 of the Bond Resolution, the Commission determines that the 2013 Series Bonds will not adversely affect the ability of the Commission to purchase Mortgage Loans or Guaranteed Mortgage Securities with the proceeds of Outstanding Bonds previously issued.

ARTICLE V

FORMS OF 2013 SERIES BONDS

The fully registered 2013 Series Bonds are to be in substantially the following forms with appropriate variations, omissions and insertions as permitted or required by the Bond Resolution, to wit:

[FORM OF 2013 SERIES A BOND]

UNITED STATES OF AMERICA
STATE OF MARYLAND
HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Single Family Mortgage Revenue Bond
2013 Series A

NO. RA- $

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
%		June 11, 2013	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Housing Opportunities Commission of Montgomery County, a public body corporate and politic of the State of Maryland (the "Commission"), for value received, promises to pay from the sources and as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date identified above, the Principal Amount identified above, and in like manner to pay interest on said sum from the Dated Date identified above, at the Interest Rate per annum identified above, semiannually on January 1 and July 1 of each year commencing January 1, 2014 (the "Interest Payment Date"), until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption of this Bond before maturity may become applicable hereto. Interest on this Bond is payable by check mailed to the Registered Owner hereof as his or her name and address appear, as of the close of business on the 15th day of the month next preceding each Interest Payment Date (the "Record Date"), on the registration books of the Commission maintained by The Bank of New York Mellon Trust Company, N.A., as trustee and registrar (the "Trustee"), or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such Registered Owner on or prior to the Record Date or, upon timely written request of a Registered Owner and payment of wire transfer fee, by wire transfer from the Trustee to the Registered Owner. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal and redemption premium, if any, and interest due at maturity or upon redemption or purchase of this Bond will be payable at the designated corporate trust office of the Trustee in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

In the event of a partial redemption of this Bond, the Registered Owner hereof is authorized to effect a reduction in the face amount of this Bond by making a notation indicating

the principal amount of such redemption and the date thereon on the Payment Grid attached hereto, in lieu of surrendering this Bond to the Trustee for cancellation and the issuance of a new Bond or Bonds in the amount of the unredeemed portion hereof. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND MAY BE LESS THAN THE STATED FACE AMOUNT HEREOF AND THE RECORDS OF THE TRUSTEE SHALL BE CONCLUSIVE AS TO THE OUTSTANDING PRINCIPAL AMOUNT HEREOF, NOTWITHSTANDING THE FAILURE OF THE REGISTERED OWNER TO MAKE ANY NOTATION ON SUCH PAYMENT GRID OF THE REDEMPTION OF A PORTION THEREOF, AND SHALL BE BINDING UPON THE REGISTERED OWNER, ANY HEIRS, SUCCESSORS OR ASSIGNS, OR ANY TRANSFEREE OR PURCHASER OF THIS BOND. ANY PURCHASER OR TRANSFEREE OF THIS BOND SHOULD CONTACT THE TRUSTEE TO ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF.

This Bond is one of an authorized issue of 2013 Series A Bonds in the aggregate principal amount of $39,760,000 (the "2013 Series A Bonds") issued for the purpose of providing funds for the Commission to refund and redeem certain of its prior outstanding bonds (the "Series A Refunded Bonds"), thereby providing financing for Mortgage Loans (as hereinafter defined) previously purchased in connection with the Series A Refunded Bonds. The Series A Refunded Bonds were issued for the purpose of providing funds for the Commission to carry out its program of making or purchasing qualified mortgage loans (the "Mortgage Loans") for the acquisition, construction, and rehabilitation of dwelling accommodations for persons of eligible income to facilitate the development of a sufficient supply of single family residential housing in Montgomery County, Maryland for such persons, including providing funds for various reserve funds. Simultaneously with the issuance of the 2013 Series A Bonds, the Commission has issued its Single Family Mortgage Revenue Bonds 2013 Series B in the aggregate principal amount of $16,225,000 (the "2013 Series B Bonds") and its Single Family Mortgage Revenue Bonds 2013 Series C in the aggregate principal amount of $3,185,000 (the "2013 Series C Bonds," and together with the 2013 Series A Bonds and the 2013 Series B Bonds, the "2013 Series Bonds").

The 2013 Series A Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Commission's Single Family Mortgage Revenue Bond Resolution No. 79-26, adopted March 28, 1979, as amended, and the 2013 Series A/B/C Resolution adopted by the Commission as of June 1, 2013 (collectively, the "Bond Resolution"). The Bond Resolution provides that the Commission may hereafter issue additional Bonds from time to time under certain terms and conditions contained in the Bond Resolution and, if issued, such additional Bonds will rank pari passu with this issue of 2013 Series A Bonds and be equally and ratably secured by and entitled to the protection of the Bond Resolution. Reference is hereby made to the Bond Resolution for a description of the property pledged and assigned, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Commission, the Trustee and the owners of the 2013 Series A Bonds and the terms upon which the 2013 Series A Bonds are issued and secured.

The Commission and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and premium, if any, and interest due hereon and

for all other purposes and neither the Commission nor the Trustee shall be affected by any notice to the contrary.

The 2013 Series A Bonds are issuable as registered 2013 Series A Bonds without coupons in the denomination of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the Bond Resolution, registered 2013 Series A Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner thereof or by his or her attorney duly authorized in writing, may be exchanged, at the option of the Registered Owner thereof, for a like aggregate principal amount of registered 2013 Series A Bonds without coupons of other authorized denominations of the same Series and the same maturity. This Bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds of the same Series and the same maturity and interest rate and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee is not required to make any exchange or transfer in the case of any proposed redemption of Bonds of such Series, after the first publication or the mailing of notice calling such Bonds or portions thereof for redemption has been given as herein provided, or during the fifteen days next preceding the date of the first publication of notice of such redemption.

The 2013 Series A Bonds shall be subject to optional, special and mandatory sinking fund redemption and purchase in lieu of redemption as provided in the Bond Resolution.

If any of the 2013 Series A Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2013 Series A Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice at least twenty (20) days before the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books. All 2013 Series A Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that funds for their redemption are on deposit at the place of payment at that time.

The 2013 Series A Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Maryland, particularly Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and Chapter 41 of the Laws of Montgomery County 1974, as amended, known as the Housing Opportunities Act, and a certain Agreement By and Between the Commission and Montgomery County, Maryland.

This Bond and the issue of which it forms a part and the interest thereon are limited obligations of the Commission and are payable solely out of the Revenues and other assets of the Commission pledged therefor pursuant to the Bond Resolution. <u>The Commission has no taxing power. The 2013 Series A Bonds do not constitute a debt of Montgomery County, the State of Maryland or any political subdivision thereof and neither Montgomery County, the State of Maryland nor any political subdivision thereof shall be liable thereon, nor in any event shall the</u>

2013 Series A Bonds be payable out of any funds or properties of the Commission other than those pledged therefor. The 2013 Series A Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the commissioners of the Commission nor any persons executing the 2013 Series A Bonds shall be liable personally on the 2013 Series A Bonds by reason of the issuance thereof. Payments sufficient for the prompt payment, when due, of the principal of, premium, if any, and interest on the 2013 Series A Bonds are to be paid to the Trustee for the account of the Commission, which payments have been duly pledged and assigned for that purpose.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Bond Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the Bond Resolution, the principal of all the 2013 Series A Bonds issued under the Bond Resolution and then outstanding may become or may be declared due and payable before the stated maturities thereof, at the principal amount thereof, together with interest accrued thereon to the date of acceleration.

The Bond Resolution permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Commission and the rights of the owners of the 2013 Series A Bonds at any time by the Commission with the consent of the owners of two-thirds in Aggregate Principal Amount of the 2013 Series A Bonds at the time outstanding, as defined in the Bond Resolution. Any such consent or waiver by the Registered Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any 2013 Series A Bond issued in replacement thereof whether or not notation of such consent or waiver is made upon this Bond. The Bond Resolution also contains provisions permitting the Trustee to waive certain defaults under the Bond Resolution and their consequences.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Bond Resolution and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Commission, does not exceed or violate any constitutional or statutory limitation; and that the amounts pledged to the payment of the principal of and premium, if any, and interest on this Bond and the issue of which it forms a part, as the same become due, are expected to be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee or an authorized signatory thereof.

IN WITNESS WHEREOF, the Housing Opportunities Commission of Montgomery County has caused this Bond to be executed in its name by the facsimile signature of its Chairman and its corporate seal to be hereunto impressed or imprinted hereon and attested to by the facsimile signature of its Secretary-Treasurer.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

[SEAL]

By: _____
Roberto R. Piñero
Chairman

Attest:

By: _____
Stacy L. Spann
Secretary-Treasurer

[If a payment grid is to be added to the Bond, the following is to be inserted after the signature pages:]

PAYMENT GRID

Date of Payment	Principal Amount Paid	Principal Amount Outstanding	Holder Signature
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

[If any of the 2013 Series A Bonds are to be printed, the Commission may place the "IN WITNESS WHEREOF" clause, signatures and seal on the face of such Bonds and insert on the face of such Bonds the following language:]

(optional language to be inserted on face of
any 2013 Series A Bonds to be printed)

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned Bond Resolution and is one of the Single Family Mortgage Revenue Bonds, 2013 Series A of the Housing Opportunities Commission of Montgomery County.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., TRUSTEE

By: _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ to transfer the within-mentioned Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature: _____ (Signature(s) must be guaranteed by a broker or other financial institution which is a participant in the Securities Transfer Agent's Medallion Program or similar program (STAMP, SEMP, MSP).)

Please insert social security or other identifying number of assignee: _____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

* * * * * * * * * *

[End of Form of 2013 Series A Bond]

[FORM OF 2013 SERIES B BOND]

UNITED STATES OF AMERICA
STATE OF MARYLAND
HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Single Family Mortgage Revenue Bond
2013 Series B

NO. RB- $_____

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
%		June 11, 2013	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Housing Opportunities Commission of Montgomery County, a public body corporate and politic of the State of Maryland (the "Commission"), for value received, promises to pay from the sources and as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date identified above, the Principal Amount identified above, and in like manner to pay interest on said sum from the Dated Date identified above, at the Interest Rate per annum identified above, semiannually on January 1 and July 1 of each year commencing January 1, 2014 (the "Interest Payment Date"), until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption of this Bond before maturity may become applicable hereto. Interest on this Bond is payable by check mailed to the Registered Owner hereof as his or her name and address appear, as of the close of business on the 15th day of the month next preceding each Interest Payment Date (the "Record Date"), on the registration books of the Commission maintained by The Bank of New York Mellon Trust Company, N.A., as trustee and registrar (the "Trustee"), or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such Registered Owner on or prior to the Record Date or, upon timely written request of a Registered Owner and payment of wire transfer fee, by wire transfer from the Trustee to the Registered Owner. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal and redemption premium, if any, and interest due at maturity or upon redemption or purchase of this Bond will be payable at the designated corporate trust office of the Trustee in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

In the event of a partial redemption of this Bond, the Registered Owner hereof is authorized to effect a reduction in the face amount of this Bond by making a notation indicating the principal amount of such redemption and the date thereon on the Payment Grid attached

hereto, in lieu of surrendering this Bond to the Trustee for cancellation and the issuance of a new Bond or Bonds in the amount of the unredeemed portion hereof. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND MAY BE LESS THAN THE STATED FACE AMOUNT HEREOF AND THE RECORDS OF THE TRUSTEE SHALL BE CONCLUSIVE AS TO THE OUTSTANDING PRINCIPAL AMOUNT HEREOF, NOTWITHSTANDING THE FAILURE OF THE REGISTERED OWNER TO MAKE ANY NOTATION ON SUCH PAYMENT GRID OF THE REDEMPTION OF A PORTION THEREOF, AND SHALL BE BINDING UPON THE REGISTERED OWNER, ANY HEIRS, SUCCESSORS OR ASSIGNS, OR ANY TRANSFEREE OR PURCHASER OF THIS BOND. ANY PURCHASER OR TRANSFEREE OF THIS BOND SHOULD CONTACT THE TRUSTEE TO ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF.

This Bond is one of an authorized issue of 2013 Series B Bonds in the aggregate principal amount of $16,225,000 (the "2013 Series B Bonds") issued for the purpose of (i) providing funds for the Commission to refund and redeem certain of its prior outstanding bonds (the "Series B Refunded Bonds"), thereby providing financing for Mortgage Loans (as hereinafter defined) previously purchased in connection with the Series B Refunded Bonds and (ii) making funds available to finance new qualified Mortgage Loans. The Series B Refunded Bonds were issued for the purpose of providing funds for the Commission to carry out its program of making or purchasing qualified mortgage loans (the "Mortgage Loans") for the acquisition, construction, and rehabilitation of dwelling accommodations for persons of eligible income to facilitate the development of a sufficient supply of single family residential housing in Montgomery County, Maryland for such persons, including providing funds for various reserve funds. Simultaneously with the issuance of the 2013 Series B Bonds, the Commission has issued its Single Family Mortgage Revenue Bonds 2013 Series A in the aggregate principal amount of $39,760,000 (the "2013 Series A Bonds") and its Single Family Mortgage Revenue Bonds 2013 Series C in the aggregate principal amount of $3,185,000 (the "2013 Series C Bonds," and together with the 2013 Series A Bonds and the 2013 Series B Bonds, the "2013 Series Bonds").

The 2013 Series B Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Commission's Single Family Mortgage Revenue Bond Resolution No. 79-26, adopted March 28, 1979, as amended, and the 2013 Series A/B/C Resolution adopted by the Commission as of June 1, 2013 (collectively, the "Bond Resolution"). The Bond Resolution provides that the Commission may hereafter issue additional Bonds from time to time under certain terms and conditions contained in the Bond Resolution and, if issued, such additional Bonds will rank pari passu with this issue of 2013 Series B Bonds and be equally and ratably secured by and entitled to the protection of the Bond Resolution. Reference is hereby made to the Bond Resolution for a description of the property pledged and assigned, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Commission, the Trustee and the owners of the 2013 Series B Bonds and the terms upon which the 2013 Series A Bonds are issued and secured.

The Commission and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and premium, if any, and interest due hereon and for all other purposes and neither the Commission nor the Trustee shall be affected by any notice to the contrary.

The 2013 Series B Bonds are issuable as registered 2013 Series B Bonds without coupons in the denomination of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the Bond Resolution, registered 2013 Series B Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner thereof or by his or her attorney duly authorized in writing, may be exchanged, at the option of the Registered Owner thereof, for a like aggregate principal amount of registered 2013 Series B Bonds without coupons of other authorized denominations of the same Series and the same maturity. This Bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds of the same Series and the same maturity and interest rate and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee is not required to make any exchange or transfer in the case of any proposed redemption of Bonds of such Series, after the first publication or the mailing of notice calling such Bonds or portions thereof for redemption has been given as herein provided, or during the fifteen days next preceding the date of the first publication of notice of such redemption.

The 2013 Series B Bonds shall be subject to optional, special and mandatory sinking fund redemption and purchase in lieu of redemption as provided in the Bond Resolution.

If any of the 2013 Series B Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2013 Series B Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice at least twenty (20) days before the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books. All 2013 Series B Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that funds for their redemption are on deposit at the place of payment at that time.

The 2013 Series B Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Maryland, particularly Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and Chapter 41 of the Laws of Montgomery County 1974, as amended, known as the Housing Opportunities Act, and a certain Agreement By and Between the Commission and Montgomery County, Maryland.

This Bond and the issue of which it forms a part and the interest thereon are limited obligations of the Commission and are payable solely out of the Revenues and other assets of the Commission pledged therefor pursuant to the Bond Resolution. The Commission has no taxing power. The 2013 Series B Bonds do not constitute a debt of Montgomery County, the State of Maryland or any political subdivision thereof and neither Montgomery County, the State of Maryland nor any political subdivision thereof shall be liable thereon, nor in any event shall the 2013 Series B Bonds be payable out of any funds or properties of the Commission other than those pledged therefor. The 2013 Series B Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the

commissioners of the Commission nor any persons executing the 2013 Series B Bonds shall be liable personally on the 2013 Series B Bonds by reason of the issuance thereof. Payments sufficient for the prompt payment, when due, of the principal of, premium, if any, and interest on the 2013 Series B Bonds are to be paid to the Trustee for the account of the Commission, which payments have been duly pledged and assigned for that purpose.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Bond Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the Bond Resolution, the principal of all the 2013 Series B Bonds issued under the Bond Resolution and then outstanding may become or may be declared due and payable before the stated maturities thereof, at the principal amount thereof, together with interest accrued thereon to the date of acceleration.

The Bond Resolution permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Commission and the rights of the owners of the 2013 Series B Bonds at any time by the Commission with the consent of the owners of two-thirds in Aggregate Principal Amount of the 2013 Series B Bonds at the time outstanding, as defined in the Bond Resolution. Any such consent or waiver by the Registered Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any 2013 Series B Bond issued in replacement thereof whether or not notation of such consent or waiver is made upon this Bond. The Bond Resolution also contains provisions permitting the Trustee to waive certain defaults under the Bond Resolution and their consequences.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Bond Resolution and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Commission, does not exceed or violate any constitutional or statutory limitation; and that the amounts pledged to the payment of the principal of and premium, if any, and interest on this Bond and the issue of which it forms a part, as the same become due, are expected to be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee or an authorized signatory thereof.

IN WITNESS WHEREOF, the Housing Opportunities Commission of Montgomery County has caused this Bond to be executed in its name by the facsimile signature of its Chairman and its corporate seal to be hereunto impressed or imprinted hereon and attested to by the facsimile signature of its Secretary-Treasurer.

HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY

[SEAL]

By: _____
Roberto R. Piñero
Chairman

Attest:

By: _____
Stacy L. Spann
Secretary-Treasurer

[If a payment grid is to be added to the Bond, the following is to be inserted after the signature pages:]

PAYMENT GRID

Date of Payment	Principal Amount Paid	Principal Amount Outstanding	Holder Signature
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

[If any of the 2013 Series B Bonds are to be printed, the Commission may place the "IN WITNESS WHEREOF" clause, signatures and seal on the face of such Bonds and insert on the face of such Bonds the following language:]

(optional language to be inserted on face of
any 2013 Series B Bonds to be printed)

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned Bond Resolution and is one of the Single Family Mortgage Revenue Bonds, 2013 Series B of the Housing Opportunities Commission of Montgomery County.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., TRUSTEE

By: _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ to transfer the within-mentioned Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____

Signature:_____ (Signature(s) must be guaranteed by a broker or other financial institution which is a participant in the Securities Transfer Agent's Medallion Program or similar program (STAMP, SEMP, MSP).)

Please insert social security or other identifying number of assignee:_____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

* * * * * * * * * *

[End of Form of 2013 Series B Bond]

[FORM OF 2013 SERIES C BOND]

UNITED STATES OF AMERICA
STATE OF MARYLAND
HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Single Family Mortgage Revenue Bond
2013 Series C

NO. RC- $_____

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
%		June 11, 2013	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Housing Opportunities Commission of Montgomery County, a public body corporate and politic of the State of Maryland (the "Commission"), for value received, promises to pay from the sources and as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date identified above, the Principal Amount identified above, and in like manner to pay interest on said sum from the Dated Date identified above, at the Interest Rate per annum identified above, semiannually on January 1 and July 1 of each year commencing January 1, 2014 (the "Interest Payment Date"), until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption of this Bond before maturity may become applicable hereto. Interest on this Bond is payable by check mailed to the Registered Owner hereof as his or her name and address appear, as of the close of business on the 15th day of the month next preceding each Interest Payment Date (the "Record Date"), on the registration books of the Commission maintained by The Bank of New York Mellon Trust Company, N.A., as trustee and registrar (the "Trustee"), or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such Registered Owner on or prior to the Record Date or, upon timely written request of a Registered Owner and payment of wire transfer fee, by wire transfer from the Trustee to the Registered Owner. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal and redemption premium, if any, and interest due at maturity or upon redemption or purchase of this Bond will be payable at the designated corporate trust office of the Trustee in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

In the event of a partial redemption of this Bond, the Registered Owner hereof is authorized to effect a reduction in the face amount of this Bond by making a notation indicating the principal amount of such redemption and the date thereon on the Payment Grid attached

hereto, in lieu of surrendering this Bond to the Trustee for cancellation and the issuance of a new Bond or Bonds in the amount of the unredeemed portion hereof. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND MAY BE LESS THAN THE STATED FACE AMOUNT HEREOF AND THE RECORDS OF THE TRUSTEE SHALL BE CONCLUSIVE AS TO THE OUTSTANDING PRINCIPAL AMOUNT HEREOF, NOTWITHSTANDING THE FAILURE OF THE REGISTERED OWNER TO MAKE ANY NOTATION ON SUCH PAYMENT GRID OF THE REDEMPTION OF A PORTION THEREOF, AND SHALL BE BINDING UPON THE REGISTERED OWNER, ANY HEIRS, SUCCESSORS OR ASSIGNS, OR ANY TRANSFEREE OR PURCHASER OF THIS BOND. ANY PURCHASER OR TRANSFEREE OF THIS BOND SHOULD CONTACT THE TRUSTEE TO ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF.

This Bond is one of an authorized issue of 2013 Series C Bonds in the aggregate principal amount of $3,185,000 (the "2013 Series C Bonds") issued for the purpose of providing funds for the Commission to refund and redeem certain of its prior outstanding bonds (the "Series C Refunded Bonds"), thereby providing financing for Mortgage Loans (as hereinafter defined) previously purchased in connection with the Series C Refunded Bonds. The Series C Refunded Bonds were issued for the purpose of providing funds for the Commission to carry out its program of making or purchasing qualified mortgage loans (the "Mortgage Loans") for the acquisition, construction, and rehabilitation of dwelling accommodations for persons of eligible income to facilitate the development of a sufficient supply of single family residential housing in Montgomery County, Maryland for such persons, including providing funds for various reserve funds. Simultaneously with the issuance of the 2013 Series C Bonds, the Commission has issued its Single Family Mortgage Revenue Bonds 2013 Series A in the aggregate principal amount of $39,760,000 (the "2013 Series A Bonds") and its Single Family Mortgage Revenue Bonds 2013 Series B in the aggregate principal amount of $16,225,000 (the "2013 Series B Bonds," and together with the 2013 Series A Bonds and the 2013 Series C Bonds, the "2013 Series Bonds").

The 2013 Series C Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Commission's Single Family Mortgage Revenue Bond Resolution No. 79-26, adopted March 28, 1979, as amended, and the 2013 Series A/B/C Resolution adopted by the Commission as of June 1, 2013 (collectively, the "Bond Resolution"). The Bond Resolution provides that the Commission may hereafter issue additional Bonds from time to time under certain terms and conditions contained in the Bond Resolution and, if issued, such additional Bonds will rank pari passu with this issue of 2013 Series C Bonds and be equally and ratably secured by and entitled to the protection of the Bond Resolution. Reference is hereby made to the Bond Resolution for a description of the property pledged and assigned, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Commission, the Trustee and the owners of the 2013 Series C Bonds and the terms upon which the 2013 Series A Bonds are issued and secured.

The Commission and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and premium, if any, and interest due hereon and for all other purposes and neither the Commission nor the Trustee shall be affected by any notice to the contrary.

The 2013 Series C Bonds are issuable as registered 2013 Series C Bonds without coupons in the denomination of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the Bond Resolution, registered 2013 Series C Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner thereof or by his or her attorney duly authorized in writing, may be exchanged, at the option of the Registered Owner thereof, for a like aggregate principal amount of registered 2013 Series C Bonds without coupons of other authorized denominations of the same Series and the same maturity. This Bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds of the same Series and the same maturity and interest rate and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee is not required to make any exchange or transfer in the case of any proposed redemption of Bonds of such Series, after the first publication or the mailing of notice calling such Bonds or portions thereof for redemption has been given as herein provided, or during the fifteen days next preceding the date of the first publication of notice of such redemption.

The 2013 Series C Bonds shall be subject to optional and special redemption and purchase in lieu of redemption as provided in the Bond Resolution.

If any of the 2013 Series C Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2013 Series C Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice at least twenty (20) days before the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books. All 2013 Series C Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that funds for their redemption are on deposit at the place of payment at that time.

The 2013 Series C Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Maryland, particularly Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and Chapter 41 of the Laws of Montgomery County 1974, as amended, known as the Housing Opportunities Act, and a certain Agreement By and Between the Commission and Montgomery County, Maryland.

This Bond and the issue of which it forms a part and the interest thereon are limited obligations of the Commission and are payable solely out of the Revenues and other assets of the Commission pledged therefor pursuant to the Bond Resolution. The Commission has no taxing power. The 2013 Series C Bonds do not constitute a debt of Montgomery County, the State of Maryland or any political subdivision thereof and neither Montgomery County, the State of Maryland nor any political subdivision thereof shall be liable thereon, nor in any event shall the 2013 Series C Bonds be payable out of any funds or properties of the Commission other than those pledged therefor. The 2013 Series C Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the

commissioners of the Commission nor any persons executing the 2013 Series C Bonds shall be liable personally on the 2013 Series C Bonds by reason of the issuance thereof. Payments sufficient for the prompt payment, when due, of the principal of, premium, if any, and interest on the 2013 Series C Bonds are to be paid to the Trustee for the account of the Commission, which payments have been duly pledged and assigned for that purpose.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Bond Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the Bond Resolution, the principal of all the 2013 Series C Bonds issued under the Bond Resolution and then outstanding may become or may be declared due and payable before the stated maturities thereof, at the principal amount thereof, together with interest accrued thereon to the date of acceleration.

The Bond Resolution permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Commission and the rights of the owners of the 2013 Series C Bonds at any time by the Commission with the consent of the owners of two-thirds in Aggregate Principal Amount of the 2013 Series C Bonds at the time outstanding, as defined in the Bond Resolution. Any such consent or waiver by the Registered Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any 2013 Series C Bond issued in replacement thereof whether or not notation of such consent or waiver is made upon this Bond. The Bond Resolution also contains provisions permitting the Trustee to waive certain defaults under the Bond Resolution and their consequences.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Bond Resolution and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Commission, does not exceed or violate any constitutional or statutory limitation; and that the amounts pledged to the payment of the principal of and premium, if any, and interest on this Bond and the issue of which it forms a part, as the same become due, are expected to be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee or an authorized signatory thereof.

IN WITNESS WHEREOF, the Housing Opportunities Commission of Montgomery County has caused this Bond to be executed in its name by the facsimile signature of its Chairman and its corporate seal to be hereunto impressed or imprinted hereon and attested to by the facsimile signature of its Secretary-Treasurer.

HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY

[SEAL]

By: _____
Roberto R. Piñero
Chairman

Attest:

By: _____
Stacy L. Spann
Secretary-Treasurer

[If a payment grid is to be added to the Bond, the following is to be inserted after the signature pages:]

PAYMENT GRID

Date of Payment	Principal Amount Paid	Principal Amount Outstanding	Holder Signature
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

[If any of the 2013 Series C Bonds are to be printed, the Commission may place the "IN WITNESS WHEREOF" clause, signatures and seal on the face of such Bonds and insert on the face of such Bonds the following language:]

(optional language to be inserted on face of
any 2013 Series C Bonds to be printed)

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned Bond Resolution and is one of the Single Family Mortgage Revenue Bonds, 2013 Series C of the Housing Opportunities Commission of Montgomery County.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., TRUSTEE

By: _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ to transfer the within-mentioned Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____

Signature:_____ (Signature(s) must be guaranteed by a broker or other financial institution which is a participant in the Securities Transfer Agent's Medallion Program or similar program (STAMP, SEMP, MSP).)

Please insert social security or other identifying number of assignee:_____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

* * * * * * * * * *

[End of Form of 2013 Series C Bond]

ARTICLE VI

MISCELLANEOUS

Section 6.01. ***Continuing Disclosure***. The Commission agrees to comply with and carry out the provisions of the Continuing Disclosure Agreement dated as of June 11, 2013 by and between the Commission and the Trustee.

Section 6.02. ***Unclaimed Moneys***. In the event any 2013 Series Bond is not presented for payment when the principal of any such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Series 2013 Series Bond have been deposited with the Trustee for the benefit of the owners of such Bond and have remained unclaimed for five years after such principal has become due and payable, either at the stated maturity date thereof or by call for earlier redemption, then such amounts shall, at the request of the Commission, be repaid by the Trustee to the Commission, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Commission for the payment of such 2013 Series Bonds, as the case may be; provided, however, that the Trustee, before being required to make any such payment to the Commission shall, at the expense of the Commission, cause to be published, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers, notice that such moneys remain unclaimed and that, after a date specified in such notice, which will not be less than 30 days from the date of such publication, any unclaimed balance of such moneys then remaining will be paid to the Commission. The obligation of the Trustee under this Section to pay any such amounts to the Commission will be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition of unclaimed property.

Section 6.03. ***Electronic Means***. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order or certificate of an Authorized Officer which is transmitted to the Trustee by Electronic Means.

Section 6.04. ***Severability***. If any provision of this 2013 Series A/B/C Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 6.05. ***Applicable Provisions of Law***. This 2013 Series A/B/C Resolution shall be governed by and construed in accordance with the laws of the State of Maryland.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

[SEAL]

By: _____
Roberto R. Piñero
Chairman

ATTEST:

By: _____
Stacy L. Spann
Secretary-Treasurer

[SIGNATURE PAGE TO 2013 SERIES A/B/C RESOLUTION]

EXHIBIT A

REDEMPTION PRICE TABLE FOR CERTAIN REDEMPTIONS

The 2013 Series A Bonds that are redeemed from unexpended proceeds as set forth in Section 2.09 of the foregoing Series Resolution will be redeemed at the respective redemption prices (expressed as percentages of the principal amounts) set forth below.

Redemption Dates	**2013 Series A Bonds maturing on January 1, 2031**
Date of Delivery	
January 1, 2014	
July 1, 2014	
January 1, 2015	
July 1, 2015	
January 1, 2016	
July 1, 2016	
December 11, 2016	

The applicable redemption price for any date other than those above will be determined by the Commission using straight-line interpolation between the respective redemption prices for the immediately preceding and succeeding dates, based on the number of days between such dates.

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ARTICLE I
DEFINITIONS

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF 2013 SERIES BONDS

ARTICLE III
2013 SERIES BONDS

ARTICLE IV
DETERMINATIONS REQUIRED BY THE BOND RESOLUTION

ARTICLE V

ARTICLE VI
MISCELLANEOUS

APPROVAL TO SELECT PENNROSE PROPERTIES, LLC AS THE DEVELOPER FOR THE REDEVELOPMENT OF AMBASSADOR APARTMENTS

JUNE 5, 2013

- The Ambassador Apartments (the "Property") is the residential component of a mixed-use condominium consisting of 162 residential units and a garage in a seven-story high rise located in Wheaton, Maryland.
- The Property was constructed in 1959 as a Howard Johnson Hotel and was converted to a mixed-use condominium in 1992 with separate ownership of the residential and commercial components.
- The Property is owned by a tax credit partnership, Wheaton-University Boulevard Limited Partnership (WUBLP), which has been wholly controlled by HOC since July 1, 2010.
- On April 27, 2012, a Request for Qualifications (RFQ) followed by a Request for Proposals (RFP) was issued for a developer that will propose a development plan for the Property. Staff received a total of nine (9) qualification submittals during the RFQ phase and invited (3) developers to submit proposals during the RFP phase.
- On November 7, 2012, the Commission approved entering into a non-binding Memorandum of Understanding with the commercial condominium and adjacent parcel owner, Willco Companies (Willco), to jointly collaborate in the redevelopment of the Property and Willco's contiguous parcel.
- A Selection Team of staff, Willco and one Commissioner reviewed all developer qualifications and proposals received and participated in developer interviews.
- On May 29, 2013, at a Special Meeting of the Commission, staff apprised the Commissioners of the results of the RFQ/RFP and advised that the request to approve Pennrose Properties, LLC at the June Commission meeting will allow staff to begin negotiations of a Development Agreement.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Kayrine Brown, Director, Mortgage Finance Ext. 9589
Jennifer Arrington, Housing Acquisitions Manager Ext. 9760

RE: Approval to Select Pennrose Properties, LLC as the Developer for the Redevelopment of Ambassador Apartments

DATE: June 5, 2013

STATUS: Consent ____ Deliberation __X__ Status Report ____ Future Action_____

OVERALL OBJECTIVE:
To authorize the selection of the developer for the redevelopment of The Ambassador Apartments.

BACKGROUND:
The Ambassador Apartments (the "Property") is located in Wheaton at the intersection of Viers Mill Road and University Boulevard. It was originally constructed in 1959 as a Howard Johnson Hotel and, in late 1992, the hotel was converted to a mixed-use condominium with residential and commercial components called The Ambassador, A Condominium (the "Condominium").

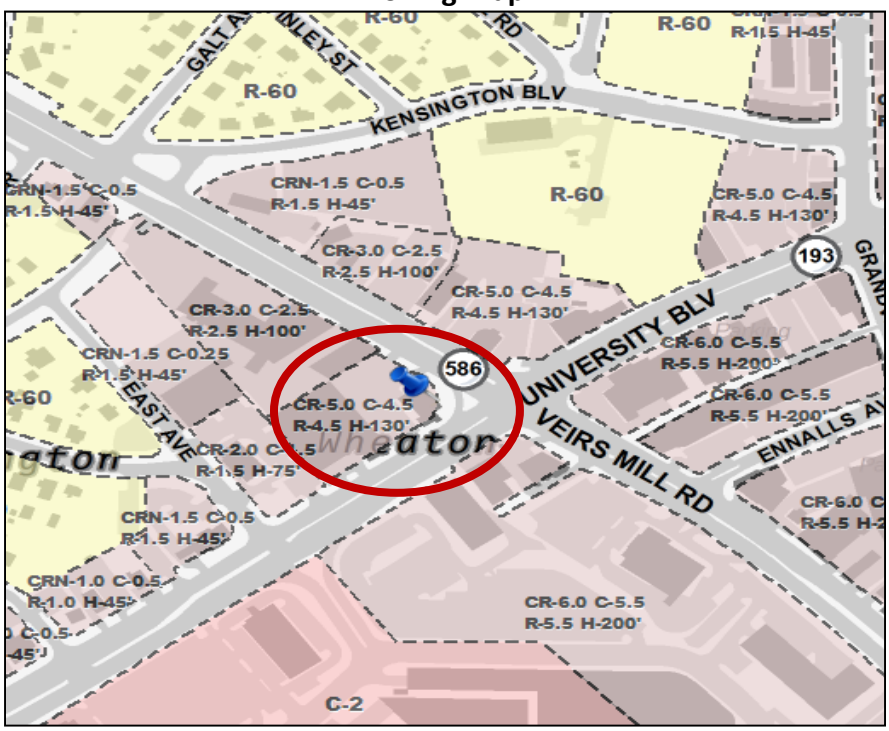
The Property is the residential component of the Condominium, consisting of a seven-story high rise building which includes 162 residential efficiency apartments on the second through seventh floors and a garage. The Property is owned by Wheaton-University Boulevard Limited Partnership (WUBLP), a tax credit limited partnership. HOC is the owner of a separate one-story, unoccupied residential unit (4,900 square feet) that was donated to it several years ago.

Although the tax credit compliance period ended December 31, 2008, the Property continues to serve households with incomes below 60% of the area median income. The rest of the land and improvements consists of ground floor retail space, surface parking, which is common to the commercial and residential units, and a separate single-story commercial building (Lot 1), which is not part of the condominium and owned by an entity controlled by the Willco Companies.

In 2005, HOC Ambassador, Inc., a stock corporation whose stock is wholly owned by HOC, acquired and continues to own the 1% general partner interest in WUBLP. In July 2010, M&T Bank donated its 99% limited partnership interest in WUBLP to HOC.

In April 2012, staff issued a Request for Qualifications (RFQ) followed by a Request for Proposals (RFP) for developers to propose a conceptual development plan for the Condominium in conformance with the planned up-zoning to CR 5.0: C 4.5, R 4.5, and H 130. The maximum total FAR is 5.0, and the maximum FAR for the residential component is 4.5, which would allow for a structure that totals 275,252 gross square feet. The maximum height allowance of 130 feet will allow for a landmark structure at the intersection.

Zoning Map



In November 2012, the Commission approved entering into a Memorandum of Understanding (MOU) with the commercial condominium and Lot 1 parcel owner, Willco Companies (Willco), to jointly redevelop the Ambassador Apartments and Lot 1. The RFP phase was then expanded to include Lot 1. The MOU was executed on January 31, 2013, and Willco participated as a member of the Selection Team during the RFP process.

<u>Developer Selection</u>

The RFQ/RFP process for a developer concluded on May 10, 2013. Its purpose was to solicit developers and development teams that would meet HOC's challenge to transform the Condominium and Lot 1 into a vibrant and innovative mixed-use, mixed-income, multigenerational, modern rental community that is financially feasible. HOC's objectives for redevelopment include: a high quality mix of market rate and affordable rental units, environmental sustainability, an accessible environment, and a high quality architectural and integrative site design.

In response to the RFQ, nine (9) development teams submitted their qualifications and six (6) were invited to interview. Of the six teams interviewed, three (3) teams were invited to respond to the RFP:

- **AHC, Inc.** – AHC is a nonprofit developer of affordable housing located in Arlington that provides housing for low- and moderate-income families in the Washington, DC metropolitan area. AHC has developed 39 properties with over 5,300 affordable apartments since 1975. Its real estate portfolio has an estimated value in excess of $400 million.

- **Pennrose Properties** – Pennrose Properties, LLC (Pennrose) is a private, full-service real estate development firm with corporate offices in Philadelphia and Baltimore. Since 1981, Pennrose has developed 12,000 units in more than 180 affordable, mixed-income, and mixed-use developments in several states including Maryland, the District of Columbia, Delaware and Pennsylvania.

- **Shelter Group** – The Shelter Group (Shelter), located in Baltimore, is a national real estate development and property management company specializing in multifamily and senior living communities. Shelter has developed and acquired over 103 properties in 13 states comprising over 18,000 units and $1.8 billion in investment since 1977. Of these units, 4,186 have been financed through the use of Federal Low-Income Housing Tax Credits.

Developers submitted proposals on November 27, 2012, and interviews were held on January 10 and January 15, 2013.

Following these interviews, the Selection Team narrowed the developers down to two, Pennrose and Shelter. AHC was eliminated from the short list due to their proposal to create an iconic market rate, high-rise building fronting the Viers Mill and University Boulevard intersection and a smaller, ***separate*** affordable building behind the market rate building. AHC's proposal assumed HOC would not have ownership interest in the market rate building but only the affordable building.

The Selection Team developed a post-interview exercise that requested Pennrose and Shelter to prepare two proformas for two different construction approaches: 1) a maximum-sized (5-story) wood frame building; and, 2) a mid- or high-rise concrete building. This exercise examined the Developers' knowledge of the Wheaton rental market, ability to provide creative solutions to develop a financeable plan with limited financial gap, and willingness to partake in the development risk. This exercise was submitted on March 18, 2013, and final interviews were held on April 29, 2013.

While the Selection Team agreed that Shelter may have a better understanding of the Wheaton existing and future rental market, they were unable to propose a conceptual, feasible plan that included a mixed-income component. In addition, Shelter's recommended plan utilized only 2.62 FAR of the allowable 4.5 and stated that the unused FAR would not be a benefit to the development. Shelter further proposed that an option for HOC and Willco would be to sell their remaining residential and commercial development rights that would not be built. Pennrose, on the other hand, has not developed units in Montgomery County but, through the use of market data, proposed two conceptual, feasible mixed-income plans for both a wood

frame and steel frame, plus infinity plank, structure. Pennrose also provided strong arguments for future negotiations with CDA and recommended innovative construction solutions to this tight site.

Developer	Strengths	Weakness
Shelter	• Understands the affordable market • Good grasp of Wheaton market • Strong team • Willingness to take development risks/guarantees	• Could not propose a plan that included a mixed-income component • Devalued available FAR
Pennrose	• Understands the mixed-income, mixed-use market • Creative solutions to constructability issues • Strong team • Willingness to take development risk/guarantees • Ability to perform in new markets	• Underestimated the amount of commercial space • Developing understanding of Wheaton market

Given the above, voting members of the Selection Team submitted their final scores and, based upon the scores below, on May 29, 2013, at a special meeting of the Commission, staff recommended to approve Pennrose Properties as the developer for the Ambassador Apartments.

Results by Score	Total Score
Pennrose Properties	87.33
Shelter Group	67.67
AHC Inc.	54.33

While the RFP sought from the respondents conceptual drawings and a conceptual development and financing plan for two schemes (mid-rise and high-rise) that addressed the goals of the Commission, ultimately, the Selection Team agreed that the final selection should be rooted in trust and ability to execute. Given the above scores, the majority decided that Pennrose could best deliver the vision of the Commission for this property by way of an executable development and financing plan.

Should staff be unable to produce an acceptable agreement with Pennrose, then negotiations may proceed with the next highest ranked Offeror, i.e. Shelter. The Commission may also elect to restart the selection process.

Schedule

Below is a preliminary schedule which is subject to change:

TASK	DATE
Predevelopment Phase	
Commission Authorizes Amendment to the Preliminary Development Plan and Approve MOU to Willco Companies	11/07/12
Developer Proposals Due	11/27/12
Developer Interviews	1/15/13
Developer Follow Up Exercise	3/18/13
Final Developer Interviews	4/29/13
Select Developer	5/10/13
Special Meeting of the Commission – Developer Selection	5/29/13
Commission Approval – Developer Selection	6/05/13
Development & Finance Committee Approval – Developer Terms	8/22/13
Commission Approval – Developer Terms	9/11/13
Execute Developer Agreement	9/12/13
Development Phase	
Design Development Drawings Complete	5/14/14
Commission Approval – Final Development Plan & Financing Plan	7/16/14
Zoning/Entitlement Approvals	8/06/14
Construction Drawings Complete	11/26/14
Permitting	5/13/15
Construction Commences	6/01/15

ISSUES FOR CONSIDERATION:

Should the Commission accept the recommendation of the Selection Team to select Pennrose Properties, LLC as the developer for the Ambassador Apartments and to begin negotiations toward a Development Agreement?

BUDGET IMPACT:

None at this time.

TIME FRAME:

Action at the June 5, 2013 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Selection Team to select Pennrose Properties, LLC as the developer for the Ambassador Apartments and commence negotiations toward a Development Agreement. The Development Agreement and its terms are subject to the approval of the full Commission which will be presented to the Development and Finance Committee and the full Commission at a future date.

RESOLUTION: **RE:** Approval to Select Pennrose Properties, LLC as the Developer for the Redevelopment of Ambassador Apartments

WHEREAS, Ambassador Apartments (the "Property") consists of 162 apartments that are 100% income restricted within the residential component of a seven-story high rise mixed-use condominium located in Wheaton; and

WHEREAS, the Property is owned by a tax credit limited partnership called Wheaton-University Boulevard Limited Partnership (WUBLP); and

WHEREAS, in 2005, the Housing Opportunities Commission (HOC) acquired the 1% general partnership interest in WUBLP through HOC Ambassador, Inc., a stock corporation whose stock is wholly owned by HOC; and

WHEREAS, in 2007, the owner of the commercial/retail component of the Condominium donated a portion of its interest, a single-story commercial building (4,900 square feet) on the first floor, to HOC; and

WHEREAS, in July 2010, M&T Bank, the 99% limited partner in WUBLP, donated its interest in WUBLP to the Commission; and

WHEREAS, on April 27, 2012, a Request for Qualifications (RFQ) followed by a Request for Proposals (RFP) was issued for a developer that will propose a Development Plan; and

WHEREAS, on November 7, 2012, the Commission approved entering into a non-binding Memorandum of Understanding with the commercial condominium and adjacent parcel owner, Willco Companies, to jointly collaborate in the redevelopment of the Property and Willco's contiguous parcel, to redevelop both properties in a coordinated fashion; and

WHEREAS, the Commission has analyzed nine (9) qualification submittals during the RFQ phase and three (3) proposals during the RFP phase; and

WHEREAS, Pennrose Properties, LLC was determined to be the most qualified to best deliver the vision of the Commission for this Property by way of an executable development and financing plan.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County approves the selection of Pennrose Properties, LLC as the developer for the Ambassador Apartments and the commencement of negotiations toward a Development Agreement.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Development Agreement and its terms are subject to the approval of the full Commission which will be presented to the Development and Finance Committee and the full Commission at a future date.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on June 5, 2013.

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Patrice Birdsong
Special Assistant to the Commission

Future Action

Information Exchange

New Business

APPROVAL OF MODIFICATIONS TO THE DISPOSITION AND FINANCING STRATEGIES FOR THE 669 FORMER SCATTERED SITE PUBLIC HOUSING UNITS

JUNE 5, 2013

- On June 7, 2011, the Commission approved a plan to submit 1) an application to the HUD Special Application Center for the disposition of its 669 scattered site public housing units and 2) an application for Tenant Protection Vouchers.

- The plan was approved by HUD on March 8, 2012 subsequent to which HOC began to receive tenant protection vouchers for existing residents, totaling 400 to date. The remaining 269 vouchers are expected to all be received by the fourth quarter of calendar year 2013.

- HOC's commitment to the existing residents was to deliver safe, affordable, renovated units that because of insufficient capital funds from HUD were in various states of disrepair and functional obsolescence.

- For a variety of reasons, HOC's ability to allocate the vouchers and proceed with full implementation of the disposition plan has been delayed.

- The plan may now be implemented but with modifications to the financing plan and the implementation of a flexible subsidy strategy as discussed at a Commission work session conducted on May 29, 2013.

- The Commission is being asked to fund the rehabilitation plan now, from its balance sheet sources for up to $30,000 per unit (approximately $20 million), the repayment of which is expected from 1) future issuance of tax exempt bonds, 2) conventional bank financing, and/or 3) project cash flow over time.

- The Commission is also being asked to approve changes to the subsidy strategy by 1) eliminating project based voucher as a strategy, 2) delivering all vouchers as tenant based vouchers, 3) leasing vacant units as Opportunity Housing units, and 4) creating internal subsidy for those newly over-housed by changes to HOC's payment and occupancy standards.

- Staff recommends that the Commission approve a loan from a combination of the OHRF, the OH Bank Account, and the County Revolving Fund to fund up to $20 million of renovation cost for the former 669 scattered site public housing units. Staff further recommends approval to implement a flexible subsidy strategy, both of which will deliver on commitments made to the residents of these housing units.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Kayrine Brown, Director, Mortgage Finance Ext. 9589
Gail Willison, Chief Financial Officer Ext. 9480
Joy Flood, Director of Housing Resources Ext. 9621
Zachary Marks, Housing Acquisitions Manager Ext. 9613

RE: Approval of Modifications to the Disposition and Financing Strategies for the 669 Former Scattered Site Public Housing Units

DATE: June 5, 2013

STATUS: New Business

OVERALL OBJECTIVE:
To obtain Commission approval of modifications to the disposition and financing plans for the 669 former scattered site Public Housing units.

BACKGROUND:
In March 2012, the Commission obtained approval from HUD to dispose of 669 public housing scattered site units so that they could be renovated and leased under other subsidy programs. Since prior to the submission of the original Section 18 disposition application, HOC has committed to the residents of the 669 scattered site Public Housing units the significant rehabilitation of these mostly single-family residences. The disposition was presented as a major opportunity to renovate and beautify these homes in such a way as to ensure that, though they are affordable, they are also attractive and safe.

Both federal funding issues and technical complications that arose as a result of elements of HUD's approval of the application for disposition created a delay in HOC's ability to proceed with voucher distribution and rehabilitation. Chief among the issues:

1. Reductions in Federal funding of the voucher program made project basing via attrition expensive and much slower to implement.
2. The condition of many of the units had fallen below HUD HQS required for voucher subsidy activation.

3. The original financing plan, in which the units would act as direct collateral, was inefficient and made less so by the unexpected challenges to voucher subsidy implementation.

However, the HOC Implementation Team has developed a plan that resolves these complications while still delivering the outcomes originally desired by the Commission:

1. Delivery of a scope of rehabilitation that renews these units for another 20-30 years.
2. Retention of all current residents who desire to remain.
3. Exit Public Housing for these units to enable the responsible financing of the renovations.
4. Use additional value to renew other communities in the HOC portfolio and to create additional affordable housing.

Project Status

In March of this past year, just prior to gaining HUD's approval of the disposition, an internal Physical Needs Analysis was performed of the 669 units toward developing a budget for the renovations, placing the capital needs at $21.6MM.

To activate the subsidy to the protection vouchers and enable the units to begin flowing cash, HQS must be met on the properties. In an Interim Phase, HOC Property Management will use existing contracts and HOC Maintenance staff to perform the HQS-related repairs to as many units as it can in that time. In a following Full Phase, one or more general contractors will deliver a scope of rehabilitation that brings all 669 units up to the HOC Design Standard (which will exceed both HQS and Chapter 26 of the Montgomery County Code).

The general contractor(s) for the Full Phase will be selected in early FY2014. So as not to lose an additional five-to-six weeks, an Interim Phase will allow progress to be made. Also during the Interim Phase, two architects from our existing pool will be building a template scope for the rehabilitation by walking approximately a third of the units. During the Full Phase, the selected GCs will apply that template in developing actual scopes for all units. The total capital needs will be revised to reflect the increasing accuracy produced by each phase. However, staff does not anticipate a need greater than the $20MM.

Financing Strategy

The key point to the financial implications of this project is that the cost of the rehabilitation required for the disposition of the project (so that HOC may take full ownership of the assets) is grossly outweighed by the value of the assets themselves. This is also true of the cost of rehabilitation beyond HQS to an HOC-defined Design Standard. Therefore, the Implementation Team has concluded that an interim financing plan is appropriate and requests the Commission's approval of up to $20MM for the full rehabilitation of 669 units using a mix of balance sheet sources including the OHRF, Revolving MPDU/Property Acquisition Fund, and the OH Bank Account. Attachment 1 summarizes the available funds in various accounts and expected activity as of March 31, 2013.

These assets will be acquired (via the disposition process) with no existing debt; therefore, the conversion to vouchers will dramatically increase the revenue from these properties that will flow directly to HOC. The properties are projected to generate a combined NOI of approximately $5.0MM annually upon disposition. Even without raising debt post rehabilitation, the balance sheet sources used to fund the work would be repaid within five to six years.

Interim financing using the balance sheet sources is essential given the immediacy with which HOC may begin:

- Implementing a long-overdue plan for disposition more than a year after HUD approval,
- Delivering to existing residents promised repairs and upgrades,

Interim financing using the balance sheet sources is appropriate for the following:

- Avoidance of cost of direct collateralization of the units: Using HOC's balance sheet cash sources will avoid the time and cost associated with having to underwrite the individual properties (including appraisals, market studies, etc.) and issuing loans against those properties.

- Net-positive Benefit to GO Capacity: Conservatively, the value of the 669 units added to HOC's balance sheet post disposition is more than $100MM. With only a need for approximately $20MM in rehabilitation costs, more than $80MM in new, net value will be added to HOC's GO capacity. That capacity can be used to raise substantial future revolving credit for rehabilitation, redevelopment, and acquisition of other assets in HOC's interests.

- Ability to Repay and Refinance: The ratio of the cost of the full renovation to the value of the assets being rehabilitated is so low as to create an implicit debt coverage of almost four times (and this without assuming any top- or bottom-line benefits from the renovation). This positions the 669 units to aggressively pay back the HOC sources used.

During the Interim Phase, the Mortgage Finance and Real Estate divisions will explore (and are already exploring) new credit facilities based on HOC's current GO capacity. Should this prove successful, the Commission would have the option of dedicating the new credit facility to the rehabilitation in lieu of using the balance sheet sources to fund the work.

However, if the Commission were to utilize its own internal sources to fund the renovations, while outstanding, the project will pay interest to the Commission on any interim financing at 4.5% per year. Any unpaid interest will accrue and paid from stabilized cash flow.

Subsidy Strategy

Staff further requests Commission's approval to allow the tenant based protection vouchers to remain with the residents, thus eliminating project based vouchers. As mentioned above, the

recent changes to ACOP and housing payment standards, in addition to making project basing the protection vouchers more expensive and slower to implement, also created a greater need for flexibility for residents and for HOC as landlord:

1. With only 90 days to decide to move, identify, and qualify for new housing and with the promised rehabilitation still to come, allowing the protection vouchers to remain with the residents gives them more complete benefit of the vouchers.
2. Further, with the urgency and finality of the 90-day window removed, current residents are given better incentive to lease in place.
3. With the vouchers remaining tenant based, per-unit rent setting retains greater flexibility in accommodating those made overhoused by the recent ACOP changes, flat renters, and the rent burden for individual households.

Ultimately, staff expects a great majority of current residents to lease in place. For those units which are vacant and go unsubsidized, they will continue to serve HOC's mission by "naturally" renting to households between 55% and 65% of AMI as Opportunity Housing. HOC can continue market these units to holders of its base vouchers as well. For the minority of tenants who choose to relocate with the protection vouchers, it will effectively create new affordable housing units in those new communities through use of the voucher. As vacancies occur over time, the units will be marketed to those families with tenant based vouchers and to families who qualify for Opportunity Housing.

ISSUES FOR CONSIDERATION:

Should the Commission approve modifications to the disposition and financing strategies for the 669 former scattered site Public Housing units?

This approval includes providing interim financing from various funding sources for up to $20 million to complete the rehabilitation of all 669 units, repayment of which is expected from 1) future issuance of tax-exempt bonds, 2) conventional bank financing, and/or 3) project cash flow over time.

The approval also includes modifications to the subsidy strategy that 1) eliminates project based vouchers and replacement with tenant vouchers, 2) offers vacant units as Opportunity Housing units, and 3) creates internal subsidies for those newly over-housed by changes to HOC's payment and occupancy standards.

BUDGET IMPACT:

The outstanding loans from balance sheet sources will pay interest to the Commission at the equivalent of 4.5% annually, $900,000 if the full $20 million is drawn.

TIME FRAME:

Action at the June 5, 2013 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission approve modifications to the disposition and financing strategies for the 669 former scattered site Public Housing units.

RESOLUTION: **RE:** Approval of Modifications to the Disposition and Financing Strategies for the 669 Former Scattered Site Public Housing Units

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission"), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

WHEREAS, on June 7, 2011, the Commission approved a plan to submit 1) an application to the HUD Special Application Center for the disposition of its 669 scattered site public housing units and 2) an application for Tenant Protection Vouchers; and

WHEREAS, the plan was approved by HUD on March 8, 2012 subsequent to which HOC began to receive tenant protection vouchers for existing residents, totaling 400 to date and the remaining 269 vouchers are expected to all be received by the fourth quarter of calendar year 2013; and

WHEREAS, HOC's commitment to the existing residents was to deliver safe, affordable, renovated units that because of insufficient capital funds from HUD were in various states of disrepair and functional obsolescence; and

WHEREAS, for a variety of reasons, HOC's ability to allocate the vouchers and proceed with full implementation of the disposition plan has been delayed; and

WHEREAS, the plan may now be implemented but with modifications to the financing plan and the implementation of a flexible subsidy strategy as discussed at a Commission work session conducted on May 29, 2013; and

WHEREAS, the Commission is now being asked to fund the rehabilitation plan now, from its balance sheet sources for up to $30,000 per unit (approximately $20 million), repayment of which is expected from 1) future issuance of tax exempt bonds, 2) conventional bank financing, and/or 3) project cash flow over time; and

WHEREAS, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to finance such capital expenditures in an amount not to exceed **$20,000,000**, *all or a portion of which may reimburse* the Commission for the portion of such capital expenditures incurred or to be incurred subsequent to the date which is 60 days prior to the date hereof but before such borrowing, and the proceeds of such tax-exempt borrowing

will be allocated to reimburse the Commission's expenditures within 18 months of the later of the date of such capital expenditures or the date that *each of* the Projects (as hereinafter defined) is placed in service (but in no event more than three years after the date of the original expenditure of such moneys); and

WHEREAS, the Commission hereby desires to declare its official intent, pursuant to Treasury Regulation §1.150-2, to reimburse the Commission for such capital expenditures with the proceeds of the Commission's future tax-exempt borrowing for such projects named in this Resolution; and

WHEREAS, the Commission is also being asked to approve changes to the subsidy strategy by 1) eliminating project based voucher as a strategy, 2) delivering all vouchers as tenant based vouchers, 3) leasing vacant units as Opportunity Housing units, and 4) creating internal subsidy for those newly over-housed by changes to HOC's payment and occupancy standards.

NOW THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission:

1. ***Approval of Loan.*** Approves a loan from a combination of Commission sources including the OHRF, the OH Bank Account, and the County Revolving Fund for an amount up to $20,000,000 to fund the renovation cost for the 669 former scattered site public housing units.

2. ***Implementation of Flexible Subsidy.*** Approves the implementation of a flexible subsidy strategy which eliminates the project based voucher component, implements a tenant based voucher strategy, offers vacant units as Opportunity Housing units, and creates an internal subsidy for those residents who have become over-housed as a result of HOC's occupancy and voucher payment.

3. ***Declaration of Official Intent.*** The Commission presently intends and reasonably expects to finance certain Commission facilities and property improvements to **669 Scattered Site former Public Housing Units** (the "Project") with moneys currently contained in its Opportunity Housing Reserve Fund, Opportunity Housing Bank Account, Revolving Fund, and from its operating cash, as described and set forth in the Commission's approval of interim funding for the renovation of the Project.

4. ***Dates of Capital Expenditures.*** All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related to the Projects as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

5. ***Issuance of Bonds or Notes.*** The Commission presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds in an amount not to exceed **$20,000,000 will be applied** to reimburse the Commission for its expenditures in connection with the Projects.

6. ***Confirmation of Prior Acts.*** All prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Projects, shall be and the same hereby are in all respects ratified, approved and confirmed.

7. ***Repeal of Inconsistent Resolutions.*** All other resolutions of the Commission or parts of resolutions, inconsistent with this Resolution are hereby repealed to the *extent* of such inconsistency.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on June 5, 2013.

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Patrice Birdsong
Special Assistant to the Commission

Attathment 1 - Summary of Balance Sheet Sources
March 31, 2013

	OHRF	PNC LOC	Revolving MPDU/PAF	Revolving OHDF	OH Bank Account	FHA Risk Sharing Reserves	Total
Balances (3/31/13)	**$5,611,107**	**$26,708,589**	**$5,786,203**	**$635,637**	**$6,000,000**	**$10,139,314**	**$54,880,850**
Restricted for Future Use	$6,400,000	$0	$0	$0	$0	$0	$6,400,000
Total Available	$12,011,107	$26,708,589	$5,786,203	$635,637	$6,000,000	$10,139,314	$61,280,850
Projected Activity							$0
NLC		($12,000,000)					($12,000,000)
Ambassador	($75,000)						($75,000)
Tanglewood Commitment						($9,371,393)	($9,371,393)
FY14 Capital Commitment	($1,800,000)						($1,800,000)
669 Unit Renovations Bridge	($10,000,000)	$0	($5,000,000)	$0	($5,000,000)	$0	($20,000,000)
Glenmont		$2,850,000					$2,850,000
Glenmont		$3,650,000					$3,650,000
Paddington Square		$5,698,800		$3,000,000			$8,698,800
Paddington Square	$0	$6,597,000	$0	$0	$0	$0	$6,597,000
Total Projected Activity	($11,875,000)	$6,795,800	($5,000,000)	$3,000,000	($5,000,000)	($9,371,393)	($21,450,593)
Projected Ending Balance 12-31-13	**$136,107**	**$33,504,389**	**$786,203**	**$3,635,637**	**$1,000,000**	**$767,921**	**$39,830,257**

Legend:

MPDU/PAF: MPDU/Property Acquisition Fund. One of the two revolving loan funds from DHCA

OHDF: Opportunity Housing Development Fund. The second DHCA revolving fund.

Executive Session Findings

ADJOURN

Recess

Development Corporation Meetings

ALEXANDER HOUSE DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $5,480,928 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 3.5%; the County Executive's voluntary rent guideline is 4.0%.
  - ✓ Market rents will be increased by 3.5% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 4.6%.
  - ✓ Concessions budgeted at $51,750.

- $2,240,673 total operating expenses are budgeted which includes the HOC Asset Management Fees of $242,510. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $1,281,734 net cash flow before the HOC Development Corporation Management Fee.

- $263,890 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Alexander House Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Alexander House Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for the Alexander House Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
On November 6, 1996, the Commission authorized the creation of a wholly controlled corporate instrumentality known as Alexander House Development Corporation (the "Development") and passed a resolution approving the Articles of Incorporation for the Development Corporation. The Board of Directors for the Development Corporation adopted the By-laws on December 11, 1996, which provide for the operations and functions of the Corporation, and elected officers.

At the Board meeting held January 22, 1997, the Corporation executed the Asset Management Agreement by and between the Alexander House Development Corporation (Owner) and HOC (Agent). One of the duties required of the Agent under that Agreement is to submit to the Owner an annual budget, ninety days prior to each fiscal year.

Alexander House was refinanced in February 1997 with the proceeds of 1996 Series B Bonds. There is a first mortgage in the amount of $25,000,000, which is insured under the FHA Risk Sharing Program where HOC assumes 50% of the risk and FHA assumes the remaining 50%. Other debt on the property includes a loan from the State of Maryland for $1,500,000 and a loan from Montgomery County for $1,000,000. Repayment of the State loan commenced January 1, 2001, with regular amortized payments of $12,500 per month. Payments on the County loan are due after the State loan is repaid.

On April 23, 1997, the Board of Directors approved a resolution that allowed for the incorporation of the Alexander House annual budget preparation, presentation and approval process into the HOC budget process. This means that the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

In accordance with the above mentioned resolution, the FY'14 Operating and Capital Budgets for Alexander House Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

McShea Management, Inc. has been the management agent for the property since June 1, 2006.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $1,281,734 before the HOC Development Corporation Management Fee.
- Vacancy is budgeted at 4.6%.
- Rent increases upon lease renewal are budgeted at 3.5% for both market and affordable units. The current County Executive's voluntary rent guideline is 4.0%.
- Market rents will be increased by 3.5% and at turnover will be raised to the current "market rate".
- Concessions budgeted at $51,750.
- Capital improvements totaling $263,890 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for the Alexander House Development Corporation by the Board of Directors.

RESOLUTION NO. _____ **RE: Alexander House Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Alexander House Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, by resolution at the April 23, 1997 Board of Directors meeting, the Corporation agreed to include the Alexander House annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for the Alexander House Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by the Alexander House Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Alexander House Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Alexander House Development Corporation

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BARCLAY APARTMENTS DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,296,777 total operating income budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 3.5%; the County Executive's voluntary rent guideline is 4.0%.
  - ✓ Market rents will be increased by 3.5% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 2.0%.
  - ✓ No concessions are budgeted.

- $449,809 total operating expenses budgeted which includes the HOC Asset Management Fees of $59,260. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- Net cash flow of $141,630 is budgeted prior to the Development Corporation Management Fee.

- $61,976 is budgeted for capital improvements.

MEMORANDUM

TO: Board of Directors of Barclay Apartments Development Corporation

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: Barclay Apartments Development Corporation
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for Barclay Apartments Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
On July 7, 2004, the Housing Opportunities Commission (HOC) authorized the establishment of Barclay One Associates Limited Partnership (the "Partnership") in which HOC is its General Partner for the purpose of owning a 157 unit apartment, subject to a Ground Lease with Montgomery County, to benefit from low income tax credit permitted by Section 42 of the Internal Revenue Code of 1986. The Partnership created a condominium known as The Barclay consisting of 157 individual units subject to a Ground Lease and performed substantial renovations on the property.

On July 7, 2004, HOC authorized the creation of a wholly controlled corporate instrumentality known as Barclay Apartments Development Corporation (the "Corporation") and passed a resolution approving the Articles of Incorporation and the By-laws for the Barclay Apartments Development Corporation. The Commission also approved the appointment of the seven Commissioners as the Corporation's Board of Directors (the "Board").

At its meeting of June 13, 2007, the Board approved the purchase of 76 units at The Barclay from the Partnership and authorized the execution of the appropriate documents necessary to purchase the property and secure the loans from HOC. The Board also authorized the execution of an Asset Management Agreement by and between Barclay Apartments Development Corporation (the Owner) and HOC (the Agent). One of the duties required of the

Agent under that Agreement is to submit to the Owner an annual budget ninety days prior to each fiscal year.

As of September 1, 2007, the Corporation acquired 76 units in the condominium subject to the Ground Lease. At the same time, it assumed a portion of the existing financing which is insured under the FHA Risk Sharing Program. The Barclay consists of 157 units, which are distributed as follows:

- 81 tax credit units owned by Barclay One Associates Limited Partnership (HOC is the General Partner); and

- 76 units owned by Barclay Apartments Development Corporation.

At its meeting of June 13, 2007, the Board also approved a resolution allowing the annual budget preparation, presentation and approval process for Barclay Apartments Development Corporation to be included with the HOC budget process. That means that the Operating and Capital Budgets are presented to the Budget, Finance and Audit Committee of the Housing Opportunities Commission for their review and approval then submitted to the full Commission, as the Board of Directors, for its final approval.

The FY'14 Operating and Capital Budgets for Barclay Apartments Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

The property has been managed by Winn Residential since February 16, 2012 when it acquired Landex Management Corporation which had managed the property since July 1, 2007.

ISSUES FOR CONSIDERATION:

- Net cash flow of $141,630 is budgeted prior to the Development Corporation Management Fee.

- Vacancy is budgeted at 2.0%.

- Rent increases upon lease renewal budgeted to be increased by 3.5%; the County Executive's voluntary rent guideline is 4.0%.

- Market rents will be increased by 3.5% and at turnover will be raised to the current "market rate".

- Capital improvements totaling $61,976 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for Barclay Apartments Development Corporation by the Board of Directors.

RESOLUTION NO. _____ **RE: Barclay Apartments Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Barclay Apartments Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation has entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Barclay Apartments annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of HOC on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Barclay Apartments Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Barclay Apartments Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Barclay Apartments Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Barclay Apartments Development Corporation

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CHEVY CHASE LAKE DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,230,790 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 2.8%. The County Executive's voluntary rent guideline is 4.0%.
  - ✓ Market rents will be increased by 4.0% and raised to current "market rate" at turnover.
  - ✓ Vacancy budgeted at 3.2%.
  - ✓ Concessions budgeted at $3,763.

- $540,576 in total operating expenses budgeted which includes the HOC Asset Management Fees of $53,020. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $120,882 of net cash flow before the HOC Development Corporation Management Fee.

- $148,950 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Chevy Chase Lake Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Chevy Chase Lake Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for the Chevy Chase Lake Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
On August 4, 2004 the Commission authorized the creation of a wholly controlled corporate instrumentality known as Chevy Chase Lake Development Corporation (the "Development") and passed a resolution approving the Articles of Incorporation for the Development Corporation. The Board of Directors for the Development Corporation adopted the By-laws on September 1, 2004 which provide for the operations and functions of the Corporation, and elected officers.

The Corporation executed the Asset Management Agreement by and between the Chevy Chase Lake Development Corporation (Owner) and HOC (Agent). One of the duties required of the Agent under that Agreement is to submit to the Owner an annual budget ninety days prior to each fiscal year.

The Board of Directors approved a resolution that allowed for the incorporation of the Chevy Chase Lake annual budget preparation, presentation and approval process into the HOC budget process. This means that the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

In accordance with the above mentioned resolution, the FY'14 Operating and Capital Budgets for Chevy Chase Lake Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Since October 1, 2001, Gables Residential, formerly H. G. Smithy Company, has been the management company for Chevy Chase Lake.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $120,882 before the HOC Development Corporation Management Fee.
- Vacancy is budgeted at 3.2%.
- Rent increases upon lease renewal are budgeted at 2.8%. The County Executive's voluntary rent guideline is 4.0%.
- Market rents will be increased by 4.0% and raised to current "market rate" at turnover.
- Concessions are budgeted at $3,763.
- Capital improvements totaling $148,950 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for the Chevy Chase Lake Development Corporation by the Board of Directors.

RESOLUTION NO._____ **RE: Chevy Chase Lake Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Chevy Chase Lake Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, by resolution at the September 1, 2004 Board of Directors meeting, the Corporation agreed to include the Chevy Chase Lake annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for the Chevy Chase Lake Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by the Chevy Chase Lake Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Chevy Chase Lake Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Chevy Chase Lake Development Corporation

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GLENMONT CROSSING DEVELOPMENT ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,927,135 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 4.0%; the County Executive's voluntary rent guideline is 4.0%.
  - ✓ Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 5.0%.
  - ✓ Concessions budgeted at $12,750.

- $900,256 total operating expenses are budgeted which includes the HOC Asset Management Fees of $75,640. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $164,211 of cash flow is restricted for cash flow loans.

- Net cash flow of $4,660 is budgeted prior to the Development Corporation Management Fee.

- $120,885 is budgeted for capital improvements.

MEMORANDUM

TO: Board of Directors of Glenmont Crossing Development Corporation

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: Glenmont Crossing Development
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets for Glenmont Crossing Development by the Corporation's Board of Directors.

BACKGROUND:
At its October 3, 2012 meeting, the Housing Opportunities Commission (HOC) exercised its Right of First Refusal to purchase Glenmont Crossing Apartments and authorized the formation of two single purpose entities, Glenmont Crossing Development and Glenmont Westerly Development, to acquire the property, a 199-unit property in the Glenmont area of Silver Spring consisting of two parcels, one with 97 townhome units and the second parcel containing 102 garden units referred to as "Westerly" and to assume two existing loans secured against the Glenmont Crossing project. On November 20, 2012, Glenmont Crossing Development was formed to acquire the 97 townhome unit portion of the project, referred to as "Woodberry". On December 20, 2012, HOC closed on the acquisition of Glenmont Crossing Apartments, with Glenmont Crossing Development acquiring the 97 townhome units and the second parcel containing 102 garden units referred to as "Westerly" acquired by Glenmont Westerly Development.

The acquisition was funded from the assumption of an existing CBRE Fannie Mae loan, supplemental loan from CBRE, new CDBG loan from Montgomery County's DHCA, and an HOC contribution.

An initial meeting was held to adopt the bylaws and appoint the officers.

The Development's annual budget preparation, presentation and approval process is incorporated into the HOC budget process. Therefore, the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

The FY'14 Operating and Capital Budgets for Glenmont Crossing was presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Both sections of the project are managed by McShea.

ISSUES FOR CONSIDERATION:

- $164,211 of cash flow is restricted for cash flow loans.
- Net cash flow of $4,660 is budgeted prior to the Development Corporation Management Fee.
- Rent increases upon lease renewal are budgeted at 4.0%. The current County Executive's voluntary rent guideline is 4.0%. Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
- Vacancy is budgeted at 5.0%.
- Concessions are budgeted at $12,750.
- Capital improvements of $120,885 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for Glenmont Crossing Development by the Board of Directors.

RESOLUTION NO. _____ **RE: Glenmont Crossing Development Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Glenmont Crossing Development (the "Corporation") held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Glenmont Crossing Development annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Glenmont Crossing Development.

NOW, THEREFORE, BE IT RESOLVED by Glenmont Crossing Development that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Glenmont Crossing Development at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Glenmont Crossing Development

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GLENMONT WESTERLY DEVELOPMENT ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,669,124 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 4.0%; the County Executive's guideline is 4.0%.
  - ✓ Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 5.0%.
  - ✓ Concessions budgeted at $6,250.

- $810,195 total operating expenses are budgeted which includes the HOC Asset Management Fees of $79,540. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $128,289 of cash flow is restricted for cash flow loans.

- Net cash flow of $161,197 is budgeted prior to the Development Corporation Management Fee.

- $67,624 is budgeted for capital improvements.

MEMORANDUM

TO: Board of Directors of Glenmont Westerly Development

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: Glenmont Westerly Development
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets for Glenmont Westerly Development by the Corporation's Board of Directors.

BACKGROUND:
At its October 3, 2012 meeting, the Housing Opportunities Commission (HOC) exercised its Right of First Refusal and authorized the formation of two single purpose entities, Glenmont Crossing Development and Glenmont Westerly Development, to acquire the property, a 199-unit property in the Glenmont area of Silver Spring consisting of two parcels, one with 97 townhome units and the second parcel containing 102 garden units referred to as "Westerly" and to assume two existing loans secured against the Glenmont Crossing project. On November 20, 2012, Glenmont Westerly Development was formed to acquire the 102 garden unit portion of the project, referred to as "Westerly". On December 20, 2012, HOC closed on the acquisition of Glenmont Crossing Apartments, with Glenmont Westerly Development acquiring the 102 garden units and the second parcel containing the 97 townhome units referred to as "Woodberry" acquired by Glenmont Crossing Development.

The acquisition was funded from the assumption of an existing CBRE Fannie Mae loan, a HIF contribution from Montgomery County's DHCA, and an HOC contribution.

On December 5, 2012, the bylaws were approved and officers were appointed.

The Development's annual budget preparation, presentation and approval process is incorporated into the HOC budget process. Therefore, the Operating and Capital Budgets are

prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

The FY'14 Operating and Capital Budgets for Glenmont Crossing was presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Both sections of the project are managed by McShea.

ISSUES FOR CONSIDERATION:

- $128,289 of cash flow is restricted for cash flow loans.
- Net cash flow of $161,197 is budgeted prior to the Development Corporation Management Fee.
- Rent increases upon lease renewal are budgeted at 4.0%. The current County Executive's voluntary rent guideline is 4.0%. Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
- Vacancy is budgeted at 5.0%.
- Concessions are budgeted at $6,250.
- Capital improvements of $67,624 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for the Glenmont Westerly Development by the Board of Directors.

RESOLUTION NO. _____

RE: Glenmont Westerly Development Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

WHEREAS, the Glenmont Westerly Development (Corporation") held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Glenmont Westerly Development annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Glenmont Westerly Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Glenmont Westerly Development that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Glenmont Westerly Development at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Glenmont Westerly Development

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MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $2,208,204 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 1.26%; the County Executive's voluntary guideline is 4.0%.
  - ✓ Vacancy budgeted at 2.0%.
  - ✓ No concessions have been budgeted.

- $762,525 total operating expenses are budgeted which includes the HOC Allocated Overhead Fees of $90,050.

- $469,121 net cash flow before the HOC Development Corporation Management Fee.

- $30,635 is budgeted for capital improvements.

MEMORANDUM

TO: Board of Directors of Magruder's Discovery Development Corporation

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: Magruder's Discovery Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for Magruder's Discovery Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At its August, 2008 meeting, the Housing Opportunities Commission (HOC) authorized the establishment of Magruder's Discovery Development Corporation, a wholly controlled corporate instrumentality (the "Corporation"), and passed a resolution approving the Articles of Incorporation. The Articles of Incorporation were filed on August 19, 2008.

At its annual meeting of June 3, 2009, the Board adopted the bylaws and elected Directors. The property was transferred to Magruder's Discovery Development Corporation on June 17, 2010. At the same time, the property was refinanced with a new loan in the amount of 11,780,518.00 secured by a note and deed of trust credit with mortgage insurance under the FHA Risk Sharing Program.

The Magruder's Discovery annual budget preparation, presentation and approval process is incorporated into the HOC budget process. Therefore, the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

The FY'14 Operating and Capital Budgets for Magruder's Discovery Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $469,121 before the HOC Development Corporation Management Fee.
- Vacancy is budgeted at 2.0%.
- Rent increases upon lease renewal are budgeted at 1.26%. The County Executive's voluntary guideline is 4.0%.
- Capital improvements totaling $30,635 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for Magruder's Discovery Development Corporation by the Board of Directors.

RESOLUTION NO. **RE: Magruder's Discovery Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Magruder's Discovery Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation has entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Magruder's Discovery annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Magruder's Discovery.

NOW, THEREFORE, BE IT RESOLVED by Magruder's Discovery Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Magruder's Discovery Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Magruder's Discovery Development Corporation

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THE METROPOLITAN DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $7,141,372 total operating income budgeted.

  - ✓ HOC implemented a rental tool known as Yieldstar to more effectively rent vacant units and compete within its market. Rent increases upon lease renewal are based on current market conditions at that point in time; the County Executive's voluntary guideline is 4.0%.
  - ✓ Market rents are anticipated to increase by 3.0% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 5.0%.
  - ✓ No concessions have been budgeted.

- $2,000,226 total operating expenses budgeted which includes the HOC Asset Management Fees of $59,430.

- A portion of cash flow ($2,300,765) will be restricted to cover the anticipated operating losses of The Metropolitan of Bethesda Limited Partnership (the tax credit entity) and to pay Montgomery County pursuant to the Air Rights Lease Agreement.

- $422,699 net cash flow before the HOC Development Corporation Management Fee.

- $235,998 is budgeted for capital improvements.

MEMORANDUM

TO: Board of Directors of The Metropolitan Development Corporation

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: The Metropolitan Development Corporation
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for The Metropolitan Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
On May 28, 1997 the Commission authorized the creation of a wholly controlled corporate instrumentality known as The Metropolitan Development Corporation (the "Development") and passed a resolution approving the Articles of Incorporation for the Development Corporation. The Commission also approved the appointment of the Corporation's Board of Directors.

At the Board of Directors meeting held on August 27, 1997, the Board approved the purchase of The Metropolitan Apartment Development (216 units) from HOC and authorized the execution of the appropriate documents necessary to purchase the property and secure the loans from HOC. The Board also authorized the execution of an Asset Management Agreement by and between The Metropolitan Development Corporation (the Owner) and HOC (the Agent). One of the duties required of the Agent under that Agreement is to submit to the Owner an annual budget, ninety days prior to each fiscal year.

The entire Metropolitan Apartment Development consists of 308 units, which are distributed as follows:

- 92 tax credit units owned by The Metropolitan of Bethesda Limited Partnership (HOC is the General Partner); and

- 216 units and five retail units owned by The Metropolitan Development Corporation.

The development was financed with loans from tax exempt bond funds insured under the FHA Risk Sharing Program (January 8, 1998 loan closing). The total amount of the two original loans on the entire property is $38,896,396. The Development Corporation's loan amount is $31,425,878. The Limited Partnership's loan amount is $7,470,518.

On December 10, 1997, the Board of Directors for the Corporation approved a resolution allowing the annual budget preparation, presentation and approval process for The Metropolitan to be included with the HOC budget process. That means that the Operating and Capital Budgets are presented to the Budget, Finance and Audit Committee of the Housing Opportunities Commission for their review and approval, then submitted to the full Commission, as the Board of Directors, for their final approval.

At its meeting of December 6, 2007, the Housing Opportunities Commission approved a plan for renovation of the market rate units at The Metropolitan in the amount of $4,831,000.00, to be funded by property cash flow. Renovation of the market rate units was completed on schedule on June 30, 2012.

In accordance with the above mentioned resolution, the FY'14 Operating and Capital Budgets for The Metropolitan Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

The property has been managed by Bozzuto Management Company since October 1, 2001.

ISSUES FOR CONSIDERATION:

- Net cash flow to HOC for FY'14 is budgeted at $422,699 before the HOC Development Corporation Management Fee.

- Vacancy is budgeted at 5.0%.

- Rent increases upon lease renewal are budgeted at 3.0% for both market and tax credit units. The County Executive's voluntary guideline is 4.0%.

- Market rents are anticipated to increase by 3.0% and at turnover will be raised to the current "market rate".

- Because the Tax Credit Partnership owns all of the low-income units, that entity does not have enough funds to cover its debt service. Therefore, as allowed for in the By-laws, The Metropolitan Development Corporation has budgeted $609,968 to transfer to

HOC so that HOC may fund The Metropolitan of Bethesda Limited Partnership's operating deficit.

- 83% of all parking income is remitted to Montgomery County, as per their Agreement.

- Capital improvements totaling $235,998 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming financing year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for The Metropolitan Development Corporation by the Board of Directors.

RESOLUTION NO. _____ **RE: The Metropolitan Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, The Metropolitan Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, by resolution at the December 10, 1997 Board of Directors meeting, the Corporation agreed to the incorporation of The Metropolitan annual budget preparation, presentation and approval process with the Housing Opportunities Commission (HOC) budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for The Metropolitan Development Corporation; and

WHEREAS, the Corporation has budgeted to grant/transfer $646,601 of the available cash flow to the Housing Opportunities Commission, as allowed for in the By-laws, so that HOC may fund The Metropolitan of Bethesda Limited Partnership's anticipated operating deficit.

NOW, THEREFORE, BE IT RESOLVED by The Metropolitan Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of The Metropolitan Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of The Metropolitan Development Corporation

MONTGOMERY ARMS DEVELOPMENT CORPORATION
ANNUAL MEETING AND ADOPTION OF
FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,821,705 total operating income budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 2.8%. The County Executive's voluntary rent guideline is 2.8%.
  - ✓ Market rents will be increased by 2.8% and raised to the current "market rate" at turnover.
  - ✓ Vacancy budgeted at 2.1%.
  - ✓ Concessions are budgeted at $8,820.

- $807,824 total operating expenses budgeted which includes the HOC Asset Management Fees of $100,590. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $273,644 net cash flow before the HOC Development Corporation Management Fee.

- $174,000 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Montgomery Arms Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Montgomery Arms Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for Montgomery Arms Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At the Commission meeting held on July 17, 2002, the Commission authorized the creation of a wholly controlled corporate instrumentality known as Montgomery Arms Development Corporation and passed a resolution approving the Articles of Incorporation for the Montgomery Arms Development Corporation and By-laws.

On May 23, 2003, the FHA issued its Firm Approval Letter (Commitment) to provide mortgage insurance for the property. On Wednesday, May 21, 2003, the Commission priced and sold its Multi-family Housing Development Bonds, 2003 Series A to finance a mortgage in the amount of $10,400,000 for the Montgomery Arms Apartments development.

At its June 11, 2003 meeting, the Commission adopted a resolution which authorized the transfer of the property and the assignment of all assets and liabilities associated with the property to the Montgomery Arms Development Corporation. The resolution further authorized the Executive Director of the Commission to issue a loan commitment to the Montgomery Arms Development Corporation to finance a loan for the property and to execute any and all documents necessary to close the real estate loan for the property.

The incorporators of the Montgomery Arms Development Corporation are the Housing Opportunities Commissioners. At the initial June 4, 2003 meeting of the Board of Directors for

the Montgomery Arms Development Corporation, the Board adopted a resolution which approved By-laws for the Corporation, accepted the transfer of the Montgomery Arms property, accepted the assignment of all other contracts pertaining to the property, approved the execution by the Executive Director as Secretary/Treasurer of the Commission of an HOC commitment to finance a loan in the amount of $10,400,000 and an FHA Firm Approval Letter in the same amount and authorized the financing. Montgomery Arms is currently undergoing major renovation.

Montgomery Arms Development Corporation and HOC entered into an Asset Management Agreement as part of the financing. One of the duties required of HOC under that Agreement is to submit to the Montgomery Arms Development Corporation an annual budget 90 days prior to each fiscal year.

The Montgomery Arms annual budget preparation, presentation and approval process is incorporated into the HOC budget process. This means that the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

The FY'14 Operating and Capital Budgets for Montgomery Arms Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Since October 1, 2001, Gables Residential, formerly H. G. Smithy Company, has been the management company for Montgomery Arms.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $273,644 before the HOC Development Corporation Management Fee.
- Vacancy is budgeted at 2.1%.
- Rent increases upon lease renewal are budgeted at 2.8%. The County Executive's voluntary rent guideline is 2.8%.
- Market rents will be increased by 2.8% and raised to current "market rate" at turnover.
- Concessions are budgeted at $8,820.
- Capital improvements totaling $174,000 are budgeted.

BUDGET IMPACT:

The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:

For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:

Adoption of the FY'14 Operating and Capital Budgets for Montgomery Arms Development Corporation by the Board of Directors.

RESOLUTION NO._____ **RE: Montgomery Arms Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Montgomery Arms Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation has entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Montgomery Arms annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Montgomery Arms.

NOW, THEREFORE, BE IT RESOLVED by Montgomery Arms Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Montgomery Arms Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Montgomery Arms Development Corporation

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THE OAKS AT FOUR CORNERS DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,267,274 total operating income budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 2.8%; the County Executive's voluntary rent guideline is 4.0%.
  - ✓ Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 2.0%.
  - ✓ Concessions budgeted at $23,004.

- $800,721 total operating expenses budgeted which includes the HOC Asset Management Fees of $93,570. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $132,757 net cash flow is restricted to the property.

- $256,858 is budgeted for capital improvements.

MEMORANDUM

TO: Board of Directors of The Oaks at Four Corners Development Corporation

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: The Oaks at Four Corners Development Corporation
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for The Oaks at Four Corners Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At the Commission meeting held on August 21, 1996, the Commission authorized the creation of a wholly controlled corporate instrumentality known as The Oaks at Four Corners Development Corporation (the "Development") and passed a resolution approving the Articles of Incorporation for the Development and Bylaws. On September 3, 1996, the Housing Opportunities Commission (HOC) executed a Contract of Sale Agreement with The Oaks at Four Corners Development Corporation (The Oaks), whereby The Oaks at Four Corners Development Corporation purchased the improvements known as The Oaks at Four Corners, together with a ground lease.

The Oaks at Four Corners was refinanced in August, 1996. There are two Leasehold Deeds of Trust. One is in the amount of $3,695,000 and is insured under the FHA Risk Sharing Program. The other was an assumption of the Leasehold Deed of Trust between Montgomery County and HOC in the amount of $2,349,725. The latter note is a cash flow loan.

At The Oaks at Four Corners Development Corporation Board of Directors meeting held on December 11, 1996, the Board adopted the Amended and Restated Bylaws and broadened the membership on its Board to include all of the Commissioners of the HOC.

At the Corporation's Board meeting of March 26, 1997, the Board approved the execution of an Asset Management Agreement by and between The Oaks at Four Corners Development Corporation (Owner) and HOC (Agent). One of the duties required of the Agent under that Agreement is to submit to the Owner an annual budget ninety days prior to each fiscal year.

At the Board meeting held April 23, 1997, the Corporation approved a resolution which allowed for the incorporation of The Oaks at Four Corners annual budget preparation, presentation and approval process into the HOC budget process. This means that the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

In accordance with the above mentioned resolution, the FY'14 Operating and Capital Budgets for The Oaks at Four Corners Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Edgewood Management Corporation has been the management company for The Oaks at Four Corners since June 1, 2006.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 of $132,757 is restricted to the property.
- Vacancy is budgeted at 2.0%.
- Rent increases upon lease renewal are budgeted at 2.8%. The current County Executive's voluntary rent guideline is 4.0%.
- Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
- Concessions are budgeted at $23,004.
- Capital improvements of $256,858 are budgeted.

BUDGET IMPACT:

The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:

For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for The Oaks at Four Corners Development Corporation by the Board of Directors.

RESOLUTION NO._____ **RE: The Oaks at Four Corners Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Oaks at Four Corners Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation has entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, by resolution at the April 23, 1997 Board of Directors meeting, the Corporation agreed to the incorporation of The Oaks at Four Corners annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for The Oaks at Four Corners.

NOW, THEREFORE, BE IT RESOLVED by The Oaks at Four Corners Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of The Oaks at Four Corners Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of The Oaks at Four Corners Development Corporation

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PADDINGTON SQUARE DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $2,782,305 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal have been budgeted at 1.5%; the County Executive's voluntary guideline is 4.0%.
  - ✓ Market rents will be increased by 1.5% and upon turnover will be increased to "market rent".
  - ✓ Vacancy budgeted at 5.0%.
  - ✓ Concessions budgeted at $19,000.

- $1,133,801 total operating expenses budgeted which includes the HOC Asset Management Fees of $104,970.

- Fifty percent of the total projected cash flow of $216,631 or $108,316 will be restricted to the property.

- $108,315 net cash flow before the HOC Development Corporation Management Fee.

- $58,393 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Paddington Square Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Paddington Square Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for the Paddington Square Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
On February 4, 2004, the Articles of Incorporation for the Paddington Square Development Corporation was signed and the Board of Directors adopted the By-laws. The sole purpose and function of the corporation was to acquire, own, operate and maintain the Paddington Square Apartments located at 8800 Lanier Drive in Silver Spring Maryland. Final settlement for the acquisition of Paddington Square Apartments took place on March 5, 2004.

Section 3 Article VII of the By-laws allowed the Corporation to enter into a Management Contract with the Housing Opportunities Commission of Montgomery County. One of the duties required of the Management Agent under that Agreement is to submit to the Owner an annual budget prior to each fiscal year. As of January 10, 2013, Paddington Square is being managed by Equity Management.

A comprehensive renovation of Paddington Square Apartments was completed on December 6, 2011 including window replacement, masonry repairs and building façade detail, replacement of individual unit HVAC systems, redesign of the leasing office and community center with handicap accessibility and renovation of unit interiors and common areas. Repaving of the parking areas and landscape upgrades were completed prior to the close of FY'12.

In accordance with the above mentioned By-laws, the FY'14 Operating and Capital Budgets for Paddington Square Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

ISSUES FOR CONSIDERATION:

- Fifty percent of the total projected cash flow of $216,631 or $108,316 will be restricted to the property.
- Net cash flow to HOC for FY'14 is budgeted at $108,315 before the HOC Development Corporation Fee.
- Rent increases upon lease renewal have been budgeted at 1.5%. The County Executive's voluntary guideline is 4.0%.
- Market rents will be increased by 1.5% and upon turnover will be increased to "market rent".
- Concessions are budgeted at $19,000.
- Vacancy is budgeted at 5.0%.
- Capital improvements totaling $58,393 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for the Paddington Square Development Corporation by the Board of Directors.

RESOLUTION NO._____ **RE: Paddington Square Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Paddington Square Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation has entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Paddington Square Development Corporation annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Paddington Square Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Paddington Square Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Paddington Square Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Paddington Square Development Corporation

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POOKS HILL DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $2,762,159 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal have been budgeted at 2.8%; the County Executive's voluntary guideline is 4.0%.
  - ✓ Market rents will be increased by 4.8% and upon turnover will be increased to "market rent".
  - ✓ Vacancy is budgeted at 6.0%.
  - ✓ Concessions budgeted at $14,232

- $1,183,093 total operating expenses budgeted which includes the HOC Asset Management Fee of $147,370. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $355,069 net cash flow before the HOC Development Corporation Management Fee.

- $796,800 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Pooks Hill Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Pooks Hill Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for the Pooks Hill Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
Several years ago, when the Commission constructed the Pooks Hill midrise development, it created a land condominium dividing the parcel of land on Pooks Hill Road into two condominium units. This allowed for separate ownership and financing of the high rise building on one parcel and the midrise on another. When the Commission determined to renovate the Pooks Hill high rise, it authorized the creation of Pooks Hill Development Corporation to provide a separate single purpose entity to own that land condominium unit. On October 12, 2012, the Articles of Incorporation for the Pooks Hill Development Corporation were approved by the State Department of Assessments and Taxation. At its meeting on December 5, 2012, the Board of Directors and officers were selected and the By-laws adopted.

The sole purpose and function of the corporation is to own, operate and maintain the Pooks Hill Apartments located at 3 Pooks Hill Road in Bethesda Maryland. Built around 1946 as the first high-rise building in Montgomery County, HOC purchased Pooks Hill Apartments in 1992 through the issuance of tax-exempt fixed rate bonds. The property has undergone a major multi-phased renovation from June 2006 through May 2010 substantially renovating unit interiors, common areas and upgrading and replacing major systems.

The financing completed last year with FHA Risk Sharing insurance provided a loan of $18,200,000 to assist with renovation costs, pay off outstanding debt and permanently finance the property over 30 years. Fifty-seven units (30%) provide housing for persons at or below 50% of area median income (AMI). The remainder of the units provide workforce housing for persons earning between 80% and 120% of AMI.

The Property is managed by Gables Residential.

ISSUES FOR CONSIDERATION:

- Net cash flow to HOC for FY'13 is budgeted at $355,069 before the HOC Development Corporation Fee.
- Rent increases upon lease renewal have been budgeted at 2.8%. The County Executive's voluntary guideline is 4.0%.
- Market rents will be increased by 4.8% and increased upon turnover to "market rate".
- Vacancy is budgeted at 6.0% in accordance with the renovation schedule.
- Concessions are budgeted at $14,232.
- Capital improvements totaling $796,800 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for the Pooks Hill Development Corporation by the Board of Directors.

RESOLUTION NO._____ **RE: Pooks Hill Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Pooks Hill Development Corporation (the "Corporation") held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation owns the high rise building known as Pooks Hill high rise located at 3 Pooks Hill Road, Bethesda, Maryland (the "Property"); and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Housing Opportunities Commission provides asset management services to the Corporation for the property; and

WHEREAS, the FY'14 Pooks Hill Development Corporation annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Pooks Hill Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Pooks Hill Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Pooks Hill Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Pooks Hill Development Corporation

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SLIGO HILLS DEVELOPMENT CORPORATION
(SLIGO MPDU III)
ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $286,325 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 4.0%; the County Executive's voluntary guideline is 4.0%.
  - ✓ Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 3.8%.
  - ✓ Concessions budgeted at $200.

- $234,850 total operating expenses budgeted which includes the HOC Allocated Overhead Fees of $40,210. The HOC Allocated Overhead Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- Net cash flow of $42,283 before the HOC Development Corporation Management Fee.

- $183,950 is budgeted for capital improvements.

- Only 23 units remain in this development corporation as Sligo Hills Apartments have been sold to a new owner, Tanglewood and Sligo LP., a tax-credit limited partnership. Therefore, the budget reflects only the operations of the remaining 23 scattered site MPDUs.

MEMORANDUM

TO: Board of Directors of Sligo Hills Development Corporation

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: Sligo Hills Development Corporation
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets for Sligo Hills Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At the Housing Opportunities Commission meeting held on December 11, 1996, the Commission authorized the creation of a wholly controlled corporate instrumentality known as Sligo Hills Development Corporation (the "Development") and passed a resolution approving the Articles of Incorporation of the Development.

At the Board of Directors meeting held on June 11, 1997, the Board approved the purchase of Sligo Hills Apartments & MPDU III, subject to an outstanding $300,000 note to Montgomery County. The Board authorized the execution of the appropriate documents necessary to consummate the purchase of the properties and the loan from HOC. The Board also authorized the execution of an Asset Management Agreement by and between Sligo Hills Development Corporation (Owner) and HOC (Agent). One of the duties required of the Agent under that Agreement is to submit to the Owner an annual budget ninety days prior to each fiscal year.

On August 1, 1997**,** documents were signed transferring the properties from HOC to the Sligo Hills Development Corporation. Endorsement from FHA and recordation of this transaction took place on or about August 19, 1997. The new mortgage, in the amount of $3,443,568 (provided by funds obtained through the issuance of tax exempt bonds), is insured under the FHA Risk Sharing Program, where HOC assumes 90% of the risk and FHA assumes the remaining 10%. Under this financing, the public purpose extends to at least 20% of the households (15 units) who must have incomes at or below 50% of the Washington Metropolitan Statistical Area

median income. At the Board meeting held June 23, 1997, the Corporation approved a resolution which allowed for the incorporation of the Sligo Hills Development Corporation annual budget preparation, presentation and approval process into the HOC budget process. This means that the Operating and Capital Budgets are presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

On October 3 2012, a newly formed LIHTC limited partnership entity Tanglewood and Sligo LP was approved to purchase Sligo Hills Apartments from Sligo Hills Development Corporation. The outstanding debt against the Development was paid off and the mortgage insurance cancelled at the time of purchase. The Development retains the lien free title to MPDU III (23 scattered sites); therefore, the FY'14 budget reflects only the operations of the 23 scattered site MPDUs.

In accordance with the above mentioned resolution, the FY'14 Operating and Capital Budgets for Sligo Hills Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

The properties are managed by HOC Property Management.

ISSUES FOR CONSIDERATION:

- Net cash flow of $42,283 before the HOC Development Corporation Management Fee.
- Vacancy budgeted at 3.8%.
- Rent increases upon lease renewal are budgeted at 4.0%. The County Executive's voluntary rent guideline is 4.0%.
- Market rents will be increased by 4.0% and at turnover will be raised to the current "market rate".
- Concessions are budgeted at $200.
- Capital improvements of $183,950 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for Sligo Hills Development Corporation by the Board of Directors.

RESOLUTION NO._____ **RE: Sligo Hills Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Sligo Hills Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its properties; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, by resolution at the June 23, 1997 Board of Directors meeting, the Corporation agreed to include the Sligo Hills Development Corporation annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for the Sligo Hills Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Sligo Hills Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Sligo Hills Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Sligo Hills Development Corporation

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VPC ONE DEVELOPMENT CORPORATION
ANNUAL MEETING

June 5, 2013

- A review of corporation activities since the formation of the corporation and the anticipated activities.

- Approval of the procedure to appoint Officers.

MEMORANDUM

TO:	Board of Directors of VPC One Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	VPC One Development Corporation 2013 Annual Meeting	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Appointment of Officers and review of current status.

BACKGROUND:
At its July 18, 2012 meeting, the Housing Opportunities Commission (HOC) authorized the establishment of VPC One Corporation, a wholly-controlled corporate instrumentality (the "Corporation") and passed a resolution approving the Articles of Incorporation. The Articles of Incorporation were filed and recorded on July 25, 2012.

At the time, staff was pursuing the purchase of the first 50 of the 390 units from HUD; however, the process has not moved as quickly as planned. Applications with HUD have been made, releases received but staff has not received the necessary Declaration of Trusts for the transactions.

It is now necessary for the Corporation to conduct the organizational meeting and appoint the three Officers to the Corporation's Board of Directors (the "Board"). The Bylaws state that "unless otherwise determined by the corporation, the officers of the corporation shall be the Chair, Vice-Chair and Chair Pro-Tem of the Housing Opportunities Commission". To follow that format, it is intended that the President, Secretary and Treasurer of the Corporation shall be the Chair, Vice-Chair and Chair Pro-Tem of the Commission, respectively.

There is no need for a budget presentation at this time because the Corporation is in a non-operational status. However, the Corporation will meet annually to review status and appoint

officers for the coming year. It is anticipated that full budget consideration will be undertaken at a meeting once the properties have been transferred.

ISSUES FOR CONSIDERATION:
Does the Commission wish to elect Officers and approve the procedures for appointing Officers?

BUDGET IMPACT:
There is no budget impact at this time.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
To elect Officers and approve proposed procedures for appointing Officers.

RESOLUTION NO. **RE: VPC One Development Corporation Annual Meeting**

WHEREAS, the State Department of Assessments and Taxation accepted the Articles of Incorporation of VPC One Development Corporation (the "Corporation") on July 25, 2012; and

WHEREAS, the Commissioners of the Housing Opportunities Commission of Montgomery County as it is comprised from time to time constitute the directors of the Corporation; and

WHEREAS, the Corporation has adopted By-laws and elected Directors; and

WHEREAS, it is anticipated that the Corporation will acquire the property in the future; and

WHEREAS, the Corporation received a report on the status of the plans for acquisition of property; and

WHEREAS, the Directors recognize the need to establish procedures for ongoing appointment of Officers.

NOW, THEREFORE, BE IT RESOLVED by VPC One Development Corporation that:

1. Unless otherwise established by resolution of the Corporation, the President, Secretary and Treasurer of the Corporation shall be the Chair, Vice-Chair and Chair Pro-Tem of the Commission respectively from time to time.

2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of VPC One Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of VPC ONE Development Corporation

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TPM DEVELOPMENT CORPORATION

(TIMBERLAWN CRESCENT, POMANDER COURT & MPDU II)

ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $3,154,055 total operating income budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 2.0% for Timberlawn Crescent, 4.0% for Pomander Court and MPDU II; the County Executive's voluntary guideline is 4.0%.
  - ✓ Market rents will be increased by 3.0% for Timberlawn Crescent, 4.0% for Pomander Court and MPDU II, and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 4.7% for Timberlawn Crescent, 1.0% for Pomander Court and 1.6% for MPDU II.
  - ✓ Concessions budgeted at $3,000 for Timberlawn Crescent and $100 for MPDU II. There are no concessions budgeted for Pomander Court.

- $1,931,371 total operating expenses budgeted which includes HOC Asset Management Fees for Timberlawn Crescent of $83,430. The HOC Asset Management Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- Overhead allocation budgeted at $103,150 for MPDU II and $32,790 for Pomander Court.

- $1,045,468 net cash flow before the HOC Development Corporation Fee.

- $319,796 is budgeted for capital improvements.

  - ✓ $ 46,220 budgeted for Timberlawn Crescent.
  - ✓ $ 39,220 budgeted for Pomander Court.
  - ✓ $ 234,356 budgeted for MPDU II.

MEMORANDUM

TO:	Board of Directors of TPM Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	TPM Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for the TPM Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At the Housing Opportunities Commission meeting held on November 4, 1998, the Commission authorized the creation of a wholly controlled corporate instrumentality known as TPM Development Corporation (the "Development") and passed a resolution approving the Articles of Incorporation of the Development.

On February 24, 1999, By-laws were adopted by the TPM Development Corporation Board of Directors. Those By-laws provide for the operations and functions of the Corporation and the election of officers. At the same meeting, the Board also approved the purchase of Timberlawn Crescent, Pomander Court, and MPDU II from the Housing Opportunities Commission. The Board assumed loans from HOC in the amount of $10,824,525, such loans to be insured by FHA under its Risk Sharing Program. The Board also assumed two subordinate loans from the State of Maryland and Montgomery County and authorized the execution of the appropriate documents necessary to consummate the purchase of the properties from HOC.

Additionally, the Board authorized the execution of an Asset Management Agreement by and between TPM Development Corporation (Owner) and HOC (Agent). One of the duties required of the Agent under that Agreement is to submit to the Owner an annual budget ninety days prior to each fiscal year.

Final endorsement from FHA and recordation of the transaction took place on March 17, 1999. The mortgage, in the amount of $10,824,525, is insured under the FHA Risk Sharing Program. HOC assumes 90% of the insurance risk and FHA assumes the remaining 10%. At least 40% of

the households (76 units) at the three projects must have incomes at or below 60% of the Washington Metropolitan Statistical Area median income.

Timberlawn Crescent consists of 107 townhouses and flats. Phase I was built by HOC in 1989, and Phase II was constructed in 1991. The community building houses the rental office and daycare facilities. The property is located on Luxembourg Street in Bethesda, just off Tuckerman Lane.

A comprehensive renovation of Timberlawn Crescent is planned for FY 2014. The renovation plan includes new siding and decks, exterior and interior painting, club house redesign, window replacement, bathroom and kitchen upgrades with new flooring and appliances, replacement of individual unit HVAC systems, and landscape upgrades to be completed within one year. The anticipated financial impact to operations from the renovations is reflected in the proposed FY'14 Operating Budget.

The property carries a $1,000,000 Rental Housing Production Project (RHPP) Promissory Note from the State of Maryland and a $1,000,000 loan, secured by a Note and Deed of Trust, from Montgomery County.

Pomander Court, built in 1967, was acquired by HOC in late 1975 to prevent its conversion to condominiums. It has 24 townhouse units, each unit having three bedrooms. The property is located on University Boulevard in Silver Spring.

MPDU II contains 59 scattered site units that were acquired by HOC between 1986 and 1989. The units are located in Rockville, Silver Spring, Burtonsville, Germantown, Gaithersburg and Olney. The MPDUs consist of seven back-to-back units, five single family units and 47 townhouse units.

Bozzuto Management Company manages Timberlawn Crescent. Pomander Court and MPDU II are managed directly by the Housing Opportunities Commission.

At the Board meeting of June 23, 1999, the Corporation approved a resolution that allowed for the incorporation of the TPM Development Corporation's annual budget preparation, presentation and approval process into the HOC budget process. This means that the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

In accordance with the above mentioned resolution, the FY'14 Operating and Capital Budgets for TPM Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Timberlawn Crescent has been managed by Bozzuto Management since October 1, 2001. MPDU and Pomander Court are managed by HOC.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $1,045,468 before the HOC Development Corporation Fee.
- Vacancy is budgeted at 4.7% for Timberlawn Crescent, 1.0% for Pomander Court and 1.6% for MPDU II.
- Rent increases upon lease renewal are budgeted at 2.0% for Timberlawn Crescent, 4.0% for Pomander Court and 4.0% for MPDU II; the County Executive's voluntary guideline is 4.0%.
- Market rents will be increased by 3.0% for Timberlawn Crescent, 4.0% for Pomander Court and MPDU II, and at turnover will be raised to the current "market rate".
- Concessions budgeted at $3,000 for Timberlawn Crescent and $100 for MPDU II. There are no concessions budgeted for Pomander Court.
- Overhead allocation is budgeted at $103,150 for MPDU II and $32,790 for Pomander Court.
- Capital improvements totaling $319,796 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION:
Adoption of the FY'14 Operating and Capital Budgets for the TPM Development Corporation by the Board of Directors.

RESOLUTION NO._____ **RE: TPM Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the TPM Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, by resolution at the June 23, 1999 Board of Directors meeting, the Corporation agreed to include the TPM Development Corporation annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for TPM Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by the TPM Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of TPM Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of TPM Development Corporation

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WHEATON METRO DEVELOPMENT CORPORATION
ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $2,623,123 total operating income is budgeted.

  - ✓ HOC implemented a rental tool known as Yieldstar in 2012 to more effectively lease vacant units and compete within the market. Rent increases upon lease renewal are based on current market conditions at that point in time; the County Executive's voluntary guideline is 4.0%.
  - ✓ Market rents are anticipated to increase by an average of 3.0% and at turnover will be raised to the current "market rate".
  - ✓ Vacancy budgeted at 4.2%.
  - ✓ Concessions budgeted at $540.

- $784,883 total operating expenses are budgeted which includes the HOC Asset Management Fees of $8,680.

- Net cash flow deficit for FY'14 is budgeted at $151,137 and will be funded by a pre-approved contribution from the General Fund Operating Reserve.

- Capital improvements of $43,413 are budgeted.

MEMORANDUM

TO: Board of Directors of Wheaton Metro Development Corporation

VIA: Stacy L. Spann, Executive Director Ext. 9420

FROM: Gail Willison, Chief Financial Officer Ext. 9480
Kayrine Brown, Director of Mortgage Finance Ext. 9589

RE: Wheaton Metro Development Corporation
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

DATE: June 5, 2013

STATUS: Consent [ ] Deliberation [X] Status [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of FY'14 Operating and Capital Budgets for Wheaton Metro Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At its May 2005 meeting, the Housing Opportunities Commission (HOC) authorized the establishment of Wheaton Metro Limited Partnership (the "Partnership") under the low income housing tax credit permitted by Section 42 of the Internal Revenue Code of 1986. HOC is the General Partner for the purpose of constructing and owning a 173-unit apartment facility, certain retail space and a parking garage above the Wheaton Metro station. The Partnership financed the construction with a loan in the amount of $36,350,000 credit enhanced by the County's full faith and credit as well as loans from the County Housing Initiative Fund, the State of Maryland and HOC.

In 2003, HOC authorized the creation of a wholly controlled corporate instrumentality known as Wheaton Metro Development Corporation (the "Corporation") and passed a resolution approving the Articles of Incorporation and later, the By-laws for the Corporation. The Commission also approved the appointment of the seven Commissioners as the Corporation's Board of Directors (the "Board"). The Commission has made it a policy to have the officers of the development corporations be the Chair, Vice Chair and Chair Pro Tem of the Commission. To follow that format, the President, Secretary and Treasurer of the Corporation are the Chair, Vice-Chair and Chair Pro-Tem of the Commission, respectively pursuant to a Resolution adopted at its meeting of June 11, 2008.

As planned, a condominium was created and 120 units, the retail space and parking garage were transferred to the Corporation pursuant to a Contract of Sale dated March 1, 2007. Prior to the sale, long-term bonds in the amount of $36,350,000 were issued to retire the County backed construction financing with credit enhancement provided under the FHA Risk Sharing Program. A portion of that loan financing, $33,380,000, was assumed by the Corporation along with a portion of the other indebtedness as part of the acquisition all pursuant to Resolutions of the Corporation.

Following completion of construction, the property achieved initial lease-up on May 16, 2009.

The Board of Directors' approved a resolution that allowed for the incorporation of the Wheaton Metro Development Corporation (for the property known as "MetroPointe") annual budget preparation, presentation and approval process into the HOC budget process. This means that the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

In accordance with the above mentioned resolution, the FY'14 Operating and Capital Budgets for Wheaton Metro Development Corporation (MetroPointe) were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Bozzuto Management Company has been the management agent for the property since June 1, 2008.

ISSUES FOR CONSIDERATION:

- Net cash flow deficit for FY'14 is budgeted at $151,137 and will be funded by a pre-approved contribution from the General Fund Operating Reserve.

- Rent increases upon lease renewal are budgeted at 3.0%. The current County Executive's voluntary guideline is 4.0%. Market rents are anticipated to increase by 3.0% and at turnover will be raised to the current "market rate".

- Vacancy is budgeted at 4.2%.

- Concessions are budgeted at $540.

- Capital improvements of $43,413 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for the Wheaton Metro Development Corporation by the Board of Directors.

RESOLUTION NO. _____ **RE: Wheaton Metro Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Wheaton Metro Development Corporation held its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Wheaton Metro Development Corporation (MetroPointe) annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013 and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Wheaton Metro Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Wheaton Metro Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Wheaton Metro Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Wheaton Metro Development Corporation

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SCATTERED SITE ONE DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $2,446,495 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 4.0%; the County Executive's voluntary guideline is 4.0%.
  - ✓ Vacancy budgeted at 4.1%.
  - ✓ Concessions budgeted at $1,000.

- $1,503,943 total operating expenses are budgeted which includes the HOC Allocated Overhead Fees of $332,170. The HOC Allocated Overhead Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $236,793 net cash flow before the HOC Development Corporation Management Fee.

- $357,300 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Scattered Site One Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Scattered Site One Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for Scattered Site One Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At its October 5, 2011 meeting, the Housing Opportunities Commission (HOC) authorized the establishment of Scattered Site One Development Corporation, a wholly controlled corporate instrumentality (the "Corporation"), and passed a resolution approving the Articles of Incorporation. The Articles of Incorporation were filed on October 11, 2011.

At its first meeting on November 2, 2011, the Board adopted the bylaws and elected Directors. The 190 scattered site units were transferred to Scattered Site One Development Corporation in early July 2012 financed with a new loan in the amount of $9,200,000 and secured by a note and deed of trust credit with mortgage insurance under the FHA Risk Sharing Program.

In February 2013, a comprehensive renovation plan of Scattered Site One began. Depending on the unit, the renovation plan may include roof replacement, painting and re-carpeting, window replacement, new kitchen and bath cabinets and fixtures, and new energy efficient appliances. The renovation is scheduled to be completed during the last quarter of FY 2014. The anticipated financial impact to operations from the renovations is reflected in the proposed FY'14 Operating Budget.

The Corporation's annual budget preparation, presentation and approval process is incorporated into the HOC budget process. Therefore, the Operating and Capital Budgets are

prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

The FY'14 Operating and Capital Budgets for Scattered Site One Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

The Property is managed by the Housing Opportunities Commission.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $236,793 before the HOC Development Corporation Management Fee.
- Vacancy is budgeted at 4.1%.
- Rent increases upon lease renewal are budgeted at 4.0%. The County Executive's voluntary guideline is 4.0%.
- Concessions budgeted at $1,000.
- Capital improvements totaling $357,300 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for Scattered Site One Development Corporation by the Board of Directors.

RESOLUTION NO. **RE: Scattered Site One Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Scattered Site One Development Corporation conducted its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation has entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Scattered Site One annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Scattered Site One Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Scattered Site One Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Scattered Site One Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Scattered Site One Development Corporation

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SCATTERED SITE TWO DEVELOPMENT CORPORATION ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $783,454 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 4.0%; the County Executive's voluntary guideline is 4.0%.
  - ✓ Vacancy budgeted at 2.3%.
  - ✓ Concessions budgeted at $225.

- $398,058 total operating expenses are budgeted which includes the HOC Allocated Overhead Fees of $94,410. The HOC Allocated Overhead Fees are based on the indirect cost study and reflect the impact of fully allocating the overhead of the Agency.

- $57,057 net cash flow before the HOC Development Corporation Management Fee and excess restricted cash flow of $19,018.

- $27,250 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Scattered Site Two Development Corporation	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Scattered Site Two Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for Scattered Site Two Development Corporation by the Corporation's Board of Directors.

BACKGROUND:
At its December 5, 2012 meeting, the Housing Opportunities Commission (HOC) authorized the establishment of Scattered Site Two Development Corporation, a wholly controlled corporate instrumentality (the "Corporation"), and passed a resolution approving the Articles of Incorporation. The Articles of Incorporation have been executed and filed with the state of Maryland.

At its first meeting on January 9, 2013, the Board adopted the bylaws and elected Directors. The 54 scattered site units will be transferred to Scattered Site Two Development Corporation in June 2013 financed with a new taxable loan from PNC Bank N.A. in an amount up to $4,900,000 guaranteed by HOC.

In the first quarter of FY 2014, a comprehensive renovation will begin with tenants in place. The anticipated financial impact to operations from the renovations is reflected in the proposed FY'14 Operating Budget.

The Corporation's annual budget preparation, presentation and approval process is incorporated into the HOC budget process. Therefore, the Operating and Capital Budgets are prepared and presented for approval to the Corporation by the Budget, Finance and Audit Committee of the Housing Opportunities Commission.

The FY'14 Operating and Capital Budgets for Scattered Site Two Development Corporation were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

The units will be managed by the Housing Opportunities Commission.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $57,057 before the HOC Development Corporation Management Fee and excess restricted cash flow of $19,018.
- Vacancy is budgeted at 2.3%.
- Rent increases upon lease renewal are budgeted at 4.0%. The County Executive's voluntary guideline is 4.0%.
- Concessions are budgeted at $225.
- Capital improvements totaling $27,250 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for Scattered Site Two Development Corporation by the Board of Directors.

RESOLUTION NO. **RE: Scattered Site Two Development Corporation Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Scattered Site Two Development Corporation conducted its Annual Meeting on June 5, 2013; and

WHEREAS, the Corporation needs an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS, the Corporation has entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS, the FY'14 Scattered Site Two annual budget preparation was considered in the presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Commissioners are all the Directors of the Corporation; and

WHEREAS, the Corporation has reviewed the FY'14 Operating and Capital Budgets for Scattered Site Two Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by Scattered Site Two Development Corporation that:

1. The Corporation approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Scattered Site Two Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Scattered Site Two Development Corporation

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Development Corporation Meetings

Annual Meeting for Damascus Gardens Development Corporation

June 5, 2013

- **Damascus Gardens Development Corporation was formed in August 1979.**

- **The purpose of the Corporation is "to engage in and assist in the development of low income housing and will be determined by HUD to constitute a "Public Housing Agency" within the meaning of Section 3(6) of the United States Housing Act of 1937".**

- **By-laws of the Corporation state that an annual meeting and election of officers must be held each year.**

MEMORANDUM

TO: Board of Directors of Damascus Gardens Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Jim Atwell, Internal Auditor ext. 9426

RE: Annual Meeting for Damascus Gardens Development Corporation

DATE: June 5, 2013

STATUS: Consent_____ Deliberation _X__Status Report_Future Action_

OVERALL GOAL & OBJECTIVE:
Conduct the Annual Meeting for Damascus Gardens Development Corporation.

BACKGROUND:
On August 29, 1979, HOC formed Damascus Gardens Development Corporation (Corporation), a nonprofit, non-stock corporation. As stated in the By-laws, the purpose of the Corporation is "to engage in and assist in the development of low income housing and will be determined by HUD to constitute a "Public Housing Agency" within the meaning of Section 3(6) of the United States Housing Act of 1937".

In October of 1979, the Corporation issued, sold and delivered $4,090,700 aggregate principal amount of construction mortgage revenue limited obligation notes for the Damascus Gardens Project. Additionally, $4,439,400 aggregate principal amount of mortgage revenue limited obligation bonds was issued. The purpose of these transactions was to make a mortgage loan to provide interim and permanent financing of the cost of constructing a 104-unit housing project for persons and families of low income to be owned by Damascus Gardens Associates.

On December 3, 1980, a HAP contract was entered into between the Housing Opportunities Commission (HOC) and Damascus K Partnership (Owner), with a contract term of 20 years.

In 1981, the Corporation refinanced the original issuance resulting in the Corporation issuing a Mortgage Revenue Limited Obligation Bond ($4,090,700).

On October 6, 1998, the Corporation defeased the mortgage and purchased an instrument which is pledged to the bonds. The result of the defeasance was that Mortgage Revenue Limited Obligation was issued in the amount of $3,810,000 and the Corporation received 100% of the bond fund residuals, which totaled $1,049,095. The Mortgage Revenue Limited Obligation was issued in Damascus Gardens Development Corporation's name. Therefore, the Corporation must remain active until the Obligation's retirement in August 2017. The defeasance account funds are currently maintained in HOC's Opportunity Housing Reserve Fund. The balance as of March 31, 2013 was $617,491.

ISSUES FOR CONSIDERATION:
The By-laws of the Damascus Gardens Development Corporation state that an annual meeting and election of officers must be held.

PRINCIPALS:
The Board of Directors of Damascus Gardens Development Corporation.

BUDGET IMPACT:
None.

TIME FRAME:
For Board action at the June 5, 2013 annual meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends the Board of Directors conduct an annual meeting and elect officers for FY'14.

RESOLUTION NO. **RE: Annual Meeting for Damascus Gardens Development Corporation**

WHEREAS, Damascus Gardens Development Corporation was formed in August 1979; and

WHEREAS, the purpose of the Corporation is to engage in and assist in the development of low income housing; and

WHEREAS, the By-laws of the Corporation state that an annual meeting and election of officers must be held each year.

NOW, THEREFORE, BE IT RESOLVED by the Damascus Gardens Development Corporation, that:

1. The Corporation has held an annual meeting on June 5, 2013.
2. Election of officers was held at the annual meeting on June 5, 2013.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Damascus Gardens Development Corporation at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Damascus Gardens Development Corporation

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Limited Partnership Annual Meeting

BROOKSIDE GLEN LIMITED PARTNERSHIP
ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,539,094 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 2.0%; the County Executive's voluntary rent guideline is 4.0%.
  - ✓ Units are being renovated upon turnover. Upon completion, market rents for renovated units will be increased by 5.0% over the "market rate" for non-renovated units.
  - ✓ Vacancy budgeted at 6.5%.
  - ✓ Concessions budgeted at $3,000.

- $692,150 total operating expenses budgeted which includes the HOC Asset Management Fees of $70,180. The HOC Asset Management Fees are based on the indirect cost study and reflects the impact of fully allocating the overhead of the Agency.

- $280,923 net cash flow is restricted to the property.

- $78,200 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Brookside Glen Limited Partnership	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Brookside Glen Limited Partnership Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for Brookside Glen Limited Partnership by the Partnership's Board of Directors.

BACKGROUND:
The Housing Opportunities Commission of Montgomery County established Brookside Glen Limited Partnership to own Brookside Glen. HOC is the limited partner owning 99.9% of the partnership interest. Brookside Glen Apartments Development Corporation is the general partner owning .1% of the interest in the Partnership. The limited partnership was established to own this property because the State Department of Housing and Community Development would not make a loan secured against the property to a corporation, under its regulations, even if controlled by HOC. As a result, the limited partnership was created and the development corporation used as the general partner.

The Partnership requires an annual budget which provides a sound financial and operating plan for operation of the property. The Partnership has entered into an Asset Management Agreement with the Housing Opportunities Commission and desires to include the annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process.

A comprehensive renovation of Brookside Glen totaling $1,948,077 ($21,645/unit) has been underway since 2009. The renovation is in its last phase with 24 remaining units to be renovated. The work will be completed within the next 12-18 months.

The FY'14 Operating and Capital Budgets for Brookside Glen Limited Partnership were presented to the HOC Budget, Finance and Audit Committee on May 9, 2013.

Bozzuto Management Company has been the management agent for the property since October 1, 2001.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'13 is budgeted at $280,923 and is restricted to the property.
- Vacancy is budgeted at 6.5%.
- Concessions are budgeted at $3,000.
- Rent increases upon lease renewal are budgeted at 2.0%. The current County Executive's voluntary rent guideline is 4.0%.
- Units are being renovated upon turnover. Upon completion, market rents for renovated units will be increased by 5.0% over the market rent for non-renovated units.
- Capital improvements totaling $78,200 are budgeted.

BUDGET IMPACT:
The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:
For Board action on June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Adoption of the FY'14 Operating and Capital Budgets for the Brookside Glen Limited Partnership by the Board of Directors.

Resolution No. _____

RE: Brookside Glen Limited Partnership Annual Meeting and Adoption of FY'14 Operating and Capital Budgets

WHEREAS, the Housing Opportunities Commission of Montgomery County established Brookside Glen Limited Partnership to own Brookside Glen (the "Partnership"); and

WHEREAS*,* the Housing Opportunities Commission is the limited partner of the Partnership owning 99.9% of the partnership interest; and

WHEREAS*,* Brookside Glen Apartments Development Corporation is the general partner owning .1% of the interest in the Partnership; and

WHEREAS*,* Brookside Glen Apartments Development Corporation, the general partner, is a non-stock corporation whose directors are the seven (7) Commissioners of the Housing Opportunities Commission; and

WHEREAS*,* the Partnership held its Annual Meeting on June 5, 2013; and

WHEREAS*,* the Partnership requires an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS*,* the Partnership entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS*,* the Partnership desires to include the annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS, the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013; and

WHEREAS, the Partnership has reviewed the FY'14 Operating and Capital Budgets for Brookside Glen.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission as limited partner and on behalf of the general partner of the Partnership that:

1. The Partnership approves the FY'14 Operating and Capital Budgets.
2. This Resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Brookside Glen Limited Partnership at a meeting conducted on Wednesday, June 5, 2013.

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Secretary to the Board of Brookside Glen Limited Partnership

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DIAMOND SQUARE LIMITED PARTNERSHIP
ANNUAL MEETING AND ADOPTION OF FY'14 OPERATING AND CAPITAL BUDGETS

June 5, 2013

- The By-laws require an Annual Meeting.

- $1,205,372 total operating income is budgeted.

  - ✓ Rent increases upon lease renewal budgeted at 3.0%; the County Executive's voluntary guideline is 4.0%.
  - ✓ Market rents will be increased by 3% and upon turnover will be increased to "market rent".
  - ✓ Vacancy budgeted at 1.7%.
  - ✓ No concessions are budgeted.

- $910,781 total operating expenses budgeted which includes the HOC Asset Management Fees of $21,170.

- $66,966 of net cash flow is restricted to the property.

- $393,850 is budgeted for capital improvements.

MEMORANDUM

TO:	Board of Directors of Diamond Square Limited Partnership	
VIA:	Stacy L. Spann, Executive Director	Ext. 9420
FROM:	Gail Willison, Chief Financial Officer	Ext. 9480
	Kayrine Brown, Director of Mortgage Finance	Ext. 9589
RE:	Diamond Square Limited Partnership Annual Meeting and Adoption of FY'14 Operating and Capital Budgets	
DATE:	June 5, 2013	

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL AND OBJECTIVE:
Annual Meeting and Adoption of the FY'14 Operating and Capital Budgets for Diamond Square Limited Partnership by the Partnership's Board of Directors.

BACKGROUND:
On June 6, 1990, an Agreement was executed between Montgomery County, the City of Gaithersburg, and the Housing Opportunities Commission ("HOC") wherein they agreed to jointly acquire the Quality Inn Motel located at 80 Bureau Drive in Gaithersburg. Per this Agreement, Montgomery County assigned its contract to purchase the property to HOC. The City agreed to contribute $500,000 in cash for its share of the Purchase Price. The parties have operated the property under the terms of the Agreement through a Board of Governance with title to the property held by HOC.

HOC of Montgomery County established Diamond Square Limited Partnership to own Diamond Square Apartments in order to refinance the property in 2003. HOC is the limited partner owning 99.9% of the partnership interest. Diamond Square Development Corporation, a nonstock corporation whose board of directors are the Commissioners, is the general partner owning .1% of the interest in the Partnership. The limited partnership was established to own this property because the State Department of Housing and Community Development would not make a loan secured against the property to a corporation, under its regulations, even if controlled by HOC. As a result, the limited partnership was created and the development corporation used as the general partner.

The Partnership requires an annual budget which provides a sound financial and operating plan for operation of the property. The Partnership has entered into an Asset Management Agreement with HOC and desires to include the annual budget preparation, presentation and approval process with the HOC budget process.

The FY'14 Operating and Capital Budgets for Diamond Square Limited Partnership were presented to the Budget, Finance and Audit Committee on May 9, 2013 and approved by the Diamond Square Board of Governance on April 25, 2013.

McShea Management, Inc. has been the management agent for the property since March 1, 2002.

ISSUES FOR CONSIDERATION:

- Net cash flow for FY'14 is budgeted at $66,966 and is restricted to the property.
- Vacancy is budgeted at 1.7%.
- Rent increases upon lease renewal are budgeted at 3.0%; the County Executive's voluntary guideline is 4.0%.
- Market rents will be increased by 3% and upon turnover will be increased to "market rent".
- Capital improvements totaling $393,850 are budgeted.

BUDGET IMPACT:

The FY'14 Operating and Capital Budgets establish an achievable financial plan for the coming fiscal year.

TIME FRAME:

For Board action on June 5, 2013.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Adoption of the FY'14 Operating and Capital Budgets for the Diamond Square Limited Partnership by the Board of Directors.

RESOLUTION NO. _____ **RE: Diamond Square Limited Partnership Annual Meeting and Adoption of FY'14 Operating and Capital Budgets**

WHEREAS, the Housing Opportunities Commission of Montgomery County established Diamond Square Limited Partnership to own Diamond Square (the "Partnership"); and

WHEREAS, the Housing Opportunities Commission is the limited partner of the Partnership owning 99.9% of the partnership interest; and

WHEREAS, Diamond Square Development Corporation is the general partner owning .1% of the interest in the Partnership; and

WHEREAS*,* Diamond Square Development Corporation, the general partner, is a non-stock corporation whose directors are the seven (7) Commissioners of the Housing Opportunities Commission; and

WHEREAS, the Partnership held its Annual Meeting on June 5, 2013; and

WHEREAS*,* the Partnership requires an annual budget which provides a sound financial and operating plan for operation of its property; and

WHEREAS*,* the Partnership entered into an Asset Management Agreement with the Housing Opportunities Commission; and

WHEREAS*,* the Partnership desires to include the annual budget preparation, presentation and approval process with the Housing Opportunities Commission budget process; and

WHEREAS*,* the FY'14 Operating and Capital Budgets were presented to the Budget, Finance and Audit Committee of the Commission on May 9, 2013 and approved by the Diamond Square Board of Governance on April 25, 2013; and

WHEREAS, the Partnership has reviewed and approved the FY'14 Operating and Capital Budgets for Diamond Square.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission, as limited partner and on behalf of the general partner of the Partnership that:

1. The Partnership approves the FY'14 Operating and Capital Budgets.
2. This resolution shall take effect immediately.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Diamond Square Limited Partnership at a meeting conducted on
Wednesday, June 5, 2013.

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Secretary to the Board of Diamond Square Limited Partnership

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Executive Session