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

EXPANDED AGENDA

November 5, 2014

4:00 p.m.	**I. CONSENT ITEMS**	
Page 4	A. Approval of Minutes of October 1, 2014	
20	B. Ratification of Action Taken in Budget, Finance and Audit Committee on October 14, 2014: Approval of CY'15-16 Tax Credit Partnership Budgets	
44	C. Authorization for the Executive Director to Execute a Contract with Foulger Pratt for the Rehabilitation of the RAD 6 Developments Approved for Disposition Under the Rental Assistance Demonstration Program	
4:05 p.m.	**II. INFORMATION EXCHANGE**	
Page 52	A. Report of the Executive Director	
54	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 and Audit Committee – Com. Roman, Chair	
59	1. Authorization to Apply HOC's New Flat Rent Amounts to New Applicants and Recertifying Households in Public Housing	
66	2. Authorization to Submit FY'16 County Operating Budget	
70	3. Approval to Submit FFY 2015 Public Housing Operating Subsidy Calculations to HUD for the Period January 1, 2015 through December 31, 2015	
74	4. Acceptance of HOC FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter	
	B. Development and Finance Committee – *Com. Lindstrom, Chair*	
98	1. Approval of the Final Refinancing Plan for Paddington Square Apartments, Approval of the Assignment of a Montgomery County Loan to Paddington Square Development Corporation (PSDC), Authorization for PSDC to Enter into an FHA-Insured Loan with Love Funding Corporation and to Assume and Subordinate the Montgomery County Loan, Approval of FHA-Required Amendments to the Bylaws and Property Management Agreement of PSDC, and Authorization for the Executive Director to Execute all Related Transactional Documents	
117	2. Approval of a Bond Authorizing Resolution for RAD 6 Development Corporation Transaction	
140	3. Approval by HOC and RAD 6 Development Corporation of Relocation Plan for Washington Square and Emory Grove Approved for Disposition Under the Rental Assistance Demonstration program and HOC Approval of Funding Thereof	
148	4. Approval to Increase General Partner Loan to Tanglewood and Sligo, LP and the Acceptance of such Funds by the Partnership to Fund Additional Project Costs	
158	5. Consent to the Transfer of Ownership Interest in the Borrower/Owner of Charter House	
173	6. Approval of Contracts for HVAC Replacement and Repair Services at Scattered Site Properties	
5:05 p.m.	**IV. ITEMS REQUIRING DELIBERATION and/or ACTION**	
	A.	
	B.	

	V. *FUTURE ACTION ITEMS	
	A.	
	VI. INFORMATION EXCHANGE (continued) A. Community Forum	
	VII. NEW BUSINESS	
	VIII. EXECUTIVE SESSION FINDINGS	
	ADJOURN	
	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 commissioners@hocmc.org.

Consent Items

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

Minutes
October 1, 2014
14-09

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, October 1, 2014 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:13 p.m. Chair Piñero called the meeting to order. Those in attendance were:

Present
Roberto Piñero, Chair
Sally Roman, Vice Chair
Jean Banks, Chair Pro Tem
Pamela Lindstrom
Jackie Simon

Absent
Mynor Herrera

Also Attending

Stacy Spann, Executive Director
Fred Swan
Gail Willison
Jennifer Arrington
Terri Fowler
Ellen Goff
Gio Kaviladze
Christopher Donald
Sheryl Hammond
Ethan Cohen
Regina Mitchell
Patrick Mattingly
Wilson Choi
Shaina Francis
Jim Atwell
Bill Anderson
Shaina Francis
Patricia Oliver
Marsha Smith
Dean Tyree

Kelly McLaughlin, Gen. Counsel
Mary Ellen Ewing
Maria Montero
Saundra Boujai
Scott Ewart
Lynn Hayes
Kayrine Brown
Lola Knight
Elsie Weinstein
Zachary Marks
Tomorrow Morris

Guests
Phillip Quiet
Byrde Paulita Padmore

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

IT Support
Dominique Laws
Arthur Owens

The Consent Calendar was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Piñero, Roman, Banks, Lindstrom, and Simon. Commissioner Herrera was necessarily absent and did not participate in the vote.

I. CONSENT ITEMS

A. Approval of Minutes
Approval of Minutes of Regular Meeting of September 3, 2014 – The minutes were approved as submitted.

B. Ratification of Action Taken in Budget, Finance and Audit Committee on September 16, 2014: Authorization to Submit County FY'16-21 Capital Improvements Program Budget – The following resolution was approved.

Resolution: 14-97-R **Re: Ratification of Action taken in Budget, Finance and Audit Committee on September 16, 2014: Authorization to Submit County FY'16-21 Capital Improvements Program Budget**

WHEREAS, requests for funding from the County's Biannual Capital Improvements Plan (CIP) were due to the Office of Management and Budget on September 16, 2014; and

WHEREAS, the Budget, Finance and Audit Committee reviewed and authorized the submission requesting that the County continue funding our current supplemental funds for Deeply Subsidized HOC Owned Units (currently Public Housing) at the $1,250,000 annual level for FY'16-21, maintain the current $8,819,675 funding for sprinkler systems for HOC Elderly Properties, and maintain the current $730,000 funding for Capital Needs for HUD Section 236 Funded Elderly Properties.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby ratifies the action taken by the Budget Finance and Audit Committee on September 16, 2014 authorizing the submission of the County FY'16-21 Capital Improvements Program Budget.

C. **Ratification of Approval to Participate in Application for 9% Low Income Housing Tax Credits as a Source of Funding for Woodfield Commons Project and to Commit Funding of $350,000 from the OHRF** – The following resolution was approved.

RESOLUTION: 14-95-R **RE: Ratification of Approval to Participate in Application for 9% Low Income Housing Tax Credits as a Source of Funding for Woodfield Commons Project and to Commit Funding of $350,000 from the OHRF**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("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, is 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, Conifer, LLC ("Developer") proposes to construct a new, 84-unit multifamily affordable rental apartment community located in Damascus Town Center, bounded by High Corner Street to the south, west of Woodfield Road, and east of Ridge Road, to be known as Woodfield Commons ("Woodfield Commons"); and

WHEREAS, at an Executive Session duly called and held on September 3, 2014, with a quorum being present, HOC duly adopted Resolution 14-95, which authorized the Commission to participate in the submission of an application ("LIHTC Application") to the Maryland Department of Housing and Community Development ("DHCD") for an allocation of 9% Low Income Housing Tax Credits ("LIHTC") as a source of financing for the acquisition and construction of Woodfield Commons and to execute a commitment letter for $350,00 from the Opportunity Housing Reserve Fund for Woodfield Commons; and

WHEREAS, on September 9, 2014, the Developer and Commission submitted the LIHTC Application to DHCD; and

WHEREAS, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission in adopting Resolution 14-95 and submitting the LIHTC Application.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby ratifies Resolution 14-95 and the submission of the LIHTC Application.

II. INFORMATION EXCHANGE

A. Report of the Executive Director – The Executive Director's written report was provided with this Briefbook. In addition to his written report, Mr. Spann reported that staff has been busy working on a robust real estate pipeline, implementation of Resident Services Division restructuring, and an Agreement with Montgomery College to officially launch HOC Academy.

B. Commissioner Exchange

- Chair Pro Tem Banks announced that Kayrine Brown, Director of Real Estate/Mortgage Finance, would be attending the Resident Advisory Board (RAB) meeting on October 20th discussing the 669. She also thanked staff on behalf of the Information & Communication Committee (ICC) for welcoming the youth who participated in this year's Summer Youth Work Program.
- Commissioner Simon commented on an article in *The Gazette* regarding the ALS Challenge and photo of staff who participated in the challenge.
- Commissioner Lindstrom congratulated staff on the article in The Washington Post regarding the Silver Spring/Elizabeth Square Project.
- Chair Piñero congratulated Executive Director Spann on his interview on radio station 94.7 regarding HOC Connects.

C. Resident Advisory Board – None

D. Community Forum - None

E. Status Report – None

III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

A. Budget, Finance and Audit Committee – *Com. Roman, Chair*

1. Acceptance of Fourth Quarter FY'14 Budget to Actual Statements

Gail Willison, Chief Financial Officer and Terri Fowler, Budget Officer, gave a presentation. It was reported that there was a calculation error in the packet.

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

Resolution: 14-97a **Re: Acceptance of Fourth Quarter FY'14 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 Budget, Finance and Audit Committee reviewed the Fourth Quarter FY'14 Budget to Actual Statements during its September 16, 2014 meeting; and

WHEREAS, the Agency ended the year with a surplus of $363,116; and

WHEREAS, the Commission authorized the restriction of the $250,000 originally slated for the General Fund Operating Reserve (GFOR) to the Opportunity Housing Property Reserve (OHPR) to help fund the shortfall for capital needs that can be expected during upcoming budget seasons; and

WHEREAS, the Commission further authorized the restriction of the $113,116 balance of the FY'14 surplus ($363,116 - $250,000 = $113,116) to the OHPR to help fund the shortfall for capital needs.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Fourth Quarter FY'14 Budget to Actual Statements and corresponding restrictions of the FY'14 surplus.

B. Development and Finance Committee – *Com. Lindstrom, Chair*

1. <u>Approval of Feasibility Funding for the Renovation of Alexander House</u>

Kayrine Brown, Director of Mortgage Finance/Real Estate Development, and Christopher Donald, Housing Acquisition Manager, gave a brief presentation.

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, Banks, Lindstrom and Simon. Commissioner Herrera was necessarily absent and did not participate in the vote.

RESOLUTION No.: 14-98 **RE: Approval of Feasibility Funding for the Renovation of Alexander House**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC"), 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, HOC is currently engaged in the redevelopment effort for the entire Elizabeth Square which includes Elizabeth House, Alexander House and Fenwick Professional Plaza, bounded by Apple Avenue, Fenwick Street, Second Avenue, and the railroad track in Silver Spring, Maryland; and

WHEREAS, HOC is the sole member of Alexander House Development Corporation (the "Corporation"); and

WHEREAS, the Corporation owns 188 market-rate residential condominium units and an 124 affordable condominium units within the Alexander House Apartments, a high rise multifamily facility of 312 units; and

WHEREAS, the Alexander House was built in 1992, has not been updated since its initial construction, and is in need of rehabilitation and modernization of certain elements of the property, requiring the undertaking of certain studies to determine the physical condition and needs of the property by engaging the existing team that has been assembled for the feasibility and predevelopment work at Elizabeth Square; and

WHEREAS, the Alexander House is an integral component of the overall development and financing of the planned replacement housing of the existing Elizabeth House property that has been approved for conversion under the Rental Assistance Demonstration program and may serve as a marketing tool to generate demand for the new units built in subsequent phases.

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

1. Authorizes an unsecured predevelopment loan of up to $47,000 (the "Loan") from the Opportunity Housing Reserve Fund to the Corporation for costs associated with the feasibility process.
2. Designates the Executive Director as its authorized representative to execute all documents on its behalf and, without further action on its part, authorizes the Executive Director to take any and all other actions necessary and proper to carry out the transaction contemplated herein.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting for and on behalf of the Alexander House Development Corporation:

1. Authorizes the Corporation to accept the Loan from HOC and apply it for costs associated with the feasibility studies of Alexander House Apartments.

2. Authorizes the Corporation to engage third party professionals.

2. **Approval of Final Development and Interim Financing Plan for the 669 Former Public Housing Scattered Site Units**

Kayrine Brown, Director of Mortgage Finance/Real Estate and Richard Hanks, Housing Acquisitions Manager, gave brief presentation.

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

RESOLUTION: 14-96a **RE: Approval of Final Development Plan and Interim Financing Plan for the Renovation of the 669 Former Public Housing Scattered Site Units**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC"), 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 29, 2011, HOC submitted an application to the United States Department of Housing and Urban Development ("HUD") for the disposition of 669 scattered site Public Housing properties ("669 Property") under Section 18 of the US Housing Act of 1937, as amended ("Section 18"); and

WHEREAS, in preparation for that submission, on June 7, 2011, HOC approved a rehabilitation program for the 669 Property; and

WHEREAS, on March 6, 2012, HUD conditionally approved HOC's Section 18 application for the disposition of the 669 Property; and

WHEREAS, the approval of the disposition of the 669 Property was given contingent upon, among other requirements, the comprehensive rehabilitation of the 669 Property; and

WHEREAS, on June 5, 2013, HOC approved an initial funding amount for the rehabilitation of the 669 Property in the amount of $20,000,000, the sources of which were to be drawn equitably from the Opportunity Housing Reserve Fund, the County Revolving Funds, HOC's original line of credit with PNC Bank, N.A. ("PNC"), and the Opportunity Housing Bond Fund Account (collectively, the "Initial Sources"); and

WHEREAS, in conjunction with the approval of the initial funding amount on June 5, 2013, HOC Commissioners expressed a strong desire to use multiple general contractors to perform the required rehabilitation of 669 Property; and

WHEREAS, on September 11, 2013, after a formal request for qualifications ("RFQ"), HOC approved five (5) general contractors as qualified candidates to perform the rehabilitation (collectively, the "GC Pool") and authorized staff to engage contractors from the GC Pool based on responses to the second part of the RFQ, which was issued to the general contractors selected to the GC Pool; and

WHEREAS, in response to the second part of the RFQ, which comprised a unit pricing exercise, Foulger-Pratt Contractors ("FPC") and Capital Building Partners ("CBP") provided the two lowest prospective prices for labor and materials; and

WHEREAS, on that basis, HOC staff selected FPC and CBP from the GC Pool to work with staff to establish the individual scope for selected units within 669 Property and to price the scope for those units; and

WHEREAS, upon receiving the establishment and pricing of scope for the required comprehensive renovation of those units, HOC engaged FPC and CBP via formal construction contracts; and

WHEREAS, having performed the comprehensive rehabilitation of approximately 10% of units within the 669 Property and having established and priced the individual scope for an additional 15% of the units within the 669 Property, HOC staff and the contracted general contractors have determined that the cost of rehabilitation of 669 Property will be greater than the estimates made contemporaneously with HUD's original approval of the Section 18 application for the disposition of 669 Property; and

WHEREAS, HOC has an existing unsecured Line of Credit ("LOC") with PNC and may use the LOC to provide interim financing for the rehabilitation of the 669 Property; and

WHEREAS, HOC wishes to finance the rehabilitation of the 669 Property with monies drawn from the LOC, rather than from the Initial Sources; and

WHEREAS, the 669 Property is owned collectively by VPC One Development Corporation and VPC Two Development Corporation, each a wholly controlled corporate instrumentality of HOC.

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

1. Approves a revised development plan for the required rehabilitation of the 669 Property, including (a) the revised total project cost of $38.5MM, and (b) the removal of obligations to fund the required rehabilitation of the 669 Property from the Initial Sources.

2. Approves an interim financing plan for the 669 Property by authorizing HOC to (a) draw on the LOC in an amount not to exceed $38.5MM, bearing interest at the contractual rate of the London Interbank Offered Rate ("LIBOR") plus 90 basis points for a maximum term of 24 months, and (b) loan such funds, on the same terms, to VPC One Development Corporation and VPC Two Development Corporation for the rehabilitation of the 669 Property.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, without further action on its part, to take any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

The following resolution was adopted by the Housing Opportunities Commission of Montgomery County (HOC), acting in its own capacity and for and on behalf of VPC One. A motion was made by Vice Chair Roman and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Piñero, Roman, Banks, Lindstrom and Simon. Commissioner Herrera was necessarily absent and did not participate in the vote.

RESOLUTION: 14-96b **RE: Approval of Draw of up to $23,010,000 by HOC from the $60 Million Line of Credit from PNC Bank, N.A., HOC's Advance of such Funds to VPC One Development Corporation ("VPC One"), and VPC One's Acceptance of such Funds as Interim Financing for the Renovation of VPC One Property**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC"), 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 29, 2011, HOC submitted an application to the United States Department of Housing and Urban Development ("HUD") for the disposition of 669 scattered site Public Housing properties (collectively, the 669 Property") under Section 18 of the US Housing Act of 1937, as amended ("Section 18"); and

WHEREAS, in preparation for the HUD submission, on June 7, 2011, HOC approved a rehabilitation program for the 669 Property; and

WHEREAS, on March 6, 2012, HUD conditionally approved HOC's Section 18 application for the disposition of the 669 Property; and

WHEREAS, the approval of the disposition of the 669 Property was given contingent upon, among other requirements, the comprehensive rehabilitation of the 669 Property; and

WHEREAS, pursuant to the disposition approval, VPC One Development Corporation ("VPC One") and VPC Two Development Corporation ("VPC Two" and together with VPC One, the "Corporations"), which are wholly controlled corporate instrumentalities of HOC, were created to own the 669 Property; and

WHEREAS, 390 of the units comprising the 669 Property are owned by VPC One ("VPC One Property") and 279 of the units comprising the 669 Property are owned by VPC Two ("VPC Two Property"); and

WHEREAS, on June 5, 2013, HOC approved an initial funding amount for the rehabilitation of the 669 Property in the amount of $20,000,000, the sources of which were to be drawn equitably from the Opportunity Housing Reserve Fund, the County Revolving Funds, HOC's original line of credit with PNC Bank, N.A. ("PNC"), and the Opportunity Housing Bond Fund Account (collectively, the "Initial Sources"); and

WHEREAS, HOC has an existing unsecured Line of Credit (the "LOC") with PNC and may use the LOC to provide interim financing for the rehabilitation of the units owned by the Corporations; and

WHEREAS, concurrently herewith, HOC approved a revised development plan for the rehabilitation of 669 Property (the "Revised Development Plan"); and

WHEREAS, HOC presently intends and reasonably expects to finance certain property improvements for the VPC One Property with moneys drawn from the LOC in accordance with the Revised Development Plan.

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

1. Approves a draw on the LOC of up to $23,010,000.

2. Approves an interim loan from HOC to VPC One of up to $23,010,000 from funds drawn by HOC on the LOC (the "Loan"). The Loan shall be for a maximum term of 24 months and will bear interest at the contractual rate of the LOC equal to the 30-day London Interbank Offered Rate (LIBOR) plus 90 basis points. A portion of the Loan will be used to reimburse HOC for funds previously advanced on behalf of VPC One and the remainder of the Loan will be used to fund the costs to rehabilitate the VPC One Property.

3. Affirms that 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 VPC One Property as such preliminary expenditures are defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

4. Affirms that it is the intention of HOC to issue tax-exempt obligations in the maximum principal amount of up to $40,000,000 for the purpose of repaying the LOC, reimbursing capital expenditures incurred with respect to the VPC One Property, and paying future capital expenditures incurred with regard to the VPC One Property.

5. Affirms that all prior acts and doings of the officials, agents and employees of HOC which are in conformity with the purpose and intent of this Resolution, and in furtherance thereof, shall be and the same hereby are in all respects ratified, approved and confirmed.

6. Affirms that all other resolutions of HOC, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of VPC One, that VPC One is authorized and directed to accept the advance of HOC's Loan funds and apply such funds to reimburse the Commission for prior advances from the Opportunity Housing Reserve Fund, the County Revolving Funds, and the Opportunity Housing Bond Fund Account and to repay such interim loan to HOC at such time as the VPC One Property is permanently refinanced.

BE IT FURTHER RESOLVED Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of VPC One, that the Executive Director is authorized to execute, without further action on their respective parts, the taking of any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

The following resolution was adopted by the Housing Opportunities Commission of Montgomery County (HOC), acting in its own capacity and for and on behalf of VPC Two. Affirmative votes were cast by Commissioners Piñero, Roman, Banks, Lindstrom and Simon. Commissioner Herrera was necessarily absent and did not participate in the vote.

RESOLUTION: 14-96c **RE: Approval of Draw of up to $15,490,000 by HOC from the $60 Million Line of Credit from PNC Bank, N.A., HOC's Advance of such Funds to VPC Two Development Corporation ("VPC Two"), and**

VPC Two's Acceptance of such Funds as Interim Financing for the Renovation of VPC Two Property

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC"), 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 29, 2011, HOC submitted an application to the United States Department of Housing and Urban Development ("HUD") for the disposition of 669 scattered site Public Housing properties (collectively, the 669 Property") under Section 18 of the US Housing Act of 1937, as amended ("Section 18"); and

WHEREAS, in preparation for the HUD submission, on June 7, 2011, HOC approved a rehabilitation program for the 669 Property; and

WHEREAS, on March 6, 2012, HUD conditionally approved HOC's Section 18 application for the disposition of the 669 Property; and

WHEREAS, the approval of the disposition of the 669 Property was given contingent upon, among other requirements, the comprehensive rehabilitation of the 669 Property; and

WHEREAS, pursuant to the disposition approval, VPC One Development Corporation ("VPC One") and VPC Two Development Corporation ("VPC Two" and together with VPC One, the "Corporations"), which are wholly controlled corporate instrumentalities of HOC, were created to own the 669 Property; and

WHEREAS, 390 of the units comprising the 669 Property are owned by VPC One ("VPC One Property") and 279 of the units comprising the 669 Property are owned by VPC Two ("VPC Two Property"); and

WHEREAS, on June 5, 2013, HOC approved an initial funding amount for the rehabilitation of the 669 Property in the amount of $20,000,000, the sources of which were to be drawn equitably from the Opportunity Housing Reserve Fund, the County Revolving Funds, HOC's original line of credit with PNC Bank, N.A. ("PNC"), and the Opportunity Housing Bond Fund Account (collectively, the "Initial Sources"); and

WHEREAS, HOC has an existing unsecured Line of Credit (the "LOC") with PNC and may use the LOC to provide interim financing for the rehabilitation of the units owned by the Corporations; and

WHEREAS, concurrently herewith, HOC approved a revised development plan for the rehabilitation of 669 Property (the "Revised Development Plan"); and

WHEREAS, HOC presently intends and reasonably expects to finance certain property improvements for the VPC Two Property with monies drawn from the LOC in accordance with the Revised Development Plan.

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

1. Approves a draw on the LOC of up to $15,490,000.

2. Approves an interim loan from HOC to VPC Two of up to $15,490,000 from funds drawn by HOC on the LOC (the "Loan"). The Loan shall be for a maximum term of 24 months and will bear interest at the contractual rate of the LOC equal to the 30-day London Interbank Offered Rate (LIBOR) plus 90 basis points. A portion of the Loan will be used to reimburse HOC for funds previously advanced on behalf of VPC Two and the remainder of the Loan will be used to fund the costs to rehabilitate the VPC Two Property.

3. Affirms that 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 VPC Two Property as such preliminary expenditures are defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

4. Affirms that it is the intention of HOC to issue tax-exempt obligations in the maximum principal amount of up to $40,000,000 for the purpose of repaying the LOC, reimbursing capital expenditures incurred with respect to the VPC Two Property, and paying future capital expenditures incurred with regard to the VPC Two Property.

5. Affirms that all prior acts and doings of the officials, agents and employees of HOC which are in conformity with the purpose and intent of this Resolution, and in furtherance thereof, shall be and the same hereby are in all respects ratified, approved and confirmed.

6. Affirms that all other resolutions of HOC, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of VPC Two, that VPC Two is authorized and directed to accept the advance of HOC's Loan funds and apply such funds to reimburse the Commission for prior advances from the Opportunity Housing Reserve Fund, the County Revolving Funds, and the

Opportunity Housing Bond Fund Account and to repay such interim loan to HOC at such time as the VPC Two Property is permanently refinanced.

BE IT FURTHER RESOLVED Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of VPC Two, that the Executive Director is authorized to execute, without further action on their respective parts, the taking of any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

3. **Approval to Acquire a Single Family Home at 2803 Terrapin Road and a Loan from the County Revolving Opportunity Housing Development Fund**

Kayrine Brown, Director of Mortgage Finance/Real Estate, and Zachary Marks, Assistant Director of New Development, gave presentation.

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, Banks, Lindstrom and Simon. Commissioner Herrera was necessarily absent and did not participate in the vote.

RESOLUTION: 14-99 **RE: Approval to Acquire a Single Family Home at 2803 Terrapin Road and a Loan from the County Revolving Opportunity Housing Development Fund**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC"), 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, the house at 2803 Terrapin Road, Silver Spring, Maryland, ("Property") has been significantly modified to serve residents with mobility impairments; and

WHEREAS, the Property is for sale and Montgomery County ("County") has a second position lien on the Property and will not approve a sale unless the Property will be occupied by a person with a mobility impairment; and

WHEREAS, the Property is not currently subject to any restrictions or covenants that run with the land that would require a buyer to either maintain the accessibility of the home, be a person with mobility impairment, or rent to a person with a mobility impairment; and

WHEREAS, HOC views the acquisition of the Property as an opportunity to expand accessibility within its portfolio and preserve the public purpose served by the Property; and

WHEREAS, upon purchase of the Property, HOC would enter into a covenant to run with the land to restrict occupancy of the Property to households with at least one mobility impaired family member, if required; and

WHEREAS, HOC wishes to enter into a purchase agreement to acquire the Property for $215,000; and

WHEREAS, consummation of the purchase would produce transactional costs of approximately $20,000.

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

1. Authorizes the Executive Director of HOC to execute a purchase agreement for the acquisition of the land and improvements at 2803 Terrapin Road, Silver Spring, Maryland.

2. Approves the acquisition price and associated costs of acquisition in the amount of $235,000 to be funded as a loan from the County Revolving Opportunity Housing Development Fund, payable in annual installments of $47,000 for five years, beginning with fiscal year 2016.

3. Authorizes the Executive Director to execute and record covenants running with the land that will restrict the Property to occupancy by a household with at least one member who has a mobility impairment, if required**.**

BE IT FURTHER RESOLVED by Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to take, without further action on its part, any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

IV. <u>ITEMS REQUIRING DELIBERATION AND/OR ACTION</u>
No Reports

V. <u>FUTURE ACTION ITEMS</u>
A. None

VI. <u>INFORMATION EXCHANGE (CONT'D)</u>
- **<u>Community Forum</u>**

VII. NEW BUSINESS

None

VIII. Executive Session Findings

None

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

The meeting adjourned at 5:05 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

RATIFICATION OF RECOMMENDATION ADOPTED BY THE BUDGET, FINANCE AND AUDIT COMMITTEE ON OCTOBER 14, 2014: APPROVAL OF CY'15 TAX CREDIT PARTNERSHIP BUDGETS

November 5, 2014

- The Budget, Finance and Audit Committee reviewed and approved the Tax Credit Partnership Budgets during the October 14, 2014 meeting.

- The budgets for the two MPDU Tax Credit Partnerships, Hampden Lane LP (Lasko Manor), Forest Oak Towers LP, Wheaton Metro LP (MetroPointe), Manchester Manor Apartments LP, Tanglewood/Sligo Hills LP, Barclay One LP, Georgian Court Silver Spring LP, MV Affordable Housing Associates LP (Stewartown), Shady Grove Apartments LP, Spring Garden One Associates LP, and The Willows of Gaithersburg Associates LP generate $502,185 in net cash flow to the Agency for CY'14 which is comprised of $278,105 in Ground Rent and $224,080 in Partnership Management Fees.

- Rent increases for all properties are within the guidelines of HOC's current Rent Policy.

- The partnership documents for the tax credit portions of Strathmore Court and The Metropolitan provided for a partnership fiscal year that coincides with HOC's. Therefore, these budgets are not included with the calendar year partnership budgets.

- Resolution confirms action taken at the Budget, Finance and Audit Committee on October 14, 2014.

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
Gio Kaviladze — Ext. 9667

RE: Ratification of Recommendation Adopted by the Budget, Finance and Audit Committee on October 14, 2014: Approval of CY'15 Tax Credit Partnership Budgets

DATE: November 5, 2014

STATUS: Consent [X]

OVERALL GOAL & OBJECTIVE:
To ratify action taken in Budget, Finance and Audit Committee on October 14, 2014: Approval of CY'15 Tax Credit Partnership Budgets.

BACKGROUND:
As Managing General Partner, HOC has a fiduciary responsibility for each of the Tax Credit Partnerships. The current HOC budget policy stipulates that the financial performance and budgets of the Tax Credit Partnerships should be reviewed on the same fiscal year as its partners (December 31). The Tax Credit Partnership Budgets require adoption by the Commission, separate from the Agency's general budget process.

The partnerships that own the scattered site properties MHLP IX, MHLP X and the eleven multifamily properties are calendar year-end properties:

Hampden Lane Apartments LP (Lasko Manor);
Forest Oak Towers LP;
Wheaton Metro LP (MetroPointe);
Manchester Manor Apartments LP;
Tanglewood & Sligo LP;
Barclay One Associates LP;
Georgian Court Silver Spring LP;
MV Affordable Housing Associates LP (Stewartown);
Shady Grove Apartments LP;
Spring Garden One Associates LP; and,
The Willows of Gaithersburg Associates LP.

As general partner, HOC is responsible for submitting final copies of the CY'15 Budgets to the limited partners by November 1.

Attachment 1 displays the compliance period end dates, status of charitable donation of property to HOC, and extended use after the compliance period for all our CY Tax Credit partnership properties.

The partnership agreements for The Metropolitan and Strathmore Court provide for a fiscal year consistent with HOC's fiscal year and, therefore, are exceptions to the tax credit process outlined herein. Their budgets are adopted with the budgets for the balance of HOC's properties.

ISSUES FOR CONSIDERATION:

The budget forecasts the collection of $278,105 and $250,375 in CY'15 and CY'16, respectively, in ground rent fees from MHLP IX and MHLP X. The budget also forecasts the collection of $297,406 and $296,537 in CY'15 and CY'16, respectively, in asset and partnership management fees from the multifamily properties **(Attachments 2 and 3)**. At year end, the asset management fees are paid to the limited partner. If sufficient funds remain, the partnership management fees, or $224,080 and $229,060 for CY'15 and CY'16, respectively, are paid to the general partner (HOC). All unpaid fees are accrued for payment in future years.

As the Managing General Partner, HOC is responsible for funding any cash deficits that occur in the operation of the tax credit projects. **Lasko Manor** is projecting negative cash flows of $37,192 for CY'15 and $42,667 for CY'16. The loss will be restricted from the projected ground rent fees during the FY'16 budget amendment process. It should be noted that a portion of this deficit results from the Management Fee paid to HOC.

As a result of the Resident Services reorganization, services which were previously directed to specific sites are now available to residents throughout the portfolio. Counselor(s) have historically been assigned to various HOC managed and third-party contract managed multifamily properties as well as the two customer service centers. The division restructuring, which follows suit with the Property Management Division restructuring, now assigns counselor(s) to each HUB that will not only be available to serve the multifamily site residents but also the residents in the surrounding scattered sites assigned to the specific HUB. The costs associated with the counselors are allocated to each contract managed multifamily property and customer service center based on percentage of effort, and to all units within the respective HUBs first based on percentage of effort and then allocated based on unit count. Therefore, the financial impact of the change in staff assignments varies by property.

Scattered Site Tax Credit Partnerships

In CY'15, the projected ground rent for the portfolio is $8,143 less than the CY'14 projection of $286,248. The decrease in projected ground rent is mostly a result of higher projected vacancy rates and operating expenses for the MHLP IX properties.

Rent increases for all scattered site properties are budgeted according to a rent calculation model with a 1.5% increase for both renewal and turnover units. Although Area Median Income (AMI) decreased slightly from the 2013 level of $107,300 to $107,000 for 2014, the County Guideline for rental increases is 1.5%. The CY'15 Budget for the scattered site properties projects a slight decrease in operating income compared to budgeted CY'14 projections for both **MHLP IX** and **MHLP X (Attachment 4)**. Although rent potential is projected to increase at both properties, the increase is offset by higher vacancy losses. The CY'14 actual vacancy loss is significantly higher than was budgeted. The projected vacancy loss for CY'15 is in line with the higher experienced losses. In CY'16, rental income is projected to increase slightly based on the small rent increase coupled with lower projected vacancies when compared to the CY'15 levels, resulting in a net increase in operating income at both **MHLP IX** and **MHLP X**.

Operating expenses on a PUPA basis for the scattered site properties are projected to increase in both CY'15 and CY'16 mainly due to increases in personnel and maintenance expenses **(Attachment 5)**. The relatively larger CY'15 increase in **MHLP IX** expenses is primarily due to increased maintenance costs at Pond Ridge. In CY'16, operating expenses are projected to increase at a moderate rate from their CY'15 levels.

The net effect on CY'15 of lower budgeted operating revenue and higher budgeted operating expenses is that the Net Operating Income (NOI) on a PUPA basis is projected to decrease in CY'15 for each property in the portfolio **(Attachment 6).** It should be noted that projected operating results described above are comparing budgeted CY'15 figures with budgeted CY'14 figures. Comparison of CY'15 budgeted projections to CY'14 actual results would likely result in smaller variability in operating results between CY'14 and CY'15. In CY'16, the Net Operating Income (NOI) on a PUPA basis is projected to increase from CY'15 levels for both **MHLP IX** and **MHLP X**.

The minimum Debt Service Coverage Ratio (DSC) requirement of 1.10 or higher is achieved for the scattered sites. Although the DSC ratio for the scattered sites has decreased for CY'15, for both **MHLP IX** and **MHLP X** from CY'14 budgeted levels, driven by decreases in NOI, they are still above the 1.10 level **(Attachment 7)**. CY'16 DSC ratios are projected to improve as a result of improving projected operating results.

Attachment 8 shows the history of PUPA Replacement for Reserves (RfR) contributions for scattered sites MHLP IX and MHLP X. As you can see, the base required contribution has not changed over the years. However, the age of the portfolio has required additional pay-go contributions each year to meet the capital needs of the portfolio. The CY'15 and CY'16

projection for PUPA RfR deposits by property, including the base and pay-go amounts, is depicted on (**Attachment 9)**.

Multifamily Tax Credit Partnerships

As stated earlier, the rent policy for FY'14 allows for in-place AMI unit rental increases based on the higher of the County Guideline or the percentage of increase in AMI. However, this portfolio includes several properties that fall under superseding rental increase guidelines. Forest Oak Towers', which is a Project Based Section 8 property, rent increase is based on the change in the Operating Cost Adjustment Factor (OCAF). In addition, Georgian Court, Stewartown, and The Willows are all HUD 236 properties that by HUD regulations allow for rent increases to cover the cost of operating the property. The projected rent increase for these three properties is based on the HUD 236 rent calculator. Staff believes that the budgeted increases for each of the multifamily properties, which range from 0% for The Willows and MetroPointe to a high of 6.0% for Stewartown, are both achievable and reasonable.

Income from this portfolio is restricted to the properties. The only revenue that comes to HOC is in the form of a Partnership Management Fee, which is projected to be $224,080 for CY'15 and $229,060 for CY'16. Both of these are higher than the CY'14 budgeted figure of $184,126.

The CY'15 Budget for the multifamily properties project increases in operating income on a PUPA basis for all multifamily properties except for **Manchester Manor Apartments, Barclay, and Spring Garden (Attachment 10)**. Although **Manchester Manor** is showing a decrease in operating income, the CY'14 budgeted rent revenue was overestimated, while CY'15 and CY'16 figures are in line with the property's historical results. The **Barclay** and **Spring Garden** CY'15 operating incomes are showing a decrease when compared to the CY'14 budget as a result of higher budgeted vacancies. However, when compared to the actual vacancies experienced in CY'14, the operating revenue increases slightly. In CY'16 projected operating income increases for all multifamily properties.

Operating expenses on a PUPA basis for the multifamily properties are projected to increase or remain flat in the CY'15 and CY'16 Budgets, with the exception of **Forest Oak Towers, MetroPointe,** and **Barclay (Attachment 11).** Slight decreases in operating expenses at **Forest Oaks Towers** and **MetroPointe** (-1% and -3%, respectively) are primarily due to decreases in Contract Management Fees at Forest Oak Towers, based on a new contract, and decreases in budgeted personnel and utilities costs at MetroPointe. **Barclay** shows a relatively larger decrease in operating costs at -12%. This is primarily due to a few CY'14 budgeted operating expenses, such as utilities and insurance, having been overestimated, as well as the reduction in the CY'15-16 tenant services budget as a result of the Resident Services reorganization and cost reallocation.

The net impact of the changes in operating income and expenses is reflected in the net operating income (NOI) for the Multifamily Tax Credit Portfolio **(Attachment 12)**. From budgeted CY'14 to CY'15, **Lasko Manor, Manchester Manor, Shady Grove, Spring Garden,** and **The Willows** are

projecting lower NOIs. From CY'15 to CY'16, all of the properties except **Tanglewood Sligo** are projecting increasing NOIs.

The minimum Debt Service Coverage Ratio (DSC) requirement of 1.10 or higher is projected to be achieved for all multifamily properties **(Attachment 13)**.

Attachment 14 shows the history of PUPA Replacement for Reserves (RfR) contributions for the multifamily portfolio. As you can see, the base required contribution amount has remained relatively flat. Over the years, a few properties in the portfolio have required increases in their annual contributions as well as the use of residual cash to meet their capital needs. For CY'15 and CY'16, **Georgian Court, Stewartown, Shady Grove,** and **The Willows** are projected to need significant increases in RfR contributions to meet their capital expenditure needs. The CY'15-16 projection for RfR deposits by property, including the base and increased amounts, are depicted in **Attachment 15**.

Capital

The age and condition of our portfolio continues to bring capital needs and the funding of those needs to the forefront.

MHLP IX, MHLP X, Tanglewood & Sligo, Georgian Court, Stewartown, Shady Grove, and **The Willows** are all relying on current year RfR deposits, which have been increased for all but Tanglewood & Sligo, to fund their capital needs for both CY'15 and CY'16 **(Attachments 16 and 17)**. For the scattered site properties, the reliance on current year RfR deposits is slightly lower in both CY'15 and CY'16 when compared to CY'14. For the multifamily properties, the reliance on current year RfR deposits has almost tripled from their CY'14 levels, which is a result of both increasing capital expenditure needs and depleting Replacement Reserve Fund balances. The reliance on increased current year RfR deposits not only directly reduces the amount of ground rent fees available to HOC, but will also result in these properties having insufficient reserves available to meet capital needs beyond CY'15 and CY'16.

BUDGET IMPACT:
Approval by the Commission of these budgets will allow the Tax Credit Partnerships to begin operations on January 1, the beginning of their calendar year.

TIME FRAME:
The budgets were due to the limited partners by November 1, 2014. The CY'15 Budgets were reviewed and approved by the Budget, Finance and Audit Committee at the October 14, 2014 meeting. Staff requests Commission ratification of this action at the November 5, 2014 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
To ratify action taken in Budget, Finance and Audit Committee to approve the CY'15 Budgets for the Tax Credit Partnerships.

RESOLUTION NO.

Re: Ratification of Recommendation Adopted by the Budget, Finance and Audit Committee on October 14, 2014: Approval of CY'15 Tax Credit Partnership Budgets

WHEREAS, the Housing Opportunities Commission of Montgomery County is the General Partner who manages the business and is liable for the debts of 13 Tax Credit Partnerships; and

WHEREAS, the limited partners in these 13 Tax Credit Partnerships have contributed money and share in profits but take no part in running the business and incur no liability with respect to the partnership beyond their contributions; and

WHEREAS, the Tax Credit Partnerships are unique within the Housing Opportunities Commission's property portfolio since they are not HOC entities but managed properties and have no separate Boards; and

WHEREAS, the Housing Opportunities Commission has a financial obligation to cover all debts, has an interest in the successful performance of these partnerships and, as such, should review their performances and approve their budgets; and

WHEREAS, as the budgets were due to the limited partners by November 1, 2014, the Budget, Finance and Audit Committee reviewed and approved the CY'15 Budgets at the October 14, 2014 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby ratifies the action taken by the Budget, Finance and Audit Committee to approve the CY'15 Operating Budgets for the 13 Tax Credit Partnerships shown on Attachment 1 of this resolution.

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Patrice Birdsong
Special Assistant to the Commission

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TAX CREDIT COMPLIANCE PERIOD as October 8, 2014

PROPERTIES	# of Units	END DATE: December	Status of Charitable Donation of Property to HOC	Extended Use after Compliance Period
MHLP IX -Pond Ridge	40	2013	Financial review indicated minimal to zero exit taxes - next step to coordinate legal steps with LP's.	84 Yrs
MHLP IX -MPDU Units	76	2013	Financial review indicated minimal to zero exit taxes - next step to coordinate legal steps with LP's.	84 Yrs
MHLP X	75	2015	Beginning stages - conducted preliminary analysis and determining next steps in process.	30 Yrs
Manchester Manor Apts. LP	53	2015	Beginning stages - conducted preliminary analysis and determining next steps in process.	15 Yrs
Hampden Lane Apts. LP (Lasko Manor)	12	2026		25 Yrs
Shady Grove Apts. LP	144	2014	Beginning stages - conducting internal review of documentation and determining next steps in process.	15 Yrs
The Willows of Gaithersburg Assoc. LP	195	2014	Beginning stages - conducting internal review of documentation and determining next steps in process.	15 Yrs
MV Affordable Housing Assoc. LP (Stewartown)	94	2017		15 Yrs
Georgian Court Silver Spring LP	147	2016	Staff evaluating a possible redevelopment opportunity.	15 Yrs
Barclay One Assoc. LP	81	2021		40 Yrs
Spring Garden One Assoc. LP	83	2021		25 Yrs
Forest Oak Towers LP	175	2022		25 Yrs
Wheaton Metro LP (MetroPointe)	53	2023		25 Yrs

Tax Credit CY15 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Operating Cash Flow	Ground Rent	Net Cash Flow
MHLP IX	**116**	$1,579,125	$820,452	**$758,673**	$478,628	$46,400	$30,000	**$203,645**	$203,645	**$0**
MHLP X	**75**	$1,040,155	$577,641	**$462,514**	$308,436	$23,000	$25,000	**$106,078**	$74,460	**$31,618**
Total Scattered Sites	**191**	**$2,619,280**	**$1,398,093**	**$1,221,187**	**$787,064**	**$69,400**	**$55,000**	**$309,723**	**$278,105**	**$31,618**

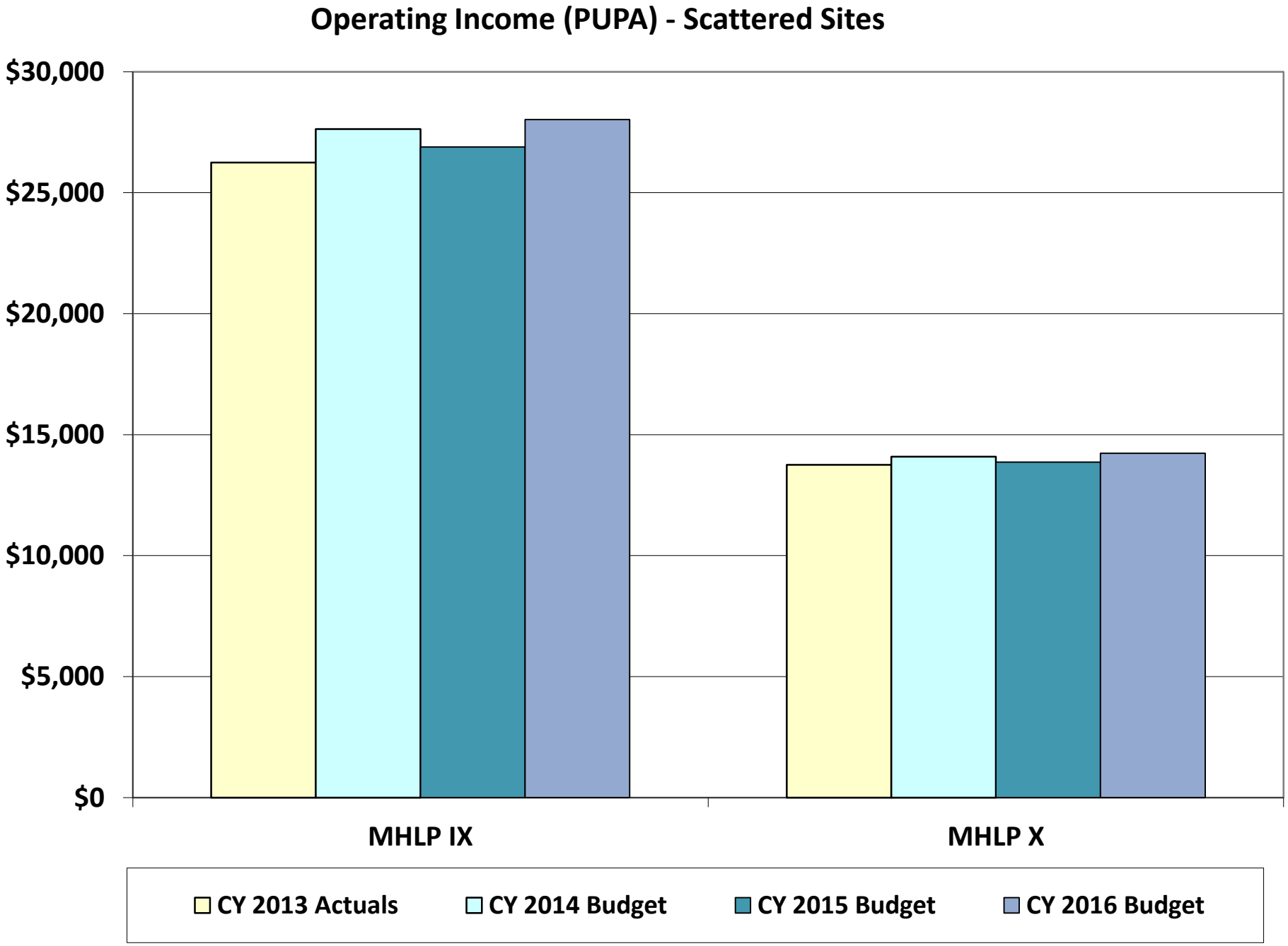
Tax Credit CY15 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Partners Tax Expense	Loan Management Fees	Cash Flow Before Distribution	Asset Management/ Investor Service Fees	Partnership Management Fees	Net Cash Flow
Hampden Lane Apts. LP (Lasko Manor)	12	$190,104	$223,405	**($33,301)**	$0	$3,891	$0	$0	$0	**($37,192)**	$0	$0	**($37,192)**
Forest Oak Towers LP	175	$2,690,629	$1,029,558	**$1,661,071**	$1,233,454	$70,000	$0	$0	$0	**$357,617**	$10,134	$33,253	**$314,230**
Wheaton Metro LP (MetroPointe)	53	$687,674	$428,618	**$259,056**	$222,882	$13,250	$0	$0	$0	**$22,924**	$6,156	$15,372	**$1,396**
Manchester Manor Apts. LP	53	$681,046	$453,720	**$227,326**	$170,021	$21,409	$0	$0	$6,132	**$29,764**	$0	$18,152	**$11,612**
Tanglewood & Sligo LP	132	$1,883,217	$789,023	**$1,094,194**	$782,588	$39,600	$0	$0	$0	**$272,007**	$10,104	$25,000	**$236,903**
Barclay One Assoc. LP	81	$1,032,567	$428,966	**$603,601**	$442,563	$34,586	$0	$0	$0	**$126,452**	$17,080	$10,311	**$99,061**
Georgian Court Silver Spring LP	147	$1,707,007	$933,373	**$773,634**	$547,088	$44,472	$95,528	$0	$15,996	**$70,550**	$7,772	$62,216	**$562**
MV Affordable Housing Assoc. LP (Stewartown)	94	$1,600,616	$876,717	**$723,899**	$531,838	$37,600	$50,000	$0	$13,392	**$91,069**	$5,000	$12,000	**$74,069**
Shady Grove Apts. LP	144	$2,057,276	$1,041,850	**$1,015,426**	$583,406	$68,400	$117,600	$0	$21,096	**$224,924**	$0	$18,696	**$206,228**
Spring Garden One Assoc. LP	83	$1,064,530	$470,811	**$593,719**	$448,251	$39,279	$0	$0	$0	**$106,189**	$17,080	$17,080	**$72,029**
The Willows of Gaithersburg Assoc. LP	195	$2,174,481	$1,301,502	**$872,979**	$643,814	$78,000	$90,000	$0	$18,132	**$43,033**	$0	$12,000	**$31,033**
Total Multifamily	**1,169**	**$15,769,147**	**$7,977,542**	**$7,791,605**	**$5,605,905**	**$450,487**	**$353,128**	**$0**	**$74,748**	**$1,307,337**	**$73,326**	**$224,080**	**$1,009,931**

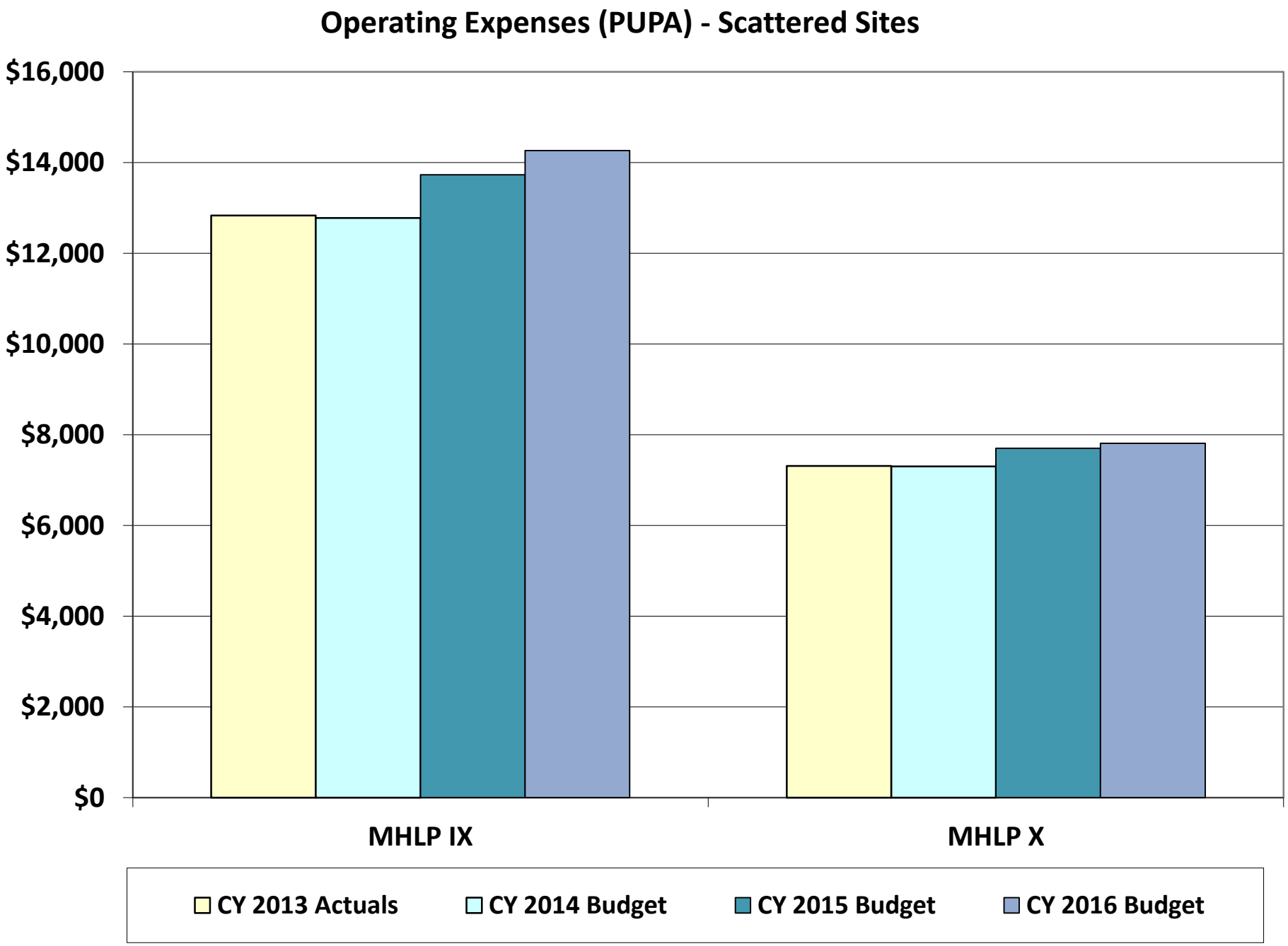
Attachment 2

Tax Credit CY16 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Operating Cash Flow	Ground Rent	Net Cash Flow
MHLP IX	**116**	$1,630,829	$851,964	**$778,865**	$477,550	$46,400	$79,000	**$175,915**	$175,915	**$0**
MHLP X	**75**	$1,067,527	$585,901	**$481,626**	$307,846	$23,000	$72,000	**$78,780**	$74,460	**$4,320**
Total Scattered Sites	**191**	**$2,698,356**	**$1,437,865**	**$1,260,491**	**$785,396**	**$69,400**	**$151,000**	**$254,695**	**$250,375**	**$4,320**

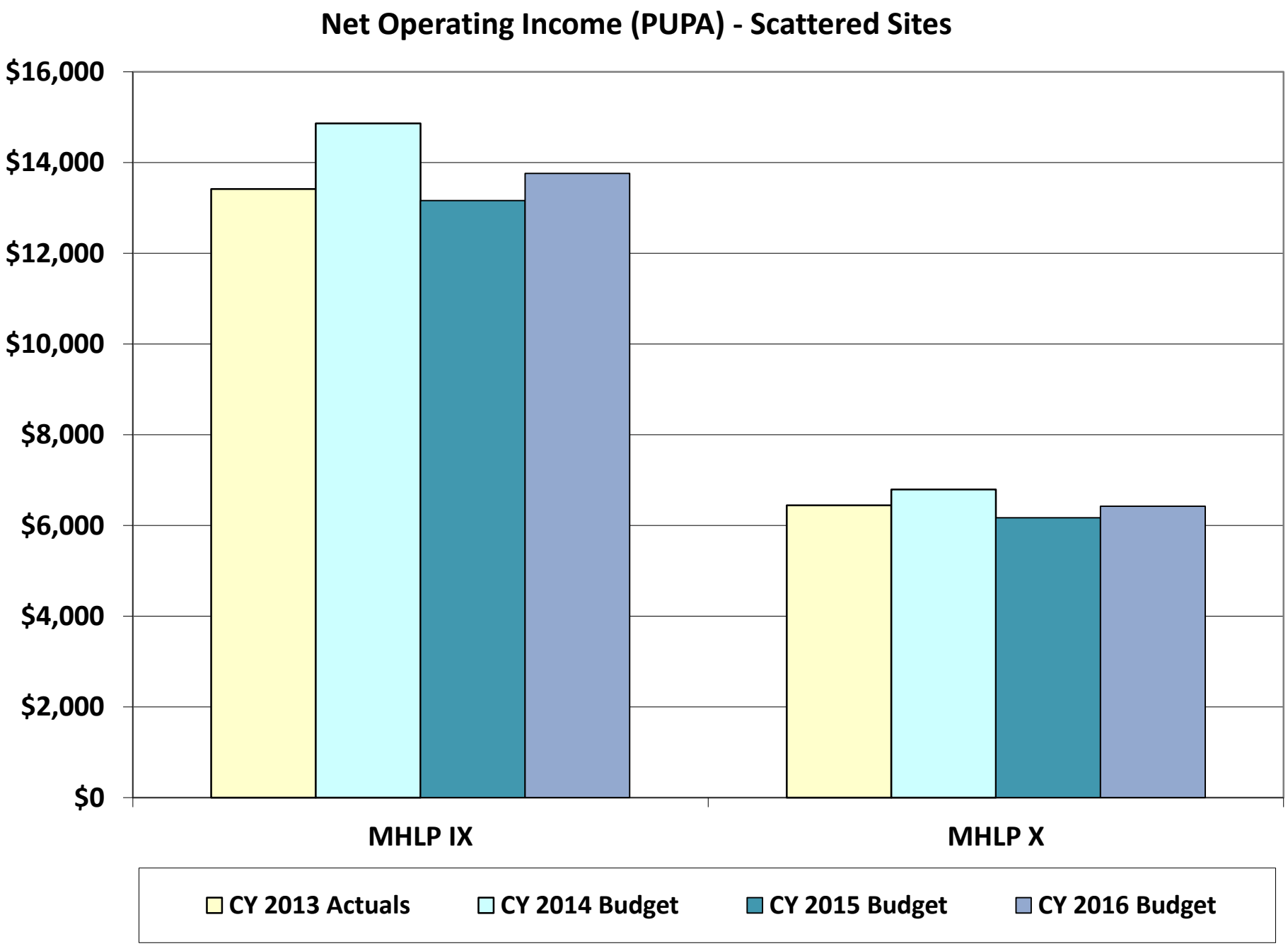
Tax Credit CY16 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Partners Tax Expense	Loan Management Fees	Cash Flow Before Distribution	Asset Management/ Investor Service Fees	Partnership Management Fees	Net Cash Flow
Hampden Lane Apts. LP (Lasko Manor)	12	$193,030	$231,746	**($38,716)**	$0	$3,951	$0	$0	$0	**($42,667)**	$0	$0	**($42,667)**
Forest Oak Towers LP	175	$2,735,999	$1,060,523	**$1,675,476**	$1,231,430	$70,000	$0	$0	$0	**$374,046**	$10,438	$34,251	**$329,357**
Wheaton Metro LP (MetroPointe)	53	$718,315	$437,846	**$280,469**	$222,760	$13,250	$0	$0	$0	**$44,459**	$6,333	$15,834	**$22,292**
Manchester Manor Apts. LP	53	$690,028	$473,450	**$216,578**	$169,639	$21,409	$0	$0	$6,132	**$19,398**	$0	$18,152	**$1,246**
Tanglewood & Sligo LP	132	$1,891,544	$823,879	**$1,067,665**	$781,986	$39,600	$0	$0	$0	**$246,079**	$10,180	$25,000	**$210,899**
Barclay One Assoc. LP	81	$1,062,442	$443,862	**$618,580**	$441,747	$35,969	$0	$0	$0	**$140,864**	$17,763	$10,723	**$112,378**
Georgian Court Silver Spring LP	147	$1,733,158	$961,309	**$771,849**	$546,161	$45,805	$94,195	$0	$15,996	**$69,692**	$0	$64,081	**$5,611**
MV Affordable Housing Assoc. LP (Stewartown)	94	$1,641,887	$905,030	**$736,857**	$531,007	$37,600	$50,000	$0	$13,392	**$104,858**	$5,000	$12,000	**$87,858**
Shady Grove Apts. LP	144	$2,077,792	$1,054,105	**$1,023,687**	$582,020	$68,400	$117,600	$0	$21,096	**$234,571**	$0	$19,256	**$215,315**
Spring Garden One Assoc. LP	83	$1,095,764	$486,011	**$609,753**	$447,432	$40,850	$0	$0	$0	**$121,471**	$17,763	$17,763	**$85,945**
The Willows of Gaithersburg Assoc. LP	195	$2,230,553	$1,341,960	**$888,593**	$642,595	$78,000	$90,000	$0	$18,132	**$59,866**	$0	$12,000	**$47,866**
Total Multifamily	**1,169**	**$16,070,512**	**$8,219,721**	**$7,850,791**	**$5,596,777**	**$454,834**	**$351,795**	**$0**	**$74,748**	**$1,372,637**	**$67,477**	**$229,060**	**$1,076,100**

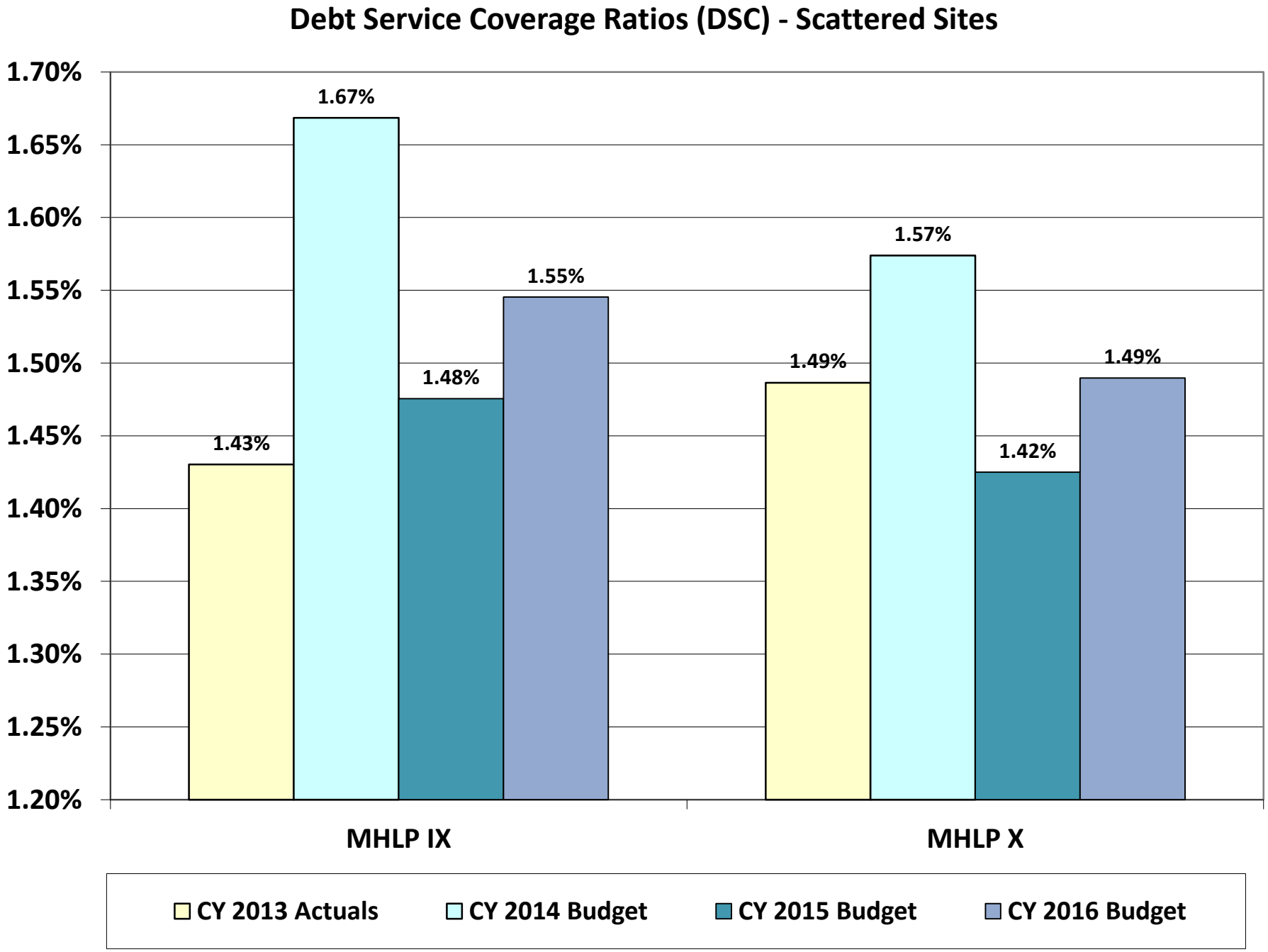
Attachment 3


Operating Income (PUPA) - Scattered Sites
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
MHLP IX
MHLP X
CY 2013 Actuals
CY 2014 Budget
CY 2015 Budget
CY 2016 Budget

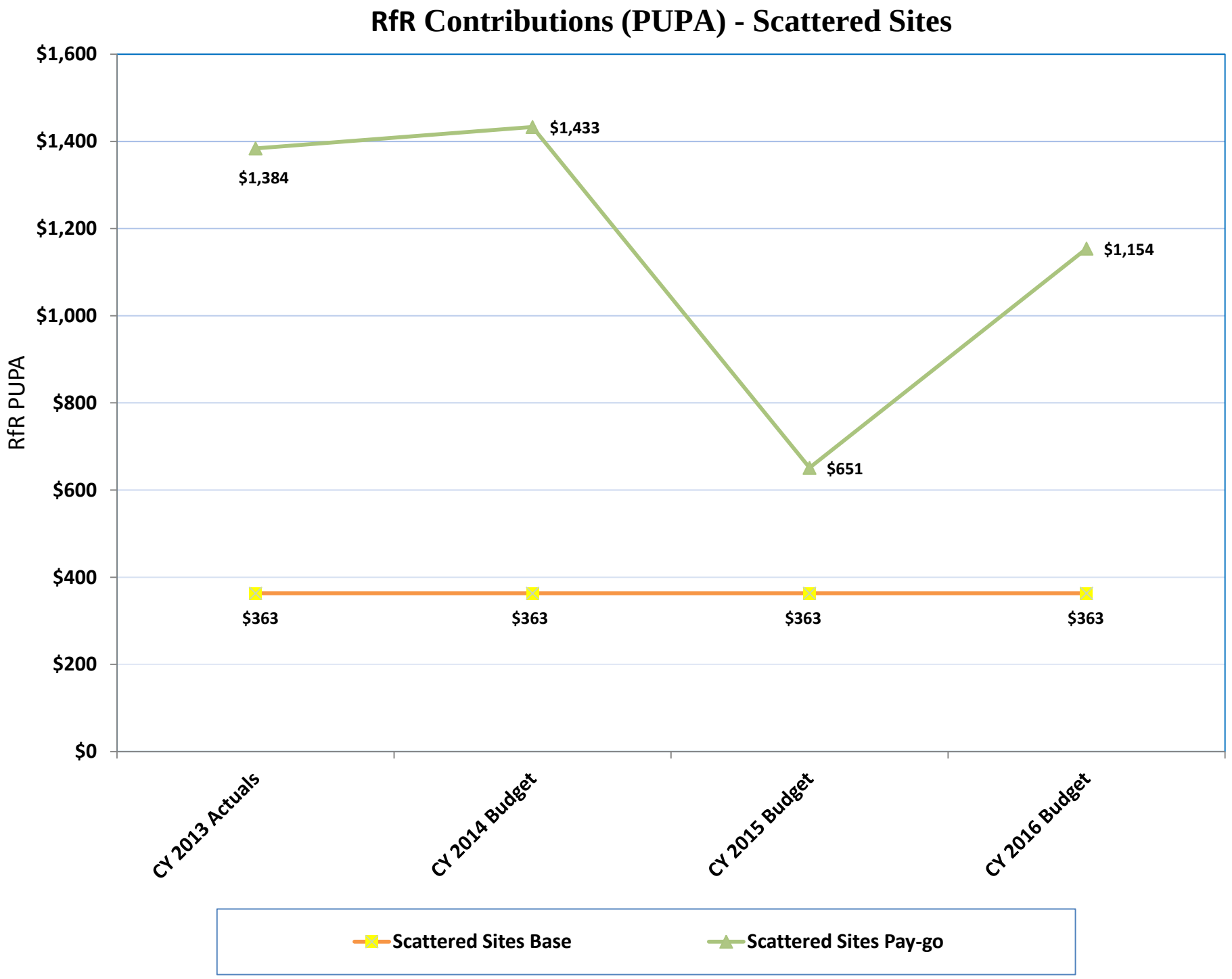


Attachment 5


Net Operating Income (PUPA) - Scattered Sites
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
MHLP IX
MHLP X
CY 2013 Actuals
CY 2014 Budget
CY 2015 Budget
CY 2016 Budget

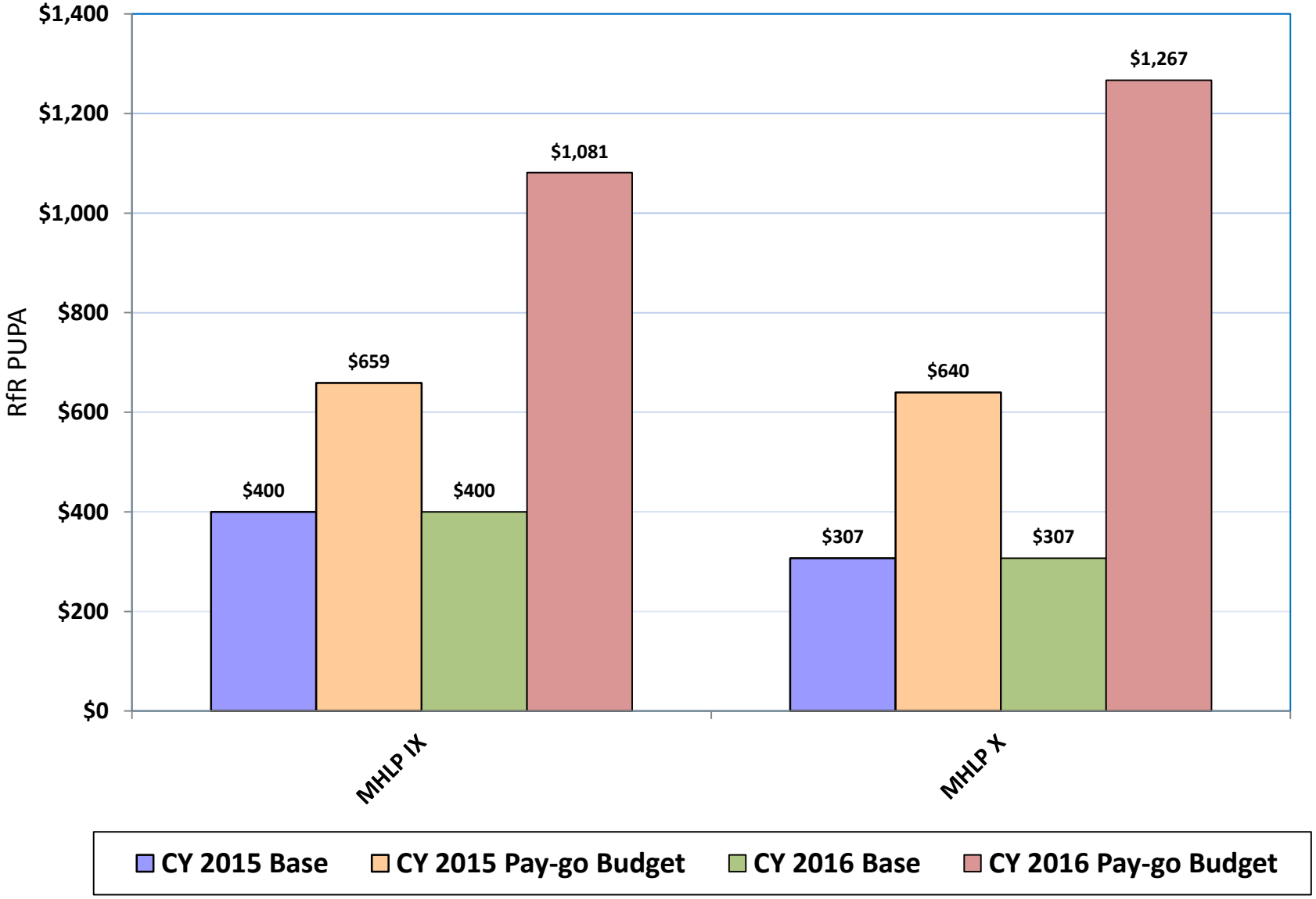


Attachment 7



Attachment 8

2015 and 2016 RfR Contributions (PUPA) - Scattered Sites



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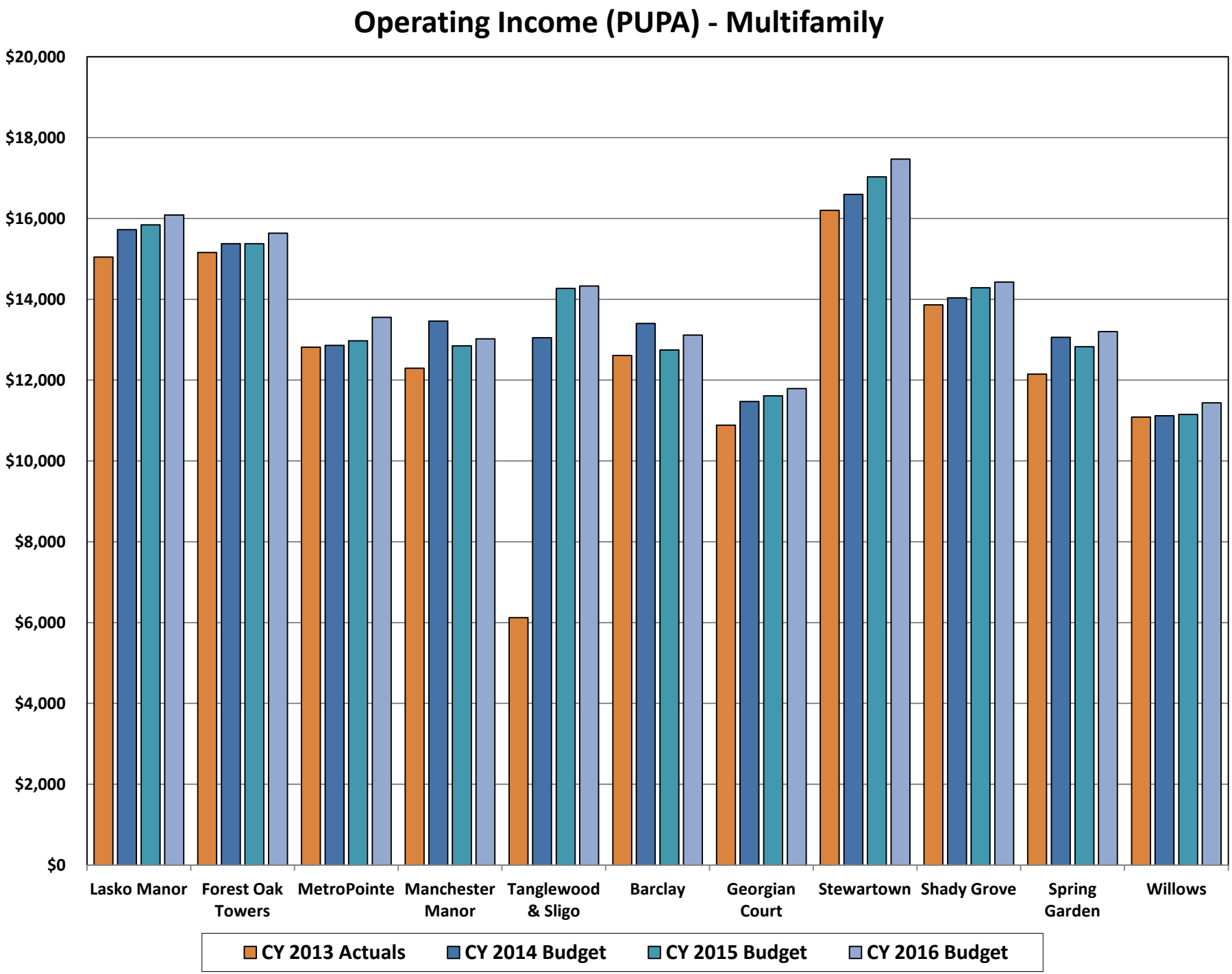
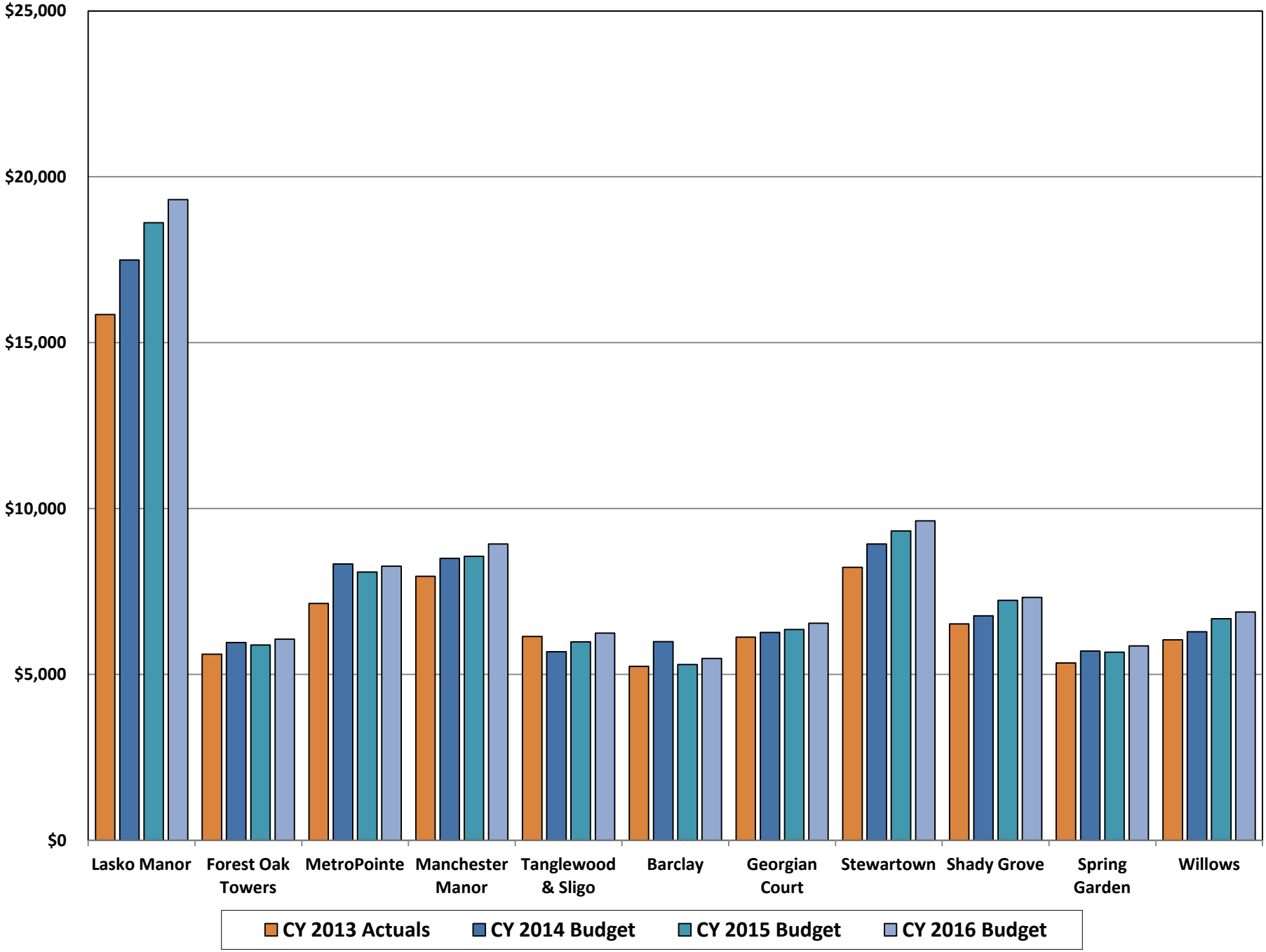


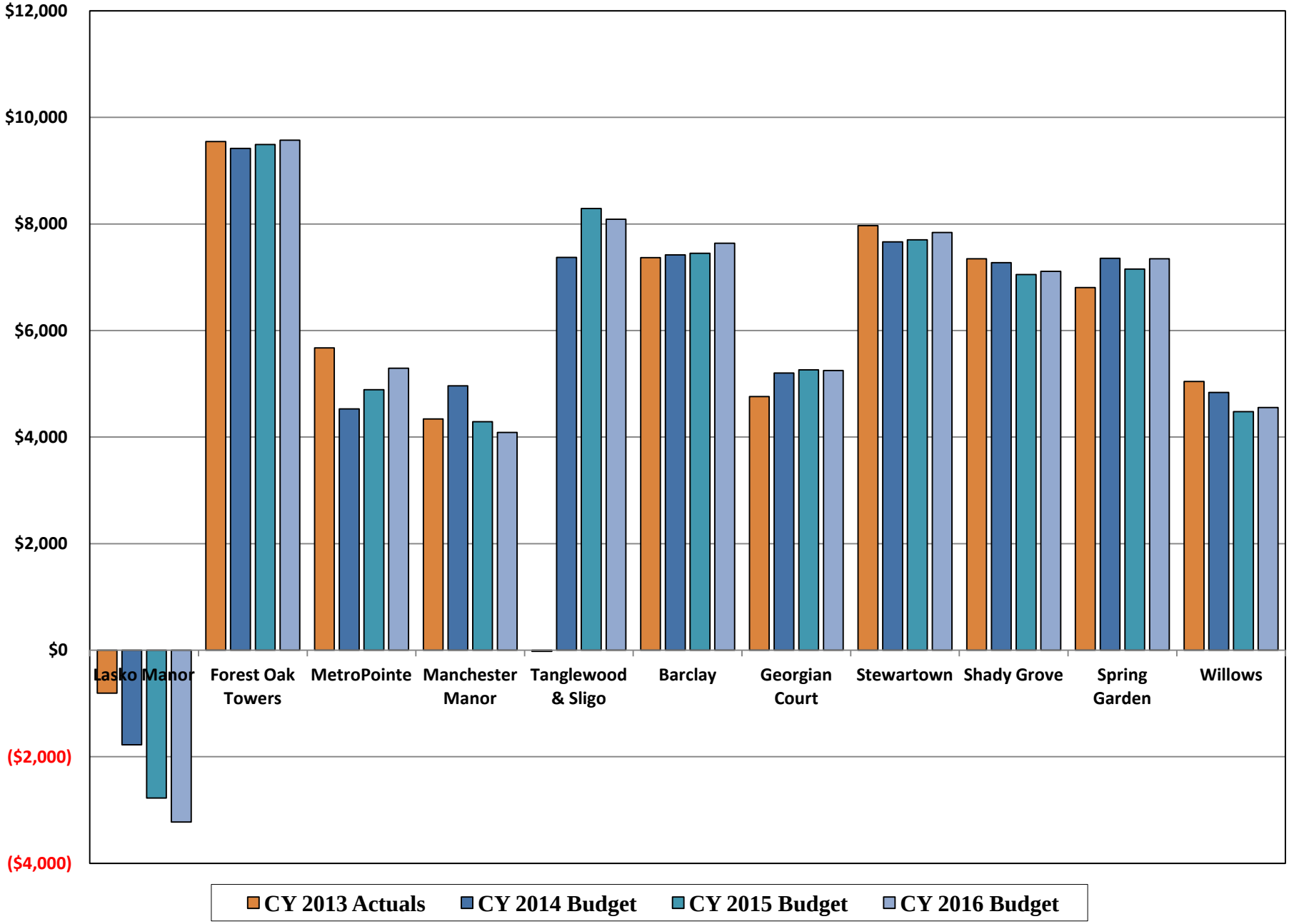
Attachment 10

Operating Expenses (PUPA) - Multifamily



Attachment 11

Net Operating Income (PUPA) - Multifamily



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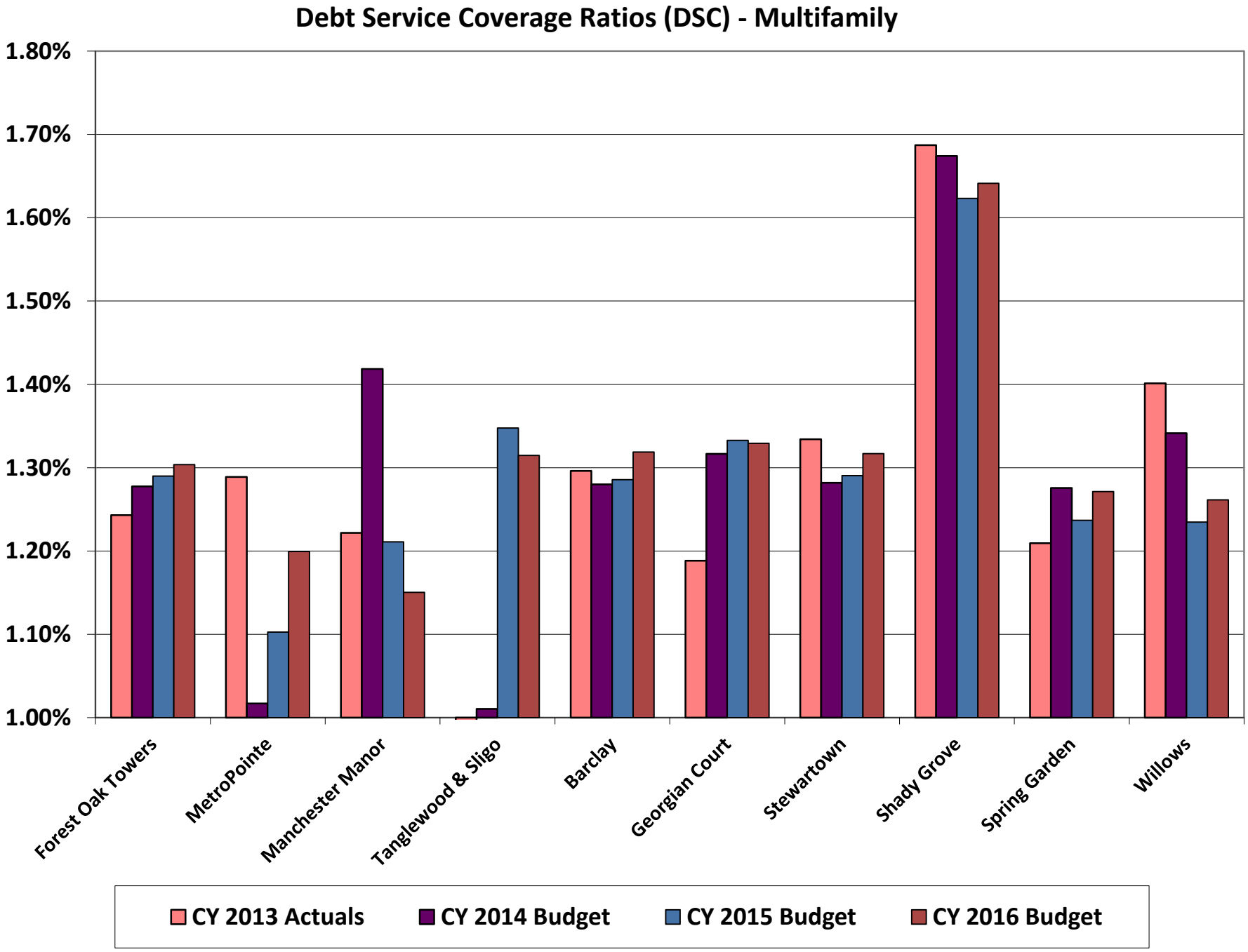

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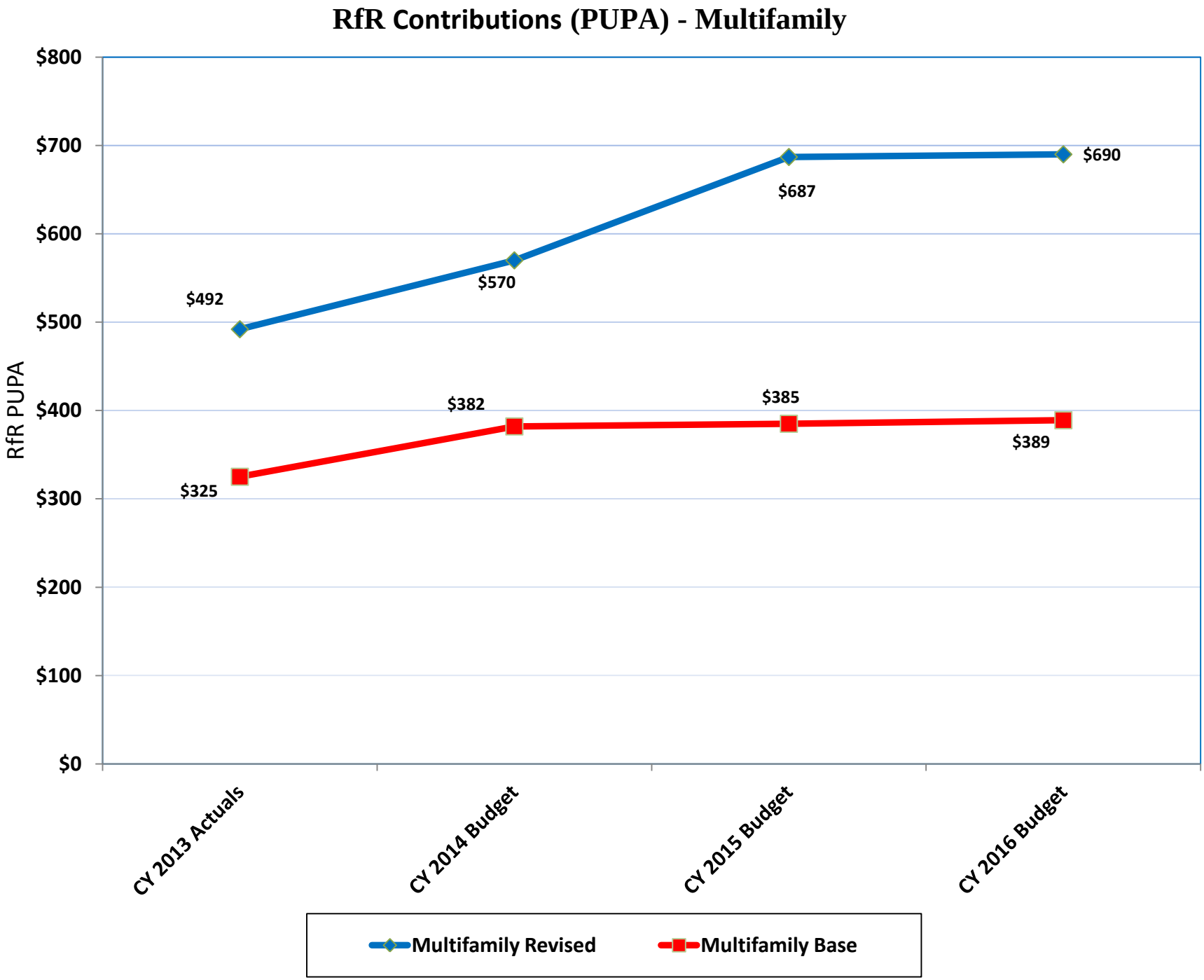
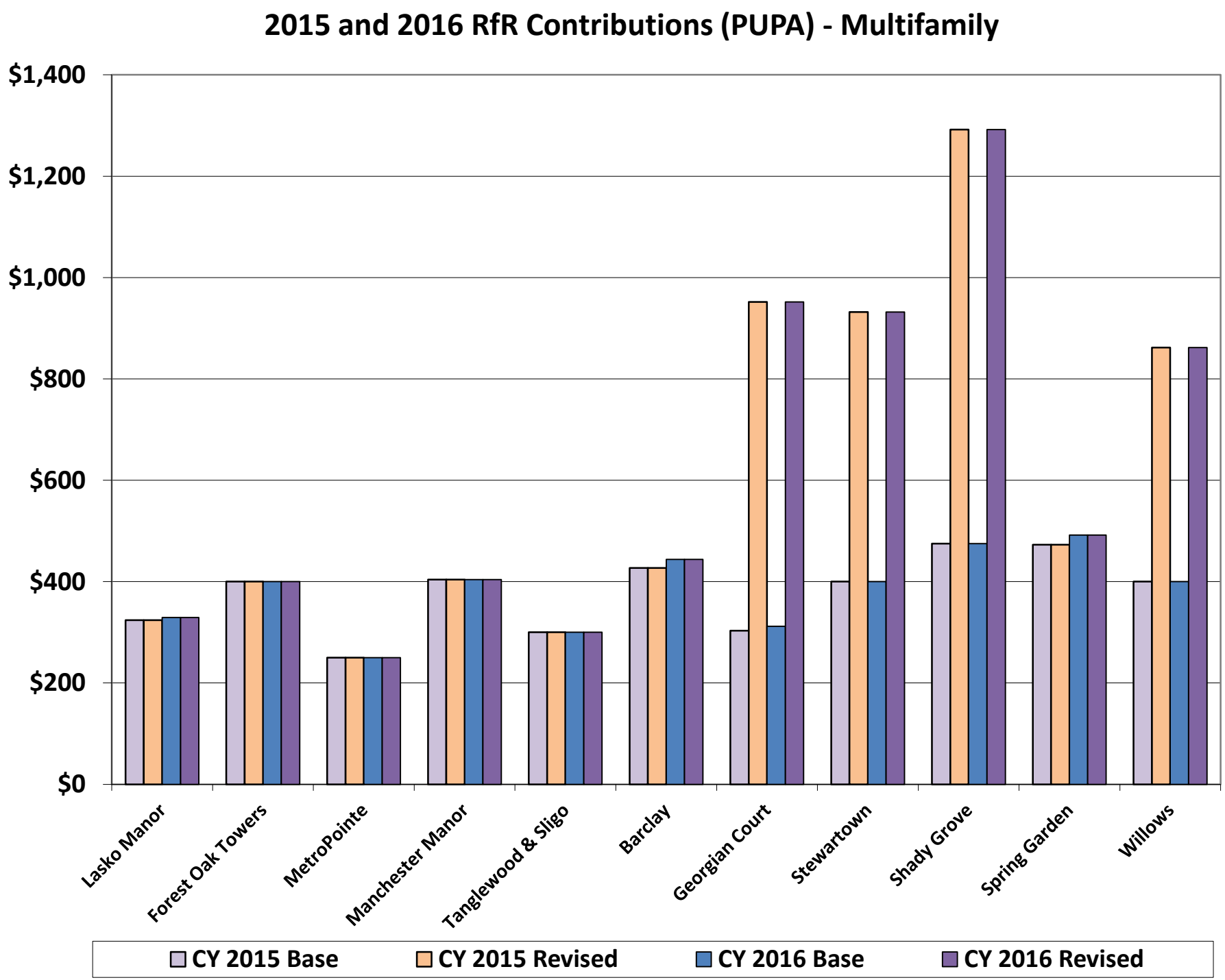


Attachment 14



Attachment 15

Tax Credit CY15 Capital Budget	Total Expenses	Revenue Sources: Property Reserves	OH Fund Property Reserve Loan	Current Year RfR Deposit
MHLP IX	**$140,418**	$77,349	$0	$63,069
MHLP X	**$94,571**	$48,542	$0	$46,029
Total Scattered Sites	**$234,989**	**$125,891**	**$0**	**$109,098**

Tax Credit CY15 Capital Budget	Total Expenses	Revenue Sources: Property Reserves	Residual Cash	Current Year RfR Deposit
Hampden Lane Apts. LP (Lasko Manor)	**$850**	$850	$0	$0
Forest Oak Towers LP	**$128,303**	$128,303	$0	$0
Wheaton Metro LP (MetroPointe)	**$15,982**	$15,982	$0	$0
Manchester Manor Apts. LP	**$29,632**	$29,632	$0	$0
Tanglewood & Sligo LP	**$33,042**	$26,932	$0	$6,110
Barclay One Assoc. LP	**$29,255**	$29,255	$0	$0
Georgian Court Silver Spring LP	**$148,521**	$10,100	$0	$138,421
MV Affordable Housing Assoc. LP (Stewartown)	**$144,170**	$132,399	$0	$11,771
Shady Grove Apts. LP	**$378,116**	$276,062	$0	$102,054
Spring Garden One Assoc. LP	**$88,000**	$88,000	$0	$0
The Willows of Gaithersburg Assoc. LP	**$354,275**	$156,336	30,000	$167,939
Total Multifamily	**$1,350,146**	**$893,851**	**$30,000**	**$426,295**

Tax Credit CY16 Capital Budget	Total Expenses	Revenue Sources: Property Reserves	OH Fund Property Reserve Loan	Current Year RfR Deposit
MHLP IX	**$136,598**	$13,331	$0	$123,267
MHLP X	**$94,701**	$1,970	$0	$92,731
Total Scattered Sites	**$231,299**	**$15,301**	**$0**	**$215,998**

Tax Credit CY16 Capital Budget	Total Expenses	Revenue Sources: Property Reserves	Residual Cash	Current Year RfR Deposit
Hampden Lane Apts. LP (Lasko Manor)	**$6,850**	$6,850	$0	$0
Forest Oak Towers LP	**$96,002**	$96,002	$0	$0
Wheaton Metro LP (MetroPointe)	**$8,610**	$8,610	$0	$0
Manchester Manor Apts. LP	**$17,560**	$17,560	$0	$0
Tanglewood & Sligo LP	**$33,732**	$33,490	$0	$242
Barclay One Assoc. LP	**$89,035**	$89,035	$0	$0
Georgian Court Silver Spring LP	**$107,415**	$1,579	$0	$105,836
MV Affordable Housing Assoc. LP (Stewartown)	**$102,140**	$75,829	$0	$26,311
Shady Grove Apts. LP	**$253,880**	$83,946	$0	$169,934
Spring Garden One Assoc. LP	**$54,000**	$54,000	$0	$0
The Willows of Gaithersburg Assoc. LP	**$194,350**	$61	$27,000	$167,289
Total Multifamily	**$963,574**	**$466,962**	**$27,000**	**$469,612**

PROJECT CLOSING

RAD 6 MULTIFAMILY PROPERTIES

CONSTRUCTION CONTRACT

STACY L. SPANN, EXECUTIVE DIRECTOR

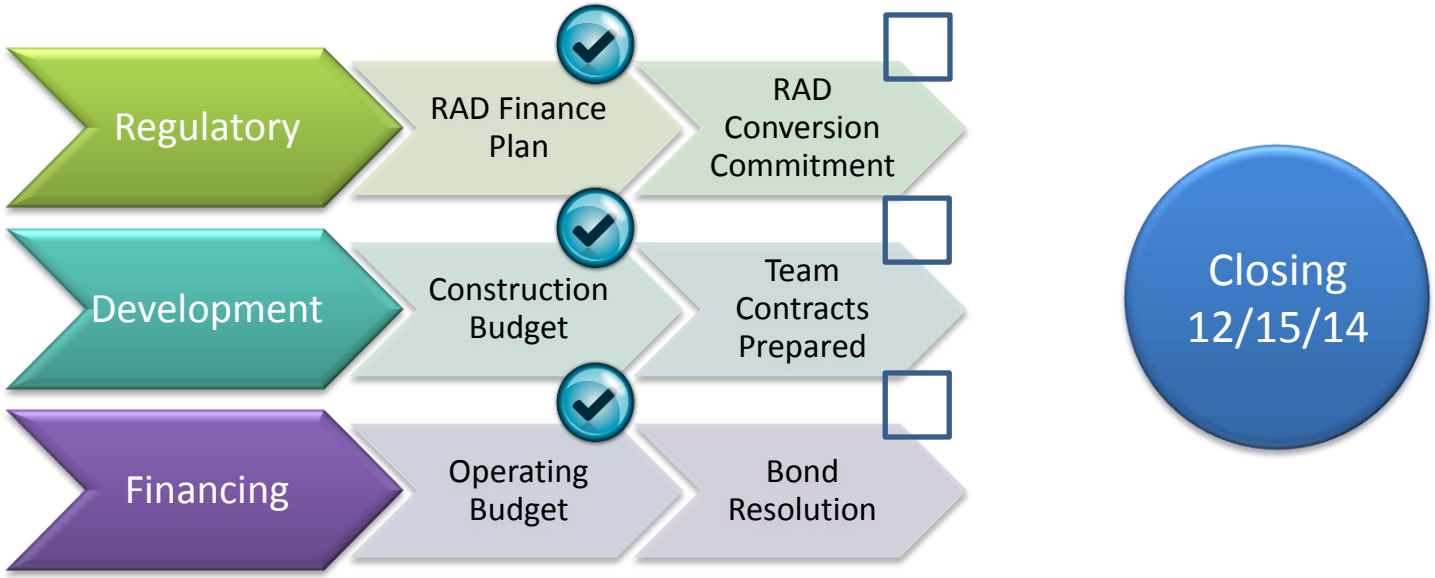
KAYRINE BROWN
ZACHARY MARKS

November 5, 2014

Executive Summary

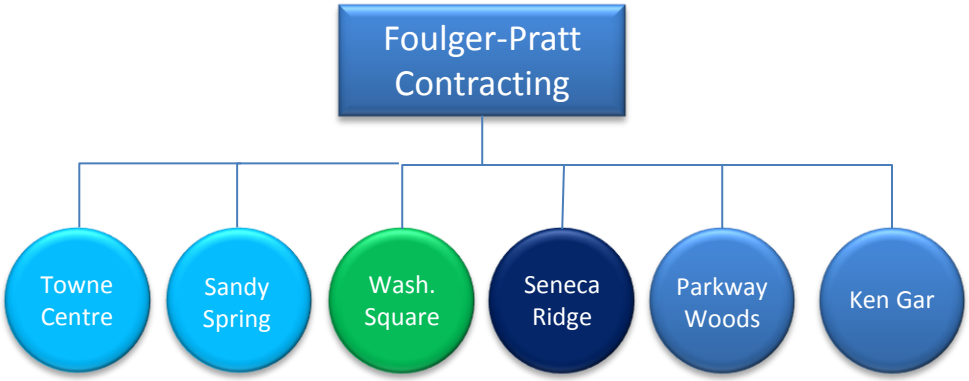
On December 18, 2013, HUD awarded HOC a Commitment to enter into a Housing Assistance Payment contract ("CHAP") for each Seneca Ridge, Parkway Woods, Ken Gar, Sandy Spring Meadow, and Towne Centre Place. On March 26, 2014, HOC received a CHAP for Washington Square. Collectively, these properties are being developed and financed as a single asset for ownership by the RAD 6 Development Corporation.

Staff has spent nearly six months underwriting the transaction, building the scope of construction work for rehabilitation, and developing a pro forma post-conversion operating budget. On August 6, 2014, the Commission approved the Final Development Plan, which described the development, finance, and projected operations of the renovated asset. Subsequently, HOC staff has formally submitted to HUD the RAD Finance Plan which outlined the transaction, the benefit to residents, and the development team members. HUD has indicated to HOC staff that the target closing date for the transaction is December 15, 2014.



Executive Summary

In September, the Baltimore FHA Multifamily office and HOC's RAD project managers gave HOC the final approval to own and finance the six properties as a single asset. As it assembled the RAD Finance Plan, staff received advice that the single-asset plan would move more quickly to full closing with a single identified general contractor. As the contractor with the largest bonding capacity, staff thought Foulger-Pratt Contracting ("FPC") to be the contractor most fit to assume the role for all six properties.



FPC will act as construction manager for all six properties and provide bonding for all six properties. FPC may also, in consultation with HOC staff, determine that an additional prime subcontractor should be added. Ken Gar and Parkway Woods would be a natural second node, and Towne Centre Place and Sandy Spring Meadow would form a natural third node. The six properties might also be split into phases, moving Washington Square and Seneca Ridge toward the beginning. As both properties have ample vacancy, renovations would likely not have to be conducted with tenants in place. Progress would be quicker than at the more occupied properties and would delivery nearly half of the 268 total units. The three properties with minimal vacancy – Ken Gar, Parkway Woods, and Towne Centre Place could be tackled one at a time. This will allow for a greater focus on those properties requiring significant tenant-in-place renovations.

Projected Construction Budget

Division	Division Name	TOTAL	TOTAL (/unit)
1	Site Preparation	5,535	21
2	Site Construction	386,375	1,442
3	Concrete	107,000	399
4	Masonry	9,300	35
5	Metals	-	-
6	Wood & Plastics	376,784	1,406
7	Thermal & Moisture Protection	-	-
8	Door & Windows	777,095	2,900
9	Finishes	2,582,671	9,637
10	Specialties	248,027	925
11	Equipment	816,982	3,048
12	Furnishings	1,085,545	4,051
13	Special Construction	-	-
14	Conveying Systems	-	-
15	Mechanical	1,698,288	6,337
16	Electrical	994,750	3,712
	TOTAL HARD COSTS	**9,088,352**	**33,912**
10.06%	Contingency	914,632	3,413
9.81%	General Requirements	891,721	3,327
0.73%	General Liability	65,899	246
0.22%	Builder's Risk	19,662	73
6.73%	GC Fee	611,876	2,283
3.14%	Overhead	285,056	1,064
	TOTAL CONSTRUCTION COST*	**11,877,198**	**44,318**

* August 2014 pricing

The projected construction contract amount is $11,877,198. Hard cost pricing employs the Davis-Bacon wage scale as required by the RAD program. The scope of renovations for the RAD 6 is very similar in nature to that of the scattered site 669 properties, as the preponderance of the RAD 6 units are also townhomes for families. Once again, HOC's "Better" standard of fixtures and finishes will be employed. As FPC is one of the two general contractors for the renovation of the scattered site 669 properties, it should bring learned efficiencies to the RAD 6 avoiding the typical learning curve associated with any rehabilitation effort.

Because the RAD 6 are multifamily properties with constant occupancy and more diligent property management coverage, there will be few if any outlier units with catastrophic damage like that found in some of the long-vacant scattered site 669 units. Those outlier units were a substantial reason for the higher per-unit cost of renovations.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission wish to authorize the Executive Director to enter into one or more contracts with Foulger-Pratt Contracting, LLC, for general contracting services for the renovation of the RAD 6 properties?

BUDGET IMPACT

There is no adverse impact for the current Agency operating budget.

TIME FRAME

For action at the Commission meeting scheduled for November 5, 2014.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission authorize the Executive Director to enter into one or more contracts with Foulger-Pratt Contracting, LLC, for general contracting services for the renovation of the RAD 6.

The current estimated contract is $11.8 million but staff recommends approval to negotiate and sign one or more contracts in an aggregate amount not to exceed $13 million to reflect changes to construction pricing since the bids were provided in August 2014.

RESOLUTION: **RE: Approval to Authorize the Executive Director to Enter into Contracts for General Contracting Services for the Renovation of the RAD 6 Development.**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC"), 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, is 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 December 18, 2013 and March 26, 2014, HOC received a Commitment to enter into a Housing Assistance Payment contract ("CHAP") for four Asset Management Projects, which include seven HOC-owned communities – Emory Grove, Ken Gar, Seneca Ridge (also known as Middlebrook Square), Parkway Woods, Sandy Spring Meadow, Towne Centre Place, and Washington Square – from the United States Department of Housing and Urban Development ("HUD") in conjunction with HOC's application to HUD's Rental Assistance Demonstration ("RAD") program; and

WHEREAS, HOC determined that the Emory Grove property could not be reasonably and cost-effectively renovated and that Washington Square, Seneca Ridge, Towne Centre Place, Ken Gar, Sandy Spring, and Parkway Woods (collectively, the "RAD 6 Development"), comprising 268 multifamily units, could be reasonably and cost-effectively renovated; and

WHEREAS, HOC is the sole member of RAD 6 Development Corporation ("RAD 6 Owner"), a Maryland non-stock corporation, which will acquire the RAD 6 Development in connection with the conversion of those properties from Public Housing subsidy to Project-Based Section 8 subsidy via the RAD program; and

WHEREAS, on May 7, 2014, HOC approved both the Preliminary Development Plan for the RAD 6 Development and the selection of a pool of four prequalified general contractors from which HOC would select one or more general contractors to perform the rehabilitation work proposed; and

WHEREAS, on August 6, 2014, HOC approved both the Final Development Plan for the RAD 6 Development and the selection of two contractors to perform the rehabilitation work outlined in the Final Development Plan; and

WHEREAS, upon further consideration, HOC wishes to engage Foulger-Pratt Contracting, LLC, as the general contractor for the rehabilitation of the RAD 6 Development; and

WHEREAS, the Final Development Plan included an estimated cost for the rehabilitation based on August 2014 pricing and, based on current negotiations with Foulger-Pratt Contracting, LLC, final pricing is anticipated to be higher due in part to increased market constraints; and

WHEREAS, HOC anticipates that the increased cost for the rehabilitation will not cause the aggregate cost of the rehabilitation to exceed Thirteen Million Dollars ($13,000,000) and will continue to negotiate for the lowest and most advantageous construction contract amount possible; and

WHEREAS, the aggregate amount of the construction contracts for the rehabilitation of the RAD 6 Development will be funded by the proceeds from the senior loan made to the RAD 6 Owner as described by the Final Development Plan ("Senior Loan"); and

WHEREAS, to approve funding for the Senior Loan, the lender must be presented with executed construction contracts for the total scheduled rehabilitation work in the aggregate amount.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, authorizes the Executive Director, without further action on their respective parts, to execute on behalf of the RAD 6 Development Corporation any and all contracts with Foulger-Pratt Contracting, LLC (or an affiliate thereof), in an aggregate amount not to exceed Thirteen Million Dollars ($13,000,000), to perform the rehabilitation work outlined in the Final Development Plan and funded from the Senior Loan.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, that the Executive Director is hereby authorized and directed, without further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all other documents related thereto.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, at a regular meeting conducted on November 5, 2014.

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Patrice M. Birdsong
Special Assistant to the Commission

Information Exchange

Report of the Executive Director
Stacy L. Spann
November 5, 2014

Property Management

HOC Honored at PACE Awards

On October 14, 2014, Property Management staff attended the annual Property Management Association's Apartment Community Excellence awards ceremony. A team of property management professionals judge properties in a variety of categories each year. Many HOC properties were nominated for awards and three won awards for excellence in property management:

Stewartown Homes (Edgewood)
Tanglewood Apartments (Equity)
Paddington Square (Equity)

I am proud of our contract management team for their leadership and oversight. The Paddington Square award, in particular, represents a significant achievement given the challenges the agency faced with this property just a couple of years ago.

For more information on the PACE Awards, please have a look at the Property Management Association website.

Real Estate

RAD Meetings Held and Scheduled

On Thursday, September 30, 2014, the Real Estate team met with residents of Ken Gar and Parkway Woods to discuss RAD progress at both sites and provide an updated timeframe for renovations.

Clients were pleased with the update and have been following progress on the HOC website. A Q&A session followed the meeting and most questions centered around the anticipated timeframe for interior renovations to the units.

On Tuesday, October 14th and Wednesday, October 15th, HOC held RAD meeting for clients at Washington Square and Emory Grove, respectively. These meetings updated clients on RAD progress at each property and discussed the logistics of the client relocation process.

Chevy Chase Lake Meeting Scheduled

On Monday, November 17, 2014, HOC staff will meet with residents of Chevy Chase Lake (CCL) Apartments to provide updates on the redevelopment process and further discuss the timing of relocations. Staff has committed to holding follow-up meetings with CCL tenants every 90 days.

Legislative and Public Affairs

Housing Expo Planned

HOC is preparing to stage a Housing Expo to lease-up some of the disposition units that are completing the rehabilitation process and becoming available.

In addition to tours of model units, the Expo will host service vendors to provide clients with helpful information on energy savings, educational opportunities and much more.

The event is scheduled for Saturday, November 22, 2014 at Shady Grove Middle School in Rockville.

Town Hall Meeting Scheduled

On Thursday, November 20, 2014, HOC will hold its final Town Hall Meeting of the calendar year. The meeting will be held in the cafeteria of Clarksburg High School at 22500 Wims Rd, Clarksburg, MD 20871.

Resident Services

Fall Day in the Country

On October 26, 2014, HOC youth participated in Fall Day in the Country. Twice each year, HOC youth residents, grades K-5, are treated to a field day. The young students are paired with teenagers from Landon School and spend the day enjoying a host of activities including games, a moonbounce, bracelet and tie-dye shirt making, face painting and more.

Holiday Giving Coalition

Each year, HOC joins a coalition consisting of 50 other organizations to provide resources for the holidays to those we serve.

The Coalition provides Thanksgiving baskets with food and/or gift cards to families who would otherwise be unable to enjoy a family Thanksgiving meal. Similarly, the Coalition also gathers new Christmas presents for distribution to families in need.

Each year, the Coalition touches the lives of 11,000 Montgomery County families and more than 20,000 children. If you would like to make a donation to the Coalition, please contact Patrice Birdsong.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

November 2014

3	Town Center Board Meeting (90 Monroe St., Rockville, MD) *(Simon)*	2:00 p.m.
3	Banor (Bauer) House Board Meeting *(Roman)*	7:00 p.m.
5	Budget, Finance and Audit Committee (Audit Review) (*Roman, Piñero)*	2:00 p.m.
5	HOC Regular Meeting *(All)*	4:00 p.m.
6	FSS 2014 Graduation and Recognition Ceremony *(All)* (Silver Spring Civic Bldg., One Veterans Place, Silver Spring, MD 20910 – 6:00 p.m. Dinner/Reception)	7:00 p.m.
11	Veterans Day (HOC Closed)	
13	Information and Communication Committee Meeting *(Banks, Simon)*	4:00 p.m.
14	Legislative and Regulatory Committee *(Banks, Roman, Simon)*	1:30 p.m.
17	Agenda Formulation (*Piñero, Banks)*	1:00 p.m.
17	Resident Advisory Board *(Banks)*	7:00 p.m.
19	Executive Session *(All)*	10:00 a.m.
19	Planning Committee *(Roman, Lindstrom)*	12:00 noon
20	Development and Finance Committee (*Lindstrom, Simon, Herrera)*	11:30 a.m.
20	Town Hall Meeting – (District 2, Clarksburg High School Cafeteria, 22500 Wims Rd., Clarksburg, MD 20871)	6:30 p.m.
27-28	Thanksgiving Holiday (Observed – HOC Closed)	

December 2014

3	Longevity Awards Reception *(All)*	3:00 p.m.
3	Longevity Awards Presentation *(All)*	4:00 p.m.
3	HOC Regular Meeting *(All)*	4:30 p.m.
4	Worksession – re: Annual Evaluation of the HUBs (TD 14-04) *(All)*	10:00 a.m.
9	Legislative and Regulatory Committee *(Banks, Roman, Simon)*	2:00 p.m.
11	Budget, Finance & Audit Committee (1st Quarter) *(Roman, Piñero)*	10:00 a.m.
11	Worksession – re: Property Assessment Tool (TD 14-06) & Status of HOC Reorganization (TD 14-03) *(All)*	12:00 noon
11	Information and Communication Committee *(Banks, Simon)*	4:00 p.m.
15	Resident Advisory Board *(Banks)*	7:00 p.m.
17	Executive Session (All)	10:00 a.m.
18	Development and Finance Committee (*Lindstrom, Simon, Herrera)*	11:30 a.m.
25	Christmas Holiday (HOC Closed)	

January 2015

1	New Year's Day Holiday (HOC Closed)	
14	HOC Regular Meeting *(All)*	4:00 p.m.
15	Joint Meeting with Planning Board *(All)* (M-NCPPC, 8787 Georgia Ave., Silver Spring, MD)	6:00 p.m.
19	Martin Luther King, Jr. Holiday (HOC Closed)	
20	Legislative and Regulatory Committee *(Banks, Roman, Simon)*	2:00 p.m.
21	Executive Session (All)	10:00 a.m.

22	Development and Finance Committee (*Lindstrom, Simon, Herrera)*	11:30 a.m.
26	Resident Advisory Board *(Banks)*	7:00 p.m.

February 2015

4	HOC Annual Meeting (All) (HOC Annual Meeting Reception, 3:00 p.m. – Atrium)	4:00 p.m.
10	Planning Committee Meeting (Roman, Lindstrom)	2:00 p.m.
11	Executive Session (All)	10:00 a.m.
16	Presidents' Day (HOC Closed)	
19	Development and Finance Committee Meeting (Lindstrom, Simon)	11:30 a.m.
23	Agenda Formulation	1:00 p.m.

Activities of Interest		Hearing Board
TBD	Joint Meeting with Commission on People with Disabilities	
01/15/2015	Joint Meeting with the Planning Board	
TBD	Property Tour III	

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-286	1st Qtr. CY'15	Rationale for HOC Managed Properties vs. Contract Managed (Kator, Commission Mtg., Jan. 11, 2012)	BD	Status Report
TD-14-03	Dec. 11, 2014	Worksession – Status of HOC Reorganization	SS	Worksession
TD-14-04	Dec. 4, 2014	Annual Evaluation of the HUBs – what things are working and what needs improvement	GS/BD	Worksession
TD-14-05	Jan. 2015	HOC Academy	GS	
TD-14-06	Dec. 11, 2014	Property Assessment Tool	SS/ES	Worksession
TD-14-07	Dec. 2014	Procurement Policy	KM	Worksession

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

AUTHORIZATION TO APPLY HOC'S NEW FLAT RENT AMOUNTS TO NEW APPLICANTS AND RECERTIFYING HOUSEHOLDS IN PUBLIC HOUSING

NOVEMBER 5, 2014

- On May 19, 2014, HUD issued a notice requiring all PHAs to change their flat rents to a uniform minimum of 80% of their jurisdiction's Fair Market Rents (FMR).

- HUD Notice PIH 2014-12 (HA) implements this new flat rent policy in accordance with Section 210 and 243 of the Consolidated Appropriations Act of 2014.

- HUD's flat rent policy change applies to any PHA which operates a Public Housing program. It also applies to families residing in or applicants to the Public Housing program.

- PHAs were required to establish the new flat rent policy as their PHAs flat rent policy in June of 2014.

- PHAs are required to begin applying their new flat rent schedules to households they are recertifying and new applicants by October 31, 2014.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM:

Bobbie DaCosta	Division:	Acting Director of Property Management	Ext: 9524
Lynn Hayes		Director of Housing Resources	Ext: 9622
Ellen Goff		Portfolio Information Manager	Ext: 9528
Ethan Cohen		Housing Programs Coordinator	Ext. 9764

RE: Authorization to Apply HOC's New Flat Rent Amounts to New Applicants and Recertifying Households in Public Housing

DATE: November 5, 2014

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To receive Commission approval to use the identified flat rent amounts for all new applicants to HOC's Public Housing program as well as for all recertifying households currently using their flat rent option in HOC's Public Housing program.

BACKGROUND:
Title 24 of the Code of Federal Regulations, Part 960, Section 253 explains that once a year, Public Housing Authorities (PHAs) must give each family in their Public Housing program the opportunity to choose between two methods for determining the amount of tenant rent payable monthly by the family. The family may choose to pay, as tenant rent, either a flat rent or an income-based rent. Except for financial hardship cases, families may not be offered this choice more than once per year.

Flat rent is a tenant rent that is pre-determined based on a unit's bedroom size and the area in which it is located. Flat rents were designed to encourage self-sufficiency and to avoid creating disincentives for continued residency by families who are attempting to become economically self-sufficient. Typically, a family will choose to pay the flat rent if they have a high income and the flat rent is less than 30% of their household's monthly adjusted income. Of course, if one is paying the flat rent and at any time becomes unable to pay that amount because of a financial hardship, the tenant may ask to return to an income-based rent. This change can be done even mid-year.

Until this year, flat rents were determined individually by PHAs using a "reasonable method to determine the flat rent for a unit". PHAs were instructed to consider:

1. The location, quality, size, unit type and age of the unit; and
2. Any amenities, housing services, maintenance and utilities provided by the PHA.

HOC's existing flat rents were set based on a comprehensive market study analysis completed in September 2011.

On May 19, 2014, HUD issued a notice requiring all PHAs nationwide to change their flat rents to a uniform minimum of 80 percent of their jurisdiction's Fair Market Rents (FMR). HUD Notice PIH 2014-12 (HA) implemented this new flat rent policy in accordance with Section 210 and 243 of the Consolidated Appropriations Act of 2014. HUD's flat rent policy change applies to any PHA which operates a Public Housing program, such as HOC. It also applies to families residing in or applicants to a PHA's Public Housing program.

HUD Notice PIH 2014-12 (HA) divided this flat rent change into two obligations: (1) A formal policy change to state that flat rent amounts would be set at a minimum to 80 percent of the jurisdiction's FMR, and (2) an identification of the actual flat rent amounts to be established for those in the PHA's portfolio that have opted to use the flat rents.

PHAs were required to adopt the new flat rent policy change as their PHA's flat rent policy in June of 2014. This was to be done either by direct insertion into an agency's PHA Plan or by Significant Amendment to the PHA Plan if the Plan had already been submitted for the given fiscal year. HOC was in the development process of its FY 2015 PHA Plan at the time HUD issued its guidance and, therefore, incorporated the flat rent policy change directly into the Plan in June of 2014.

For the second obligation of the flat rent change, PHAs are required to begin applying their new flat rent schedules to households they are recertifying and for new applicants beginning October 31, 2014. The following flat rent schedule for HOC Public Housing properties incorporates HUD's new requirement to remain at a minimum at 80 percent of FMR for all Public Housing flat rents.

Bedroom Size	Recommended Flat Rents
Elizabeth House	
0	$1,028
1	$1,384
2	$1,722
Holly Hall	
1-Jr	$1,002
1	$1,305
2	$1,660
Arcola Towers	
1	$1,145
1-lg	$1,145
Waverly House	
1	$1,390
Emory Grove	
1	$949
2	$1,120
3	$1,500
4	$1,890

Bedroom Size	Recommended Flat Rents
Washington Square	
2	$1,385
3	$1,583
4	$1,890
Seneca Ridge	
0	$1,156
2	$1,397
3	$1,753
4	$1,999
Ken Gar	
2	$1,253
3	$1,411
4-TH	$1,764
4-SF	$1,699
Parkway Woods	
2	$1,150
3	$1,363
4	$1,660

Bedroom Size	Recommended Flat Rents
Towne Centre Place	
1	$1,190
2	$1,275
3	$1,488
Sandy Spring Meadow	
1	$1,202
2	$1,273
3	$1,453
4	$1,699
Tobytown	
1	$843
2	$981
3	$1,330

ISSUES FOR CONSIDERATION:

Does the Housing Opportunities Commission wish to authorize the Executive Director to establish the above described flat rents for all new applicants to HOC's Public Housing program as well as for all recertifying households currently using their flat rent option in HOC's Public Housing program?

PRINCIPALS:

Property Management Division
Housing Resources Division

BUDGET IMPACT:

The expected effect on the Agency budget is minimal.

TIME FRAME:

The Budget, Finance, and Audit Committee reviewed this item at its meeting on October 14, 2014, and recommended it for Commission approval on November 5, 2014.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Budget, Finance, and Audit Committee to authorize the Executive Director to establish the above described flat

rents for all new applicants to HOC's Public Housing program as well as for all recertifying households currently using their flat rent option in HOC's Public Housing program.

RESOLUTION: **RE: Authorization to Apply HOC's New Flat Rent Amounts to New Applicants and Recertifying Households in Public Housing**

WHEREAS, HUD regulations require that the Housing Opportunities Commission of Montgomery County establish new flat rent amounts conforming to the new 80 percent of FMR floor; and

WHEREAS, the establishment of these flat rent amounts follows the June 2014 flat rent policy change and must be identified by October 31, 2014.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to establish the flat rent amounts listed below.

Bedroom Size	Recommended Flat Rents
Elizabeth House	
0	$1,028
1	$1,384
2	$1,722
Holly Hall	
1-Jr	$1,002
1	$1,305
2	$1,660
Arcola Towers	
1	$1,145
1-lg	$1,145
Waverly House	
1	$1,390
Emory Grove	
1	$949
2	$1,120
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Bedroom Size	Recommended Flat Rents
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Bedroom Size	Recommended Flat Rents
Towne Centre Place	
1	$1,190
2	$1,275
3	$1,488
Sandy Spring Meadow	
1	$1,202
2	$1,273
3	$1,453
4	$1,699
Tobytown	
1	$843
2	$981
3	$1,330

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on Wednesday, November 5, 2014.

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Patrice Birdsong
Special Assistant to the Commission

AUTHORIZATION TO SUBMIT
FY'16 COUNTY OPERATING BUDGET

November 5, 2014

- **The FY'16 County Operating Budget submission is due to the County Office of Management and Budget (OMB) on November 13, 2014.**

- **The Agency is required to submit a base budget or Maximum Agency Request Ceiling (MARC) for FY'16 not to exceed $6,599,390 which is based on the current FY'15 MARC of $6,376,480 plus an adjustment for salary, health and retirement benefits of $222,910.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Finance: Gail Willison Ext. 9480
Terri Fowler Ext. 9507

RE: Authorization to Submit FY'16 County Operating Budget

DATE: November 5, 2014

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Authorization to submit FY'16 County Operating Budget

BACKGROUND:
The FY'16 Operating Budget submission is due to the County Office of Management and Budget (OMB) on November 13, 2014. The Agency is required to submit a base budget or Maximum Agency Request Ceiling (MARC) for FY'16 not to exceed $6,599,390. The MARC is based on the FY'15 approved MARC of $6,376,480 plus an adjustment for salary, health and retirement benefits of $222,910.

For FY'16, OMB is not accepting competition list requests except to include programmatic obligations not already reflected in the MARC or to respond to legal mandates.

The County continues to face a constrained fiscal environment. Revenues are forecasted to grow slower than known cost obligations including debt service, Maintenance of Effort spending for Montgomery County Public Schools (MCPS) and Montgomery College, retiree health insurance, and rebuilding services. Unless these fundamentals change in updated forecasts later this year, the County will have to make difficult choices to balance the budget.

The initial baseline targets were released with the expectation that specific budget reductions and other guidance, if necessary, would be provided after the Department of Finance updates its revenue forecast at the end of November. Similar to last year, any target reduction proposals will be due within two to three weeks. In addition, the County is updating the actuarial study for the Other Post Employment Benefit (OPEB) costs and will adjust the MARC based on the results. Staff will incorporate any changes during the Agency FY'16 Budget Amendment cycle.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the submission of the FY'16 County Budget MARC of $6,599,390?

BUDGET IMPACT:

The County's Operating Grant is the primary funding source for the Agency's Resident Services Division. The County Operating Grant also funds a large part of the Housing Resources Division.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the FY'16 County Operating Budget submission at the October 14, 2014 meeting. Action is requested at the November 5, 2014 Commission meeting. Once approved, the FY'16 County Operating Budget will be submitted to the County.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission authorize the submission of the proposed FY'16 County Operating Budget of $6,599,390 at the November 5, 2014 meeting in order to meet the submission deadline of November 13, 2014 for the County Operating Budget process.

RESOLUTION NO: **RE: Authorization to Submit FY'16 County Operating Budget**

WHEREAS, the Housing Opportunities Commission (HOC) of Montgomery County wishes to submit a request for County funds for FY'16; and

WHEREAS, the County has instructed HOC to submit a base budget or "MARC" of $6,599,390 for FY'16 by November 13, 2014.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby submits a request for FY'16 County funds in the amount of $6,599,390.

Patrice Birdsong
Special Assistant to the Commission

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APPROVAL TO SUBMIT FFY 2015 PUBLIC HOUSING OPERATING SUBSIDY CALCULATIONS TO HUD FOR THE PERIOD JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

November 5, 2014

- **HOC is required by HUD to submit a calculation of its Public Housing Operating Subsidy for each Asset Management Project (AMP) for the period January 1, 2015 through December 31, 2015.**

- **Although the schedule for submission has not yet been posted, staff anticipates that the deadline will require a short turnaround.**

- **Staff recommends that the Chair or his designee be authorized to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2015 through December 31, 2015.**

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
Lola Knights — Ext. 9514

RE: Approval to Submit FFY 2015 Public Housing Operating Subsidy Calculations to HUD for the Period January 1, 2015 through December 31, 2015

DATE: November 5, 2014

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to submit FFY 2015 Public Housing Operating Subsidy Calculations to HUD for the period January 1, 2015 through December 31, 2015.

BACKGROUND:
All Public Housing Authorities (PHAs) will be required to submit an operating subsidy calculation for each Asset Management Project (AMP) for the period January 1, 2015 through December 31, 2015 to HUD. Although the schedule for submission has not yet been posted, staff anticipates that the deadline will require a short turnaround.

It is important to realize that the calculations, which are based on the difference between rental income and expenses, are formulaic in nature and only provide the calculated need for each AMP. HUD will deploy electronic forms with the pre-populated data to be used in the calculations. With the exception of utility consumptions and costs, the forms will include all data required for the calculation. Staff is in the process of finalizing the required utility data for the calculations.

In CY'14, HOC was eligible for a subsidy of $6,921,106. Originally, HUD authorized a CY'14 HUD appropriation at 85%; however, this was later increased to 89%.

The final appropriation for CY'15 will not be known until HUD has reviewed all submissions and compared the total needs to their total available funding. Staff will notify the Commission as soon as this information is available. It is important to note that the Agency's Public Housing Operating Subsidy eligibility will be reduced as units convert through the Section 18 Disposition

and Rental Assistance Demonstration (RAD) programs. It is anticipated that there will only be 256 units remaining in the Public Housing rental program by December 2015 and include only Elizabeth House and Holly Hall.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Chair or his designee to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2015 through December 31, 2015?

BUDGET IMPACT:

At the current time, the budget impact is unknown. As a reminder, the calculations are formulaic based on historical data provided by both HUD and HOC. Once the final appropriation projections are received, staff will determine if a budget amendment is necessary.

TIME FRAME:

The schedule for submission of the FFY 2015 Public Housing Operating Subsidy Calculations has not yet been posted; however, staff anticipated that the deadline will require a short turnaround. The FFY 2015 Public Housing Operating Subsidy Calculations were discussed with the Budget, Finance and Audit Committee at the October 14, 2014 meeting. Commission action is requested at the November 5, 2014 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Chair or his designee be authorized to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2015 through December 31, 2015.

Resolution No.

Re: Approval to Submit FFY 2015 Public Housing Operating Subsidy Calculations to HUD for the Period January 1, 2015 through December 31, 2015

WHEREAS, HOC is required by HUD to submit a calculation of its Public Housing Operating Subsidy for each Asset Management Project (AMP) for the period January 1, 2015 through December 31, 2015.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Chair or his designee is hereby authorized to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2015 through December 31, 2015.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, November 5, 2014.

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Patrice Birdsong
Special Assistant to the Commission

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Acceptance of HOC FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter

November 5, 2014

- At the November 5, 2014 Budget, Finance and Audit Committee meeting, CliftonLarsonAllen, LLP, an independent public accounting firm, presented the FY'14 Financial Statement Audit, Single Audit Report (A-133), and Management Letter.

- HOC received an unqualified audit opinion on the Financial Statement Audit.

- HOC received an unqualified audit opinion on the Single Audit Report (A-133) with no instances of material weaknesses identified related to internal control over financial reporting or major programs. However, there are three significant deficiencies identified within the internal controls over major programs which are reported as Federal Award Findings and Questioned Costs.

- HOC received a Management Letter with two items: (1) Other Real Estate Owner; and (2) Housing Choice Voucher Eligibility.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM:

Gail Willison, Chief Financial Officer	Finance	Ext. 9080
Belle Seyoum, Controller	Finance	Ext. 9076
Eugenia Pascual, Assistant Controller	Finance	Ext. 9078
Tiffany Jackson, Accounting Manager	Finance	Ext. 9512

RE: Acceptance of HOC FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter

DATE: November 5, 2014

STATUS: Committee Report __X__

OVERALL GOAL & OBJECTIVE:
Acceptance of the FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter of the Housing Opportunities Commission. The Audited Financial Statements must be published by December 1, 2014.

BACKGROUND:
Our auditor, CliftonLarsonAllen, LLP (CLA), prepared the results of the FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter. They will present their findings to the Housing Opportunities Commission at the Budget, Finance and Audit Committee on November 5, 2014.

ISSUES FOR CONSIDERATION:

Financial Statement Audit

On September 16, 2014, preliminary financial statements were presented to the Budget, Finance and Audit Committee. Subsequent to September 16, staff recorded two additional entries after discussion and agreement with CLA. The first entry relates to the implementation of GASB 65. Bond premiums were on the books in the Single Family 1979 Indenture. Staff expected to amortize those as the entry related to GASB 65 implementation was made. However, as the bonds related to those bond premiums had previously been redeemed, the bond premiums are not eligible under GASB 65. Therefore, the bond premium income had to be recognized in FY 2014 and additional income in the amount of $1,161,875 was added to the Agency bottom line.

The second entry relates to the transfer of MHLP VII and MHLP VIII from the Tax Credit Portfolio to the Opportunity Housing Portfolio. The effect of transferring these properties to the Agency resulted in a loss of ($774,123).

The effect of the two additional entries decreased the Agency total losses for the fiscal year from ($5,443,128) to ($5,055,378), a net decrease of $387,752.

The final draft audited financial statements for FY'14 will be sent to the Committee under separate cover. The signed bound copies will be distributed by CliftonLarsonAllen, LLP at the Budget, Finance and Audit Committee on November 5, 2014. No further changes are expected. The Commission received an unqualified audit opinion for the year ended June 30, 2014.

The financial statements for HOC's tax credit component units are presented in a separate column. The information is based on each tax credit partnership's audited financial statement as of December 31, 2013 with the exception of the Strathmore Court Limited Partnership and The Metropolitan Limited Partnership which are presented as of June 30, 2014.

Single Audit Report (A-133)

Attached is the final draft Single Audit Report for FY'14. The signed bound copies will be distributed by CliftonLarsonAllen, LLP at the Budget, Finance and Audit Committee on November 5, 2014. No changes are expected. There are no instances of material internal control weaknesses identified. HOC received an unqualified audit opinion and is qualified as a low-risk audit. However, there is one significant deficiency within the internal control over major programs which is reported as a Federal Award Finding.

Finding 2014-001: Housing Choice Voucher Program, CFDA 14.871

Condition/Context
1 file out of 40 did not contain support that a rent reasonableness test was performed prior to the rent increase. 1 file out of 40 had a rent reasonableness test performed after the effective date of the rent increase. 2 files out of 40 did not contain rent reasonableness tests performed before the new tenant moved in.

Management's Response:
The Commission acknowledges the discovery of timing errors in the process of completing rent reasonableness testing related to rent increase requests. However, we have made significant progress in processing rent increase requests timely and accurately.

Additionally, the sample did not identify a systemic issue but rather clerical mistakes.

- One file was processed by a temporary employee
- One file missing documentation was processed by a former employee
- Two files were clerical errors

The Commission has implemented a weekly rent increase processing day to ensure that all rent increase requests are processed prior to the effective date. One day per week staff solely processes rent increase requests. Additionally, management oversight has increased to include weekly monitoring and reporting of all incoming requests.

Lynn Hayes is the contact responsible for this correction action and the expected completion date is March 31, 2015.

Finding 2014-002: Supportive Housing Program, CFDA 14.235

Condition/Context

1 file out of 10 did not have a rent reasonableness test performed for the rent increase. 1 file out of 10 included a rent reasonableness test performed after the rent effective date.

Management's Response:

The 2013 Audit Report indicated a corrective action in the area of rent reasonableness. The corrective action stipulated that rent reasonable forms would be completed for all rent increases from October 2013 retroactive to July 1, 2013. An additional step has included HOC maintaining a spreadsheet of all rent increase letters with the date each rent reasonableness form is completed.

Both rent reasonable forms cited were completed within this July-October 2013 period.

Currently, we are in the process of implementing a plan to improve the accuracy of the electronic filing system. In addition we have reviewed the job tasks of several staff and have reassigned the rent calculation task to a staff person with more experience.

Fred Swan is the contact responsible for this corrective action and the expected completion date is March 31, 2015.

Finding 2014-003: Supportive Housing Program, CFDA 14.235

Condition/Context

4 files out of 20 did not have correct calculation of income on the HUD-50058 based on the third party verification. 1 file out of 20 did not have verification of expenses. 1 file out of 20 did not have support that tenant files were recertified on an annual basis.

Management's Response:

The Commission recognizes the importance of accurate income calculation, timely and complete re-certifications and recording keeping. The Commission will work to ensure it meets all requirements in these areas. Four files are cited for errors related to income calculations, one for an error related to verification of expenses and one file did not have support that tenant files were recertified on an annual basis. Documentation for the two re-certifications has been recovered and is now located in the appropriate files.

The Commission has reviewed its eligibility process and will continue to update its processes. Specific staff have been assigned to perform quality control activities, and to ensure that all income calculations and rent determinations are accurate. The current process that has been implemented will improve our electronic filing system and ensure that all program records will be maintained and organized appropriately.

Fred Swan is the contact responsible for this corrective action and it has been implemented as of October 31, 2013.

Finding 2013-01: Housing Choice Voucher Program, CFDA 14.871

Condition/Context
A sample of 7 quality control inspections found that 2 were performed more than 3 months after the date of the most recent completed housing quality standards inspection performed on the unit.

Recommendation
We recommend the Commission review their quality control process to ensure it is working as expected and supervisors are conducting an appropriate number of reviews.

Status
This finding has been cleared in the current year.

Finding 2013-02, 2012-01: Housing Choice Voucher Program, CFDA 14.871

Condition/Context
A sample of 40 new tenants tested for compliance with Housing Choice Voucher reasonable rent requirements had exceptions in 2 files as described below.

- In 1 file the reasonable rent determination form was not completed prior to the effective date of the rent increase.
- In 1 file the rent determination form did not document why the approved contract rent to the owner exceeded the reasonable rent determined.

A separate sample of 40 files with contract rent changes had exceptions in 4 files because the reasonable rent determination form was not completed prior to the effective date of the rent increase.

Recommendation
We recommend that the Commission develop a plan to monitor the incoming rent increase requests from owners and ensure the reasonableness determination is properly documented before the effective date of the annual/interim recertification.

Status
This finding was carried forward to 2014-001.

Finding 2013-03: Supportive Housing Program, CFDA 14.235

Condition/Context
A sample of 20 tenants tested for compliance with Supportive Housing eligibility requirements had exceptions in 13 files including the following. Some files contained multiple exceptions.

- 3 files did not document support for the tenant rent or the rent was miscalculated.
- 12 files did not properly update tenant assets reported on the recertifications or the amounts listed on the bank accounts did not agree to the information reported on the recertification.
- 3 files did not document support for expenses listed on the recertification.
- 1 file did not document the recertification so the correct tenant rent portion could not be determined.

Recommendation
We recommend the Commission implement a quality control review process to ensure the recertifications meet all requirements and contain all documentation to support amounts reported. A manager or supervisor should perform reviews of certain files and the Commission should consider utilizing a checklist of required information.

Status
This finding was carried forward to 2014-003.

Finding 2013-04: Supportive Housing Program, CFDA 14.235

Condition/Context
The Commission could not provide support for 20 of 20 tenant files selected to show that they verified the rent paid to the landlord was comparable to other unassisted units.

Recommendation
We recommend the Commission implement a procedure to ensure they review the rent paid to landlords upon a tenant's initial move-in and upon each subsequent rent change to verify the rent paid is reasonable in comparison to other unassisted units.

Response
This finding was carried forward to 2014-002.

Management Letter

A requirement when performing an audit of an entity's financial statements is to write a Management Letter which communicates audit related findings related to internal controls to Management's Commission as required by SAS No. 112.

The Commission received Management Letter comments in the following areas: Other Real Estate Owned and Housing Choice Voucher Single Audit Eligibility. Please see attached letter and management's response.

BUDGET IMPACT:
None. A funding source for the audit is budgeted during the HOC budget cycle each year.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter at its November 5, 2014 meeting. Staff requests acceptance by the Commission at the November 5, 2014 meeting. The Audited Financial Statements must be published by December 1, 2014.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends the Commission accept the FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter.

RESOLUTION NO.

RE: Acceptance of HOC FY'14 Audited Financial Statements Single Audit Report (A-133), and Management Letter

WHEREAS, the independent auditors, CliftonLarsonAllen, LLP, presented their report for FY'14 to the Budget, Finance and Audit Committee; and

WHEREAS, at a meeting held on November 5, 2014, the Budget, Finance and Audit Committee reviewed the FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission accepts the FY'14 Audited Financial Statements, Single Audit Report (A-133), and Management Letter prepared by CliftonLarsonAllen, LLP.

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Patrice Birdsong
Special Assistant to the Commission

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Draft Audited Financial Statements
to be sent under separate cover

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)

SINGLE AUDIT REPORT
June 30, 2014

TABLE OF CONTENTS

PAGE

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Federal Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Section 8 Housing Choice Vouchers	14.871	$ 85,125,299
5 Year Mainstream Vouchers	14.879	141,298
Total Housing Choice Vouchers Cluster		85,266,597
Public Housing Capital Fund	14.872	1,095,544
Public and Indian Housing	14.850	5,911,955
Supportive Housing Program	14.235	2,453,066
Shelter Plus Care	14.238	783,827
Section 8 Moderate Rehabilitation	14.856	341,302
Resident Opportunity and Supportive Services	14.870	197,321
Subtotal - Direct Program		96,049,612
Pass-through Department of Housing and Urban Development via Montgomery County Department of Health and Human Services:		
Home Investment Partnerships Program	14.239	137,268
Total Department of Housing and Urban Development		96,186,880
Department of Health and Human Services		
Pass-through Department of Health and Human Services via State Office on Aging and Montgomery County Department of Family Resources:		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	43,231
Total Federal Financial Awards		**$ 96,230,111**

See accompanying note to the schedule.

HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some of the amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies or other entities are included in the schedule.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None reported
• Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	Yes	____	None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X	Yes	____	No

Identification of Major Programs

Name of Federal Program	CFDA Number
Section 8 Housing Voucher Cluster	14.HCV
Supportive Housing Program	14.235

Dollar threshold used to distinguish between type A and type B programs $3,000,000

Auditee qualified as low-risk auditee?	X	Yes	____	No

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

Finding 2014-001: Housing Choice Voucher Program, CFDA 14.871

Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Special Tests and Provisions (Rent Reasonableness)**
Type of Finding: **Internal Control, Noncompliance, Significant Deficiency**

Condition/Context
1 file out of 40 did not contain support that a rent reasonableness test was performed prior to the rent increase. 1 file out of 40 had a rent reasonableness test performed after the effective date of the rent increase. 2 files out of 40 did not contain rent reasonableness tests performed before the new tenant moved in.

Criteria
The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

Cause
The Commission did not follow established procedures as documented in their Administrative Plan to ensure that all rents are enacted after a rent reasonableness test is performed.

Effect
The Commission is not in compliance with certain applicable federal regulations.

Questioned Costs
Unable to determine.

Recommendation
We recommend that management review their procedures for rent changes and enactments and establish a method that ensures compliance.

Response
The Commission acknowledges the discovery of timing errors in the process of completing rent reasonableness testing related to rent increase requests. However, we have made significant progress in processing rent increase requests timely and accurately.

Additionally, the sample did not identify a systemic issue but rather clerical mistakes.

- One file was processed by a temporary employee
- One file missing documentation was processed by a former employee
- Two files were clerical errors

The Commission has implemented a weekly rent increase processing day to ensure that all rent increase requests are processed prior to the effective date. One day per week staff solely processes rent increase requests. Additionally, management oversight has increased to include weekly monitoring and reporting of all incoming requests.

Lynn Hayes is the contact responsible for this correction action and the expected completion date is March 31, 2015.

Finding 2014-002: Supportive Housing Program, CFDA 14.235

Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Special Tests and Provisions (Rent Reasonableness)**
Type of Finding: **Internal Control, Noncompliance, Significant Deficiency**

Condition/Context
1 file out of 10 did not have a rent reasonableness test performed for the rent increase. 1 file out of 10 included a rent reasonableness test performed after the rent effective date.

Criteria
Where grants are used to pay for rent for all or a part of a structure, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. In addition, the rent may not exceed rents currently being charged by the same owner for comparable space (24 CFR section 583.115(b)(1)).

Where grants are used to pay rent for individual housing units, the rent paid must be reasonable in relation to rents being charged for comparable units taking into account relevant features. In addition, the rents may not exceed rents currently being charged by the same owner for comparable unassisted units, and the portion of rents paid with grant funds may not exceed HUD-determined fair market rents. Non-Federal entities may use grant funds in an amount up to one month's rent to pay the non-recipient landlord for any damages to leased units by homeless participants (24 CFR section 583.115(b)(2)).

Cause
The Commission did not follow established procedures as documented in their Administrative Plan to ensure that all rents are enacted after a rent reasonableness test is performed.

Effect
The Commission is not in compliance with certain applicable federal regulations.

Questioned Costs
Unable to determine.

Recommendation
We recommend that management review their procedures for rent changes and enactments and establish a method that ensures compliance.

Response
The 2013 Audit Report indicated a corrective action in the area of rent reasonableness. The corrective action stipulated that rent reasonable forms would be completed for all rent increases from October 2013 retroactive to July 1, 2013. An additional step has included HOC maintaining a spreadsheet of all rent increase letters with the date each rent reasonableness form is completed.

Both rent reasonable forms cited were completed within this July-October 2013 period.

Currently, we are in the process of implementing a plan to improve the accuracy of the electronic filing system. In addition we have reviewed the job tasks of several staff and have reassigned the rent calculation task to a staff person with more experience.

Fred Swan is the contact responsible for this corrective action and the expected completion date is March 31, 2015.

Finding 2014-003: Supportive Housing Program, CFDA 14.235

Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Eligibility**
Type of Finding: **Internal Control, Noncompliance, Significant Deficiency**

Condition/Context
4 files out of 20 did not have correct calculation of income on the HUD-50058 based on the third party verification. 1 file out of 20 did not have verification of expenses. 1 file out of 20 did not have support that tenant files were recertified on an annual basis.

Criteria
To be eligible to receive assistance under this program an individual must be homeless, as defined in 24 CFR section 583.5. The eligibility of those tenants who were admitted to the program should be determined by obtaining (1) signed applications that contained all of the information needed to determine eligibility, income, rent and order of selection; and, (2) when appropriate, third party verifications or documentation of expected income, assets, unusual medical expenses, and any other pertinent information.

Cause
The Commission did not follow established procedures as documented in their Administrative Plan to ensure that all documentation was collected prior to completing the HUD-50058 forms.

Effect
The Commission is not in compliance with certain applicable federal regulations.

Questioned Costs
Unable to determine.

Recommendation
We recommend that management review their procedures for retrieving tenant information and establish a method that ensures compliance.

Response
The Commission recognizes the importance of accurate income calculation, timely and complete re-certifications and recording keeping. The Commission will work to ensure it meets all requirements in these areas. Four files are cited for errors related to income calculations, one for an error related to verification of expenses and one file did not have support that tenant files were recertified on an annual basis. Documentation for the two re-certifications has been recovered and is now located in the appropriate files.

The Commission has reviewed its eligibility process and will continue to update its processes. Specific staff have been assigned to perform quality control activities, and to ensure that all income calculations and rent determinations are accurate. The current process that has been implemented will improve our electronic filing system and ensure that all program records will be maintained and organized appropriately.

Fred Swan is the contact responsible for this corrective action and the expected completion date is March 31, 2015.

HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Finding 2013-01: Housing Choice Voucher Program, CFDA 14.871

Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Special Tests and Provisions (Inspections)**
Type of Finding: **Internal Control, Noncompliance, Significant Deficiency**

Condition/Context
A sample of 7 quality control inspections found that 2 were performed more than 3 months after the date of the most recent completed housing quality standards inspection performed on the unit.

Recommendation
We recommend the Commission review their quality control process to ensure it is working as expected and supervisors are conducting an appropriate number of reviews.

Status
This finding has been cleared in the current year.

Finding 2013-02, 2012-01: Housing Choice Voucher Program, CFDA 14.871

Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Special Tests and Provisions, Reasonable Rent**
Type of Finding: **Internal Control, Noncompliance, Significant Deficiency**

Condition/Context
A sample of 40 new tenants tested for compliance with Housing Choice Voucher reasonable rent requirements had exceptions in 2 files as described below.

- In 1 file the reasonable rent determination form was not completed prior to the effective date of the rent increase.
- In 1 file the rent determination form did not document why the approved contract rent to the owner exceeded the reasonable rent determined.

A separate sample of 40 files with contract rent changes had exceptions in 4 files because the reasonable rent determination form was not completed prior to the effective date of the rent increase.

Recommendation
We recommend that the Commission develop a plan to monitor the incoming rent increase requests from owners and ensure the reasonableness determination is properly documented before the effective date of the annual/interim recertification.

Status
This finding was carried forward to 2014-001.

Finding 2013-03: Supportive Housing Program, CFDA 14.235

Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Eligibility**
Type of Finding: **Internal Control, Noncompliance, Significant Deficiency**

Condition/Context
A sample of 20 tenants tested for compliance with Supportive Housing eligibility requirements had exceptions in 13 files including the following. Some files contained multiple exceptions.

- 3 files did not document support for the tenant rent or the rent was miscalculated.
- 12 files did not properly update tenant assets reported on the recertifications or the amounts listed on the bank accounts did not agree to the information reported on the recertification.
- 3 files did not document support for expenses listed on the recertification.
- 1 file did not document the recertification so the correct tenant rent portion could not be determined.

Recommendation
We recommend the Commission implement a quality control review process to ensure the recertifications meet all requirements and contain all documentation to support amounts reported. A manager or supervisor should perform reviews of certain files and the Commission should consider utilizing a checklist of required information.

Status
This finding was carried forward to 2014-003.

Finding 2013-04: Supportive Housing Program, CFDA 14.235

Federal Agency: **U.S. Department of Housing and Urban Development**
Compliance Requirement: **Special Tests and Provisions, Reasonable Rent**
Type of Finding: **Internal Control, Noncompliance, Significant Deficiency**

Condition/Context
The Commission could not provide support for 20 of 20 tenant files selected to show that they verified the rent paid to the landlord was comparable to other unassisted units.

Criteria
24 CFR 583.115 states that the rent paid must be reasonable in relation to rents being charged for comparable units taking into account relevant features. In addition, the rents may not exceed rents currently being charged by the same owner for comparable unassisted units, and the portion of rents paid with grant funds may not exceed HUD-determined fair market rents.

Recommendation

We recommend the Commission implement a procedure to ensure they review the rent paid to landlords upon a tenant's initial move-in and upon each subsequent rent change to verify the rent paid is reasonable in comparison to other unassisted units.

Response

This finding was carried forward to 2014-002.

Management
Housing Opportunities Commission of Montgomery County
Kensington, Maryland

In planning and performing our audit of the financial statements of Housing Opportunities Commission of Montgomery County (the Commission) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated November __, 2014, contains our written communication of significant deficiencies in the Commission's internal control. This letter does not affect our communication dated November __, 2014.

OTHER REAL ESTATE OWNED

During our review of real estate owned, it was noted that the Commission is not obtaining annual appraisals for all properties. This is not an uncommon practice, as there often is not an adequate benefit to incurring the cost of annual appraisals for real estate owned properties; however, documentation of management's consideration of the fair value of long-lived real estate owned should be maintained and updated on at least an annual basis. In addition, the Commission is still maintaining the other real estate owned at the mortgage receivable balance and not properly adjusting to its new balance of the lower of cost or market. We recommend the Commission either obtain periodic appraisals or document their consideration of the fair value for real estate owned properties on at least an annual basis, and update the carrying value of the property if the market value increases or decreases in comparison with the current carrying value of the property, keeping in mind that the fair value of the real estate owned should never be written up above the fair value of the property at the time of foreclosure.

Commission Response

1. HOC agrees that the cost of obtaining annual appraisals for real estate owned (REO) assets outweighs the benefits of said appraisals. Market values fluctuate year over year, month over month, or week over week and are only as good as the most recent sales. If there are no sales for comparison, the estimated values are merely a guess. Values established at a point in time are not true indications of actual value when considered at another point in time. Therefore, staff believes that obtaining periodic appraisals are not practical for the portfolio of REO properties. That said, HOC obtains broker price opinions (BPO) and appraisals after the ratification of a foreclosure and prior to listing the property for sale.

2. All HOC single family mortgages with a loan to value ratio of 80% or higher must carry mortgage insurance (MI). HOC documents and tracks these REOs monthly and at June 30, 2014, there were 25 REOs with total value of $4.3 million.

    a. Foreclosed FHA insured loans are conveyed to FHA. The HOC servicer files a Part A Claim for the outstanding principal balance and interest owed from the date of default to the FHA claim settlement date. Therefore, staff does not believe it is necessary to conduct an appraisal and adjust book values. There were 7 FHA insured loans that are now REO properties.

    b. Conventional loans also carry MI, but in addition, carry Pool Insurance. Of the total REOs, 17 were conventionally insured loans with coverage ranging from 25%-40% (1 uninsured). These REOs are owned by HOC and are marketed by the servicer. The Mortgage Insurer receives an appraisal and BPO from the listing agent and determines a list price. In the case of a loan that does not carry primary insurance due to the initial loan to value below 80%, a pool claim will be filed after the property is sold. HOC receives the sales proceeds, primary MI claims, plus Pool Insurance claims which altogether make the Commission whole. Therefore, it is unnecessary to adjust book values downward to reflect lower market values of an REO property as the amount HOC expects to receive would satisfy the outstanding indebtedness on its books.

HOUSING CHOICE VOUCHER PROGRAM – ELIGIBILITY

A sample of 40 tenants tested for compliance with housing choice voucher eligibility requirements had an exception in 1 file. 1 file did not have an adult in the household that was over the age of 18 sign the HUD-9886 authorization of release form. We recommend the Commission continue to stress to housing specialists the importance of obtaining and maintain documentation in the tenant files.

Commission Response

The Commission acknowledges the discovery of one exception regarding client eligibility requirements for a Housing Choice Voucher participant. The Commission will reiterate to staff the importance of utilizing the recertification checklist to ensure that all required signatures and documents are obtained. The Commission will continue to conduct monthly quality control reviews and address noted findings with staff.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Commission personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Baltimore, Maryland
_____, 2014

Development
and
Finance Committee

APPROVAL OF THE FINAL REFINANCING PLAN FOR PADDINGTON SQUARE APARTMENTS, APPROVAL OF THE ASSIGNMENT OF A MONTGOMERY COUNTY LOAN TO PADDINGTON SQUARE DEVELOPMENT CORPORATION (PSDC), AUTHORIZATION FOR PSDC TO ENTER INTO AN FHA-INSURED LOAN WITH LOVE FUNDING CORPORATION AND TO ASSUME AND SUBORDINATE THE MONTGOMERY COUNTY LOAN, APPROVAL OF FHA-REQUIRED AMENDMENTS TO THE BYLAWS AND PROPERTY MANAGEMENT AGREEMENT OF PSDC, AND AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO EXECUTE ALL RELATED TRANSACTIONAL DOCUMENTS

SILVER SPRING, MARYLAND

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
JENNIFER H. ARRINGTON
HYUNSUK CHOI

NOVEMBER 5, 2014

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Paddington Square Apartments (the "Property") is a mixed-income, affordable community that was built in phases between 1947 and 1960 and sits on 7.94 acres located north of East-West Highway in the Rosemary Hills neighborhood. The Property consists of three large, three-story walk-up brick structures with 15 entrance stairwells containing a total of 165 units. Within walking distance are the Gwendolyn E. Coffield Recreation Center, a park, playgrounds, tennis courts, and Rosemary Hills Elementary School. The Property is within the Bethesda-Chevy Chase Senior High School district.

The Property was purchased in 2004 by Paddington Square Development Corporation (PSDC) and underwent substantial renovation between 2005 and 2011. Before the end of 2011, approximately $28 million by way of several financing sources was invested. Post-renovation, the Property struggled to achieve stabilized occupancy, making it difficult to secure permanent financing. By 2013, average occupancy improved, reaching 90%.

In January 2014, after staff explored several options for refinancing, the Commission approved a permanent Refinancing Plan to obtain a loan financed by the issuance of Ginnie Mae (GNMA) Mortgage Backed Securities, and insured by the FHA Section 223(f) program. The Property's application was submitted in June 2014.

Staff has received HUD's Firm Commitment and has rate locked at an interest rate of **3.6%**. Staff requests the Commission's approval of the Final Refinancing Plan.

FHA Section 223(f) – Maximum Mortgage Proceeds	$20,741,700
Loan to Value	83.3%
Loan Term / Amortization	35 Years
Interest Rate	3.60%
Mortgage Insurance Premium (MIP)	0.60%
Debt Service Coverage Ratio (DSCR) Target	1.176

SCHEDULE TO CLOSE

April 2014
- HUD Invitation to Submit Firm Application

June 2014
- Firm Application Submitted to HUD

July – September 2014
- HUD Review (60-90 days)

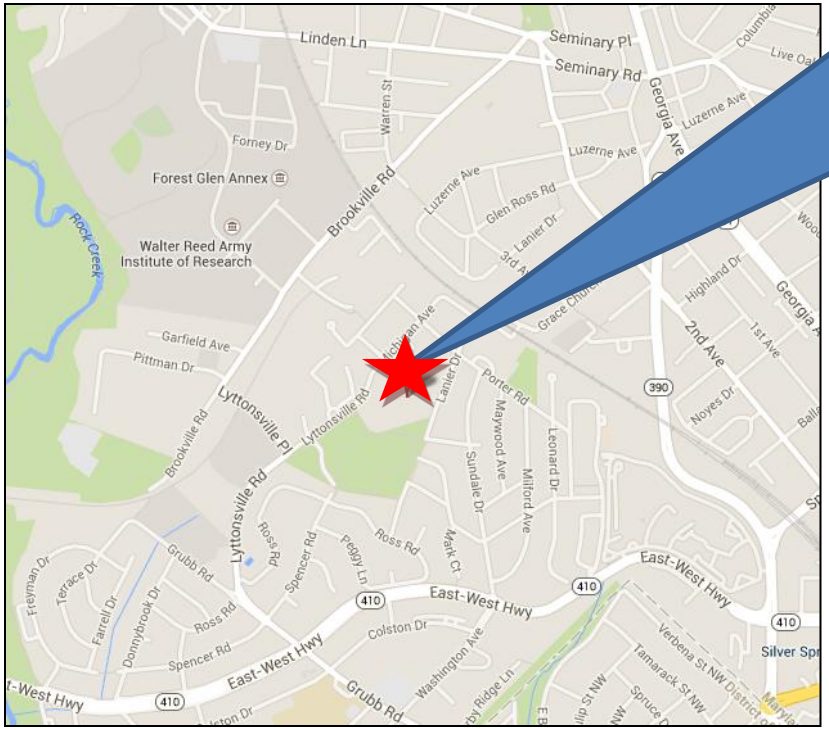
October 2014
- Development & Finance Committee Approval
- HUD Firm Commitment
- Lock Interest Rate

November 2014
- Commission Approval
- Final Closing Docs to HUD

December 2014
- CLOSING – 12/18/14

PROPERTY DESCRIPTION

Location	8800 Lanier Drive, Silver Spring, Maryland
Owner	Paddington Square Development Corp.
Property Manager	Equity Management
Total Units	165
Unit Mix	153 - 2 BRs 12 - 3BRs



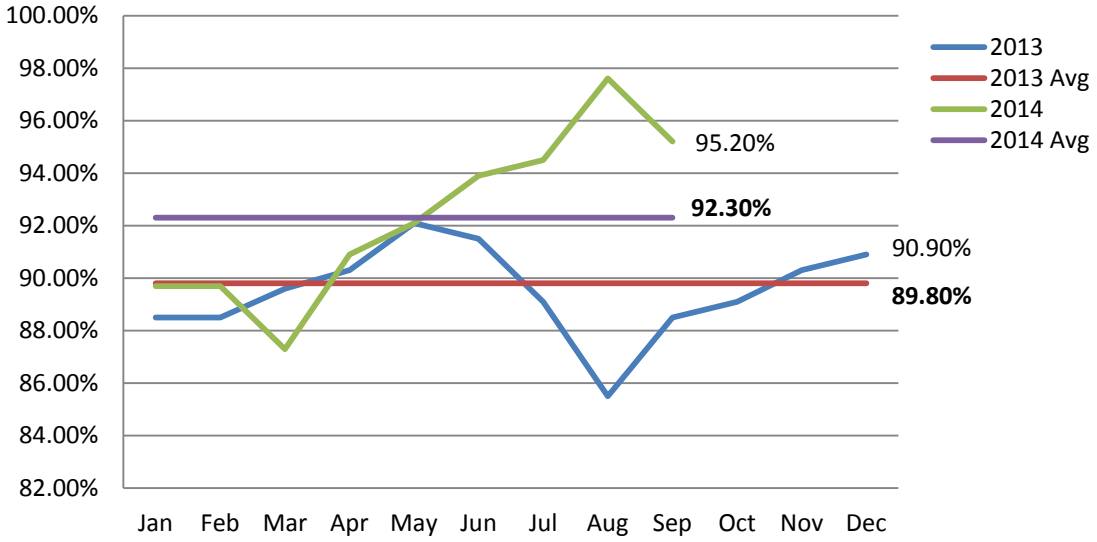
Public Purpose	The Property is a mixed-income, affordable community providing: • 14 units (or 8%) at 50% AMI • 53 units (or 32%) at 60% AMI • 98 units (or 60%) at Market
Current Occupancy	95%
Vacant Units	1 - 50% AMI 1 - 60% AMI 7 - Market
Amenities	Swimming Pool / Bath House Community Room / Business Office 185 Surface Parking / Ride-On Bus Stop Nearby: Recreation Center / Park / Tennis Courts / Playgrounds

STABILIZED OPERATIONS

Unit Mix and Rent Schedule – Table 1

Unit Type	Total Units	Unit Size (S.F.)	Market Unit Count	Market Rent	≤60% AMI Unit Count	≤60% AMI Rent	≤50% AMI Unit Count	≤50% AMI Rent
2 BR / 1 BA	153	953	90	$1,534	49	$1,318	14	$1,084
3 BR / 1 BA	12	1,100	8	$1,815	4	$1,505	0	
TOTAL	**165**		98		53		14	

Historic Occupancy – Table 2



- Finding a permanent financing vehicle for the Property was difficult due to its historic occupancy. Achieving a sustained occupancy of 93% or better is a requirement for most loan products, including FHA Risk Sharing.
- To qualify for mortgage insurance under FHA Section 223(f), a property must have an average physical occupancy rate of at least 85% for six months or more.
- The Property met and exceeded this requirement in 2013.
- Management's marketing strategy includes: outreach to all local employers and churches; flyers to proximate Social Services offices; reduction in first month's rent; resident referral fees; and, new directional signs at major intersections.

STABILIZED OPERATIONS

Proforma – Table 3

	FY 2015	Per Unit	FY 2016	Per Unit
Income	$2,691,677	$16,313	$2,648,612	$16,052
Expenses	$987,411	$5,984	$1,012,679	$6,137
Net Operating Income	**$1,704,266**	**$10,329**	**$1,635,933**	**$9,915**
Debt Service	$799,664	$4,846	$1,164,787	$7,059
Cash Flow[1]	**$904,602**	**$5,482**	**$471,146**	**$2,855**
Asset Mgt Fee	$104,970	$636	$104,970	$636
Net Cash Flow	**$799,632**	**$4,846**	**$366,176**	**$2,219**
DSCR	**2.13**		**1.40**	

[1] Except for subordinate debt, Cash Flow will be restricted until Property's auditor performs HUD's semi-annual surplus cash calculation.

New Debt Facility – Table 4

FHA Section 223(f) Max Mortgage Amount	$20,741,700
Term (in years)	35
Interest Rate	3.60%
MIP	0.60%
"All-In" Rate	5.63%
DSCR Target	1.176
DSCR in FY 2016	1.400
Net Operating Income	$1,635,933
Annual Debt Service (incl. declining MIP)	$1,166,631

- Underwritten, the proforma, as shown in ***Table 3***, assumes in FY16 a downward adjustment to affordable rents for utility allowances, a 10% vacancy (FY15 is projected at 7%), and rent and expense growth rates of 2% and 3%, respectively. The variance in Income from FY15 to FY16 is due to mostly to vacancy loss.
- Operating expenses include the funding of the Annual Replacement Reserves at $350 per unit, per year.
- The Property will benefit from a 40-year Payment In Lieu of Taxes (PILOT) from Montgomery County, Maryland, resulting in a significant reduction to operating expenses. As of 2013, the estimated value of the tax abatement was $188,579 or $1,143 per unit.
- The Net Operating Income supports a new 35-year permanent mortgage of $20,741,700 with a fixed interest rate of 3.60% plus 60 basis points for MIP. Operations exceed the target DSCR of 1.176:1 in FY 2016. See ***Table 4***.
- Pursuant to FHA Section 223(f) guidelines, the Property qualifies for a loan up to 83.3% of its value. In April 2014, the Property appraised for $24,900,000 or $151,000 per unit.
- The final interest rate has been locked at 3.60% with a one-year hard lock, and a nine-year declining pre-payment penalty.

FINANCING PLAN

Existing Debt – Table 5

	(A) Outstanding Balance as of 9/30/14	(B) Total Debt Retired via 223(f)	(C) Total Debt Retired via OH Fund Bank Account	(D) Amount Remaining
PNC Line of Credit (REMIC)	$6,409,539	$6,170,125	$234,414	-
PNC Line of Credit (Bonds)	$5,698,800	$5,200,393	$498,407	-
HOC Revolving Fund	$3,000,000	$3,000,000	-	-
HOC OHRF	$1,387,102	$1,387,102	-	-
DHCA HIF Loan	$9,144,902	$4,022,080	-	$5,122,822
Total	**$25,640,343**	**$19,779,700**	**$737,821**	**$5,122,822**

- The Property was acquired in 2004 by PSDC for $13,600,000. Between 2005 and 2011, the property underwent two phases of substantial renovation for a combined total of $82,745 per unit or approximately $13.7 million.
- Several sources were employed to finance the acquisition and renovation, given that the original Deed of Trust restricted PSDC's ability to obtain additional secured debt.
- Before the end of 2011, PSDC and HOC had invested a total of approximately $28 million.
- ***Table 5*** represents the existing debt on the property as of September 30, 2014, and the anticipated payoff of said debt at closing.
- The pay down amounts for the two obligations on the PNC Line of Credit, as shown in ***Column B***, represent PSDC's amortized balance as of September 30, 2014. Principal payments for the originally drawn amounts were deposited into the HOC OH Bond Fund Account and with Commission's approval, the amount in ***Column C*** will be used to retire the remaining portion of the obligations.
- The amount in ***Column D*** represents the reduced balance of the DHCA HIF loan, which will be subordinated to the 223(f) loan, secured by a Surplus Cash Note, and assigned with the Commission's approval to PSDC. The current HIF loan documents show HOC, as the borrower. Staff and DHCA have begun to draft legal agreements for the assignment and subordination transaction.

FINANCING PLAN

Sources & Uses – Table 6

Sources	Amount	Per Unit
FHA 223(f) Insured Mortgage	$20,741,700	$125,707
HOC OH Bond Fund Account	$737,821	$4,472
Existing Reserves	$115,389	$699
Total Sources	**$21,594,910**	**$130,878**
Uses	**Amount**	**Per Unit**
Existing Debt Pay Down	$20,517,521	$124,349
Financing Expenses	$482,659	$2,925
Soft Costs [1]	$328,265	$1,989
Initial Reserves / Repair Escrow	$266,465	$1,615
Total Uses	**$21,594,910**	**$130,878**

[1] Soft Costs include third-party reports and settlement costs.

- Closing on the 223(f) insured mortgage is anticipated on December 18, 2014.
- Loan proceeds, as shown in ***Table 6***, will be used in part to retire $19.8 million in outstanding debt. The remaining balance, $738,000, will be retired by the HOC OH Bond Fund Account.
- An additional $1.06 million will fund financing, soft costs and initial Replacement Reserves.
- Initial reserves will be funded at $1,510 per unit or $249,150.
- Critical and non-critical repairs were discovered during the due diligence period and noted in the Property Capital Needs Assessment. These findings required a completion escrow as well. The repairs and escrow total $17,315.
- All repairs have been completed and will be credited from the final Sources & Uses.

TRANSACTION RATIONALE

Financing Structure

- Lender: Love Funding Corporation
- Type of Loan: Non-recourse, fixed-rate, fully amortizing FHA 223(f) insured mortgage
- Loan Term: 35-year term; 35-year amortization
- Interest Rate: 3.60% plus 0.60% for mortgage insurance

HOC Fees

- Asset Management Fees: Currently budgeted at $104,970 for FY15.

Credit Enhancement

- Type: Government National Mortgage Association or Ginnie Mae credit enhancement for an FHA insured loan is backed by the full faith and credit of the U.S. Government

County Interest

- The transaction will return to the County approximately $4 million, borrowed from the County's Housing Initiative Fund.
- Montgomery County has provided a 40-year PILOT, which reduces the property's operational expenses. As of 2013, the value of the tax abatement is estimated to be $188,579.

PSDC / HOC Benefits

- The transaction will return approximately $15.8 million in HOC resources.
- Paddington Square will continue to provide 14 units at or below 50% AMI and 53 units at or below 60% AMI.
- The Property will be financially sustainable and competitive within the Montgomery County rental market place.

CONCLUSION AND RECOMMENDATION

Issues for Consideration

- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the Final Refinancing Plan for Paddington Square Apartments? By doing so, the Commission shall approve the following authorizations:
  - for the Commission to assign the County HIF Loan to Paddington Square Development Corporation (PSDC);
  - for the Commission to draw funds of approximately $738,000 from HOC's OH Bond Fund to retire the remaining principal due toward the obligations on the line of credit with PNC Bank, N.A.;
  - for PSDC to enter into an FHA-insured loan with Love Funding Corporation in the amount of $20,741,700;
  - for PSDC to subordinate and accept assignment of the remaining balance of the County HIF Loan;
  - for PSDC to amend its Bylaws and Property Management Agreement to include FHA-required provisions that will automatically terminate when the loan is no longer insured or held by HUD (see Exhibit A & B); and,
  - for the Executive Director to execute all related transactional documents.

Fiscal / Budget Impact

No impact for FY15 due to a half-year savings in Debt Service. Any impact in FY16 will be incorporated into the development of the FY16 Budget Amendment.

Time Frame

For action at the scheduled November 5, 2014 Commission meeting.

Recommendation

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the Final Refinancing Plan for Paddington Square Apartments.

RESOLUTION: **RE: Approval of the Final Refinancing Plan for Paddington Square , Approval of the Assignment of a Montgomery County Loan to Paddington Square Development Corporation (PSDC), Authorization for PSDC to Enter into an FHA-Insured Loan with Love Funding Corporation and to Assume and Subordinate the Montgomery County Loan, Approval of FHA-Required Amendments to the Bylaws and Property Management Agreement of PSDC, and Authorization for the Executive Director to Execute all Related Transactional Documents**

WHEREAS, Paddington Square (the "Property") is a 165-unit apartment community located at 8800 Lanier Drive in Silver Spring, Maryland which was acquired by the Paddington Square Development Corporation (PSDC or the "Corporation"), an entity wholly controlled by the Housing Opportunities Commission of Montgomery County (the "Commission"), in 2004; and

WHEREAS, the Property underwent a comprehensive renovation between 2005 and 2011; and

WHEREAS, on December 7, 2011, the Commission approved the retirement of the Property's first mortgage in an amount up to $6,667,929, using the Commission's line of credit with PNC Bank, N.A. with a current outstanding book balance of $6,170,125; and

WHEREAS, on November 7, 2012, the Commission approved the redemption of the outstanding $5,698,800 tax-exempt bonds, which had facilitated the first phase of renovation of the Property in 2005, and the refinancing of the same amount on an interim basis utilizing the Commission's line of credit with PNC Bank, N.A. with a current outstanding book balance of $5,200,393; and

WHEREAS, the amount necessary to make principal payments for the two obligations on the Commission's line of credit with PNC Bank, N.A. have been deposited into the Commission's OH Bond Fund Account; and

WHEREAS, as of November 30, 2013, the Property had an outstanding debt from various sources totaling $27,783,649; and

WHEREAS, the Property had been unable to achieve, post-renovation, sustained occupancy of 93% or better for a consecutive six-month period; and

WHEREAS, the Commission, acting on behalf of PSDC, solicited qualifications from U.S. Federal Housing Administration (FHA) Multifamily Accelerated Processing (MAP) Lenders desiring to process this transaction through FHA and selected Love Funding Corporation (the "Lender") to act as lender for the Property; and

WHEREAS, after a variety of options for permanent financing for the Property were explored, the Commission approved on January 8, 2014, a Refinancing Plan to engage the Lender to seek and obtain a firm commitment from FHA for a permanent mortgage loan insured under the Section 223(f) program, through the issuance of Ginnie Mae Mortgage Backed Securities; and

WHEREAS, the Commission and Lender submitted the Property's final application to FHA on June 20, 2014, requesting mortgage insurance for a permanent loan in the amount of $20,741,700 for a term of 35 years with a debt service coverage ratio (DSCR) of at least 1.176:1.00; and

WHEREAS, on October 17, 2014, the Commission received the FHA firm commitment and locked the interest rate for the transaction at 3.60% with a one-year hard lock out and a nine-year declining prepayment penalty;

NOW, THEREFORE, BE IT RESOLVED that the Commission, acting in its own capacity and for and on behalf of PSDC, approves the Final Refinancing Plan to provide permanent financing for the Property through a permanent loan in the amount of $20,741,700 from the Lender with mortgage insurance under the FHA Section 223(f) Program (the "223(f) Loan").

BE IT FURTHER RESOLVED that the Commission is authorized to draw funds from the OH Bond Fund Account in an amount estimated to be $738,000, which together with the 223(f) loan proceeds will satisfy the outstanding principal portion of the two obligations for the Property on the Commission's line of credit with PNC Bank, N.A.

BE IT FURTHER RESOLVED that the Commission is authorized to assign the remaining outstanding balance of the Montgomery County, Maryland HIF Loan to PSDC;

BE IT FURTHER RESOLVED that the Commission, acting in its own capacity and for and on behalf of PSDC, authorizes and directs PSDC, without further action on its part, to:

1. Enter into the 207/223(f) Loan with Lender;
2. Accept the assignment of and subordinate the remaining outstanding balance of the Montgomery County, Maryland HIF Loan at the time of the closing on the 223(f) Loan (estimated to be $5.1 million); and
3. Amend its Bylaws and Property Management Agreement to include the FHA-required provisions that will automatically terminate when the 207/223(f) Loan is no longer insured or held by HUD.

BE IT FURTHER RESOLVED that the Executive Director is hereby designated by the Commission, acting in its own capacity and for and on behalf of PSDC, as their respective authorized representative to execute all documents on their behalf and, without further action on their respective parts, is hereby authorized and directed to take any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Paddington Square Development Corporation, at a regular meeting conducted on November 5, 2014.

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_____
Patrice M. Birdsong
Special Assistant to the Commission

EXHIBIT A

AMENDMENT TO BYLAWS OF
PADDINGTON SQUARE DEVELOPMENT CORPORATION

WHEREAS, Paddington Square Development Corporation (the"Corporation") is the owner of Paddington Square, a multi-family apartment facility in Silver Spring, Maryland; and

WHEREAS, the Corporation is a not for profit, non-stock corporation wholly controlled by the Housing Opportunities Commission; and

WHEREAS, the Corporation's Articles of Incorporation was filed at the State Department of Assessments and Taxation onFebruary 6, 2004; and

WHEREAS, the Corporation has adopted Bylaws to provide for management and operations; and

WHEREAS, the Corporation has received a commitment for permanent financing from Love Funding Corporation in the amount of $20,741,700 to be insured by HUD pursuant to Section 207/223(f) of the National Housing Act; and

WHEREAS, HUD requires the Corporation to make certain amendments to its Bylaws

NOW, THEREFORE, the Corporation hereby amends the Bylaws of the Corporation by adding a new Article to read as follows:

ARTICLE XI

FINANCING REQUIREMENTS

1. If any of the provisions of the Articles of Incorporation or Bylaws conflict with the terms of the HUD-insured Note, Security Instrument, or HUD Regulatory Agreement ("HUD Loan Documents"), the provisions of the HUD Loan Documents shall control.

2. So long as HUD is the insurer or holder of the Note, no provision required by HUD to be inserted into the organizational documents may be amended without HUD's prior written approval.

3. None of the following will have any force or effect without the prior written consent of HUD:
   a. Any amendment that modifies the term of Borrower's existence;

   b. Any amendment that triggers application of the HUD previous participation certification requirements (as set forth in Form HUD-2530, Previous Participation Certification, or 24 C.F.R. § 200.210, et seq.);

   c. Any amendment that in any way affects the HUD Loan Documents;

EXHIBIT A

d. Any amendment that would authorize any member, partner, owner, officer or director, other than the one previously authorized by HUD, to bind the Borrower entity for all matters concerning the project which require HUD's consent or approval;

e. A change that is subject to the HUD TPA requirements contained in Chapter 13 of HUD Handbook 4350.1 REV-1, or that requires a vote of those who control the Borrower entity; or

f. Any change in a guarantor of any obligation to HUD (including those obligations arising from violations of the Regulatory Agreement).

4. The Borrower entity is authorized to execute a Note and Security Instrument in order to secure a loan to be insured by HUD and to execute the Regulatory Agreement and other documents required by the Secretary in connection with the HUD-insured loan.

5. Any incoming member/partner/owner of the Corporation must as a condition of receiving an interest in the Corporation agree to be bound by the HUD Loan Documents and all other documents required in connection with the HUD-insured loan to the same extent and on the same terms as the other members/partners/owners.

6. Notwithstanding any other provisions, upon any dissolution, no title or right to possession and control of the project, and no right to collect the rents from the project, shall pass to any person or entity that is not bound by the Regulatory Agreement in a manner satisfactory to HUD.

6. The key principals of the Corporation identified in the Regulatory Agreement are liable in their individual capacities to HUD to the extent set forth in the Regulatory Agreement.

7. The Corporation shall not voluntarily be dissolved or converted to another form of entity without the prior written approval of HUD.

8. The Corporation has designated Stacy L. Spann as its official representative for all matters concerning the project that require HUD consent or approval. The signature of this representative will bind the Corporation in all such matters. The Corporation may from time to time appoint a new representative to perform this function, but within three business days of doing so, will provide HUD with written notification of the name, address, and telephone number of its new representative. When a person other than the person identified above has full or partial authority with respect to management of the project, the Corporation will promptly provide HUD with the name of that person and the nature of that person's management authority.

9. Unless otherwise approved in writing by HUD, the Corporation's business and purpose shall consist solely of the acquisition, ownership, operation and maintenance of FHA Project No. 000-11245 (the "Project") located in Silver Spring, Maryland, and activities incidental thereto. The Corporation shall not engage in any other business or activity. The project shall be the sole asset of the Corporation, which shall not own any other real estate other than the aforesaid project.

EXHIBIT A

10. Notwithstanding any provision in this Bylaws to the contrary, for so long as the Project is subject to a loan insured by HUD, any obligation of the Corporation to provide indemnification under these Bylaws shall be limited to (i) coverage afforded under any liability insurance carried by the Corporation and (ii) available "surplus cash" of the Corporation as defined in the Regulatory Agreement. Until funds from a permitted source for payment of indemnification costs are available for payment, the Corporation shall not (a) pay funds to any members, partners, owners, officers and directors, or (b) pay the deductible on any indemnification policy for any members, partners, officers and directors.

EXHIBIT B

Second Amendment to Property Management Services Agreement

This Second Amendment to Property Management Services Agreement dated the _____ day of _____, 2014 between Paddington Square Development Corporation ("Owner") and Equity Management II, LLC ("Manager") for Property Management Services at Paddington Square Apartments (the "Property").

WHEREAS, the parties hereto entered into a Property Management Services Agreement dated January 10, 2013 and subsequently modified by Amendment to Property Management Services Agreement dated February 1, 2013 (collectively, the "Agreement") for the management of the Property; and

WHEREAS, Owner has obtained a commitment for permanent financing (the "Loan") the Property from Love Funding Corporation and mortgage insurance from the Department of Housing and Urban Development ("HUD") under the Section 207/223(f) program; and

WHEREAS, Owner will execute a Note, Deed of Trust, Regulatory Agreement and related loan documents to secure the Loan (collectively the "Loan Documents"); and

WHEREAS, HUD, as a condition of providing the mortgage insurance requires certain modifications to the Agreement;

NOW, THEREFORE, the parties agree to amend the Agreement as follows:

I. Article VIII, Compensation, is amended to add a new Section 8.1(b) to read as follows:

8.1(b) In all events, the Management Fee shall be computed and paid in accordance with HUD requirements;

II. Article X, Termination, is amended to add a new Section 10.5 to read as follows:

10.5(a) Termination At the Direction of HUD. HUD may require the Owner to terminate the Agreement as provided herein:

(i) Immediately on the occurrence of an event of default under the Loan Documents;

(ii) Upon thirty (30) days written notice for failure to comply with provisions of the Management Certification or other good cause; or

(a) In the event that HUD takes possession of the Property;

EXHIBIT B

(b) In the event that the Agreement is terminated pursuant to this Section, Owner will promptly provide for management of the Property in a manner satisfactory to HUD;

(c) In the event of a conflict between this Agreement and the Loan Documents, the provisions of the Loan Documents shall prevail.

III. All other provisions of the Agreement, as previously modified shall remain in full force and effect.

WITNESS/ATTEST

_____

OWNER
Paddington Square Development Corporation
By: Housing Opportunities Commission of Montgomery County, sole member

By:_____
Stacy L. Spann
Executive Director

WITNESS/ATTEST

_____

MANAGER:
Equity Management II, LLC

By:_____
John Potvin
President

APPROVAL OF ADOPTION OF A BOND AUTHORIZING RESOLUTION FOR RAD 6 DEVELOPMENT CORPORATION TRANSACTION

Six Montgomery County Locations

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
HYUNSUK CHOI (WILSON)

November 5, 2014

TABLE OF CONTENTS

EXECUTIVE SUMMARY

- Pursuant to HUD's Rental Assistance Demonstration (RAD) Program, HOC has obtained reservation from HUD to convert its entire portfolio from traditional Public Housing to the Project-based Section 8 Housing Choice Voucher subsidy.

- On July 30, 2013, the Commission approved participation in the RAD Program and authorized an evaluation to dispose of its entire portfolio of multifamily and senior Public Housing developments.

- On November 6, 2013, the Commission approved performance of a feasibility analysis for each property in its Public Housing inventory to determine the ultimate scope of work to be conducted in the redevelopment of these properties. The Commission also approved the use of HUD Public Housing Capital Fund Program (CFP) funds to pay for the feasibility studies and RAD related fees.

- On December 18, 2013 and March 26, 2014, HUD awarded a Commitment for a Housing Assistance Payment Contract (CHAP) for Seneca Ridge, Parkway Woods, Ken Gar, Sandy Spring Meadow, Towne Centre Place, and Washington Square (the "RAD 6") and subsequently approved financing the six properties as one property.

- On May 7, 2014, the Commission approved the Preliminary Development Plan and selection of architects and general contractors for RAD 6.

- On August 6, 2014, the Commission approved the Final Development Plan for the property which envisioned the creation of high quality, well designed, amenity rich, energy efficient affordable housing with strong supportive services. The properties will also be financially sustainable and competitive within the Montgomery County rental marketplace.

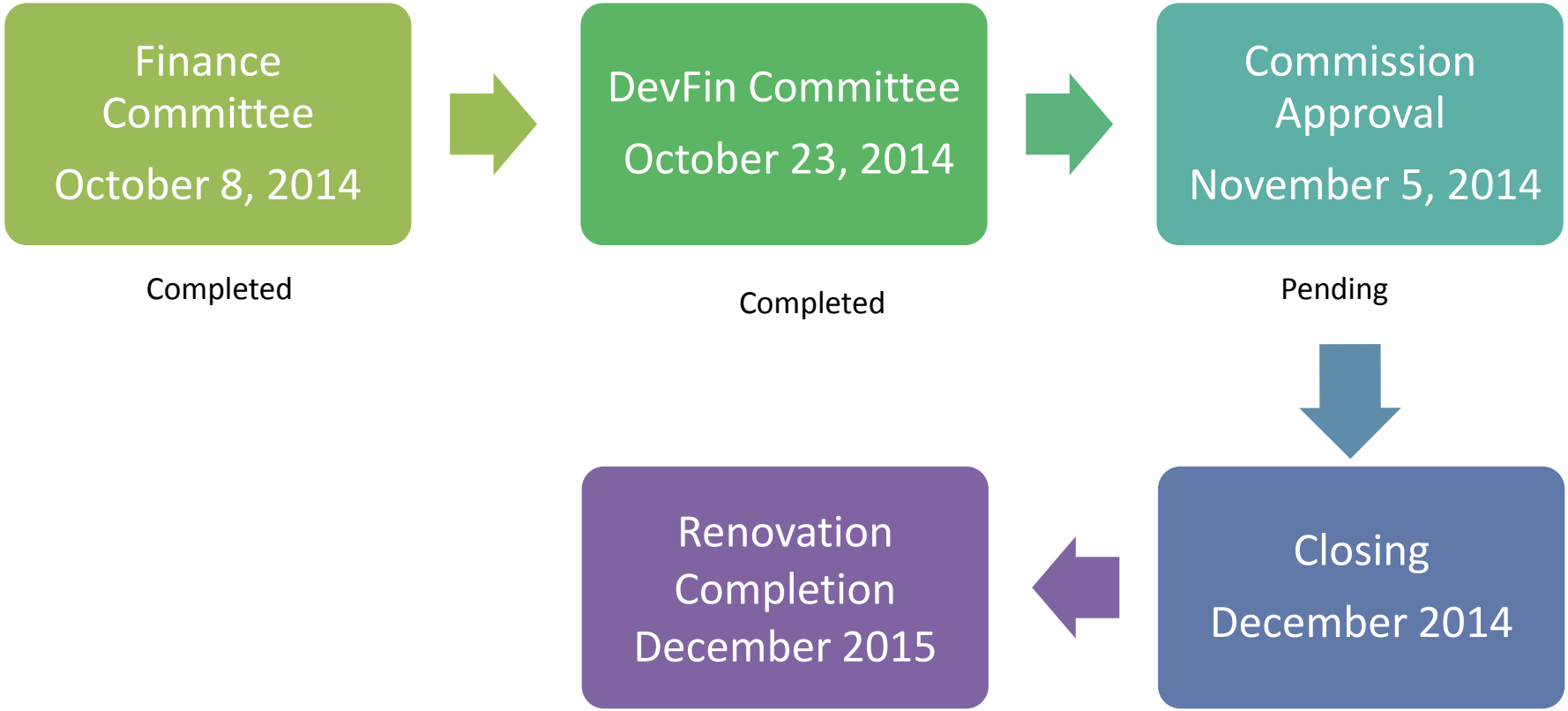
- On August 6, 2014, the Commission approved the Financing Plan which consisted of a fixed-rate mortgage insured under the Federal Housing Administration (FHA) Risk Sharing Mortgage Insurance Program and funded from the proceeds of tax-exempt bonds to be issued by HOC.

EXECUTIVE SUMMARY (Continued)

- The project entails the green renovation of 268 single-family and townhome dwellings in six (6) principal locations within Montgomery County . HOC seeks to provide an elevated standard of quality housing based on market comparables that are energy efficient and cost effective for long-term ownership.
- The total development cost will be $23,813,195 ($88,855 per unit) which includes $600,000 in HUD Public Housing Capital Funds.
- The total amount of the Bond issuance is estimated to be $23,965,000 (Mortgage Loan of $23,213,195 Plus Bond Debt Reserves of $751,805).
- The transaction will be insured under the FHA Risk Sharing Program. HOC will take 50% of the risk as is typical for this type of transaction.
- It is the staff's intention to issue the Commission's 2014 Series A Multifamily Housing Development Bonds to finance the transaction under the 1996 Bond Resolution (the "1996 Indenture").
- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee ("DevFin") and approve a Bond Authorizing Resolution for the RAD 6 Development Corporation transaction.

Total 268 Units	209 Affordable Units (78%)	59 Opportunity Housing Units (22%)
Mortgage Loan		$23,213,195
Bond Debt Reserve Fund		$751,805
Amount of Bond Issuance		**$23,965,000**

TIMING


Finance Committee
October 8, 2014
Completed
DevFin Committee
October 23, 2014
Completed
Commission Approval
November 5, 2014
Pending
Closing
December 2014
Renovation Completion
December 2015

RESTATEMENT OF FINANCING PLAN

Sources and Uses

Sources	Amount	Per Unit
Tax-Exempt Bond Mortgage	$23,213,195	$86,616
Capital Fund Program	$600,000	$2,239
Total Sources	**$23,813,195**	**$88,855**
Uses	**Amount**	**Per Unit**
Acquisition Costs (Capital Fund Securitization Loan Repayment)	$2,019,999	$7,537
Reimbursement of Capital Expenses	$5,620,527	$20,972
Construction Costs (incl. fees)	$11,877,200	$44,318
Financing Expenses	$623,632	$2,327
Soft Costs [1]	$3,371,837	$12,581
Reserves	$300,000	$1,119
Total Uses	**$23,813,195**	**$88,855**

[1] Soft Costs includes Architectural Design, Construction Period Interest, Negative Arbitrage, Settlement Costs, Operating Reserve for 6 months, and Soft Cost Contingency, etc.

- $23,213,195 tax-exempt bond issuance with a mortgage insured under the FHA Risk Sharing Program.
- Public Housing Capital Funds are available by formula distribution for capital and management activities, including development, financing, and modernization of Public Housing projects and development of mixed-finance projects. The RAD program allows $100,000 per project to be expended for related disposition expenses.
- The total development cost is $23,813,195 ($88,855 per unit) with an estimated construction period of 15 months.
- Capital Fund Securitization Loan Repayment totals $2,019,999.
- $5,620,527 Capitalization of expenses incurred by the Commission.
- Construction Costs (included fees) to be funded from bond proceeds will be $11,877,200 ($44,318 per unit).
- Financing Expenses: $623,632 ($2,327 per unit) included Cost of Issuance and upfront MIP Payment.
- This transaction will be credit enhanced with FHA mortgage insurance pursuant to its Risk Sharing Agreement with HOC. HOC will assume 50% of the risk of the transaction.
- Initial Deposit Replacement Reserves: $300,000 ($1,119 per unit).

SUMMARY OF STABILIZED OPERATIONS

Stabilized Proforma	Year 1	Per Unit	Year 2	Per Unit
Income	$2,712,261	$10,120	$3,607,461	$13,461
Expenses[1]	$1,722,801	$6,428	$1,774,485	$6,621
Net Operating Income (NOI)	**$989,460**	**$3,692**	**$1,832,976**	**$6,839**
Debt Service[2]	$0	$0	$1,526,473	$5,696
Net Cash Flow	**$989,460**	**$3,692**	**$306,503**	**$1,144**
Debt Service Coverage Ratio Target (Year 2)			**1.20**	

[1] Include $122,500 ($457 per unit annually) in Replacement Reserves
[2] Debt Service included Loan Management Fee to be collected $58,033 annually (0.25% of mortgage amount)

Debt Facility

Max Mortgage Amount	$23,213,195
Term (in years)	30
Interest Rate[1]	4.50%
Debt Service Constant	6.08%
MIP (Mortgage Insurance Premium)	0.50%
"All-In Constant" Rate	6.58%
Debt Service Coverage Ratio Target (2016)	1.20
NOI (Net Operating Income)	$1,832,976
Debt Service	$1,526,473

1. Interest Rate includes Loan Management Fee 0.25% and Trustee Fee.

- The Financing Plan combines a Construction Note with Permanent Financing using the FHA Risk Sharing Mortgage Insurance Program.
- First full stabilized year is 2016 (year two) with occupancy projected at 93%, rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be $1,774,485 in year two including funding of annual replacement reserves of $457 per unit, per year and escalating at 3% annually.
- The net operating income (NOI) of $1,832,976 in year two supports the permanent debt which is underwritten at 4.50% plus 50 basis points of mortgage insurance premium (MIP) costs pursuant to the FHA Risk Sharing Mortgage Insurance Program.
- Interim Income for year one of operations is projected to be $989,460.
- Annual Replacement Reserves will be $122,500 ($457 per unit).

CONCLUSION AND RECOMMENDATION

Issues For Consideration

- Does the Commission wish to accept the recommendation of the Development and Finance Committee for Approval of a Bond Authorizing Resolution for the RAD 6 Development Corporation Transaction?

Fiscal / Budget Impact

- The transaction will reimburse HOC upfront for Capital Reimbursement expenditures and pay an ongoing annual Loan Management Fee of 0.25% (approximately $58,033).

Time Frame

- Action at the November 5, 2014 meeting of the Commission.

Conclusion and Recommendation

- The transaction will provide 209 affordable units at or below 60% AMI and 59 opportunity housing units at or below 80% AMI.
- With the FHA execution, RAD 6 will be in a positive financial position with the second year cash flow of $306,503 and the debt service coverage of 1.20x.
- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee ("DevFin") and approve the attached Bond Authorizing Resolution for the RAD 6 Development Corporation Transaction. The Resolution authorizes, among other things, the issuance of up to $24,000,000 of tax-exempt bonds under the 1996 Indenture.

RESOLUTION: 2014-___ Re: Adoption of a Bond Authorizing Resolution for the Issuance of 2014 Series A Multifamily Housing Development Bonds

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AUTHORIZING THE ISSUANCE AND SALE OF A SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $24,000,000 (THE "2014 BONDS") FOR THE PURPOSE OF THE FINANCING OF A MORTGAGE LOAN INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION AND REAHABIITATION OF THE RAD 6 DEVELOPMENT, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY, IN PART, BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY THE RAD 6 DEVELOPMENT CORPORATION; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, CERTAIN TAX-RELATED DOCUMENTS, A DISCLOSURE AGREEMENT AND ANY AND ALL REAL ESTATE DOCUMENTS; APPROVING THE PREPARATION, EXECUTION AND DISTRIBUTION OF PRELIMINARY AND FINAL OFFERING DOCUMENTS RELATING TO THE 2014 BONDS; AUTHORIZING THE EXECUTION OF ANY OTHER DOCUMENTS NECESSARY FOR THE ISSUANCE OF THE 2014 BONDS AND THE ACCOMPLISHMENT OF THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE SALE OF THE 2014 BONDS TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AND THE OTHER UNDERWRITERS OR TO ANY OTHER INITIAL PURCHASERS AND TO EXECUTE AND DELIVER A CONTRACT OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2014 BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2014 BONDS; AND PROVIDING AN EFFECTIVE DATE.

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 (the "Act"), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, the Act declares that there exists within Montgomery County (the "County") a critical shortage of decent, safe and sanitary dwelling accommodations available to rent which "persons of eligible income" (within the meaning of the Act) can afford; and

WHEREAS, the Act empowers the Commission to make mortgage loans to qualified sponsors to provide for the construction, rehabilitation and long-term financing of multifamily residential housing units in the County for occupancy by persons of eligible income and to perform any other duties that the Commission considers necessary in carrying out the purposes of the Act; and

WHEREAS, the Commission, in furtherance of the purposes of the Act, has established a program (the "Program") to provide for the financing of mortgage loans through the issuance of its multifamily housing bonds; and

WHEREAS, pursuant to the Act and the Program, the Commission entered into the Trust Indenture, dated as of November 1, 1996 (the "Trust Indenture"), by and between the Commission and U.S. Bank National Association (formerly Sun Trust Bank), as successor trustee (the "Trustee"), providing for the issuance of bonds (the "Bonds") from time to time in accordance with the provisions thereof and of any series indenture specifically relating to any such series of Bonds issued thereunder; and

WHEREAS, the proceeds received from the issuance and sale of Bonds under the Trust Indenture are used to make, purchase or finance mortgage loans (the "Mortgage Loans") or finance mortgage loans through the purchase of guaranteed mortgage securities; and

WHEREAS, the pledges and assignments made pursuant to the Trust Indenture and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Commission are for the equal benefit, protection and security of the owners of any and all of the Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Trust Indenture; and

WHEREAS, the Commission has determined to issue its Multifamily Housing Development Bonds, 2014 Series A (the "2014 Bonds") pursuant to the Trust Indenture and the Series Indenture Providing for the Issuance of Multifamily Housing Development Bonds, 2014 Series A (the "Series Indenture") (i) to make moneys available for the acquisition and rehabilitation of six developments—Seneca Ridge, Parkway Woods, KenGar, Sandy Spring Meadow, Towne Centre Place and Washington Square (collectively, the "RAD 6 Development"), owned and operated by the RAD 6 Development Corporation, an entity wholly controlled by the Commission, (ii) to reimburse the Commission for prior expenditures of Commission funds to finance the acquisition and rehabilitation of the RAD 6 Development; (iii) to make the required deposit to the Reserve Fund (as defined in the Trust Indenture) as required by the Trust Indenture and the Series Indenture; and (iv) to reimburse the Commission for prior capital expenditures (such purposes hereinafter referred to as, the "Financing Plan"); and

WHEREAS, the Mortgage Loan to be financed with the proceeds of the 2014 Bonds will be endorsed for federal insurance under the Risk-Sharing Agreement, dated September 23, 1994 (the "Risk-Sharing Agreement"), by and between the Commission and the Secretary of the

U.S. Department of Housing and Urban Development ("HUD"), pursuant to which Risk-Sharing Agreement, the Commission will reimburse HUD for its losses under the Mortgage Loan in an amount not greater than 50% of the outstanding principal balance of the Mortgage Loan; and

WHEREAS, in connection with the issuance of the 2014 Bonds and the accomplishment of the Financing Plan, the Commission anticipates entering into various documents, including, but not limited to the Series Indenture and, as hereinafter defined, the Offering Documents, the Contract of Purchase, the Tax-Related Documents, the Disclosure Documents, the Real Estate Documents and certain other documents relating to the sale of the 2014 Bonds and the financing of the RAD 6 Development;

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

1. ***2014 Bonds***. The 2014 Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed $24,000,000 to carry out the purposes under the Program as described above. Subject to the following sentence, the Bonds shall be separately designated "2014 Series A." Notwithstanding the foregoing, the Executive Director is hereby authorized to approve, in consultation with the Financial Advisor and Bond Counsel to the Commission, such greater number of series of bonds to be issued in connection with the Financing Plan and to determine the designations therefor. The 2014 Bonds are to be issued pursuant to the terms of the Trust Indenture and pursuant to the terms of the Series Indenture. The 2014 Bonds shall be limited obligations of the Commission, secured by and payable solely from moneys pledged therefor under the Indenture.

2. ***Approval of Financing Plan.*** The Commission hereby approves the Financing Plan as described above pursuant to the terms and conditions to be set forth in the Indenture and such other documents approved hereby.

3. ***Series Indenture***. The Chairman, the Vice Chairman, or the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver the Series Indenture in such form as shall be approved by such officers, the execution of such Series Indenture being conclusive evidence of such approval and of the approval of the Commission, and the Secretary-Treasurer of the Commission, or any other authorized officer of the Commission (an "Authorized Officer"), is hereby authorized and directed to affix the seal of the Commission to the Series Indenture and to attest the same.

4. ***Tax-Related Documents***. The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver a Tax Regulatory Agreement and No Arbitrage Certificate and other documents (collectively, the "Tax-Related Documents") restricting the application of the proceeds of the 2014 Bonds and the use and occupancy of the

RAD 6 Development in such forms as shall be prepared by Bond Counsel and approved by the Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director, the execution of the Tax-Related Documents being conclusive evidence of such approval and of the approval of the Commission. The Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director of the Commission is hereby further authorized and directed to execute and deliver on behalf of the Commission Internal Revenue Service Form 8038-G relating to the 2014 Bonds as prepared by Bond Counsel.

5. ***Disclosure Agreement***. The Commission hereby authorizes and approves the execution and delivery of a continuing disclosure agreement (the "Disclosure Agreement") related to the 2014 Bonds, in such form as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Disclosure Agreement constituting conclusive evidence of such officer's approval of the Disclosure Agreement and the approval of the Commission.

6. Real Estate Documents. The Commission hereby authorizes and approves the preparation, execution and delivery of any and all real estate documents (the "Real Estate Documents") relating to the acquisition and rehabilitation of the RAD 6 Development.

7. ***Offering Documents***. The Commission hereby authorizes and approves the preparation and distribution of one or more preliminary offering documents of the Commission and the preparation, execution and distribution of one or more final offering documents (collectively, the "Offering Documents"), each relating to the 2014 Bonds, in such forms as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Offering Documents constituting conclusive evidence of such officer's approval of the Offering Documents and the approval of the Commission.

8. ***Sale of 2014 Bonds***. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to proceed with the sale of the 2014 Bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated and such other underwriters or to any other entity as shall be in the best interest of the Commission as determined by the Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission.

9. ***Contract of Purchase***. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to execute a contract of purchase and/or any other form of purchase agreement (the "Contract of Purchase") in connection with the sale to the initial purchasers of the 2014 Bonds.

10. ***Terms; Ongoing Determinations***. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners to establish the dates, maturities, interest payment dates, denominations, terms of redemption, registration privileges, security and other terms, and to approve the interest rates on the 2014 Bonds, all of the foregoing to be specified in the Series Indenture. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, is hereby authorized, from time to time during the period the 2014 Bonds are outstanding, to make ongoing determinations, as may be required by the terms of the Series Indenture and any other financing documents relating to the 2014 Bonds, the RAD 6 Development and the Mortgage Loan, including, but not limited to, the giving and withholding of consents, the selection of certain providers, the determination to permit the prepayment of the Mortgage Loan and the refunding and redemption of the 2014 Bonds and/or other Bonds, and the Executive Director or other Authorized Representative of the Commission, as the case may be, is further authorized to execute any and all documents evidencing such determinations as may be deemed necessary and proper.

11. ***Other Action***. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution relating to the issuance and sale of the 2014 Bonds and the accomplishment of the Financing Plan.

12. ***Appointment of Financial Advisor and Bond Counsel***. Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the 2014 Bonds.

13. ***No Personal Liability***. No stipulation, obligation or agreement herein contained or contained in the 2014 Bonds, the Series Indenture, the Contract of Purchase, the Tax-Related Documents, the Offering Documents, the Real Estate Documents, the Disclosure Agreement or in any other agreement or document executed on behalf of the Commission shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the 2014 Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

14. ***Action Approved and Confirmed***. All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this Resolution and

in furtherance of the issuance of the 2014 Bonds and the accomplishment of the Financing Plan are hereby approved, and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

15. ***Severability***. If any provision of this Resolution shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provision hereof or cause any other provision hereof to be invalid, inoperative or unenforceable to any extent whatsoever.

16. ***Effective Date***. This Resolution shall take effect immediately.

The foregoing Resolution was adopted upon a motion by _____.

****

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on November 4, 2014.

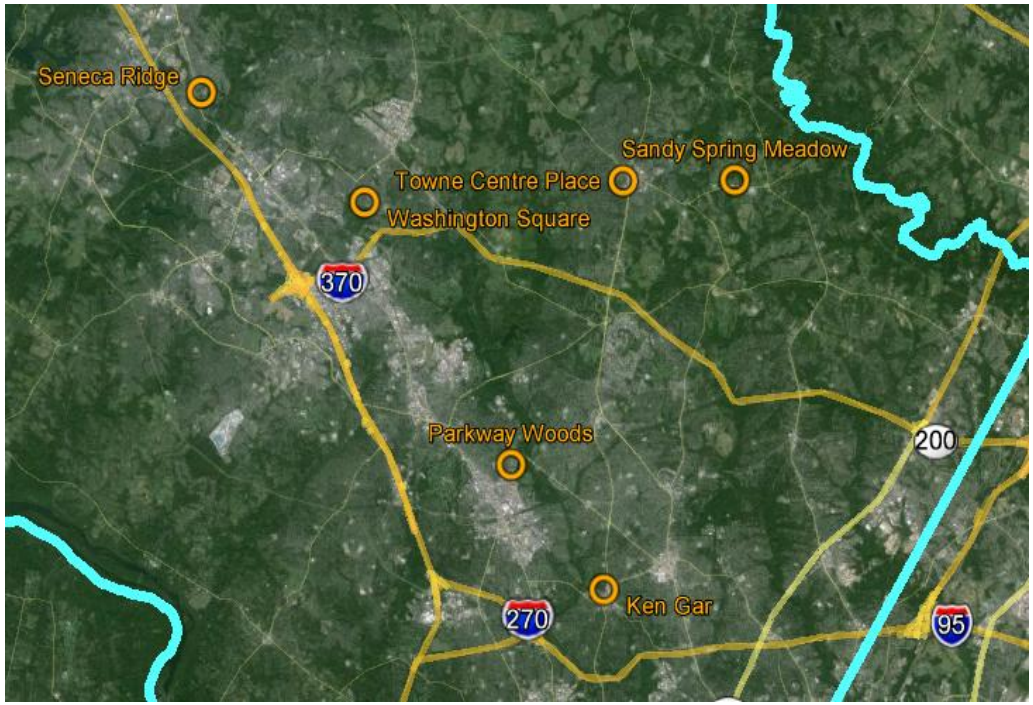
_____
Patrice Birdsong
Special Assistant to the Commission

EXHIBIT 1A - PUBLIC PURPOSE

- Under the FHA Risk Sharing Program, each property is required to provide a public purpose requirement of either 20% of units at 50% of the Area Median Income (AMI) or 40% of units at 60% AMI. The RAD 6 properties will provide a greater public purpose.
- Of the 268 units, 209 (78%) are designated RAD (affordable) units and 59 (22%) will be opportunity housing units as defined below.
  - The affordable units will serve households that do not exceed 60% AMI.
  - The opportunity housing units will serve households that do not exceed 80% AMI.

Property	Total Units	RAD Units	Opportunity Housing Units
Washington Square	50	20	30
Seneca Ridge	71	55	16
Towne Centre Place	49	47	2
Sandy Spring Meadow	55	48	7
Parkway Woods	24	22	2
KenGar	19	17	2
TOTAL UNITS	**268 (100%)**	**209 (78%)**	**59 (22%)**

EXHIBIT 1B - PROPERTY DESCRIPTION



- Ken Gar Community, 14 townhomes and five single-family detached homes consisting of seven two-bedroom units, five three-bedroom units, and seven four-bedroom units originally constructed in 1979 and located principally at 10731 Shaftsbury Street, Kensington, MD 20895.
- Parkway Woods, a 24-unit townhome community consisting of nine two-bedroom units, nine three-bedroom units, and six four-bedroom units originally constructed in 1980 and located on 2.0 acres at 12933 Twinbrook Parkway, Rockville, MD 20851.
- Sandy Spring Meadow, a 55-unit community consisting of 25 townhouses and 30 single family homes. All townhomes have two-bedrooms and a bath, and the single family homes have three or four bedrooms with 1.5 to two baths. Originally constructed in 1980 and located on 14.2 acres at the intersection of Skymeadow Way and Olney Sandy Spring Rd, Sandy Spring, MD 20860.
- Seneca Ridge, a 71-unit townhome community consisting of two one-bedroom units, nine two-bedroom units, 40 three-bedroom units, and 20 four-bedroom units that were originally constructed in 1970 and underwent major renovations in 2008, located on approximately 8.5 acres principally at 19568 Scenery Drive, Germantown, MD 20876.
- Towne Centre Place (Olney), a 49-unit townhome community consisting of 14 one-bedroom units, 20 two-bedroom units, and 15 three-bedroom units, originally constructed in 1986 and located on 6.5 acres at 3502 Morningwood Drive, Olney, MD 20832.
- Washington Square, a 50-unit townhome community consisting of 10 two-bedroom units, 32 three-bedroom units, and eight four-bedroom units originally constructed in 1968 and renovated in 2002, located on 4.08 acres at 8343 Fairhaven Drive in Gaithersburg, MD 20877.

EXHIBIT 1B - PROPERTY DESCRIPTION (Continued)

Unit Mix and Bedroom Counts

Property	Year Built/ Renovated	Product Type	Total Units	RAD Units	Opportunity Housing Units	Occupancy (As Of 06/30/2014)
Washington Square	1968/2002	Townhouse	50	20	30	88.0%
Seneca Ridge	1970/2008	Townhouse	71	55	16	74.6%
Towne Centre Place	1986	Townhouse	49	47	2	95.9%
Sandy Spring Meadow	1980	TH and SF	55	48	7	87.3%
Parkway Woods	1980	Townhouse	24	22	2	87.5%
Ken Gar	1979	TH and SF	19	17	2	89.5%
		TOTAL UNITS	**268 (100%)**	**209 (78%)**	**59 (22%)**	

Proposed Rent Schedule

Property	Total Units	% Of Total Units	Unit Size S.F.	RAD Units	RAD Rents	Opportunity Housing Units	Opportunity Housing Rents
Washington Square							
2 BR (Town House)	10	20%	806	7	$791	3	$1,515
3 BR (Town House)	30	60%	1,091	9	$1,006	21	$1,745
4 BR (Town House)	10	20%	1,218	4	$1,038	6	$2,080
TOTAL	**50**			**20**		**30**	
Seneca Ridge							
Studio BR (Town House)	2	3%	500	2	$642	0	n/a
2 BR (Town House)	9	13%	800	8	$792	1	$1,470
3 BR (Town House)	40	56%	1,230	34	$1,006	6	$1,840
4 BR (Town House)	20	28%	1,530	11	$1,038	9	$2,100
TOTAL	**71**			**55**		**16**	

EXHIBIT 1B - PROPERTY DESCRIPTION (Continued)

Property	Total Units	% Of Total Units	Unit Size S.F.	RAD Units	Affordable Rents	Opportunity Housing Units	Opportunity Housing Rents
Towne Centre Place							
1 BR (Town House)	9	18%	660	9	$792	0	n/a
2 BR (Town House)	20	41%	895	20	$1,006	0	n/a
3 BR (Town House)	20	41%	1,255	18	$1,038	2	$1,763
TOTAL	**49**			**47**		**2**	
Sandy Spring Meadow							
1 BR (Town House)	5	9%	727	5	$713	0	n/a
2 BR (Town House)	25	45%	1,022	24	$792	1	$1,500
3 BR (Single Family)	22	40%	1,458	16	$1,006	6	$1,820
4 BR (Single Family)	3	5%	1,564	3	$1,038	0	n/a
TOTAL	**55**			**48**		**7**	
Parkway Woods							
2 BR(Town House)	9	38%	979-1,173	9	$792	0	n/a
3 BR (Town House)	9	38%	1,415	8	$1,006	1	$1,640
4 BR (Town House)	6	25%	1,714	5	$1,038	1	$1,985
TOTAL	**24**			**22**		**2**	
Ken Gar							
2 BR (Town House)	7	37%	917	7	$792	0	n/a
3 BR (Town House)	5	26%	1,188	5	$1,006	0	n/a
4 BR (Town House)	2	11%	1,452	2	$1,038	0	n/a
4 BR (Single Family)	5	26%	1,439	3	$1,038	2	$2,100
TOTAL	**19**			**17**		**2**	
TOTAL	**268**			**209 (78%)**		**59 (22%)**	

EXHIBIT 1C - RENOVATION PROGRAM

- The project entails the green renovation of 268 single family and townhome dwellings in six (6) principal locations in Montgomery County.

- The Final Development Plan will provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing with strong supportive services for the residents. The properties will be financially sustainable and competitive within the Montgomery County rental marketplace.

- The anticipated renovations will include a variety of the items listed below and will be decided on a unit-by-unit basis:

  - Interior work, such as the replacement of:
    - Kitchens and bathrooms (appliances, cabinets, fixtures, finishes)
    - Flooring and painting
    - HVAC systems and electrical modifications
  - Exterior work, such as the replacement of:
    - Windows, roofs, gutters and downspouts and siding
    - Sidewalks, stoops, fencing and concrete walks
    - Grading and storm water management
    - Landscaping, exterior lighting, access control, and upgrades to trash management systems

Typical unit before renovation. (Washington Square, Feb 2014)

Example of currently renovated kitchen with a standard set of energy efficient appliances, lighting and windows.

EXHIBIT 1D - TRANSACTION RATIONALE

Financing Structure

- Type of Loan: Fixed-rate fully amortizing loan funded from the proceeds of tax-exempt bonds.
- Loan Term: 30-year amortization; 30-year term.
- Projected Interest Rate: Rate will be determined at bond pricing. Underwriting assumes 4.50% or 6.58% all in rate constant.

HOC Fees

- Capital Reimbursement Fees: $464,264 or 2% of mortgage amount to be paid upfront.
- Loan Management Fees: $58,033 annually over the life of the loan.

Credit Enhancement

- The transaction will be insured under the FHA Risk Sharing Program. HOC will take 50% of the risk on this transaction.

HOC Benefits

- A standard of high quality, well designed, amenity rich, energy efficient affordable housing with strong supportive services for the residents.
- Properties will be financially sustainable and competitive within the Montgomery County rental marketplace.
- Equity for affordable housing.
- First mortgage proceeds address properties' capital backlogs and reduce operating expenses.

EXHIBIT 1E - DEVELOPMENT TEAM

Developer

- Housing Opportunities Commission of Montgomery County
- The Developer is responsible for all aspects of the Project including design, construction, and on-going project operations.

General Contractor

- Foulger-Pratt Contracting, LLC

Architects

- Bennett Frank McCarthy Architects, Inc (RAD – WEST)
- Karl Riedel Architecture, P.C. (RAD – EAST)

Property Management

- Housing Opportunities Commission of Montgomery County

EXHIBIT 2 – FINANCING SCHEDULE

Target Date	Event
November 6	Receive Rating, Electronic Distribution of Public Offering Statement, etc
November 14	Pre-Pricing call, Distribute Final Draft Bond Purchase Agreement
November 17	Retail Order Period
November 18	Institutional order period, Sign Bond Purchase Agreement, etc.
November 20	Print and Mail Official Statement
December 2	Comments due on Closing Documents
December 5	Final Closing Documents to HOC for Signature
December 8	HOC executes Closing Documents, Final Cash Flow and Yield Calculations, etc
December 9	Pre-close Bond Issues at Kutak Rock
December 10	**Close Bond Issue**

TRANSFER OF RENTAL ASSISTANCE FOR THE RAD FAMILY PROPERTIES

UNWINDING POVERTY, UNLEASHING OPPORTUNITY

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE BROWN
ZACHARY MARKS

November 5, 2014

Executive Summary

As a core part of its Rental Assistance Demonstration ("RAD") Finance Plan submitted to HUD, HOC included proposed meaningful deconcentration of poverty at its RAD family properties. For many of the units for which rental assistance is being transferred to HOC-owned, newly renovated, former-Public Housing scattered site properties, there is no occupant. So, for the five properties from which rental assistance is being transferred only from vacant units, the change is simply regulatory and accounting in nature. For the other two properties, approximately 70 of the units for which assistance is to be transferred are occupied by families. As outlined in previous Commission packets, the Uniform Relocation Assistance and Real Property Acquisition Act of 1970, as amended ("URA") is governing rights, responsibilities, and protections for those families who are moving.

	Towne Centre Place	*Sandy Spring Meadow*	*Ken Gar*	*Parkway Woods*	*Seneca Ridge*	*Washington Square*	*Emory Grove*
Total X-fer Units	2	7	2	2	16	30	54
Occupied X-fer Units	0	0	0	0	0	30	40

Total Transfer Units: 113

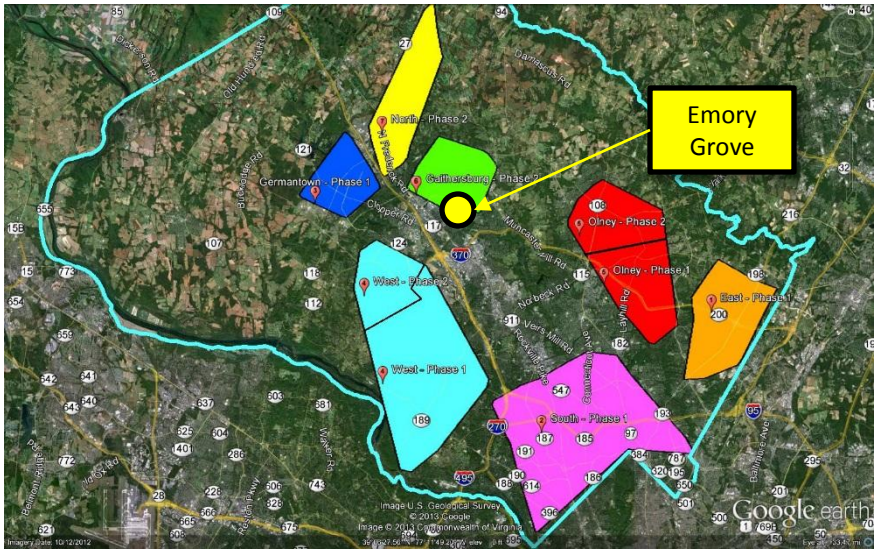
For the families at Washington Square who are moving, all volunteered to move to the newly renovated HOC-owned units elsewhere. For those at Emory Grove, relocation is not optional.

Executive Summary

Emory Grove Village Apartments stands out from all of HOC's other Public Housing properties: in above-average physical need, in poverty concentration (with Camp Hill Square right next door), in pest infestation, and in resident dissatisfaction. The RAD program allows for transfer of assistance for all households to newly renovated scattered site (former Public Housing) homes. With the renovation of those units set to be completed over the next 30 days, the residents of Emory Grove can see their lives beginning to be dramatically changed by the holidays.

Occupancy Status	
Occupied	40
Vacant	14

HOC staff has met with Emory Grove residents, on average, once a month since HOC's submission of its RAD application.



Residents are excited about the opportunity to move into homes that better suit the composition of their families. From both pictures of renovated units and visits to HOC's newly renovated model units, our clients have a new optimism about residence with HOC. Emory Grove's property issues are legion, and the immediacy with which quality of life can be markedly increased has residents urging staff to set a firm timeline.

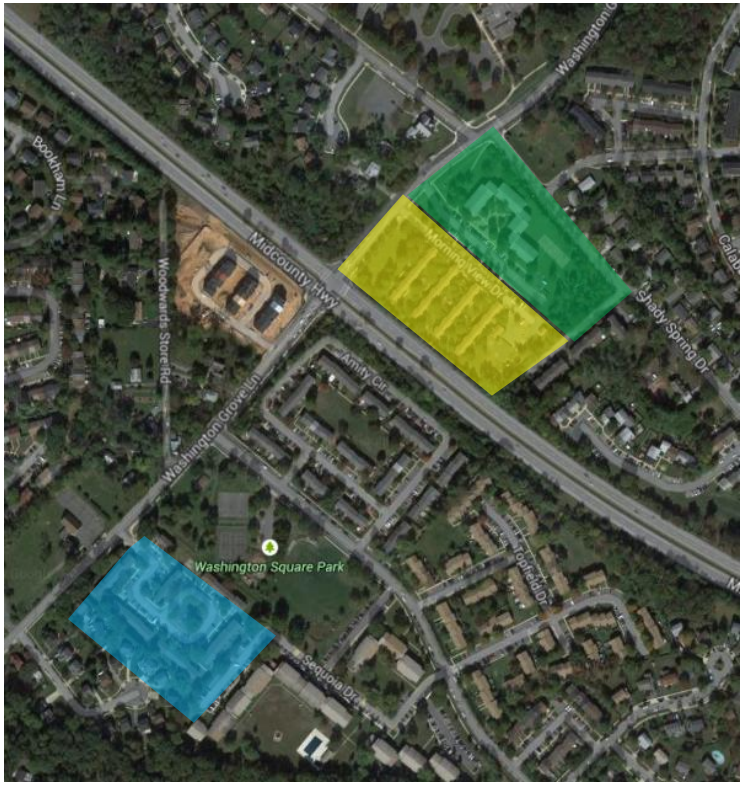
As renovated units reserved for Emory Grove residents complete, staff will provide residents a tour of their prospective units.

Residents will be shown up to two alternative units, should they not see a fit in the first. Having surveyed all occupied households at Emory Grove, staff believes it has assigned "first-choice" units likely to be well received. Among all values, geography was the most important to our residents, who had a choice of the parts of the County shown in the map above.

Relocation as a part of a RAD conversion always requires compliance with URA. Part of that compliance requires HOC to fund the reasonable moving expenses for households. Staff has projected that the 40 households at Emory Grove (as well as the 30 households at Washington Square) will require no more than $1,250 per unit. HOC will also be providing scheduling, counseling, and logistical support to residents throughout the transition.

Deconcentrating Poverty

One of the most powerful outcomes of HOC's application of the RAD program will be the significant deconcentration of poverty at properties where the resident incomes are almost uniformly below 40% of the Area Median Income ("AMI"). After conversion of HOC's seven family properties, the concentration of deeply affordable units will be reduced by 35%. The units are not lost, as they are simply exchanged for Opportunity Housing units elsewhere in HOC's portfolio. The 113 total units for which rental assistance is being transferred from the RAD 6 and Emory Grove will instead be embedded in market-rate, for-sale, single-family communities throughout the County.



In particular, Washington Square, Emory Grove, and Camp Hill Square currently place 155 deeply affordable units within 1/8th of a mile of each other:

- Camp Hill Square
  - More than half of occupied units receive subsidy.
- Emory Grove
  - 100% Public Housing; 75% below 30% of AMI.
- Washington Square
  - 100% Public Housing; 75% below 30% of AMI.

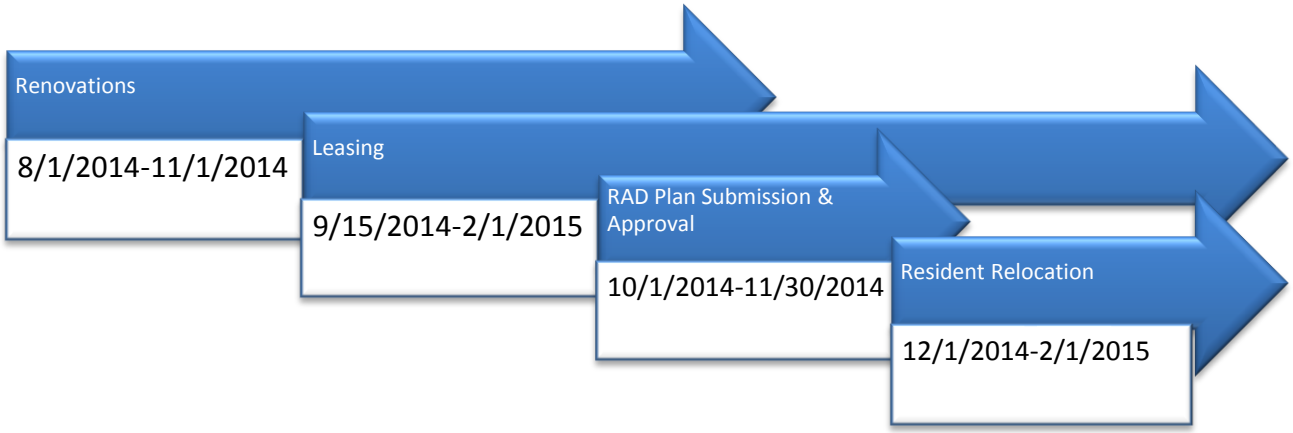
As part of the RAD 6 conversion, more than 30 families from Washington Square volunteered to relocate to newly renovated scattered site units. Most made formal notice the day after seeing only pictures of the model units. At Camp Hill Square, 17 families received portable vouchers in conjunction with the expiration of the Section 236 subsidy to that property. As such, HOC is in position to provide more than 100 households out of the 155 units at the three properties access to mixed-income neighborhoods across the County.

Emory Grove residents expressed a particular desire to be free of the Public Housing stigma and to live among a more diverse set of neighbors.

Worth mentioning: the neighborhoods to which these targeted scattered site units are located are distinguished by a 99% high school graduation rate, poverty levels lower than the County average, and above average schools.

Relocation Timing & Cost Estimation

Renovation to targeted units is underway, with seven Emory Grove units delivered the week of September 8, 2014, and 16 more to be completed by the end of October. As units are completed, the household for which the unit was reserved is shown the unit. It may accept the unit or ask to be shown up to two more units. The household is then given up to 90 days (per URA requirement) to accept or reject one of the units. Upon HUD's approval of the project plan for conversion, it would issue HOC a RAD Conversion Commitment ("RCC"). Within 30 days of HOC's receipt of the RCC, HOC staff will have formally converted Emory Grove and begun relocation.



Prior to relocation, residents will be given up to 30 days advance notice of their moving date. During that time, property purging resources will be provided, moving logistics arranged, and training for scattered site living will be given. On-site staff is already working with residents in many ways to prepare them mentally and physically for moving. Each household will be given individual attention in finalizing its best selection.

With the source of funding the same – the excess proceeds from the closing of the RAD 6 stabilization properties – Washington Square and Emory Grove relocation costs are combined in this request.

Because the destination units are HOC owned, typical relocation costs like duplicate security deposits, application fees, and adjustments for contract rent won't require funding. Additionally, the criminal and credit history delays that necessarily slowed the 669 disposition are not issues here.

Budgeted Costs		
Emory Grove	40	$50,000
Washington Square	30	$37,500
Relocation Temp		$35,000
Misc. Costs*		$10,000
TOTAL		**$132,500**

*Including bulk dumpster rental, welcome kits, etc.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission wish to accept the recommendation of the Development and Finance Committee to approve a relocation budget and funding for that budget with the source of funds to be the proceeds from the RAD 6 transaction?

BUDGET IMPACT

There is no adverse impact for the current Agency operating budget.

TIME FRAME

Action at the Commission meeting scheduled for November 5, 2014.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee to approve a relocation budget and $132,500 in funding for that budget with the source of funds to be the proceeds from the RAD 6 transaction. This funding will cover the relocation costs for 70 residents from Emory Grove and Washington Square into newly renovated HOC-owned units.

RESOLUTION: **RE: Approval by HOC and RAD 6 Development Corporation of Relocation Plan for Washington Square and Emory Grove Approved for Disposition Under the Rental Assistance Demonstration Program and HOC Approval of Funding Thereof**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC"), 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, is 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 March 26, 2014, HOC received a Commitment to enter into a Housing Assistance Payment contract ("CHAP") from the United States Department of Housing and Urban Development ("HUD") in conjunction with HOC's application to HUD's Rental Assistance Demonstration ("RAD") program for the Emory Grove and Washington Square projects; and

WHEREAS, the CHAP gives HOC contingent approval to convert the 104 units at Washington Square and Emory Grove Village, two communities owned by HOC, from Public Housing subsidy to Project-Based Section 8 rental assistance; and

WHEREAS, HOC is the sole member of RAD 6 Development Corporation ("RAD 6 Owner"), a Maryland non-stock corporation, which will acquire Washington Square, in addition to Seneca Ridge, Towne Centre Place, Ken Gar, Sandy Spring, and Parkway Woods (collectively, the "RAD 6 Development"), in connection with the conversion of those properties from public housing project to Project-Based Section 8 projects on the RAD program; and

WHEREAS, one contingency for conversion under the RAD Program and the CHAP is that the number of units receiving rental assistance subsidy after conversion be, at least, equal to the existing number of units currently receiving public housing subsidy; and

WHEREAS, another contingency for conversion under the RAD Program and the CHAP is that all units receiving rental assistance subsidy after conversion be renovated such that all physical property needs have been met; and

WHEREAS, the RAD program allows for the transfer of assistance from existing locations to units of comparable quality in other locations throughout the County; and

WHEREAS, HOC and RAD 6 Owner wish to reduce the concentration of poverty at Washington Square and Emory Grove Village and provide their residents with opportunities to live in more diversified communities; and

WHEREAS, of the 104 units, HOC will be transferring rental assistance for 84 units to HOC-owned, newly renovated town homes, condominiums, and single-family detached homes throughout the County; and

WHEREAS, 70 of these 84 units are currently occupied by households who will also relocate to newly renovated units; and

WHEREAS, HOC and RAD 6 Owner must provide and fund reasonably necessary logistical resources associated with resident relocation.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, approves the relocation plan for Washington Square.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County:

1. Approves the relocation plan for Emory Grove;

2. Approves the funding for relocation plan for Washington Square and Emory Grove Village in the amount of $132,500.

3. Approves, as the source of that funding, HOC's capital expenses reimbursement proceeds from the senior mortgage for the rehabilitation of the RAD 6 Development.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, that the Executive Director is hereby authorized and directed, without further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, at a regular meeting conducted on November 5, 2014.

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Patrice M. Birdsong
Special Assistant to the Commission

TANGLEWOOD PROJECT UPDATE

SILVER SPRING

STACY L. SPANN, EXECUTIVE DIRECTOR
RICHARD HANKS
KAYRINE BROWN

November 5, 2014

Table of Contents

Executive Summary

On October 5, 2013, the Commission approved funding for a general partner ("GP") loan of $1.2 million to Tanglewood Sligo, LP ("TSLP"). The project experienced significant hard cost overruns, which created an overall funding deficiency. Before the project could receive additional funding toward construction the deficiency had to be resolved.

The project outperformed pro forma revenues – as fewer eligible tenants returned than projected – generating more than an additional $100,000 annually. Also, expenses are nearly $15,000 below the original underwriting. Further, staff has explored and is currently processing the permanent loan takeout using an FHA 223(f) loan with longer maturity (35 years) and a lower interest rate (~4.0%) than what was projected at the initial closing (5.5%). All together, the project should now support more than $2 million in additional debt (approximately $12 million).

It was not determined until well into construction that the Davis-Bacon wage scale was required for this project. Initially, staff estimated that implementing the Davis-Bacon wage scale would drive construction expenses higher, but by less than 5% ($728,000) of total construction hard costs. However, having collected payroll records for 67% of the contracts, staff believes the projection of 5% of cost will be exceeded. Based on the sample received thus far, the number could be as high as 8.5% or $800,000. Additionally, there will be a downward adjustment to the first year tax credit payment of approximately $88,000 as well as the requirement to fund additional tenant reserves.

Despite these additional costs, upon placing the permanent financing, the project should be able to repay all interim loans made by HOC to the project as well as a significant portion, if not all, of the outstanding developer fee (~$1.825 million). The project is also expected to maintain debt coverage of 1.22x on the increased loan amount, consistent with the original underwriting. Staff has had numerous positive conversations with underwriters to this effect.

The closing of the permanent loan is planned for December 19, 2014. In order to do this, the Commission may be asked to fund an additional escrow amount of up to $400,000 from the Opportunity Housing Reserve Fund ("OHRF"). Once the permanent loan is funded, these funds along with the general partner loan would be repaid to the Agency.

Davis Bacon Review

In April 2014, staff informed the sub-contractors that they needed to provide certified payrolls to provide retro-active Davis Bacon benefits to employees that did not receive the required compensation for their work. The sub-contractors were asked to provide the payrolls by July 31, 2014, and the Agency offered both financial assistance and support in preparing the documentation.

During the next several months, staff contacted all of the sub-contractors to secure as many of the certified payrolls as possible. While some of the contractors had good records and were willing to provide the information with little coaxing, others had to be contacted multiple times before producing the documentation. Other refused. As of September 30, 2014, the Agency had received payrolls that represented 67% of the total labor contract value. From this sample set it became clear that many of the subs were paying wages in line with the Davis Bacon prevailing wages. As staff was collecting this information, it was working with the tax credit equity team of Hudson Housing and Capital One Bank, as well as Novogradac, a tax credit consultant, and legal council to complete the review of the information, develop a strategy to resolve the issue, report to the Department of Labor ("DOL"), and ultimately compensate the workers. Novogradac is finalizing an estimate of the projected liability. This will be used to set-up an escrow for the funds and will be included in the filing that is submitted to the DOL which will rule on both the estimate of liability and the procedure for payment.

Staff expects the review process with the DOL will take 3 – 6 months to complete. When approved, staff will follow the prescribed procedures and begin to disperse funds. This process will be open for 3 years, after which there will be a review with DOL to determine next steps.

Davis Bacon Review

Company	Trade	Contract	5% of Contract (Estimate)	Actual Reported Wage Liability	Variance
D&R Electric, Inc.	Electrical	$ 1,389,276.00	$ 69,463.80	$167,627.51	$ 98,163.70
Associates Plumbing	Plumbing	894,399.00	44,719.95	42,360.68	(2,359.27)
Priority Engineering (PES)	HVAC	698,365.00	34,918.25	30,713.95	(4,204.30)
Busy Ditch, Inc.	Wet Utilities	366,900.00	18,345.00	1,094.20	(17,250.81)
Livingston Fire Protection	Sprinkler	337,000.00	16,850.00	132.88	(16,717.12)
Lama Painting & Drywall	Carpentry	297,600.00	14,880.00	132,753.04	117,873.04
Aeroseal Contracting Corp.	Insulation	293,424.00	14,671.20	6,616.80	(8,054.40)
Chesapeake Iron Works	Rails / Fencing	240,898.00	12,044.90	893.16	(11,151.74)
Continental Security	Entry / Security	237,883.00	11,894.15	28,199.94	16,305.79
Contract Hardware	Doors and Windows	190,770.00	9,538.50	5,960.31	(3,578.19)
Design House Kitchens	Cabinetry	172,420.38	8,621.02	1.13	(8,619.89)
Fowler's Glassworks	Storefront glass	171,100.00	8,555.00	1,747.89	(6,807.11)
Gradeline Construction		67,451.00	3,372.55	2,523.23	(849.32)
Playground Specialists, Inc.		43,683.00	2,184.15	28.30	(2,155.85)
PES sub: Virginia Mech			-	49,492.00	49,492.00
Hamel			-	194.18	194.18
Total Reporting		**$ 5,401,169.38**	**$ 270,058.47**	**$ 470,339.19**	**$ 200,280.72**
Other Contractors		$ 4,252,501.01	$ 212,625.05	Non-reporting	TBD

Sources and Uses: Construction vs Permanent Loan Phase

	Underwritten	Interim	Permanent	Variance
USES				
Acquisition Costs	$ 9,000,000	$ 9,000,000	$ 9,000,000	$ 0
Hard Construction Costs (a)	12,433,581	15,672,250	15,672,250	3,238,669
Soft Costs	2,296,075	1,727,157	1,727,157	(568,918)
Financing Costs and Reserves	2,538,646	2,036,014	2,036,014	(502,632)
Developer Fee	2,500,000	2,500,000	2,500,000	0
TOTAL	$ 28,768,302	$ 30,935,421	$ 30,935,421	$ 2,167,118
SOURCES				
Tax Credit Equity	$ 14,206,500	$ 14,206,500	$ 14,206,500	$ 0
Bond / Permanent Financing	9,371,393	9,371,393	11,538,511	2,167,118
Seller Note	3,190,410	3,190,410	3,190,410	0
CDA Loan	2,000,000	2,000,000	2,000,000	0
Deferred Developer Fees	0	567,118	0	0
HOC / GP Bridge Loan	0	1,600,000	0	0
TOTAL	$ 28,768,302	$ 30,935,421	$ 30,935,421	$ 2,167,118

(a) Budget total includes $944,129 of proforma contingency that was not included in the base construction contract. Total overrun project: $4.2 million.

Projected Stabilized Income and Expenses

	Underwriting	Current	Variance
REVENUE			
Net Rental Income	$ 1,580,015	$ 1,696,256	$ 116,241
Effective Total Income	1,602,191	1,724,464	122,273
Expenses (a)			
Administrative	40,424	48,541	8,117
Management Fees	64,088	60,192	(3,896)
Payroll	255,488	246,470	(9,018)
Maintenance	199,961	125,204	(74,757)
Utilities	168,274	193,308	25,034
Taxes & Insurance	52,800	34,717	(18,083)
Replacement Reserve	39,600	39,600	0
Net Operating Income	$ 781,556	$ 976,432	$ 194,876
Supportable Debt w/ 1.22x DSCR & 35yr amort; 4.5%	$ 10,452,133	$ 13,058,306	

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission wish to accept the recommendation of the Development & Finance Committee and approve an increase in the general partner loan to TSLP by up to $400,000 to fund additional project costs?

- The discussion herein compares the project's actual rehabilitation costs with those originally projected.
- Full general partner loan including the initial $1.2 million is to be repaid from proceeds of the FHA 223(f) permanent loan.

BUDGET IMPACT

There is not yet any adverse change to the current Agency operating budget. Bridge funds would come from the OHRF and are projected to be outstanding for less than 120 days. In the event that permanent loan proceeds are not sufficient to pay the full developer fee, the budget would be altered.

TIME FRAME

For action at the November 5, 2014 meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development & Finance Committee and approve an increase in the general partner loan to Tanglewood and Sligo LP of up to $400,000, thereby increasing the total general partner loan to $1.6 million to fund additional project costs. Funding is proposed to come from the OHRF which had a balance of $5.989 million at September 30, 2014. The entire OHRF indebtedness will be repaid from permanent loan proceeds at closing of the FHA 223(f) loan.

RESOLUTION: **RE: Approval to Increase the General Partner Loan to Tanglewood and Sligo LP (”Partnership”) and the Acceptance of such Funds by the Partnership to Fund Additional Project Costs**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”), is the sole member of HOCMC, LLC (the “General Partner”), the general partner in a limited partnership known as Tanglewood and Sligo LP (the “Partnership”); and

WHEREAS, the Partnership was established to provide the benefit of low income housing tax credits to a certain property known as Tanglewood and Sligo Apartments located in Silver Spring (the “Property”) pursuant to Section 42 of the Internal Revenue Code of 1986; and

WHEREAS, on January 2, 2013, construction began on the renovation of the Property with a planned completion date of late March 2014; and

WHEREAS, the project’s general contractor contract did not include the requirement for the general contractor and its sub-contractors to pay prevailing wages under the Davis Bacon and Related Acts (the “Davis Bacon Wages”), as required by the use of certain federal funds for the Property’s renovation, and which Davis Bacon Wages, when added to the construction costs, created a funding deficit; and

WHEREAS, in addition, the planned renovation work on the project experienced other significant and unanticipated expenses relating to changes in the scope of work due to conditions on the Property that were not reflected on plans and drawings; and

WHEREAS, the previous estimate for the total impact of construction/hard cost adjustments in excess of the budgeted contingency was approximately $1.8 million – based in part on an undocumented estimate of the Davis Bacon Wages liability of $728,516 –of which a portion can be paid for from savings in other categories; and

WHEREAS, after receiving the documentation for 67% of the total relevant contracts, the Davis Bacon Wages liability is currently estimated to be $767,161, which, when combined with other shortfalls, increases the unfunded liability by approximately $353,756; and

WHEREAS, The Commission, as the guarantor of all of the General Partner’s obligations to the Partnership and as the sole member of the General Partner, has obligations to assure the lien-free completion of the rehabilitation, the conversion of the construction financing to permanent financing, and the timely delivery of the tax credits (collectively, the “Obligations”); and

WHEREAS, on October 3, 2013 the Commission authorized a loan to the Partnership of up to $1.2 million (the “General Partner Loan”) from the Opportunity Housing Reserve Fund

(the "OHRF"), which was utilized to pay additional project costs beyond the amount provided in the budget; and

WHEREAS, given the circumstances, it is appropriate for the Commission to identify sources of funding to cover project costs beyond the current and revised budgeted amount to complete the work on the Property.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of HOCMC, LLC, authorizes an increase in the amount of the General Partner Loan to the Partnership of up to $400,000 from the OHRF to be utilized to pay project costs beyond the amount provided for in the current and revised budget in order to satisfy the Obligations, with repayment on the General Partner Loan anticipated to be made by March 31, 2015 with funds from the permanent financing of the Property and/or from equity funds that would otherwise have been paid to the Commission as developer fee.

BE IT FURTHER RESOLVED by the Commission, acting for and on behalf of the General Partner, acting for an on behalf of the Partnership, that the Partnership is authorized and directed to accept the advance of the additional General Partner Loan funds and apply such funds toward additional project costs.

BE IT FURTHER RESOLVED by the Commission, acting in its own capacity and for and on behalf of the General Partner, acting in its own capacity and for an on behalf of the Partnership, that the Executive Director is, without further action on their respective parts, authorized and directed to execute the taking of any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of HOCMC, LLC, acting in its own capacity and for and on behalf of Tanglewood and Sligo LP, at a regular meeting conducted on November 5, 2014.

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Patrice M. Birdsong
Special Assistant to the Commission

CONSENT TO TRANSFER OWNERSHIP INTEREST

Charter House Senior Living

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
MARY ELLEN EWING

November 5, 2014

Table of Contents

Executive Summary

Charter House is a 212-unit, 15-floor apartment building within the central business district of Silver Spring restricted to persons older than 55 years of age. It was built in 1964 and is now owned by Homes for Silver Spring, LLC, a Maryland limited liability company. HOC financed its acquisition and rehabilitation in 2004 with $13,700,000 in tax-exempt Multifamily Housing Development Bonds under the 1996 Indenture. The bond proceeds funded a loan to Homes of Silver Spring, LLC through Enterprise Mortgage Corporation that is supported by a credit enhancement provided by Fannie Mae and secured with a first deed of trust. Homes for Silver Spring, LLC also obtained financing from Montgomery County in the amount of $10,498,870, secured by a second deed of trust.

Pursuant to the requirements set forth in the loan documents, Regulatory Agreement, and Land Use Restriction Agreement, the Borrower/Owner has requested HOC's consent to transfer its 100% membership interest to another entity, effectively changing ownership of the property. Currently, 100% membership interest is held by Homes for America, Inc., an Annapolis based nonprofit corporation. The proposed transferee entity is AHC, Inc. (AHC), a Virginia nonprofit corporation with over $100 million in net assets that has been expanding in Maryland over the past ten years.

AHC has an affiliated affordable-housing management company, AHC Management, LLC, which manages all of AHC's properties (39) encompassing almost 5,300 households as well as some third-party managed properties including Charter House. HOC's consent will be conditioned upon the following:

- No cost to HOC,
- Bond Counsel's written opinion that transfer will not jeopardize the tax-exempt status of the bonds, and
- Written opinion from the new entity's counsel, acceptable to HOC, that the new entity has duly assumed all of the obligations and duties of the loan and regulatory documents.

Property Description

Built in 1964, Charter House in Silver Spring has 14 floors and a parking garage. Amenities include a main dining room, beauty salon, exercise room and multi-purpose/craft room.

Unit Type	#
Efficiency	16
One bed/bath	138
Two bed/bath	58
Total Units	**212**

Public Purpose:

20% (43) units @ 50% AMI

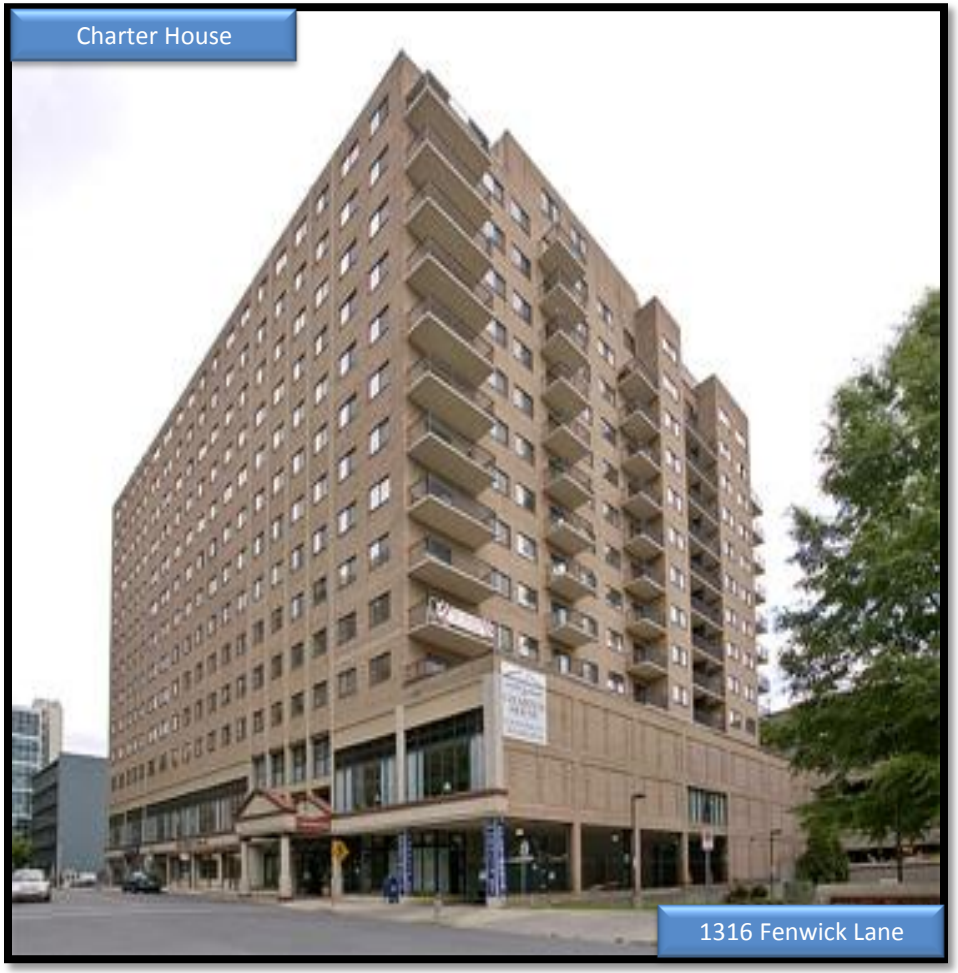
55% (116) units @ 80% AMI

25% (53) units @ market rate

Debt Coverage Ratio (DCR) recent history:

YTD Aug

2014	2013	2012
1.10	1.25	1.15



Legal Document Review

- The Land Use Restriction Agreement, Regulatory Agreement, and Loan Agreement are the documents which set forth the rights and responsibilities of HOC when there is a change proposed in the borrower or owner. HOC has the right to review the proposed Transferee's legal standing in its evaluation of the advisability of the proposed change. Determining if HOC has any concerns regarding the proposed entity or its ability and willingness to assume the obligations of the current owner is one aspect of the review.

- Consent to the transfer must be given by Fannie Mae, the credit enhancer, pursuant to the Loan Agreement.

- Bond Counsel must provide a written opinion that the transfer will not cause the interest payable on the bonds to become taxable income and AHC's counsel must give an opinion to HOC that by the transfer documents that will be executed, AHC, Inc. has assumed and will be duly bound by all the obligation of Homes for American, Inc.

- Staff review the documents and identified the relevant sections as follows:
  - Land Use Restriction Agreement by and among HOC and US Bank, N.A. as Trustee (as successor trustee to SunTrust Bank) and Homes for Silver Spring, LLC dated November 1, 2004.
    - Section 9. Sale, Conveyance of Transfer of Project
  - Regulatory Agreement by and between HOC and Homes for Silver Spring, LLC dated November 1, 2004.
    - Section 2.2. Qualified Residential Rental Project
    - Section 2.3. Lower-Income Tenants and Eligible Tenants; Rent Restrictions (i) Monitoring Fee
    - Section 2.5. Sale of Development; Change in Borrower.
  - Loan Agreement among HOC, US Bank, N.A. as Trustee (as successor trustee to SunTrust Bank) and Homes for Silver Spring, LLC as Borrower dated November 1, 2004.
    - Section 7.02. Covenants of Borrower (e) Maintenance of Legal Existence.
  - Amendments to Articles of Incorporation for Arlington Housing Corporation when the name was changed to AHC, Inc. and certified with the State Corporation Commission of Virginia in 1998

Conclusion

Staff has determined that there are no legal impediments to granting consent to the transfer.

Financial Review

- Consent to the transfer dictates that any designated transferee be no less capable or willing to fulfill the financial obligations than the existing Borrower/Owner.
- AHC's experienced management company coupled with AHC's ownership position should be beneficial in implementing an appropriate asset preservation and asset enhancement program. Staff reviewed:
  - AHC, Inc.'s 2011 audited financials
  - AHC, Inc.'s 2012 audited financials
  - AHC, Inc.'s 2013 unaudited financials
- AHC, Inc. has already developed a capital improvement plan for Charter House once it assumes an ownership position. Given the age of the building, its priorities are on enhancements for plumbing and electrical systems, i.e., domestic supply pipe relining and shut-off valve installation for future energy savings. These are expected to be followed by interior and exterior renovations to update the building.
- Charter House has had continual operating performance struggles due primarily to the age of the building and its mechanical and plumbing systems and exacerbated by the harsher winters Montgomery County has experienced over the past few years.
- Borrower has kept current on all mortgage payments even though repair and maintenance costs have broken the budget significantly this past year. Staff reviewed:
  - Charter House 2014 year-to-date operating statements
  - Charter House 2013 operating statements
  - Charter House 2012 operating statements
- The transfer has no financial impact on HOC and any costs of the transfer will be borne by Borrower.

Conclusion

Staff has determined that there are no financial impediments to granting consent to the transfer.

Borrower/Ownership Structure

- AHC, Inc. is a Virginia, non-profit, non-stock corporation authorized to conduct business in the State of Maryland and experienced using tax-exempt bonds to finance affordable residential housing.
- Founded in 1975 in Arlington, VA, it has acquired and developed or preserved 39 properties encompassing 5,300 households for affordable housing in Virginia since then.
- AHC expanded to Maryland in 2004 and opened an AHC Greater Baltimore affiliate which has developed six properties with 1,000 affordable apartments since that time.
- AHC's property management company was hired by the Owner as of July 1, 2014 to begin management of property operations.

Current Structure	Proposed Structure
Borrower:	
Homes for Silver Spring, LLC	**Homes for Silver Spring, LLC**
Owner of 100% Interest (Sole Member):	
Homes for America, Inc.	AHC, Inc.

- The provision for Right of First Refusal to purchase the property under Montgomery County Code Chapter 53A would have been triggered by this transfer; however, AHC has agreed to enter into a rental agreement with Montgomery County forestalling the Right of First Refusal being triggered.
- AHC has begun talks with Montgomery County to fund up to $2.5 million for the cost of these capital improvements to the property. According to AHC, Inc.'s chief operating officer, the County has responded favorably to the inquiries.

Other Stakeholder Positions

Stakeholder	Name	Status
Lender	Fannie Mae	Written approval received
Servicer/Underwriter	Enterprise Mortgage Corp.	Approved; assisting AHC, Inc.
Subordinate Lender	Montgomery County	Negotiating w/AHC, Inc. to provide additional funds
Bond Issuer	HOC	Requested bond counsel review Requesting Commission approval to consent
Borrower	Homes for Silver Spring, LLC	Assisting AHC with anticipated transfer
Owner	Homes for Silver Spring, LLC	Waiting for HOC consent

Conclusion

- Charter House provides 212 units of affordable senior living housing in a very convenient location in downtown Silver Spring. It is HOC's goal to continue to see that this housing stays well maintained, safe and desirable for its community of residents.
- Homes for Silver Spring, LLC as the Borrower/Owner of the property has had consistent struggles in operating the property efficiently for a variety of reasons. Its managing member, Homes for America, Inc. would like to exit its ownership position and transfer its interest to AHC, Inc., which will both own and operate the property with the same mission and a financial commitment to provide quality affordable housing for seniors in the community.
- Staff has reviewed the legal documents, financial documents and financial reports and determined that there are no impediments to HOC's granting consent to this transfer of member interest and no financial impact on HOC.
- Staff has verified that Fannie Mae has given consent to the transfer as have all other relevant stakeholders.
- Staff will ensure that appropriate documentation of the transfer is in place as a condition of final approval.
- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee to approve the Resolution consenting to the transfer of 100% membership interest in the borrowing entity of Charter House.

Summary and Recommendation

ISSUES FOR CONSIDERATION

Does the Commission wish to accept the recommendation of the Development and Finance Committee to consent to the transfer of 100% membership interest in the borrowing entity of Charter House?

a. The discussion herein provides a review of the financial and legal requirements that have been met for consent.

b. The discussion herein provides a favorable review of the proposed transferee entity.

BUDGET IMPACT

There is no adverse impact for the current Agency operating budget or costs to HOC.

TIME FRAME

Action at the Commission meeting scheduled for November 5, 2014.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee to approve the Resolution to consent to the transfer of 100% membership interest in the borrowing entity of Charter House.

RESOLUTION: 2014-___ Re: To Authorize the Consent of the Commission to the Transfer by the Sole Member of 100% of its Membership Interests in the Borrower under the Mortgage Loan relating to the Commission's Multifamily Housing Development Bonds, 2004 Series A

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, AUTHORIZING THE CONSENT OF THE COMMISSION TO THE TRANSFER BY THE SOLE MEMBER OF HOMES FOR SILVER SPRING, LLC, OF 100% OF ITS OWNERSHIP INTEREST IN THE BORROWER UNDER THE MORTGAGE LOAN RELATING TO THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS, 2004 SERIES A AND THE RELEASE OF THE MEMBER OF THE BORROWER FROM ITS OBLIGATIONS AND LIABILITIES UNDER THE FINANCING DOCUMENTS SUBJECT TO THE CONDITIONS HEREIN STATED; AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF THE ASSUMPTION AGREEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF ANY OTHER DOCUMENTS NECESSARY TO THE CONSENT OF THE COMMISSION TO THE TRANSFER OF THE MEMBERSHIP INTEREST IN THE BORROWER; APPOINTING THE BOND COUNSEL; AND PROVIDING AN EFFECTIVE DATE.

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 (the "Act"), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, the Act empowers the Commission to make mortgage loans to qualified sponsors to provide for the construction, rehabilitation and long-term financing of multifamily residential housing units in the County for occupancy by persons of eligible income and to perform any other duties that the Commission considers necessary in carrying out the purposes of the Act; and

WHEREAS, the Commission, in furtherance of the purposes of the Act, has established a program (the "Program") to provide for the financing of mortgage loans through the issuance of its multifamily housing bonds; and

WHEREAS, in furtherance of the Act and the Program, and at the request of Homes for Silver Spring, LLC, a Maryland limited liability company (the "Borrower"), the Commission issued its Multifamily Housing Development Bonds, 2004 Series A (the "Bonds") in the

aggregate principal amount of $13,700,000 pursuant to the Trust Indenture dated as of November 1, 1996 (the "1996 Indenture") and the Series Indenture dated as of November 1, 2004 Providing for the Sale and Issuance of $13,700,000 Principal Amount of Multifamily Housing Development Bonds 2004 Series A, each by and between the Commission and the Trustee (the "2004 Series A Indenture," and together with the 1996 Indenture, the "Indenture"); and

WHEREAS, the Commission made a loan (the "Mortgage Loan") to the Borrower from the proceeds of the Bonds pursuant to that certain Loan Agreement dated as of November 1, 2004 (the "Loan Agreement"), by and between the Commission and the Borrower, for the purpose of financing the acquisition, rehabilitation and equipping by the Borrower of a 212-unit multifamily residential rental development for independent, elderly persons over the age of 55 years located in Montgomery County, Maryland, known as Charter House Apartments (the "Development"), and

WHEREAS, credit enhancement for the Mortgage Loans was provided by Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 *et seq*. ("Fannie Mae"); and

WHEREAS, Homes for America, Inc., the sole member of the Borrower (the "Sole Member") has informed the Commission that it desires to transfer 100% of its membership interest in the Borrower (the "Transfer") to AHC, Inc. (the "Transferee"); and

WHEREAS, the Loan Agreement and certain other of the documents executed in connection with the issuance of the Bonds (collectively, the "Transaction Documents") contain requirements which must be satisfied prior to the transfer of the Development and the transfer of ownership interests in the Borrower, including, but not limited to, (i) the prior written consent of the Commission and Fannie Mae and (ii) the assumption by the Transferee of the obligations of the Homes for America, Inc., the transferor entity (hereinafter, the "Transferor") under the Transaction Documents; and

WHEREAS, the Commission has been provided a letter (the "Letter") written by Bellwether Enterprise Real Estate Capital, LLC, the servicer of the Mortgage Loan, informing the Sole Member that Fannie Mae has agreed in concept to the Transfer, subject to certain conditions set forth in the Letter; and

WHEREAS, the Borrower has requested the Commission's written consent to the Transfer;

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

Section 1. ***Incorporation of Recitals***. The Recitals contained in this Resolution are true and correct and are incorporated in this Resolution by this reference.

Section 2. ***Consent to Transfer.*** Subject to the determination of the Executive Director of the Commission, in the sole discretion of the Executive Director, that the conditions stated herein below have been satisfied, the Commission hereby authorizes the Executive

Director to consent to the Transfer in accordance with the information provided by the Borrower to the Commission setting forth the details of such Transfer.

The consent of the Commission provided by this Resolution is conditioned upon the following:

a. receipt by the Commission of written confirmation that all conditions to the consent of Fannie Mae to the Transfer as set forth in the Letter have been satisfied;

b. receipt by the Commission of all organizational documents of the Transferee and certificates of good standing of the Transferee within the State of Maryland;

c. receipt by the Commission of all financial information requested by HOC relating to the Transferee and all financial information requested by HOC relating to the Transferor;

d. an executed assumption agreement or similar agreement acceptable to HOC (the "Assumption Agreement") by and between the Transferee and the Transferor whereby the Transferee agrees to assume all of the obligations of the Transferor under the Transaction Documents, as applicable;

e. the written agreement of the Borrower to pay all fees and expenses of the Commission, including but not limited to, the fees and expenses of its Bond Counsel and any fees due and owing to the Commission under the documents executed in connection with the Transfer;

f. delivery to the Commission of the opinion of Bond Counsel to the Commission that the actions taken in connection with the Transfer will not adversely affect the tax-exempt status of the Bonds;

g. delivery to the Commission of the opinion of counsel to the Transferee relating to the enforceability of the Assumption Agreement against the Transferee; and

h. delivery to the Commission of such other documents or opinions not specifically mentioned herein, as may be required by the Transaction Documents, as identified by Bond Counsel.

The consent of the Commission provided by this Resolution is limited to the matters specifically referenced herein, and any subsequent sale, transfer or encumbrance of all or any portion of the Project or of any interest in the Borrower is subject to the additional written consent of the Commission.

Section 3. ***Execution of Consent Documents.*** Upon satisfaction of the above-stated conditions, the Chairman, Vice Chairman, Chairman Pro tem or Executive Director of the Commission is hereby authorized and directed to execute and deliver the Assumption Agreement and any further documents evidencing or relating to the consent of the Commission to the Transfer (collectively, the "Consent Documents"), in such forms as may be approved by the

Chairman, Vice Chairman, Chairman Pro tem or Executive Director of the Commission, and the execution of such Consent Documents by the Chairman, Vice Chairman, Chairman Pro tem or Executive Director of the Commission shall be conclusive evidence of approval thereof by the Commission, and the Secretary-Treasurer of the Commission or any other authorized officer (an "Authorized Officer") is hereby authorized and directed to affix the seal of the Commission to the Consent Documents and to attest the same.

Section 4. ***Appointment of Bond Counsel***. Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the matters herein described relating to the Transfer.

Section 5. ***Other Action***. The Chairman, Vice Chairman, Chairman Pro tem or Executive Director of the Commission or any Authorized Officer is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution or the Consent Documents or otherwise in connection with the Transfer.

Section 6. ***No Personal Liability***. No stipulation, obligation or agreement herein contained or contained in the Consent Documents shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable in any respect in connection with the Consent Documents or be subject to personal liability or accountability by reason of the execution thereof.

Section 7. ***Action Ratified, Approved and Confirmed***. All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this Resolution and in the furtherance of the execution and delivery of the Consent Documents and the Transfer are in all respects ratified, approved and confirmed.

Section 8. ***Severability***. If any provision of this Resolution shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provision or cause any other provisions to be invalid, inoperative or unenforceable to any extent whatsoever.

Section 9. ***Effective Date***. This Resolution shall take effect immediately.

The foregoing resolution was adopted upon a motion by _____ _____.

****

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on November 5, 2014.

_____
Patrice Birdsong
Special Assistant to the Commission

APPROVAL OF CONTRACTS FOR HVAC REPLACEMENT AND REPAIR SERVICES AT SCATTERED SITE PROPERTIES

November 5, 2014

- **In the aggregate, the Commission owns and/or manages over 1,600 scattered site public housing and opportunity housing units throughout the County.**

- **Six firms responded to HOC's Invitation for Bids for HVAC Replacement and Repair Services at Scattered Site Properties. IFB 1933 reserves to the Commission the right to award multiple contracts.**

- **The lowest bidder, Fresh Air Concepts, Inc., was determined by staff to be qualified and its bid price is considered to be fair and reasonable. Fresh Air Concepts has prior successful experience replacing and servicing HVAC equipment and systems in HOC-owned scattered site units.**

- **The second lowest bidder, Complete Mechanical and Electrical Solutions, LLC, was determined to be responsive.**

- **Staff recommends that the Commission authorize the Executive Director or his designee to enter into contracts for HVAC replacement and repair services at scattered site properties with Fresh Air Concepts Inc. as the primary contractor in the amount of $350,000 and with Complete Mechanical and Electrical Solutions, LLC as secondary contractor in the amount of $350,000.**

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Division: Property Management Executive Staff: Bobbie DaCosta Ext. 9522
Gina Smith Ext. 9479

RE: Approval of Contracts for HVAC Replacement and Repair Services at Scattered Site Properties

DATE: November 5, 2014

STATUS: **Committee Report:** **Deliberation X**

OVERALL GOAL & OBJECTIVE:
To authorize the Executive Director to execute two contracts for the service, repair, and replacement of HVAC systems at scattered site properties.

BACKGROUND:
The Commission owns (both directly and through various affiliate entities) approximately 1,600 scattered site housing units throughout the County. The Commission is the designated property manager for all these units. These units require routine, on-going maintenance, repair, and replacement; the availability of on-call providers to perform work is essential. Particularly in summer and winter months, timely HVAC repairs are necessary to resident health, well-being, and satisfaction.

Historically, HOC has had such contracts open and available as part of normal Property Management operations. This effort is a reinstatement of those resources.

In accordance with HOC's Procurement Policy, staff mailed notices of the availability of IFB 1933 to HVAC contractors on HOC's potential bidders list, placed an advertisement in a local newspaper, and posted the bid notice on the HOC web site. Bid documents were structured based on estimated quantities prepared by staff to reflect projected actual needs. IFB #1933 reserves the Commission's right to award multiple contracts for service, repair and replacement of HVAC systems.

A pre-bid conference was held on August 15, 2014. On August 29, 2014, six firms responded:

Fresh Air Concepts, Inc.	$735,705.67
Complete Mechanical and Electrical Solutions, LLC	$735,867.34
AMD Mechanical Contractors	$831,530.00
Sunn Corporation	$841,262.50
Priority Engineering Services, LLC	$998,485.00
SAGO Building Management, LLC	$1,128,667.50

Fresh Air Concepts, Inc. and Complete Mechanical and Electrical Solutions, LLC submitted nearly identical bids and were the lowest bidders:

- Fresh Air Concepts, Inc. ("FAC") is based in Howard County, Maryland and was the contractor most recently engaged by HOC to act as on-call service provider of HVAC solutions. FAC provides service to heat pumps, boilers, furnaces, and air conditioning systems.
- Complete Mechanical and Electrical Solutions, LLC ("CMES") specializes in myriad mechanical and electrical services. An entity created by Foulger-Pratt Contracting, CMES boasts combined experience among principals of more than 50 years. CMES is the chief mechanical, electrical, and plumbing ("MEP") subcontractor for the renovations of the scattered site former Public Housing units.

Proposed Contract Values (Not to Exceed) are as follows:

Fresh Air Concepts, Inc.	$ 350,000
Complete Mechanical and Electrical Solutions, LLC	$ 350,000
Total Award of All Contracts	**$ 700,000**

Payment for the work performed under these contracts is anticipated to be made from the respective scattered site property budgets.

Given staff familiarity with both firms – one having served the Commission for many years, the other installing the MEP infrastructure (to be serviced in the future) in hundreds of the Commission's units – and the similarity of the bids, Property Management recommends an evenly split award.

Each of these contracts is subject to the requirements for HOC Works "Section 3". The HOC Works staff will work with the Purchasing Department and Property Management Division to ensure the contractors are aware of their requirements and that a plan to achieve them is executed.

ISSUES FOR CONSIDERATION:
Does the Commission wish to accept the recommendation of the Development Finance Committee and authorize the Commission, as the property manager for the scattered site units, to enter into two contracts for HVAC service, repair, and replacement at scattered site properties, one with Fresh Air Concepts, Inc. and another with Complete Mechanical and Electrical Solutions, LLC, each in the amount of $350,000? The contracts will be for one year with three optional one-year renewals.

PRINCIPALS:
HOC
Fresh Air Concepts, Inc.
Complete Mechanical and Electrical Solutions, LLC.

BUDGET IMPACT:
None. Sufficient funds have been allocated in the respective scattered site property budgets.

TIME FRAME:
This item was discussed by the Development and Finance Committee at its meeting on October 23, 2014. Action by the Commission is requested at the meeting scheduled for November 5, 2014.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission authorize the Executive Director or his designee to enter into two contracts for HVAC service, repair, and replacement at scattered site properties; one with Fresh Air Concepts, Inc. and one with Complete Mechanical and Electrical Solutions, LLC, each in the amount of $350,000.

RESOLUTION # **RE: Approval of Contracts for HVAC Replacement and Repair Services at Scattered Site Properties**

WHEREAS, the Housing Opportunities Commission of Montgomery County (HOC) issued an Invitation for Bids (IFB) for HVAC Replacement and Repair Services at Scattered Site Properties; and

WHEREAS, six (6) companies submitted bids in response to the IFB; and

WHEREAS, staff determined that the first and second lowest responsive and responsible bidders that submitted the most fair and reasonable bid prices are Fresh Air Concepts, Inc. and Complete Mechanical and Electrical Solutions, LLC.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director or his designee is hereby authorized and directed to execute a contract with Fresh Air Concepts, Inc. in the amount of $350,000 and a contract with Complete Mechanical and Electrical Solutions, LLC in the amount of $350,000, which amounts will be payable from the respective scattered site property budgets.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on Wednesday, November 5, 2014.

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Patrice Birdsong
Special Assistant to the Commission

Deliberation

and/or

Action

Future Action

Information Exchange

New Business

Executive Session Findings

Adjourn