

REVISED EXPANDED AGENDA

July 17, 2013

3:30 p.m.	<u>Tony S. Davis Memorial Scholarship Reception (Atrium)</u>	
4:00 p.m.	<i>Tony S. Davis Memorial Scholarship Awards Ceremony</i>	
4:30 p.m.	I. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>	
Page 3	A. Approval of Service Contract for Housing Quality Inspections	
4:40 p.m.	II. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>	
Page 11	A. Development and Finance Committee – <i>Comm. Lindstrom, Chair</i>	
35	1. Approval of Preliminary Development Plan, Predevelopment Budget and Interim Renovation Financing for Timberlawn Crescent and Pomander Court Apartments	
	2. Approval to Increase the Value of the Zoning and Planning Consultant Engagement	
5:00 p.m.	III. <u>CONSENT ITEMS</u>	
Page 42	A. Approval of Minutes of June 5, 2013	
67	B. Approval of 2013 Tony Davis Scholarship Winners	
74	C. Ratification of Action Taken by the Commission on June 20, 2013 Authorizing the Executive Director to Execute a Purchase and Sale Agreement Jointly with Republic Land Company LLC and Approval to Fund a Good Faith Deposit and Due Diligence Expenses for the Acquisition of Cider Mill Apartment	
5:05 p.m.	IV. <u>INFORMATION EXCHANGE</u>	
Page 86	A. Report of the Executive Director	
	B. Calendar and Follow-up Action	
	C. Correspondence and Printed Matter	
	D. Commissioner Exchange	
	E. Resident Advisory Board	
	F. Community Forum	
	G. Status Report	
5:15 p.m.	V. <u>*FUTURE ACTION ITEMS</u>	
5:20 p.m.	VI. <u>NEW BUSINESS</u>	
5:25 p.m.	VII. <u>EXECUTIVE SESSION FINDINGS</u>	
5:30 p.m.	<u>ADJOURN</u>	

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.

Deliberation and/or Action

APPROVAL OF SERVICE CONTRACT FOR HOUSING QUALITY STANDARDS INSPECTIONS

July 17, 2013

- The Housing Opportunities Commission manages a federally regulated Housing Choice Voucher program. The program currently has 5,796 units under Housing Assistance Payment contracts. HUD has approved utilization up to 6,654 vouchers.
- HOC is required to perform Housing Quality Standards Inspections on all units annually and all new units prior to entering into a Housing Assistance Payment contract. In 2013, HOC performed 11,079 Housing Quality Standards Inspections.
- HUD has reduced the Administrative Fee proration from 80% to 69% which required HOC to reevaluate the cost effectiveness of our business practices.
- Recognizing future reduced subsidies and fees in the program, the Commission analyzed a variety of potential cost savings measures including having the function of HQS inspections performed through a service contract as defined in Section 16-401 et seq. of the Housing and Community Development Article of the Maryland Code by a third party contractor.
- The analysis showed that the Commission could save more than 20% of the value of the cost of the services.
- The Executive Director has certified to the Commission the analysis of the cost savings performed by a consultant.

- Subsequent to the completion of the analysis of cost savings, an Invitation for Bid (IFB) was issued in accordance with the HOC Procurement Policy for Housing Quality Standards (HQS) Inspections on July 10, 2013.
- Three bids were received.
- Staff reviewed the bids in accordance with the IFB guidance and determined the lowest, responsive and responsible bidder.
- Staff recommends that the Commission authorize the Executive Director to execute a service contract with Nan McKay and Associates, Inc. to perform Housing Quality Standards Inspections.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

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

RE: Approval of Service Contract for Housing Quality Standards Inspections

DATE: July 17, 2013

STATUS: Consent _____ Deliberation X Status Report _____ Future Action _____

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to execute a service contract with Nan McKay and Associates, Inc. for Housing Quality Standards Inspections in the Housing Choice Voucher program.

BACKGROUND:

As a result of substantial reductions in HUD funding and the potential continuing impact of sequestration actions implemented by the federal government, the Commission will receive significantly less funding for the operation of its federal housing programs in the coming years. Recognizing the future reduced subsidies and fees to be received by HUD, the Commission analyzed a variety of potential cost savings measures including having the function of HQS Inspections performed through a service contract by a third party contractor.

As required by the Service Contracts Act, the Executive Director presented a Certification to the Commission on June 5, 2013 that included a cost comparison analysis performed by Casterline Associates, P.C. showing at least a 20% savings by having the inspection process conducted by a private contractor.

An Invitation for Bid (IFB) was issued in accordance with the HOC Procurement Policy for Housing Quality Standards Inspections on July 10, 2013. The purpose of the IFB was to take advantage of expertise and efficiencies by a third party contractor to complete the Housing Quality Standards Inspections in the Housing Choice Voucher program. Staff believes that entering into a third party contract will provide both control of expenses and greater long-term cost effectiveness while also addressing customer service and program compliance.

Based on a review of the responses and in accordance with the selection criteria, staff determined Nan McKay and Associates, Inc. to be the lowest, responsive and responsible bid.

The bidder has experience and knowledge of the process having performed this work in other jurisdictions as well as having expertise in the Housing Choice Voucher program. The bids received were as follow:

- Nan McKay and Associates, Inc. - \$363,000
- US Inspect - \$894,000
- MIMAR Architects, Inc - \$2,106,000

The review of the responses included consideration of past and current experience performing Housing Quality Standards Inspections for Public Housing Authorities and program knowledge of key personnel. Staff also considered the experience working with low income residents and property owners participating in the Housing Choice Voucher program. The contract with Nan McKay and Associates, Inc. will require that it consider for employment those staff members of the Housing Opportunities Commission that previously performed the inspections.

Staff compared the pricing of the low bidder, its internal costs and the previous analysis completed in connection with the certification. The comparison was completed with the addition of the planned severance costs and a 24% savings is recognized. The savings without the additional severance costs shows a 33% savings which is expected to be the minimum annual savings going forward.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute a service contract with Nan McKay and Associates, Inc. for Housing Quality Standards Inspections in the Housing Choice Voucher Program?

PRINCIPALS:

HOC and Nan McKay and Associates, Inc.

BUDGET IMPACT:

The projected savings will be reflected in the FY 2014 Budget.

TIME FRAME:

For Commission action on July 17, 2013

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission authorize the Executive Director to execute a service contract with Nan McKay and Associates, Inc. for Housing Quality Standards Inspections in the Housing Choice Voucher Program.

RESOLUTION:

RE: Approval of Service Contract for
Housing Quality Standards
Inspections

WHEREAS, the Commission is required to perform Housing Quality Standards Inspections on all units annually and all new units prior to entering into a Housing Assistance Payment contract. In 2013, HOC performed 11,079 Housing Quality Inspections; and

WHEREAS, HUD has reduced the Administrative Fee proration which required the Commission to reevaluate the cost effectiveness of its business practices; and

WHEREAS, recognizing future reduced subsidies and fees in the program, the Commission analyzed a variety of potential cost savings measures including having the function of HQS inspections performed through a service contract as defined in Section 16-401 et seq. of the Housing and Community Development Article of the Maryland Code by a third party contractor; and

WHEREAS, the Executive Director has certified to the Commission the analysis of the cost savings performed by a consultant showing that performance of the inspections by a third party contractor would save more than 20% of the cost of continuing with the current system; and

WHEREAS, the Housing Opportunities Commission of Montgomery County issued an Invitation for Bid for Housing Quality Standards Inspections; and

WHEREAS, based on a review of the responses and in accordance with the selection criteria, staff determined Nan McKay and Associates, Inc. to be the lowest, responsive and responsible bidder.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to execute a contract for the term of one year, renewable for up to three additional one-year periods with Nan McKay and Associates, Inc. for Housing Quality Standards Inspections at the price and terms stated in the bid.

BE IT FURTHER RESOLVED that the contract includes a provision that the contractor notify the Commission of any vacant position for which a Commission employee displaced by this action may apply and give preference to hiring such former employees for positions for which they are qualified.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting on July 17, 2013.

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**Patrice Birdsong
Special Assistant to the Commission**

Committee Reports and Recommendations for Action

Development and Finance Committee

APPROVAL OF PRELIMINARY DEVELOPMENT PLAN, PREDEVELOPMENT BUDGET AND INTERIM RENOVATION FINANCING FOR TIMBERLAWN CRESCENT AND POMANDER COURT APARTMENTS

July 17, 2013

- Timberlawn Crescent (Timberlawn) and Pomander Court (Pomander) are owned along with MPDU II (59 MPDUs) by TPM Development Corporation, a single purpose entity that is wholly owned and controlled by the Housing Opportunities Commission.
- Timberlawn Crescent is located in North Bethesda, was built between 1988 and 1990, and consists of 107 garden style units. Pomander Court is located on University Boulevard in was built in 1967, and consists of 24 townhome units having three bedrooms and two and one half bathrooms each. Together, the regulatory restrictions require that 45 of the total units (34%) serve households with incomes at or below 60% of the Washington, DC-MD-VA Statistical Area Median Income (AMI).
- Both properties are in need of significant renovation to remediate hazardous conditions, improve the living condition of the residents and improve overall marketability. A refinancing plan is being developed and, once implemented, is expected to yield funding that will enable the proposed renovation of the properties.
- The estimated total development cost is \$16,196,982 (\$13,946,339 for Timberlawn and \$2,250,643 for Pomander). This includes the existing first mortgage payoff totaling \$6,250,000 for both properties.
- The estimated predevelopment budget is \$55,000 for Timberlawn and Pomander and will be used to obtain third-party reports necessary to create a final development plan for the properties.
- Timberlawn is in need of immediate capital expenditures to replace unsafe decks. While the health and safety conditions of the decks are being addressed, it is prudent to also replace siding and windows. Therefore, interim funding of up to \$2,300,000 is being requested from the interest free MPDU/Property Acquisition Fund (County Revolving Fund) until the financing plan may be implemented.
- Staff requests that the Commission accept the recommendation of the Development and Finance Committee and approve the use of up to \$55,000 for predevelopment for Timberlawn and Pomander and \$2,300,000 in interim funding for the immediate repairs required at Timberlawn. Staff also requests approval of a loan from the MPDU/Property Acquisition Fund, one of the two County Revolving Funds, as interim financing until the financing plan is approved and implemented. Staff currently plans to issue tax-exempt governmental bonds to fund the full renovation plan and repay the Revolving Fund.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Kayrine Brown, Director, Mortgage Finance Ext. 9589
Richard D. Hanks, Housing Acquisitions Manager Ext. 9503

RE: Approval of Preliminary Development Plan, Predevelopment Budget and Interim Renovation Financing for Timberlawn Crescent and Pomander Court Apartments

DATE: July 17, 2013

STATUS: COMMITTEE REPORT: Deliberation X

OVERALL GOAL & OBJECTIVE:

The overall objectives are to obtain (i) the Commission's approval of a Preliminary Development Plan (the "Plan") for Timberlawn Crescent ("Timberlawn") and Pomander Court ("Pomander"), (ii) approval of a predevelopment budget for the renovation of Timberlawn and Pomander (the "Development") and approval of the funding of interim financing to remediate the health and safety issues and intertwine surrounding exterior work at Timberlawn.

The Plan includes a refinance and renovation strategy as discussed with the Development and Finance Committee on June 27, 2013. The predevelopment budget of up to \$55,000 would be funded as a loan from the MPDU/PAF ("Revolving Fund") account. If approved, predevelopment funds will be used for due diligence necessary to create a final Development Plan to refinance the property. Interim financing of approximately \$2.3 million to address health and safety concerns at Timberlawn are also requested.

BACKGROUND:

Timberlawn Crescent and Pomander Court are owned by TPM Development Corporation which consists of Timberlawn Crescent, Pomander Court, and MPDU II (59 scattered site MPDUs). The following discusses Timberlawn and Pomander; MPDU II will be presented to the Commission at a future date.

Timberlawn Crescent: Timberlawn is located in North Bethesda off Tuckerman Lane across from Georgetown Preparatory School. Timberlawn Crescent Apartments ("Timberlawn"), developed in two phases, consists of 83 units built in 1998 and 24 units built in 1990. Timberlawn is a 107 unit, garden style community.

The property consists of 103 townhome style units and 4 - 1 bedroom flats. It is located on 4.32 acres and has 1.13 parking spaces per unit or 121 total spaces.

The apartments offer eat-in kitchens with pantry, wood cabinets, frost-free refrigerator with ice maker, dishwasher and disposal. In addition, each unit has individual washer and dryers, patio or decks, private entrance, and ceiling fans. The apartments are conditioned by heat pumps. The property offers easy access to Route 355 and I-270 as well as Metro's Red line.

Pomander Court: Pomander Court is a 24 unit clustered townhome community. Each unit contains approximately 2,100 square feet plus a basement, eat-in kitchen with 3-bedrooms and 2.5 baths. Located on University Blvd, convenient to bus transportation and within an easy drive and 15 minute walk to the Wheaton Metro station, Pomander Court was built in 1967 and purchased by HOC in 1975 to prevent the units from being converted to condominiums.

The property has 43 parking spaces. The buildings have flat front brick facades with both shingled and flat roofs. The living areas are ample but, consistent with the floor plans of the era in which they were built, do not have an open layout. The property offers easy access to I-495 as well as Metro's Red line.

Both properties are financed with multi-family housing development bonds. The properties' Deed of Trust, Security Agreement and Assignment of Rents restrict 46 units in Timberlawn and 12 units in Pomander to various levels of AMI (see Exhibit B).

Below is staff's analysis of a refinance/renovation option, staff's proposed Preliminary Development Plan as well as request for funding to remediate health and safety concerns and the adjoining system rehabilitation.

Refinance/Renovation Strategy

Timberlawn: Timberlawn has started to show signs that the property is due to be updated. While it is 93% leased, the exterior of the property has siding and decks that need to be replaced, and the interior of the units have not been updated since it was built. That said, the financials on the property remain strong.

The decks at Timberlawn have health and safety implications and present an imminent capital expenditure need as detailed below. As a stop-gap measure, the decks have been closed to residents. In addition, the siding has been cited by a County inspector due to visible rot and peeling paint.

Pomander: Pomander received some cosmetic update in the mid-2000s; however, the renovations were not comprehensive due to limited funds. In addition, there have been water drainage issues in the rear of the site that have caused mold and erosion problems that are currently being addressed. Nevertheless, the occupancy rate at the property remains high at 94%.

HOC Construction Estimate

Timberlawn: The units have not been substantially renovated since they were constructed 25 years ago. Staff has worked with the management company, The Bozzuto Group, to develop a renovation construction estimate that creates better curb appeal, increases energy efficiency, completes in-unit upgrades throughout the community, extends the property's useful life, and enhances marketability. In addition to enhancing market competitiveness, these improvements are necessary to extend the property's useful life over the long term.

HOC staff is proposing a renovation of the unit interior as well as the building exteriors and property grounds. Interior renovations include replacing kitchen appliances, cabinets and countertops; bath finishes and fixtures; flooring throughout and installing new HVAC systems. The grounds and common spaces will be improved as well. Exterior renovations will include: installing new windows and doors, siding, decks and railing; correcting the drainage along the east side of the site; and updating the community space and landscaping. A detailed scope of the Timberlawn renovations is included as Exhibit E.

Staff has vetted information provided by The Bozzuto Group and has compiled an estimate of proposed renovation with a scope of work and pricing. The estimated renovation cost is \$51,945 per unit or a total 5,558,165. The majority of the sub-components of the estimate from Bozzuto are based on actual quotes they received from sub-contractors. Staff's review of the estimates found the scope and cost to be appropriate.

Pomander Court: The Pomander renovations will be of a lesser scope than that of Timberlawn, but they are no less needed. Interior renovations include: replacing kitchen appliances, cabinets and countertops; and replacing flooring and painting throughout. On the exterior of the buildings, staff recommends installing new windows and doors, siding; updating the drain system (currently underway); improving the landscaping and other repairs as needed. The interior renovations will be similar to the Timberlawn scope of work, yet in-line with the rental potential of this sub-market.

Staff estimates that these improvements will be consistent with the development budget presented for the 669 scattered sites development (\$30,000 per unit). Due to the higher level of exterior renovations and HVAC replacement, the Timberlawn per unit budget of \$51,945 (\$5,558,165 total). The Pomander scope is less extensive, with a total hard cost estimate of \$1,085,592 or \$45,233 per unit.

Public Purpose

The current covenants at Timberlawn and Pomander restrict a total of 45 units or 34% to households with incomes that do not exceed 60% of the Area Median Income (AMI). In addition, there are 16 units that are at the County Executive set income limits (currently below 90% of AMI) at Timberlawn for a total of 61 units or 46% at workforce incomes or below. As rented, there are over 100 units rented at or below the 90% AMI level with at least 83 units rented at or below 60% AMI.

While the rents around Pomander are more naturally affordable, the market rents in North Bethesda would create housing burdens for low-income residents. Therefore, maintaining affordability at Timberlawn helps to meet HOC's mission. Below are the current rents for the properties.

Timberlawn: After renovation, staff proposes to maintain the high level of affordability by keeping the same regulatory restrictions of the 32 units for families earning less than 60% AMI, and 16 units held at the County Executive maximum of 90% of AMI. Further, staff will evaluate the feasibility of continuing to offer some units at 16% of the area median income.

Pomander: After renovation, staff proposes to maintain the high level of affordability by keeping the same regulatory restrictions of the 13 units for families earning less than 60% AMI. Rents would be adjusted upon turnover or lease renewal to reflect a 3% increase over current rent levels.

Operations Post Renovation

Timberlawn: The assumed vacancy rate for the life for the loan is 6.0%. Any substantial rental adjustments would be done at turnover. Standard rental increases will be done at turnover or lease renewal to reflect a 3% increase over current affordable rents and 5% on market rents. The property has a solid debt coverage ratio of 1.30, and the LTV will be 57%.

Timberlawn	Projected FY '14		FY '15 STABILIZED OPERATIONS	
	Total	Per Unit	Total	Per Unit
EFFECTIVE GROSS INCOME	1,851,759	17,306	1,972,453	18,434
TOTAL EXPENSES	646,801	6,045	666,205	6,226
NET OPERATING INCOME	1,204,958	11,261	1,306,248	12,208
TOTAL FINANCING EXPENSES	876,913	8,195	1,003,001	9,374
DEBT SERVICE COVERAGE	1.37		1.30	
NET CASH FLOW	328,045	3,066	303,247	2,834

Pomander: Standard rental increases will be done at turnover or lease renewal to reflect a 3% increase over current affordable rents. The assumed vacancy rate throughout the life of the loan is 5.0%, the property has a solid debt coverage ratio of 1.20, and the LTV will be 88%.

Pomander Court	FY'14		FY'15 STABILIZED	
	Total	Per Unit	Total	Per Unit
EFFECTIVE GROSS INCOME	382,301	15,929	391,752	16,323
TOTAL EXPENSES	190,122	7,922	195,825	8,159
NET OPERATING INCOME	192,179	8,007	195,927	8,164
TOTAL FINANCING EXPENSES	104,914	4,371	162,642	6,777
DEBT SERVICE COVERAGE	1.83		1.20	
NET CASH FLOW	87,265	3,636	33,285	1,387

By increasing the debt on the Development, the FY 2014 free cash flow available to HOC will be reduced by \$875,999. The proposed development plan would off-set this by providing a reserve equal to this amount.

Based on a post-renovation combined FY 2015 Net Operating Income of \$1,480,521 Timberlawn and Pomander are projected to support a new 30-year, tax-exempt mortgage of approximately \$16.2 million at 5.0% interest rate and achieve a 1.32 debt service coverage. This assumes the Reserve for Replacement (RfR) deposits, as established by a new note, will be \$500 or less per unit per year. The resulting loan to value is less than 80%.

After applying a modest increase to rents and still maintaining restricted rents for nearly 50% of the units, Timberlawn and Pomander can be refinanced, renovated (replacement of major capital items and in-unit kitchen/baths upgrades), and continue to operate as an efficient apartment community under HOC's ownership, without any HOC equity investment.

Immediate Capital Expenditure - Timberlawn

The decks at Timberlawn have exceeded their useful life. In many cases they are structurally deficient. Since 2009, the property management firm, The Bozzuto Group, had expressed its concerns to HOC asset management personnel. In the interim period, they secured the most egregious decks. In April 2013, current members of HOC's real estate staff toured the site and confirmed that the decks presented a significant safety concern. Staff instructed Bozzuto to suspend access to the decks until they can be replaced.

In addition to the immediate need to repair the decks, the property has been cited by a County inspector for damaged and sub-standard siding. It is staff's recommendation that if the decks are going to be replaced, it should be done during the summer/early fall. Replacing the decks require removing some siding as does replacing windows and exterior doors. HOC staff believes that as the decks have to be replaced, it would be most efficient to complete all of the adjoining work at the same time.

There are several reasons to approve the commencement of the exterior work for immediate remediation.

1. The County has issued a citation for sub-standard siding;
2. Some residents have registered complaints with the County about the decks;
3. Until the work is completed, residents will not have access to this space; and
4. This is the best time of year for exterior work.

The property manager has received bids from companies to perform the work; staff will review the quotes and confirm they are accurate and appropriate prior to releasing the work through the management company. The total for the work is approximately \$2.3 million. Staff requests that the Commission approve use of the MPDU Property Acquisition Fund (County Revolving Fund) as a source of interim financing for this work. The available balance as of July 10, 2013 is \$3.3 million. After funding of this interim draw the remaining unobligated balance is \$941,491 (see Exhibit G).

It is staff's recommendation that if the decks are going to be replaced, it should be done during the summer/early fall. Replacing the decks require removing some siding as does replacing windows and exterior doors. HOC staff believes that as the decks have to be replaced, it would be most efficient to complete all of the adjoining work at the same time.

Disposition Analysis - Timberlawn

Considering the amount of capital expenditure necessary to bring the property up to HOC's standards, staff evaluated the possibility of selling the asset. Based on the location and potential for substantial increase in rents, it is likely that Timberlawn would receive significant interest from investors. Staff **does not** recommend a disposition strategy but provides the following discussion on the subject.

Staff believes that a 7.0% cap rate is achievable "as-is" if the property is marketed as a conventional apartment transaction with a "value add" opportunity. Using the FY 2013 NOI, this would yield a capitalization value (sales price) of \$18.8 million or \$175,615 per unit. The debt associated with Timberlawn is approximately \$5.5 million resulting in net sales proceeds of approximately \$12 million.

However, it is likely that a purchaser would quickly move to maximize the rents and at least 20 families would experience substantial rent increases (\$300 - \$600) as is allowed under the regulatory agreements, and the majority of the remaining residents would face an increase of between \$100 and \$300 to bring their rents in-line with the market.

Additionally, selling the property does not allow HOC to pursue a future redevelopment of the entire or a portion of the site. While, there is significant financial value in a sale of Timberlawn, the public benefit of maintaining the high level of affordability in a strategic location and potential for redevelopment is greater.

Finally, there are few opportunities to purchase and develop five (5) acres of land in the North Bethesda submarket for the \$12 million proceeds, so replacement of this affordability would be difficult.

Low Income Housing Tax Credit Option

During discussions with the Development and Finance Committee, one member of the committee instructed staff to consider this option. Staff has evaluated the current proposal to a LIHTC scenario with 100% of the units restricted at 60% of the AMI. The results are summarized in the table below.

	Proposed Plan	LIHTC Plan
Debt	13,946,339	11,305,261
Tax Credit Equity	N/A	5,547,548
Capital Reimbursement/Developer Fee	1,500,000	1,811,715
Cash Flow (a)	4,427,676	3,320,361
Public Purpose (b)	62%	100%
HOC Ownership	100%	0.01%

(a) Over 10 years the difference in cash flow is 1,222,603 with an NPV of 878,470 at 5%

(b) Shown: number of units under 60% of AMI

Conclusion & Request

After reviewing both a refinance/renovation option and a disposition option for Timberlawn and Pomander, staff has concluded that the best strategy is to refinance and renovate for the following reasons:

- Staff does not recommend a LIHTC execution;
- There is demonstrated demand for units at these properties and the development are performing well;
- The public benefit is greater than the financial value of selling;
- HOC has a limited presence in the North Bethesda submarket;
- Timberlawn provides a significant number of affordable units in an expensive sub-market.

The refinancing/renovation strategy as outlined above constitutes the Preliminary Development Plan. The staff of the Real Estate Division will continue to work with Construction

and Mortgage Finance to finalize the scope of work and obtain loan commitments. To prepare for closing prior to the end of calendar year 2013, staff requests a predevelopment budget of \$55,000 as a loan from the MPDU/Property Acquisition Fund to engage an appraiser, environmental firm (Phase 1), conduct a property condition assessment, and develop project specifications for a future general contractor RFP.

Architect/Project Specs	\$15,000	Preparation of plans and specs for bid documents
Property Condition Assessment	\$7,500	Loan requirement; identify/record current condition and future needs
Phase I Environmental	\$15,000	Loan requirement; identify any unforeseen environmental issues
Appraisal	\$12,500	Loan requirement; assessment of market value
Contingency	\$5,000	
Total Predevelopment Budget	\$55,000	

The unobligated balance in the MPDU/PAF account as of June 18, 2013 was \$3.3 million. This loan is expected to be repaid upon closing from the proceeds of a new bond issue.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve the Preliminary Development Plan to:

1. refinance and renovate Timberlawn and Pomander Apartments,
2. fund a predevelopment loan of up to \$55,000, and
3. fund the health and safety repairs and adjoining items not to exceed \$2,300,000 both from the MPDU/PAF to be repaid by sources of funds identified in a future development and financing plan?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County (HOC)
 TPM Development Corporation

BUDGET IMPACT:

The proposed plan reduces the projected cash flow to the HOC FY14 budget by \$875,999. Staff has included in the budget Capital Reimbursements of up to \$1,650,000. This will be provided for in the total development budget and the off-setting amount will be made available at the closing of the new financing.

TIME FRAME:

Action at the July 17, 2013 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve:

1. the Preliminary Development Plan,
2. the predevelopment budget up to \$55,000 for Timberlawn and Pomander,
3. the funding of immediate capital expenditure for up to \$2,300,000 as interim funding for immediate repairs at Timberlawn Crescent, and
4. the use of the MPDU/Property Acquisition Fund (County Revolving Fund) to fund predevelopment and interim loans for Timberlawn Crescent Apartments and Pomander Court Apartments in order to refinance and renovate the properties.

RESOLUTION:

RE: Approval of Preliminary Development Plan, Predevelopment Budget and Interim Renovation Financing for Timberlawn Crescent and Pomander Court Apartments

WHEREAS, Timberlawn and Pomander Court are two properties owned by TPM Development Corporation, an entity wholly controlled by the Housing Opportunities Commission; and

WHEREAS, the Housing Opportunities Commission has been presented with a renovation and rehabilitation plan for Timberlawn Crescent, a 107-unit development located in North Bethesda, and Pomander Court, a 24-unit clustered townhome community located in Silver Spring; and

WHEREAS, the covenants currently governing operation and management at Timberlawn Crescent and Pomander restrict a total of 45 units or 34% to households with incomes that do not exceed 60% of Area Median Income (AMI); and

WHEREAS, as rented, there are over 100 units rented at or below the 90% AMI level with at least 83 units rented at or below 60% AMI combined at Timberlawn Crescent and Pomander Court; and

WHEREAS, the estimated total development cost is \$16,196,982, \$13,946,339 for Timberlawn Crescent and \$2,250,643 for Pomander, which includes satisfaction of the existing first mortgage totaling \$6,250,000 for both properties; and

WHEREAS, the predevelopment budget is \$55,000 for Timberlawn Crescent and Pomander, and will be used to create a final development plan for the properties and immediate capital expenditure needs of up to \$2,300,000 of interim funding for the health and safety repairs at Timberlawn Crescent are also required; and

WHEREAS, a funding source for the predevelopment and interim loans for Timberlawn Crescent and Pomander Court to refinance and renovate the properties is the MPDU/Property Acquisition Fund (County Revolving Fund)

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

1. It approves the preliminary development plan for the refinancing and renovation of Timberlawn Crescent and Pomander Court

2. It approves the use of the MPDU/Property Acquisition Fund (Revolving Fund) to fund the predevelopment budget of \$55,000.
3. It approves use of the MPDU/Property Acquisition Fund (Revolving Fund) to fund the immediate health and safety repairs of \$2,300,000 at Timberlawn Crescent.
4. The Executive Director is authorized to execute the appropriate documents to request funding from the MPDU/Property Acquisition Fund (Revolving Fund).
5. The Commission presently intends and reasonably expects to finance certain property improvements to Timberlawn Crescent (the "Project") with moneys currently contained in its Revolving Fund and from its operating cash, as described and set forth in the Commission's approval of interim funding for the renovation of the Project.
6. All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related to the Projects as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).
7. The Commission presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds in an amount not to exceed \$20,000,000 will be applied to reimburse the Commission for its expenditures in connection with the Projects.
8. All prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Projects, shall be and the same hereby are in all respects ratified, approved and confirmed.
9. All other resolutions of the Commission, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the *extent* of such inconsistency.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on July 17, 2013.

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Patrice M. Birdsong
Special Assistant to the Commission

EXHIBIT A: SUMMARY SOURCES & USES

SOURCES:	Timberlawn	Pomander	Total
New Tax Exempt Mortgage	13,946,339	2,250,643	16,196,982
TOTAL SOURCES	13,946,339	2,250,643	16,196,982

USES:			
Total Acquisition Cost *	5,500,000	750,000	6,250,000
Total Construction Costs	5,558,165	1,085,592	6,643,757
Total Third Party Reports	40,000	40,000	80,000
Total Financing Expense	1,019,826	56,671	1,076,497
Capital Reimbursement	1,500,000	150,000	1,650,000
Total Settlement Costs	194,598	108,380	302,978
Total Dev, Soft & Contingency	133,750	60,000	193,750
TOTAL USES	13,946,339	2,250,643	16,196,982

*Acquisition cost reflects the existing first mortgage. Staff will pursue the subordination of an outstanding DHCA loan (\$1 million).

EXHIBIT B: PROJECTED LOAN TERMS

Timberlawn		Loan Amount:	\$13,946,339
Term/Amortization:	30	DSCR:	1.30
Interest Rate:	5.0%	LTV:	57%
Origination Fee:	2%	Occupancy:	93.5%

Pomander Court		Loan Amount:	\$2,250,643
Term/Amortization:	30	DSCR:	1.20
Interest Rate:	5.0%	LTV:	88%
Origination Fee:	2%	Occupancy:	95.8%

EXHIBIT C: SUMMARY FINANCIAL PROJECTIONS

Current and Proposed Rental Rates

Timberlawn Crescent Apartments

Bd / Ba	Income Tier - Old	Income Tier - New	# Units	Listed Rent	Proposed Rent	Max Rents
1bd / 1ba Apt	Market	Market	3	1,545	1,622	1,622
1bd / 1ba TH	Market	Market	3	1,580	1,659	1,659
2bd / 1ba Apt	Market	Market	1	1,910	2,006	2,006
2bd / 1ba TH	Market	Market	1	1,985	2,084	2,084
2bd / 2ba Apt	Market	Market	19	2,045	2,147	2,147
2bd / 2ba TH	Market	Market	1	1,988	2,087	2,087
3bd / 2ba TH	Market	Market	4	2,015	2,116	2,116
3bd / 2.5ba TH	Market	Market	9	2,035	2,137	2,137
2bd / 2ba TH	57.67%	Market	8	1,392	2,087	2,087
1bd / 1ba Apt	57.67%	60.00%	1	1,159	1,188	1,208
1bd / 1ba TH	43.00%	45.00%	1	864	886	906
2bd / 1ba TH	29.80%	30.00%	1	719	725	725
2bd / 1ba TH	57.67%	60.00%	3	1,392	1,427	1,449
2bd / 2ba Apt	60.00%	60.00%	1	1,449	1,449	1,449
2bd / 2ba Den TH	43.00%	50.00%	2	1,038	1,064	1,207
2bd / 2ba Den TH	52.00%	50.00%	1	1,255	1,207	1,207
2bd / 2ba TH	15.90%	30.00%	3	383	393	725
2bd / 2ba TH	29.80%	30.00%	2	719	725	725
2bd / 2ba TH	52.00%	60.00%	1	1,255	1,286	1,451
2bd / 2ba TH	52.00%	60.00%	1	1,255	1,286	1,451
2bd / 2ba TH	57.67%	60.00%	6	1,392	1,427	1,451
2bd / 2ba TH	57.67%	60.00%	21	1,392	1,427	1,452
2bd / 2ba TH	60.00%	60.00%	2	1,449	1,452	1,452
2bd / 2ba TH	60.00%	60.00%	4	1,449	1,452	1,452
3bd / 2.5ba TH	15.90%	30.00%	2	443	454	837
3bd / 2.5ba TH	29.80%	30.00%	1	831	837	837
3bd / 2.5ba TH	43.00%	50.00%	1	1,199	1,229	1,395
3bd / 2.5ba TH	52.00%	50.00%	1	1,450	1,395	1,395
3bd / 2.5ba TH	57.00%	60.00%	2	1,608	1,648	1,867
3bd / 2.5ba TH	60.00%	60.00%	1	1,674	1,716	1,867
			107			

Pomander Court Apartments

Bd / Ba	# Units	Listed Rent	Proposed Rent	Max Rents
3bd / 2ba - affordable	13	1362	1,396	1674
3bd / 2ba - market	11	1362	1,396	2232

EXHIBIT D: SUMMARY FINANCIAL PROJECTIONS

10 year Income Statement with Cashflow – Timberlawn Crescent

Timberlawn	0	STABILIZED	2	3	4	5	6	7	8	9	10
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
RENTAL INCOME											
Gross Rent Potential	\$1,967,436	\$2,096,259	\$2,148,665	\$2,202,382	\$2,257,441	\$2,313,877	\$2,371,724	\$2,431,017	\$2,491,793	\$2,554,088	\$2,617,940
Less: Vacancy	(\$118,046)	(\$125,776)	(\$128,920)	(\$132,143)	(\$135,446)	(\$138,833)	(\$142,303)	(\$145,861)	(\$149,508)	(\$153,245)	(\$157,076)
Less: Concessions	(\$9,837)	(\$10,481)	(\$10,743)	(\$11,012)	(\$11,287)	(\$11,569)	(\$11,859)	(\$12,155)	(\$12,459)	(\$12,770)	(\$13,090)
NET RENTAL INCOME	\$1,839,553	\$1,960,002	\$2,009,002	\$2,059,227	\$2,110,708	\$2,163,475	\$2,217,562	\$2,273,001	\$2,329,826	\$2,388,072	\$2,447,774
OTHER INCOME											
Other	\$12,207	\$12,451	\$12,700	\$12,954	\$13,213	\$13,477	\$13,747	\$14,022	\$14,302	\$14,588	\$14,880
TOTAL OTHER INCOME	\$12,207	\$12,451	\$12,700	\$12,954	\$13,213	\$13,477	\$13,747	\$14,022	\$14,302	\$14,588	\$14,880
EFFECTIVE GROSS INCOME	\$1,851,759	\$1,972,453	\$2,021,702	\$2,072,181	\$2,123,921	\$2,176,952	\$2,231,309	\$2,287,023	\$2,344,128	\$2,402,660	\$2,462,654
OPERATING EXPENSES											
Administrative	\$242,820	\$250,105	\$257,608	\$265,336	\$273,297	\$281,495	\$289,940	\$298,639	\$307,598	\$316,826	\$326,330
Bad Debt	\$17,301	\$17,820	\$18,355	\$18,906	\$19,473	\$20,057	\$20,659	\$21,279	\$21,917	\$22,574	\$23,252
Utilities	\$99,381	\$102,362	\$105,433	\$108,596	\$111,854	\$115,210	\$118,666	\$122,226	\$125,893	\$129,669	\$133,559
Payroll & Benefits	\$43,496	\$44,801	\$46,145	\$47,529	\$48,955	\$50,424	\$51,936	\$53,495	\$55,099	\$56,752	\$58,455
Repair & Maintenance	\$184,438	\$189,972	\$195,671	\$201,541	\$207,587	\$213,815	\$220,229	\$226,836	\$233,641	\$240,650	\$247,870
Insurance	\$17,665	\$18,195	\$18,740	\$19,303	\$19,882	\$20,478	\$21,092	\$21,725	\$22,377	\$23,048	\$23,740
Misc License & Taxes	\$4,040	\$4,161	\$4,286	\$4,415	\$4,547	\$4,684	\$4,824	\$4,969	\$5,118	\$5,271	\$5,429
TOTAL OPERATING EXPENSES	\$609,142	\$627,416	\$646,238	\$665,626	\$685,594	\$706,162	\$727,347	\$749,167	\$771,643	\$794,792	\$818,636
Replacement Reserve	\$37,659	\$38,789	\$39,953	\$41,151	\$42,386	\$43,658	\$44,967	\$46,316	\$47,706	\$49,137	\$50,611
TOTAL EXPENSES	\$646,801	\$666,205	\$686,191	\$706,777	\$727,980	\$749,820	\$772,314	\$795,484	\$819,348	\$843,929	\$869,247
NET OPERATING INCOME	\$1,204,958	\$1,306,248	\$1,335,510	\$1,365,404	\$1,395,940	\$1,427,133	\$1,458,995	\$1,491,539	\$1,524,780	\$1,558,731	\$1,593,407
FINANCING EXPENSES											
Loan Management Fees	\$17,433	\$34,866	\$34,866	\$34,866	\$34,866	\$34,866	\$34,866	\$34,866	\$34,866	\$34,866	\$34,866
Debt Service	\$859,480	\$968,135	\$968,135	\$968,135	\$968,135	\$968,135	\$968,135	\$968,135	\$968,135	\$968,135	\$968,135
TOTAL FINANCING EXPENSES	\$876,913	\$1,003,001									
DEBT SERVICE COVERAGE	1.37	1.30	1.33	1.36	1.39	1.42	1.45	1.49	1.52	1.55	1.59
NET CASH FLOW	\$328,045	\$303,246	\$332,509	\$362,403	\$392,939	\$424,132	\$455,994	\$488,538	\$521,779	\$555,730	\$590,406
<i>Replacement Reserve is \$250 per unit.</i>											

EXHIBIT D: SUMMARY FINANCIAL PROJECTIONS

10 year Income Statement with Cashflow – Pomander Court

Pomander	0	STABILIZED	2	3	4	5	6	7	8	9	10
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
RENTAL INCOME											
Gross Rent Potential	\$390,348	\$400,107	\$410,109	\$420,362	\$430,871	\$441,643	\$452,684	\$464,001	\$475,601	\$487,491	\$499,678
Less: Vacancy	(\$23,421)	(\$24,006)	(\$24,607)	(\$25,222)	(\$25,852)	(\$26,499)	(\$27,161)	(\$27,840)	(\$28,536)	(\$29,249)	(\$29,981)
Less: Concessions	(\$5,855)	(\$6,002)	(\$6,152)	(\$6,305)	(\$6,463)	(\$6,625)	(\$6,790)	(\$6,960)	(\$7,134)	(\$7,312)	(\$7,495)
NET RENTAL INCOME	\$361,072	\$370,099	\$379,351	\$388,835	\$398,556	\$408,520	\$418,733	\$429,201	\$439,931	\$450,929	\$462,203
OTHER INCOME											
Other	\$21,229	\$21,654	\$22,087	\$22,529	\$22,979	\$23,439	\$23,907	\$24,386	\$24,873	\$25,371	\$25,878
TOTAL OTHER INCOME	\$21,229	\$21,654	\$22,087	\$22,529	\$22,979	\$23,439	\$23,907	\$24,386	\$24,873	\$25,371	\$25,878
EFFECTIVE GROSS INCOME	\$382,301	\$391,752	\$401,438	\$411,363	\$421,535	\$431,958	\$442,640	\$453,587	\$464,804	\$476,300	\$488,081
OPERATING EXPENSES											
Administrative	\$14,066	\$14,488	\$14,923	\$15,370	\$15,831	\$16,306	\$16,796	\$17,299	\$17,818	\$18,353	\$18,904
Bad Debt		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$27,715	\$28,546	\$29,402	\$30,285	\$31,193	\$32,129	\$33,093	\$34,086	\$35,108	\$36,161	\$37,246
Payroll & Benefits	\$41,401	\$42,643	\$43,922	\$45,240	\$46,597	\$47,995	\$49,435	\$50,918	\$52,445	\$54,019	\$55,639
Repair & Maintenance	\$84,470	\$87,004	\$89,614	\$92,302	\$95,071	\$97,923	\$100,861	\$103,887	\$107,003	\$110,214	\$113,520
Insurance	\$10,470	\$10,785	\$11,108	\$11,441	\$11,785	\$12,138	\$12,502	\$12,877	\$13,264	\$13,662	\$14,071
Misc License & Taxes		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$178,122	\$183,465	\$188,969	\$194,638	\$200,477	\$206,492	\$212,686	\$219,067	\$225,639	\$232,408	\$239,380
Replacement Reserve	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506	\$13,911	\$14,329	\$14,758	\$15,201	\$15,657	\$16,127
TOTAL EXPENSES	\$190,122	\$195,825	\$201,700	\$207,751	\$213,983	\$220,403	\$227,015	\$233,826	\$240,840	\$248,066	\$255,507
NET OPERATING INCOME	\$192,179	\$195,927	\$199,738	\$203,613	\$207,551	\$211,555	\$215,625	\$219,761	\$223,964	\$228,235	\$232,573
FINANCING EXPENSES											
Loan Management Fees	\$3,203	\$6,406	\$6,406	\$6,406	\$6,406	\$6,406	\$6,406	\$6,406	\$6,406	\$6,406	\$6,406
Debt Service	\$101,712	\$156,236	\$156,236	\$156,236	\$156,236	\$156,236	\$156,236	\$156,236	\$156,236	\$156,236	\$156,236
TOTAL FINANCING EXPENSES	\$104,914	\$162,642									
DEBT SERVICE COVERAGE	1.83	1.20	1.23	1.25	1.28	1.30	1.33	1.35	1.38	1.40	1.43
NET CASH FLOW	\$87,265	\$33,285	\$37,096	\$40,970	\$44,909	\$48,913	\$52,983	\$57,119	\$61,322	\$65,592	\$69,931
<i>Replacement Reserve is \$500 per unit.</i>											

EXHIBIT E: EXTERIOR RENOVATIONS BUDGET

Timberlawn Crescent

Item	Base Price	Fee	Contingency	Fee \$	Contin \$	Totals
Decks	259,500	5%	15%	12,975	38,925	311,400
Doors	161,570	5%	15%	8,079	24,236	193,884
Fencing	120,250	5%	10%	6,013	12,025	138,288
New Gutter:	39,950	5%	10%	1,998	3,995	45,943
Paint	97,500	5%	0%	4,875	-	102,375
Siding	1,142,750	5%	5%	57,138	57,138	1,257,025
Windows	176,608	5%	15%	8,830	26,491	211,930
	1,998,128			99,906	162,809	2,260,844
					8.1%	

EXHIBIT F: Interior Scope of Work

Demolition

- Remove plaster, drywall, paneling, flooring and fixtures as necessary
- Remove all construction debris from units daily and from site in a timely manner

Rough-in / Drywall / Paint

- Floor / Support
 - Repair and replace sub-flooring as necessary
 - Install appropriate substrate for tile and shower base
- Plumbing
 - Repair and replace waste and vent lines as necessary
 - Repair and replace supply lines as necessary
 - Update plumbing systems as necessary
- Electrical
 - Install new wiring to supply power to new fixtures
 - Wire GFCI to separate circuits
 - Connect to existing power source
 - properly vented exhaust fans to exterior
 - Update electrical systems as necessary
- Drywall / Paint
 - Repair and replace drywall / plaster as necessary
 - Paint shall be low/ no VOC.
 - Two coats of paint and primer combo or one coat of primer and two coats of paint
 - Walls: Behr or equivalent latex flat
 - Ceiling: Behr or equivalent ceiling white
 - Molding / railing: Behr or equivalent semi-gloss in bright white

Entry Foyer

- Flooring
 - Floor: wood plank style ceramic
- Lighting
 - Energy Star- Progress Lighting- P7249-09EBWB or approved equal.



Kitchen

- Cabinet

- Merillat- Martel Maple Chestnut or approved equal.



- Solid maple or equivalent boxes
- Shaker style with full overlay doors
- Brush Nickel pulls (3" / 4" cylinders with 2 connection points) on all doors and drawers



- Include matching toe-kick, fillers and side panels as necessary

- Countertop

- Solid surface eco-friendly material
- Option: granite (Uba tuba or better / Class C or D)
- Option: Consentino ECO or approved equal.



- Appliances

- Appliance to be energy star rated
 - See attached material list for specific model #'s and images.
- Kenmore Profile or equivalent
- All Stainless steel
- Five burner gas cooktop / glass top electric as appropriate
- Fridge: 18cc or better freezer on top unit with built-in ice-maker
- ADA fridge option: bottom freezer
- Dishwasher: programmable with minimum 3 wash settings
- Microwave: over the stove unit venting to the exterior of the building

- Tile

- Floor: wood plank style ceramic
- Backsplash: optional 3"x6" subway tile with 4" glass mosaic accent to match countertops

- Lighting
 - Lighting to be located at existing light locations.
 - Track light.
 - Progress Lighting P6163WB or approved equal.



Dining

- Floor: wood plank style ceramic
- Dining room light
 - Progress- P4635-09 or approved equal.



Living Room

- Floor: Carpet

Bath

- Diverters, faucets, lights and wall fixtures will be brushed nickel
- Tub
 - American Standard or equivalent
 - Diverter: Price Pfister or equivalent
- Toilet: American Standard or equivalent
- Vanity
 - 30" – 42" cabinet to fit field conditions
 - Faucet: Price Pfister or equivalent
- Lighting
 - Replace lights as necessary in same locations.
 - Use energy star fixtures, brushed nickel, Progress or approved equal.
 - Use PROGRESS- P3223-09WB --- three light – brushed nickel



- Tile
 - Shower
 - Wall: 6"x3" subway tile with accent
 - Base: mosaic with pattern to be chosen
 - Floor: 12"x6" ceramic or mosaic to match shower and vanity
- Railing
 - Chair rail installed between 36" – 48" high
- Rods and wall mounts
 - Price Pfister or equivalent
 - To include towel bar, hand towel ring, toilet paper holder
 - Shower rod, curved. Brushed nickel.
- Vent: Portfolio brand or equivalent / airflow: 100 CM

HVAC

- Electric Heat Pump system - Carrier
- 14 Seer unit. Carrier or approved equal.



Decks

- Base-bid Pressure Treated & Sealed lumber structure and timbers and fiber cement deck boards.
 - Include Bid- Alternate for fiber cement structure for entire deck, including posts, deck boards, etc...

Windows

- Vinyl Replacement Windows-
 - St. Claire Window Corporation or approved equal.
 - Low E Glazing
 - Frame color to be determined.
 - U value----

Siding

- Fiber Cement Siding or approved equal.
 - James Hardie or approved equal.
 - Artisan lap width- 7 ¼" - 6" exposure.
 - On-site paint- two coats plus primer. Low VOC.

- Include replace siding with fiber cement inside of breezeways.

Rails and fencing

- Fiber Cement & Pressure treated wood-
 - PT sealed polyurethane treated posts and Fiber cement rail, rails
 - and fencing when attached to the building.

Building Mounted Exterior Lighting-

- Energy star fixtures. Progress lighting P6003-20 or approved equal.



Sight lights- Parking

- LED- Full cut-off fixture, Phillips or approved equal.

Site Drainage and Landscaping-

- Provide allowance for drainage issues, include replacing landscaping and re-grade at areas of poor drainage.

Exhibit G
Summary of Revolving Funds

Table 1: SUMMARY OF AVAILABLE CASH			
OHDF		MPDU/PAF	
Fund Authority	\$4,500,000	Fund Authority	\$12,507,000
7/8/13	Loans Outstanding	Loans Outstanding	
(a)	Smith Village (Brooks Farm) (\$152,722.06)	(q)	HOC/HOP Program (\$169,387)
(b)	Alexander House (Original Loan \$1,347,620) (\$471,667)	(r)	Pooks Hill Midrise (Land) (\$332,500)
(c)		(s)	
(d)	Paddington Square (\$3,000,000)	(t)	Cider Mill - good faith deposit (\$500,000)
(e)	Jubilee Housing - matching funds (\$218,156)	(u)	
		(v)	Ambassador (\$1,558,816)
		(w)	Holiday Park (repay Seller note) (\$1,117,193)
		(x)	
		(y)	
(f)	Total Loans Outstanding (\$3,842,545)	(z)	Total Loans Outstanding (\$3,677,896)
(g)	Available Balance \$657,455	(aa)	Available Balance \$8,829,104
(h)	COMBINED AVAILABLE BALANCE (OHDF & MPDU/PAF) 7-8-13		\$9,486,559
Table 2: FY14 PROJECTIONS - SUMMARY OF REPAYMENT AND USES			
FY14	Expected Repayments	Expected Repayments	
(i)	Alexander House -	(bb)	Holiday Park
(j)	Smith Village -	(cc)	HOC/HOP \$169,387
(k)		(dd)	
		(ee)	
		(ff)	
		(gg)	
(l)	Total Expected Repayment \$0	(hh)	Total Expected Repayment \$169,387.00
FY14	Current Projected Needs	Current Projected Needs	
(m)		(ii)	Cider Mill (Deposit/Due Diligence) (\$200,000)
(n)	Unknown \$0	(jj)	669 Renovation (\$5,000,000)
		(kk)	HOC/HOP (\$500,000)
		(ll)	Timberlawn Interim Renovation (\$2,355,000)
(o)	Total Current Projected Needs \$0	(mm)	
		(nn)	Total Current Projected Needs (\$8,055,000)
(p)	Total Projected Available in FY14 \$657,455	(oo)	Total Projected Available in FY14 \$943,491

APPROVAL TO INCREASE THE VALUE OF THE ZONING AND PLANNING CONSULTANT ENGAGEMENT

July 17, 2013

- On September 14, 2012, HOC issued a Request for Proposal in which it solicited responses from zoning and planning consultants to assist the Commission with related matters.
- On February 12, 2013, Perry Berman of Berman Ventures (the “Consultant”) was engaged for a one-year term with two optional one-year renewals for a maximum of three years and an annual compensation of \$50,000.
- The Consultant, in addition to representing the Commission on the Legislative Structure, would work with the Planning Commission on behalf of HOC, assist with real estate development activities, and assist with testimonies, among other things related to the planning process.
- With increased master and sector planning activities as well as HOC real estate activities, the initial budget is nearly fully obligated or expended as of June 30, 2013.
- The Consultant is expected to continue to represent the Commission and work with staff in the coming months on ongoing and anticipated master and sector plan revisions, the evaluation of the HOC portfolio for opportunities to expand the delivery of affordable housing, and on legislative matters.
- Following the discussion of this item with the Development and Finance Committee on June 27, 2013, staff requests the approval of the Commission to increase the value of the contract to \$150,000 annually.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Staff: Brown/Smith/Ellinwood/Marks Ext. 9589/9479/9461/9613
Division: Mortgage Finance/ Legislative & Public Affairs

RE: Approval to Increase the Value of the Zoning and Planning Consultant Engagement

DATE: July 17, 2013

STATUS: COMMITTEE REPORT: Deliberation X

OVERALL GOAL & OBJECTIVE:

To obtain the Commission’s approval to increase the value of the planning and zoning consulting contract.

BACKGROUND:

Pursuant to a formal solicitation to select a zoning and planning consultant (the “Consultant”) to assist the Commission on matters related to planning and zoning, HOC engaged Mr. Perry Berman of Berman Ventures on February 12, 2013. The contract is for an initial one-year term with two optional one-year renewals.

The annual value of the contract is \$50,000 based on initial estimates of time to be spent for the engagement at \$150.00 per hour

Scope of Contract/Work:

As published in the request for proposal, the successful firm or individual would be required to represent or assist HOC in the following areas:

1. Assess (a) the efficacy of existing planning and zoning laws, regulations and procedures (the “Legislative Structure”) in delivering affordable housing, and (b) whether the Legislative Structure hinders or limits the development of affordable housing in the County, and advise the Commission as to the consultant’s findings in this regard.
2. Where deficiencies are found in the Legislative Structure, recommend achievable solutions to the Commission and methods of implementing such solutions.

3. On behalf of the Commission, work with staff of the Maryland-National Capital Park and Planning Commission (the “Planning Commission”), the Planning Housing and Economic Development Committee (PHED) of the Montgomery County Council, and other concerned public bodies and agencies and organizations in the development of new master plans and revision of existing plans to assure that affordable housing is incorporated in all such plans.
4. Assist the Commission in its real estate development activities especially in regards to title search, land acquisition, and securing of entitlements necessary for the development planning process.
5. Assist in preparing testimony for HOC commissioners and staff appearing at Planning Commission and County Council hearings on planning and zoning issues.
6. Organize and present to the Commission, its staff, and to other organizations having an interest in the planning and zoning process a workshop explaining that process, at such times and in such format as the Commission staff may request.

Contract Status:

With only four months into the contract, the Consultant has been heavily engaged with assisting the HOC staff on specific zoning and planning matters related to master plans and sector plans that are under review for update. They include 1) Chevy Chase Lake Sector Plan, 2) White Oak Science Gateway Master Plan, and 3) Long Branch Sector Plan.

Chevy Chase Lake Sector Plan: HOC is vested due to its ownership of Chevy Chase Lake Apartments, a 68-unit development that may yield significant redevelopment with additional density at a strategic down county location.

White Oak Science Gateway Master Plan: HOC owns Holly Hall apartments, a 96-unit elderly public housing development that is poised for redevelopment and may aid in the delivery of economic development initiatives for the submarket.

Long Branch Sector Plan: HOC is the general partner in a 53-unit low income housing tax credit development, Manchester Manor, in an area of Long Branch that is important to the preservation of affordable housing as the Sector Plan is developed and plans for Metro’s Purple Line get underway.

The staff continues to evaluate the existing HOC portfolio for opportunities to expand the delivery of affordable housing. Given HOC’s prolific reach and its real estate holdings, it is not surprising that the work plan for the Consultant continues to expand. From the listed scope of work, much of the Consultant’s activity with staff has centered around items 3, 4, and 5 above because of the immediate needs of the aforementioned planning activity.

Additionally, the Consultant has been engaged with the staff in exploring a number of redevelopment opportunities within the existing portfolio:

1. Chevy Chase Lake Apartments
2. National Labor College
3. Cider Mill
4. Manchester Manor
5. Elizabeth House
6. Stewartown Homes
7. Emory Grove
8. Camp Hill Apartments

Nonetheless, staff fully intends to shift some of its focus to items 1, 2, and 6 and will engage Commissioners as interests dictate.

As of June 30, 2013 (four months of billing), \$47,449 has been paid on the contract with only \$2,551 available.

Given the increased activity in the real estate division and the aforementioned status of the contract, staff proposes certain amendments to the existing Consultant engagement to clarify the scope of the tasks in Item 4 above to include the following:

- 1) Assist in HOC's ability to initiate and respond to acquisition and development opportunities timely and efficiently
 - a) Assist with transactional activities including preliminary market analysis and financial analysis,
 - b) Investigate properties adjacent to HOC's properties to enhance redevelopment of existing sites into more modern, efficient housing,
 - c) Investigate new sites for HOC's development initiatives.
- 2) With respect to those initiatives, broaden outreach and expand transactional activities by:
 - a) Contacting property owners,
 - b) Developing creative financing plans that are attractive to legacy owners of real estate.
- 3) Increase annual value of contract from \$50,000 to \$150,000.
 - a) Funding Source:
 - i) Approved FY14 Legislative and Public Affairs budget (\$50,000),
 - ii) Approved FY14 Real Estate Budget (\$200,000),
 - iii) To the extent possible, the Commission may be reimbursed for some of these expenditures from future development budgets.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve an increase in the annual value of the zoning and planning consultant contract from \$50,000 to \$150,000?

PRINCIPALS:

Housing Opportunities Commission
Berman Ventures

BUDGET IMPACT:

None.

TIME FRAME:

Action at the July 17, 2013 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve an increase in the annual value of the planning and zoning consultant engagement from \$50,000 to \$150,000.

RESOLUTION No:

**RE: Approval to Increase the Value of
the Zoning and Planning Consultant
Engagement**

WHEREAS, on September 14, 2012, HOC issued a Request for Proposal in which it solicited responses from zoning and planning consultants to assist the Commission with related matters; and

WHEREAS, on February 12, 2013, the Consultant was engaged for a one-year term with two optional one-year renewals for a maximum of three years and an annual compensation of \$50,000; and

WHEREAS, the Consultant, in addition to representing the Commission on the Legislative Structure, would work with the Planning Commission on behalf of HOC, assist with real estate development activities, and assist with testimonies, among other things related to the planning process; and

WHEREAS, with increased master and sector planning activities as well as HOC real estate activities, the initial budget is nearly fully obligated or expended as of June 30, 2013; and

WHEREAS, the Consultant is expected to continue to represent the Commission and work with staff in the coming months on ongoing and anticipated master plans and sector plans, evaluation of the HOC portfolio for opportunities to expand the delivery of affordable housing, and on legislative matters.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the staff to increase the scope and increase the annual value of the planning and zoning consultant engagement from \$50,000 to \$150,000.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on July 17, 2013.

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Patrice M. Birdsong
Special Assistant to the Commission

Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

June 5, 2013

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, June 5, 2013 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:32 p.m. Those in attendance were:

Present

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

Also Attending

Stacy Spann, Executive Director	Jim Atwell
Ken Tecler, Staff Counsel	Tonya Clark
Gail Willison	Gina Smith
Scott Ellinwood	Joy Flood
Belle Seyoum	Scott Ewart
Lillian Durham	Saundra Boujai
Gail Gunod-Green	Diane Morrison
Tom DeBrine	Christopher Donald
Kayrine Brown	Richard Hanks
Jennifer Arrington	Vivian Benjamin
Maria Montero	Ellen Goff
Rose Matthews	Monica Jarvis
Tara Whicker	Ken Goldstraw
Lorie Seal	Eugene Spencer
Sybil Walston	Darcel Cox
Dean Tyree	Emily Dorfman
Bill Rubin	Vivian Benjamin
Craig Reed	Tamika Dawkins
Charnita Robinson	Patrick Mattingly
Marsha Smith	Eugenia Pascual
Louis Chaney	Patricia Oliver
Zachary Marks	
Terri Fowler	

Guest

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

None

IT Support

Karlos Taylor

Dominique Laws

Irma Rodriguez

The Consent Calendar was approved upon a motion by Vice Chair Roman and seconded by Commissioner Wiencek. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson and Wiencek. Commissioner Lindstrom was temporarily away and did not participate in the vote.

I. CONSENT ITEMS

(Consent Item – Approval of HOC Relocation Plan was moved to the Deliberation Calendar as a result of Public Hearing)

A. Approval of Minutes

- **Approval of Minutes of Regular Meeting of May 1, 2013** – The minutes were approved as submitted.

B. Approval to Form Greenhills Development Corporation, to Transfer Ownership Interest to the Development Corporation, and to Authorize the Executive Director to Execute all Related Documents – The following resolution was approved.

RESOLUTION: 13-28

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

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

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

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

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

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

A. FORMATION OF THE DEVELOPMENT CORPORATION

1. Intending to create under the Maryland Non-Stock Corporation Law a non-stock non-membership corporation to be known as the Greenhills Development Corporation (the "Corporation"), the Commission authorizes and directs the Executive Director, acting as sole incorporator, to execute and file with the State of Maryland Articles of Incorporation and any amendment thereto, in the name of the Corporation, using the foregoing name or any name substantially similar thereto accepted by the State of Maryland Department of Assessments and Taxation.
2. The Articles of Incorporation shall provide that the initial directors of the Corporation shall be the members of the Commission then in office and that the board of directors shall number at least three (3) persons.

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

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

C. GENERAL

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

II. INFORMATION EXCHANGE

- A. Report of the Executive Director** – Mr. Spann reported on the following: Wheaton Walking Tour, June 1, Vivian Benjamin represented HOC and spoke about MetroPointe; Extended an invitation to Staff Appreciation Day, June 6 – where tickets to dunk the Executive Director and Director of Human Resources will be sold with all proceeds being donated to Community Partners; Spent half day as Custodian with Younas Yar.

- B. **Commissioner Exchange** – Vice Chair Roman extended her appreciation to those who attended and participated on Panels for the Affordable Housing Conference Summit; Chair Pro Tem Kator attended the Grand opening of Magruder’s Community Room/Center; Chair Pinero attended the preview of the film American Winter; Commissioner Banks gave an update on the Resident Advisory Board.

III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

A. Budget Finance and Audit Committee – Chair Pro Tem Kator, Chair

1. Acceptance of Third Quarter FY ’13 Budget to Actual Statements

Gail Willison, Chief Financial Officer and Terri Fowler, Budget Officer reported that the Agency ended the third quarter with net cash surplus, resulting in a third quarter positive variance.

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Vice Chair Roman. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO.: 13-29

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

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

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

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

2. Approval of FY’13 Third Quarter Budget Amendment

Gail Willison, Chief Financial Officer and Terri Fowler, Budget Officer reported that the FY’13 Third Quarter Budget Amendment and CY’13 First Quarter Budget Amendment mirror each other in that two properties in the Opportunity Housing Portfolio, Tanglewood and Sligo Hills, were refinanced using Tax Credit equity. This budget amendment will remove the operating and capital budgets for the period of time the properties are no longer in portfolio.

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Vice Chair Roman. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO.: 13-30

RE: Approval of FY'13 Third Quarter Budget Amendment

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

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

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

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

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

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

3. Approval of CY'13 First Quarter Tax Credit Budget Amendment

Gail Willison, Chief Financial Officer and Terri Fowler, Budget Officer reported that Tanglewood and Sligo Hills were refinanced as one property using Tax Credit equity. This amendment will increase the capital budget to reflect the addition of these units in the tax credit portfolio.

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Commissioner Wiencek. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO.: 13-31

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

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

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

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

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

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

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

Gail Willison, Chief Financial Officer and Belle Seyoum, Controller reported that the two remaining MHLP mortgage loans (MHLP I & VII) and Paddington Square Development Corporation REMIC Loan will expire June 7, 2013. Staff is requesting to extend the maturity dates for another year or a new expiration date of June 7, 2014.

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

RESOLUTION: 13-32

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

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

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

WHEREAS, the Commission currently intends and reasonably expects to participate in a tax-exempt borrowing to finance the acquisition/rehabilitation/placing in service of residential/dwelling units for MHLP I, MHLP VII and Paddington Square Development Corporation in an amount not to exceed \$60,000,000, all or a portion of which may reimburse the Commission for the portion of such capital expenditures incurred or to be incurred

subsequent to the date which is 60 days prior to the date hereof but before such borrowing, within 18 months of the date of such capital expenditures or the placing in service of dwelling units, whichever is later (but in no event more than three years after the date of the original expenditure of such moneys); and

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

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

1. The Executive Director is authorized to execute all documents and agreements necessary to continue in effect the use of the current Line of Credit with PNC Bank in an amount not to exceed \$7,696,769 for interim financing for MHLPI, MHLPII and Paddington Square Development Corporation (“the Project”) for a term not to exceed one year with an annual Interest rate of one month LIBOR plus 90 basis points. (The current LIBOR interest rate is subject to change and may be higher when the loans are actually financed.) In addition, MHLPI and MHLPII will be charged by the Commission an interest rate of 6.0% for use of the Line of Credit for the same period to be paid to the General Fund, and Paddington Square Development Corporation will continue to reimburse the General Fund the annual interest rate of one month LIBOR plus 90 basis points being charged by PNC Bank.
2. The Commission presently intends and reasonably expects to participate in a tax-exempt borrowing in an amount not to exceed \$60,000,000 within 18 months of the date of the expenditure of moneys for the acquisition/rehabilitation/placing in service of residential/dwelling units or the date upon which the Project is placed in service or abandoned, whichever is later (but in no event more than three years after the date of the original expenditure of such moneys), and to allocate all or a portion of the proceeds thereof to reimburse the Commission for its expenditures in connection with the Projects.
3. The Commission hereby desires to declare its official intent, pursuant to 26 C.F.R. §1.150-2, to reimburse the Commission for such capital expenditures with the proceeds of the Commission’s future tax-exempt borrowing.

5. Acceptance of CY’12 Tax Credit Audits

Gail Willison, Chief Financial Officer and Belle Seyoum, Controller reported that each of the 15 CY’12 Tax Credit Partnership Property Audits received a standard unqualified audit opinion from the independent certified public accounting firms performing the audit. The Internal Auditor has reviewed each audit.

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

RESOLUTION: 13-33

RE: Acceptance of CY'12 Tax Credit Audits

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

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

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

6. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable

Gail Willison, Chief Financial Officer and Belle Seyoum, Controller reported that the proposed bad debt write-off balance for the period of July 1, 2012 through April 30, 2013 has decreased compared to previous ten month write-off amounts.

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

RESOLUTION NO: 13-34

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

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

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

WHEREAS, the proposed write-off of former tenant accounts receivable balances for the period July 1, 2012 through April 30, 2013 is \$64,264 from Public Housing, \$83,225 from

Opportunity Housing, \$29,857 from Tax Credit properties, \$4,629 from 236 properties and \$6,217 from Supportive Housing, totaling \$188,192.

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

7. Adoption of FY'14 Budget

Gail Willison, Chief Financial Officer and Terri Fowler, Budget Officer reported that there were four (4) meeting held with the Budget, Finance and Audit Committee to review and discuss the budget in detail. The proposed Operating Budget is \$229.3 million, a reduction from the Recommended Budget presented on April 3, 2013 as a result of reduced Housing Assistance Payments (HAP) revenue and expenses in the Housing Choice Voucher Program.

The proposed Capital Budget is \$40.4 million, an increase from the Recommended Budget presented on April 3, 2013. This increase is the result of two additional development projects – Greenhills Apartments and TPM-Timberlawn.

The Department of Housing and Urban Development is requiring that all Public Housing Authorities implement a Central Office Cost Center (COCC) causing the General Fund to be split into two components to reflect the Agency overhead related to federal programs and corresponding fee income and Agency overhead related to non-federal programs and corresponding Fee Income.

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Vice Chair Roman. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-35a

**RE: Adoption of the FY'14 Budgets,
Bond Draw Downs and Transfers**

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

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

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

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

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

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

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

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

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Commissioner Edson. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-35b

RE: Adoption of FY'14 Personnel Complement

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

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

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

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Commissioner Wiencek. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-35c

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

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

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

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

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

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

Section 1. ***Declaration of Official Intent.*** The Commission presently intends and reasonably expects to finance certain Commission facilities and property improvements to **Alexander House, Ambassador, The Barclay, Brookside Glen, Chelsea Towers, Chevy Chase Lake, Dale Drive, Diamond Square, Fairfax Court, Glenmont Crossing, Glenmont Westerly, Greenhills, Holiday Park, Jubilee Hermitage, Jubilee Woodedge, Jubilee Falling Creek, Magruder's Discovery, McHome, McKendree, MetroPointe, The Metropolitan, Montgomery Arms, MPDU 2007 Phase II, MPDU I, TPM Development Corporation, The Oaks at Four Corners, Paddington Square, Paint Branch, Pooks Hill High-Rise, Pooks Hill Mid-Rise, Scattered Site One Development Corporation, Scattered Site II Development Corporation, MPDU III, Southbridge, State Rental Combined, Strathmore Court, Tanglewood & Sligo LP, and Westwood Tower** and capital improvements to the Commission's administrative offices and information technology (collectively, the "Projects") with moneys currently contained in its Operating Reserve Account, Replacement Reserve Account, General Fund Property Reserve Account and from its operating cash, as described and set forth in the Commission's capital improvements budgets for the Projects.

Section 2. ***Dates of Capital Expenditures.*** All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related

to the Projects as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

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

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

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

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

B. Development and Finance Committee – Comm. Lindstrom, Chair

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

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Bill Rubin, Portfolio Manager requested approval to accept the transfer of limited partnership interests in the Partnership and use cash flow of Metropolitan Development Corporation to pay the Exit Taxes of the Partnership.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Wiencek. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-36

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

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland as amended,

known as the Housing Authorities Law, and the Agreement by and between the Housing Opportunities Commission of Montgomery County and Montgomery County, Maryland (the "County"), effective July 1, 2012, as amended; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Bill Rubin, Portfolio Manager requested approval to accept the Assignment of Limited Partnership Interests from the Limited Partner in MHLP VII to Tax Credit Holding Company, LLC

The following resolution was adopted upon a motion by Commissioner Lindstrom and seconded by Commissioner Wiencek. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-37

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

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

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

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

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

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

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

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

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

3. Approval of the Financing Plan for Greenhills Apartments

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Jennifer Arrington, Senior Multifamily Underwriter, requested approval of the proposed financing plan which would allow underwriting process for an FHA Risk Sharing execution.

The following resolution was adopted upon a motion by Commissioner Wiencek and seconded by Commissioner Edson. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-38

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

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

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

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

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

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

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

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

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

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

4. Approval of Feasibility and Public Purpose for The Crossing at Olde Towne Apartments Transaction

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Vivian Benjamin, Assistant Director of Mortgage Finance, requested approval of the feasibility and public purpose provided by financing and construction of The Crossing at Olde Towne Apartments. Funding sources will come from tax-exempt bond proceeds and proceeds from sale of a GNMA security. At the end of the loan period, the bond will be redeemed using cash from the GNMA security.

The following resolution was adopted upon a motion by Commissioner Lindstrom and seconded by Commissioner Edson. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-39

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

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

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

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

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

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

5. Adoption of an Inducement Resolution for The Churchill Senior Living Phase II Apartments Transaction

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Vivian Benjamin, Assistant Director of Mortgage Finance, requested approval of an Inducement Resolution for Churchill Senior Living Phase II Apartments located at 21000 Father Hurley Boulevard. The development will provide 121 affordable units

The following resolution was adopted upon a motion by Commissioner Lindstrom and seconded by Commissioner Edson. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom and Wiencek.

RESOLUTION NO: 13-40

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

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

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

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

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

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

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

IV. ITEMS REQUIRING DELIBERATION and/or ACTION

A. Approval of HOC Relocation Plan

Joy Flood, Director of Housing Resources updated the Commission on the Public Hearing held on June 5, 2013 regarding the Draft Relocation Plan. The draft of the Relocation Plan was published for public comment. The draft was reviewed by members of the Resident Advisory Board. There will be one change regarding flat renter residents. Request to make the Relocation Plan a formal plan.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Chair Pro Tem Kator. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom, and Wiencek.

RESOLUTION NO.: 13-41

RE: Approval of HOC Relocation Plan

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

WHEREAS, the Relocation Plan is mandatory under regulation; and

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

WHEREAS, consideration was given to all comments received.

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

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

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Tom DeBrine, Manager, Single Family Homeownership Program, requested for adoption the Supplemental Resolution to the 1979 Bond Resolution. This will commence with the closing of the 2013 Series ABC Single Family Bond Issuance in June 2013.

The following resolution was adopted upon a motion by Chair Pro Tem Kator and seconded by Commissioner Lindstrom. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Banks, Edson, Lindstrom, and Wiencek.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Resolution No. 2013-43

SERIES RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE

OF

\$39,760,000 PRINCIPAL AMOUNT OF SINGLE FAMILY
MORTGAGE REVENUE BONDS, 2013 SERIES A OF THE HOUSING
OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

\$16,225,000 PRINCIPAL AMOUNT OF SINGLE FAMILY
MORTGAGE REVENUE BONDS, 2013 SERIES B OF THE HOUSING
OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

\$3,185,000 PRINCIPAL AMOUNT OF SINGLE FAMILY
MORTGAGE REVENUE BONDS, 2013 SERIES C OF THE HOUSING
OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

Adopted as of June 1, 2013

(Note: Not printed but available in the Office of the Commission)

C. Approval to Select Pennrose Properties, LLC as the Developer for the Redevelopment of Ambassador Apartments

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Jennifer Arrington, Senior Multifamily Underwriter, presented on the request to select Pennrose Properties, LLC as the developer for the redevelopment of the Ambassador Apartments. Executive Director Spann explained that an RFQ and RFP had been issued to developers that would propose a development plan. Pennrose Properties, LLC was determined to be the most qualified.

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

RESOLUTION NO.: 13-44

RE: Approval to Select Pennrose Properties, LLC as Developer for the Redevelopment of Ambassador Apartments

WHEREAS, Ambassador Apartments (the "Property") consists of 162 apartments that are 100% income restricted within the residential component of a seven-story high rise mixed-use condominium located in Wheaton; and

WHEREAS, the Property is owned by a tax credit limited partnership called Wheaton-University Boulevard Limited Partnership (WUBLP); and

WHEREAS, in 2005, the Housing Opportunities Commission (HOC) acquired the 1% general partnership interest in WUBLP through HOC Ambassador, Inc., a stock corporation whose stock is wholly owned by HOC; and

WHEREAS, in 2007, the owner of the commercial/retail component of the Condominium donated a portion of its interest, a single-story commercial building (4,900 square feet) on the first floor, to HOC; and

WHEREAS, in July 2010, M&T Bank, the 99% limited partner in WUBLP, donated its interest in WUBLP to the Commission; and

WHEREAS, on April 27, 2012, a Request for Qualifications (RFQ) followed by a Request for Proposals (RFP) was issued for a developer that will propose a Development Plan; and

WHEREAS, on November 7, 2012, the Commission approved entering into a non-binding Memorandum of Understanding with the commercial condominium and adjacent parcel owner, Willco Companies, to jointly collaborate in the redevelopment of the Property and Willco's contiguous parcel, to redevelop both properties in a coordinated fashion; and

WHEREAS, the Commission has analyzed nine (9) qualifications submittals during the RFQ phase and three (3) proposals during the RFP phase; and

WHEREAS, Pennrose Properties, LLC was determined to be the most qualified to best deliver the vision of the Commission for this Property by way of an executable development and financing plan.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County approves the selection of Pennrose Properties, LLC as the developer for the Ambassador Apartments and the commencement of negotiations toward a Development Agreement.

V. NEW BUSINESS

A. Approval of Modifications to the Disposition and Financing Strategies for the 669 Former Scattered Site Public Housing Units

Gail Willison, Chief Financial Officer and Kayrine Brown, Director of Mortgage Finance/Real Estate Development discussed with the Commission approval of modifications to the disposition and financing plans for scope of work for the 669 former Scattered Site Public Housing units. Chair Piñero expressed that he would also like for staff to meet with the RAB to keep them updated and answer any questions or concerns the residents may have.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Chair Pro Tem Kator. Affirmative votes were cast by Commissioners Piñero, Roman, Kator, Edson, Lindstrom, and Wiencek. Commissioner Banks abstained from the vote.

RESOLUTION NO.: 13-45

RE: Approval of Modification to the Disposition and Financing Strategies for the 669 Former Scattered Site Public Housing Units

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission"), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of

providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

WHEREAS, on June 7, 2011, the Commission approved a plan to submit 1) an application to the HUD Special Application Center for the disposition of its 669 scattered site public housing units and 2) an application for Tenant Protection Vouchers; and

WHEREAS, the plan was approved by HUD on March 8, 2012 subsequent to which HOC began to receive tenant protection vouchers for existing residents, totaling 400 to date and the remaining 269 vouchers are expected to all be received by the fourth quarter of calendar year 2013; and

WHEREAS, HOC's commitment to the existing residents was to deliver safe, affordable, renovated units that because of insufficient capital funds from HUD were in various states of disrepair and functional obsolescence; and

WHEREAS, for a variety of reasons, HOC's ability to allocate the vouchers and proceed with full implementation of the disposition plan has been delayed; and

WHEREAS, the plan may now be implemented but with modifications to the financing plan and the implementation of a flexible subsidy strategy as discussed at a Commission work session conducted on May 29, 2013; and

WHEREAS, the Commission is now being asked to fund the rehabilitation plan now, from its balance sheet sources for up to \$30,000 per unit (approximately \$20 million), repayment of which is expected from 1) future issuance of tax exempt bonds, 2) conventional bank financing, and/or 3) project cash flow over time; and

WHEREAS, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to finance such capital expenditures in an amount not to exceed **\$20,000,000**, *all or a portion of which may reimburse* the Commission for the portion of such capital expenditures incurred or to be incurred subsequent to the date which is 60 days prior to the date hereof but before such borrowing, and the proceeds of such tax-exempt borrowing will be allocated to reimburse the Commission's expenditures within 18 months of the later of the date of such capital expenditures or the date that *each of* the Projects (as hereinafter defined) is placed in service (but in no event more than three years after the date of the original expenditure of such moneys); and

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

WHEREAS, the Commission is also being asked to approve changes to the subsidy strategy by 1) eliminating project based voucher as a strategy, 2) delivering all vouchers as tenant based vouchers, 3) leasing vacant units as Opportunity Housing units, and 4) creating internal subsidy for those newly over-housed by changes to HOC's payment and occupancy standards.

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

1. **Approval of Loan.** Approves a loan from a combination of Commission sources including the OHRF, the OH Bank Account, and the County Revolving Fund for an amount up to \$20,000,000 to fund the renovation cost for the 669 former scattered site public housing units.
2. **Implementation of Flexible Subsidy.** Approves the implementation of a flexible subsidy strategy which eliminates the project based voucher component, implements a tenant based voucher strategy, offers vacant units as Opportunity Housing units, and creates an internal subsidy for those residents who have become over-housed as a result of HOC's occupancy and voucher payment.
3. **Declaration of Official Intent.** The Commission presently intends and reasonably expects to finance certain Commission facilities and property improvements to 669 Scattered Site former Public Housing Units (the "Project") with moneys currently contained in its Opportunity Housing Reserve Fund, Opportunity Housing Bank Account, Revolving Fund, and from its operating cash, as described and set forth in the Commission's approval of interim funding for the renovation of the Project.
4. **Dates of Capital Expenditures.** All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related to the Projects as defined in Treasury Regulations Section 1.50-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).
5. **Issuance of Bonds or Notes.** The Commission presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds in an amount not to exceed \$20,000,000 will be applied to reimburse the Commission for its expenditures in connection with the Projects.
6. **Confirmation of Prior Acts.** All prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Projects, shall be and the same hereby are in all respects ratified, approved and confirmed.
7. **Repeal of Inconsistent Resolutions.** All other resolutions of the Commission or parts of resolutions, inconsistent with this Resolution are hereby repealed to the *extent* of such inconsistency.

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

The meeting adjourned at 6:52 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

APPROVAL OF 2013 TONY DAVIS SCHOLARSHIP AWARD WINNERS

July 17, 2013

- The Selection Committee for the Tony Davis Scholarship Awards met on June 13, 2013 to consider qualified applicants for the Tony Davis Scholarship. All candidates are residents of a HOC housing program.
- From this pool of 19 applicants, the Committee is recommending two candidates for \$5,000 awards and six candidates for \$1,000 cash awards.
- All recommended award candidates have demonstrated high academic achievements, significant contributions to their schools and the community, have received outstanding references, and have been accepted to four-year colleges.
- Commission approval is sought for Sang Tran and Hassan Saadi to each receive a \$5,000 scholarship. Christine Aning, Yann Steve Wendeu Foyet, Ruth Oreva, Thelma Sabi, Furaha Laetitia Sangwa, and Samantha Stanford are recommended for \$1,000 awards.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Eugene Spencer Division: Resident Services Ext. 9727

RE: Approval of 2013 Tony Davis Scholarship Award Winners

DATE: July 17, 2013

STATUS: Consent Deliberation Status Report Future Action

OVERALL OBJECTIVE:

To approve two \$5,000 Tony Davis Scholarship award winners and to recognize the significant achievements of six finalists with \$1,000 awards. All nominees for scholarship funds are deserving high school seniors and are participants of a HOC housing program.

BACKGROUND:

HOC established the Tony Davis Scholarship Award to honor the memory of Tony Davis, a dedicated HOC employee, who was tragically killed in 2000. Mr. Davis was well-known and recognized for his extensive volunteer work in the Seneca Ridge community (formerly Middlebrook Square) as a coach and counselor to many children. The scholarships provide high school seniors who demonstrate excellent academic achievement, active participation in extra-curricular activities, and an exemplary record of good school attendance. Candidates are also required to submit a 500 word essay, references, and a letter of acceptance to a college or university.

The Selection Committee met on June 13, 2013 and considered over 19 applicants. From this pool, Sang Tran and Hassan Saadi, both participants in the Public Housing Program, were selected for the \$5,000 scholarships. Christine Aning, Yann Steve Wendeu Foyet, Ruth Oreva, Thelma Sabi, Furaha Laetitia Sangwa, and Samantha Stanford were selected for \$1,000 awards. Awards for the \$5,000 winners will be made in two parts: half of the award will be provided in FY14 and the other half will be provided to the scholarship winners at the FY15 awards ceremony. Those awarded \$1,000 as finalists will receive the full amount at the 2013 awards ceremony.

A summary statement about each of these deserving awardees is attached.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve the selection of the two \$5,000 Tony Davis Scholarship Awardees and the six \$1,000 finalists?

BUDGET IMPACT:

The 2014 Agency budget incorporates \$11,000 for the Tony Davis Scholarship Awards Program and \$5,000 will be absorbed in the FY 2015 budget.

TIME FRAME:

Commission action at the July 17, 2013 Commission meeting

RECOMMENDATION:

Staff recommends two Tony Davis Scholarship winners (Sang Tran and Hassan Saadi) to receive \$5,000 each to be sent to their chosen colleges. Six finalists (Christine Aning, Yann Steve Wendeu Foyet, Ruth Oreva, Thelma Sabi, Furaha Laetitia Sangwa, and Samantha Stanford) are recommended for \$1,000 awards.

2013 TONY S. DAVIS MEMORIAL SCHOLARSHIP AWARDEES

\$5,000 Award Winners

Sang Tran

Sang is a senior at Magruders High School. He was born in a small rural village in Vietnam and moved to the United States in 2002 at seven years old. He is the second oldest of five children living in a Public Housing community in Gaithersburg. Sang overcame language barriers, cultural differences and economic hardships to excel academically. He hopes to inspire his younger siblings as well as peers to be successful and give back to the community.

Despite many family hardships, Sang has maintained a positive outlook and coping skills in his effort to come to grips with his circumstances. Throughout high school Sang has been consistently employed, has served as a valuable and dependable volunteer, and has continuously participated in extracurricular activities. His volunteer work has been exemplary. Staff at the Washington Square Family Resource Center (FRC) are especially appreciative of his service over the past five years. Not only has he provided after-school tutoring for the community youth, he can be counted on to assist with any duty to which he is assigned such as serving lunches and/or completing data entry. He was employed at Papa John's Pizza for the past year and now works at the Silver Diner. Additionally, Sang has participated in numerous extracurricular activities having served as a member of the Youth Aiming for Careers Program, Project Change, and has been an active participant with the Chemathon Level Two team, the Math Honor Society, the Science Honor Society and the National Honor Society. Additionally, he is certified in first aid and CPR.

The reference from Sang's Science Teacher, Mr. Andrew Tao, speaks volumes about Sang's character, drive, and work ethic. Mr. Tao notes that he writes many recommendations for students, but his recommendation for Sang is a special privilege. He states, "Sang is one of the most teachable and ideal students I have ever taught. He excelled in every aspect of the class and acted as a great model student for others to learn from. He is the type of student who approached every setback as an opportunity, instead of an obstacle, which has resulted in a very impressive GPA in all Honors and Advanced Placement classes." He concludes that Sang not only has the ability and willingness to work hard, but he has the intelligence to go along with it. He is the "Perfect Trifecta!"

Sang has completed over 565 hours of community service, scored 1900 on his SAT and maintains a 4.52 GPA. He will attend Johns Hopkins University in the fall majoring in Chemistry. He plans to become a pediatrician and hopes to contribute to the advancement of science and technology. His ultimate goal as a pediatrician is to travel the world as part of the Doctors Without Borders program.

Hassan Saadi

Hassan is a June graduate of Montgomery Blair High School. He moved from Pakistan to the United States in 2005 at ten years old. He faced several adversities when he arrived such as

racial and religious discrimination. He was also faced with bullying as fellow middle school students called him a terrorist and harassed him about his ethnicity.

Hassan found refuge from his tormentors when he joined his high school football team. There, he found another family, courage and an experience that made him a better person both physically and mentally. Throughout high school, he played Junior Varsity and Varsity football, ran track, and worked as a youth director in an after school tutoring program. Hassan has lettered in football all four years of high school and has been recognized as one of Blair's outstanding athletes. He is the wide receiver captain and was named as the most valuable player for both Junior Varsity and Varsity teams. Hassan's school counselor describes Hassan as independent, introspective, intellectual, tenacious, dedicated, persistent, methodical, organized and conscientious. She says that, in addition to his athletic prowess, "Hassan is known for his sportsmanship and commitment." She adds, "Hassan's academic strength lies in his strong critical thinking and problem solving skills."

Hassan has been an active member of the Science, Technology, Engineering, and Math (STEM) program. His STEM lead teacher at Blair notes that Hassan will make a gifted researcher. His prolific research project on the effects of the environment on zebra fish behavior demonstrated his creativity, originality and commitment to a long term effort. Most other students, he notes, "do impressive research in someone else's lab, working on someone else's idea. Hassan, on the other hand, is in a strong position among his peers with similar knowledge; the ability to think while doing, not give up when results are unpredicted and confidence that good results don't usually fit the original plan."

Hassan has a 4.24 GPA and scored 1900 on his SAT. He will attend the University of Maryland, College Park in the fall. In the future, Hassan plans to study Microbiology and attend medical school to become a surgeon.

\$1,000 Award Winners

Christine Aning

Christine is a June graduate of Sherwood High School. Throughout her high school years, Christine has participated in several extracurricular activities including cheerleading, the Black Student Union and Ladies of Class. Her SAT score is 1510 and her weighted GPA is 3.61. She plans to attend Towson University this fall.

Yann Steve Wendeu Foyet

Steve is a June graduate of Poolesville High School. He has participated in several extracurricular activities including Varsity football, The Emerging Leaders Program as well as an internship at the University of Maryland. He also participated in the Anti-Defamation League where he served as a mediator and ambassador to halt discrimination among students. In addition to his volunteer work at Asbury Methodist Village, he joined the Ability One Network Design Challenge where he helped develop a product to help individuals with physical

disabilities, particularly knee fractures. His SAT score is 1730 and his weighted GPA is 3.61. He plans to attend McDaniel College in the fall.

Ruth Oreva

Ruth is a June graduate of Bethesda Chevy Chase (BCC) High School. She has overcome enormous obstacles including domestic violence, homelessness and the death of her brother due to a house fire. Through her unimaginable tragedies, she has remained a very determined and hard working student. She is inspired by her mother whom she describes as “extraordinary.” Ruth has participated in several extracurricular activities including serving as a camp counselor at the YMCA, serving as Vice President of BCC’s Youth City Council, and as a volunteer with the “We Refuse Abuse” magazine all while being employed at Baskin Robbins and holding a paid internship with Cornerstone Inc. where she assisted disabled clients with applications for service. Ruth has won awards including The President’s Volunteer Service Award, The Superintendent’s Student Service Learning Award, and the 2010 City Year Heroes Commitment Award. She also received a Varsity letter in Track and Field and Cheerleading. Ruth has a 3.31 GPA and plans to attend Denison University in the fall.

Thelma Sabi

Thelma is a June graduate of Springbrook High School. Throughout high school, she has participated in several extracurricular activities including serving as Class President, Co-Captain of the JV Cheerleading Team and an active member of the Student Emerging Leaders Program. In addition to participating in Springbrook’s Soccer, Track and Field teams, she was employed at Riderwood Village serving meals to seniors and being responsible for cash and credit transactions. Thelma has also volunteered at Springbrook and Northwood High Schools and Francis Scott Key Middle School. Additionally, Thelma has won many academic honors including the Star Scholarship Foundation Award, the Student Emerging Leaders Program award, an award from the Minds in Motion award and the Alpha Scholarship Endowment Fund. Her weighted GPA is 4.23 and she plans to attend the University of Maryland, College Park in the fall.

Furaha Laetitia Sangwa

Furaha is a June graduate of Montgomery Blair High School. She has participated in several extracurricular activities such as the Red Cross Club, Smart Snack Club, Global Cultural Club and The ARC of Montgomery County. Her weighted GPA is 3.00 and she plans to attend Trinity Washington University in the fall.

Samantha Stanford

Samantha is a June graduate of Poolesville High School. She has participated in several extracurricular activities such as the History Club, the Key club, the Drama Club, the Environmental Action Club, the Green Schools Club, the Georgetown Prep Lacrosse Camp, the Play Her Sports League, and the Poolesville JV Lacrosse Team. Samantha has also received academic honors including the WEB DuBois Versatility Award, the Advanced Placement Scholar with Honors Award and a Photo Essay award. Her SAT score was 1840 and her weighted GPA is 4.09. She plans to attend the University of Tampa in the fall.

RESOLUTION NO.

**RE: Approval of 2013 Tony Davis
Scholarship Award Winners**

WHEREAS, in recognition of the many accomplishments and extensive community volunteer work performed by former HOC employee Tony Davis who was tragically killed in 2000, HOC established the Tony Davis Scholarship Awards Program in his memory; and

WHEREAS, since its inception, the Tony Davis Scholarship Awards Program has annually provided scholarship awards to high school seniors who are residents of either Public Housing or participate in the Housing Choice Voucher Program and who also demonstrate excellent academic achievement and school attendance, participate in extra-curricular and community activities, and have been accepted by a college or university; and

WHEREAS, a Selection Committee, composed of two Commissioners, the Executive Director, and Resident Services Division staff was convened on June 13, 2013 to review the highly qualified applications; and

WHEREAS, the Selection Committee considered academic records, attendance records, recommendations from school personnel and HOC staff, 500 word essays written by the applicants, SAT or ACT scores, school and community activities, and college acceptance information; and

WHEREAS, the Selection Committee recommends two outstanding candidates for the two \$5,000 Tony Davis Scholarship Awards: Sang Tran and Hassan Saadi; and

WHEREAS, the Selection Committee was extremely impressed by the pool of deserving candidates and is recommending the award of six \$1,000 cash awards to Christine Aning, Yann Steve Wendeu Foyet, Ruth Oreva, Thelma Sabi, Furaha Laetitia Sangwa, and Samantha Stanford.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County affirms the recommendation of the Tony Davis Scholarship Awards Selection Committee for Sang Tran and Hassan Saadi to each receive a \$5,000 Scholarship Award and for Christine Aning, Yann Steve Wendeu Foyet, Ruth Oreva, Thelma Sabi, Furaha Laetitia Sangwa and Samantha Stanford to each receive \$1,000 cash awards.

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**Patrice Birdsong
Special Assistant to the Commission**

**RATIFICATION OF ACTION TAKEN BY THE COMMISSION ON JUNE 20, 2013
AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE AND SALE
AGREEMENT JOINTLY WITH REPUBLIC LAND COMPANY LLC AND APPROVAL TO
FUND A GOOD FAITH DEPOSIT AND DUE DILIGENCE EXPENSES FOR THE
ACQUISITION OF CIDER MILL APARTMENTS**

July 17, 2013

- HOC has been presented with the opportunity to purchase Cider Mill Apartments, an 864-unit multifamily apartment development located in Montgomery Village. Pursuant to which and in conjunction with Republic Land Company (RLC), it submitted a non-binding letter of interest for the purchase of the property on June 6, 2013 (accepted on June 14, 2013).
- Cider Mill is a multifamily residential community that consists of one-, two-, and three-bedroom units that serve nearly 1,000 Montgomery County residents by providing rents at moderate incomes below 60% of the Washington, DC-MD-VA Metropolitan Statistical Area Median Income (AMI). The monthly average unit rent is \$1,227 and the average unit size is 840 square feet.
- RLC approached HOC with the opportunity to purchase the property as a joint venture in which HOC is anticipated to negotiate a 50% ownership stake in the property for an equity investment of 10% of the total development cost.
- The estimated total development cost is \$134,857,277 which includes the purchase price for the property of \$120,000,000 (\$138,889 per unit). The development will be funded from a number of sources including debt, private equity, HOC equity and RLC equity.
- With the execution of the Purchase and Sale Agreement (PSA), the joint venture (JV) is required to fund equal portions of a good faith deposit of \$1,000,000 (\$500,000 each) and upon successful completion of the due diligence and subject to Commission approval, a second deposit of \$5,000,000 (\$2.5 million each) is required.
- Upon Commission approval, the due diligence period commences and ends on September 30, 2013 during which time the initial good faith deposit is fully refundable. Thereafter, the deposit is non-refundable and the Commission would be required to close on the transaction within 75 days or forfeit its deposit.
- If authorization is granted for the Executive Director to execute the PSA, prior to the end of the due diligence period, staff will return to the Commission with its update on the

due diligence findings and a request to complete the purchase of the property and obtain other requisite approvals.

- Staff recommends that the Commission authorize the Executive Director to execute a purchase and sale agreement jointly with Republic Land Company for the purchase of Cider Mill Apartments.
- Staff also recommends that the Commission approve the funding of HOC's pro rata share of a good faith deposit of \$500,000 and to fund due diligence expenses of \$200,000 from the MPDU/Property Acquisition Fund (County Revolving Fund).

Executive Director to execute the PSA, the transaction will be subject to a due diligence period that ends on September 30, 2013. Upon successful completion of due diligence, the transaction is expected to close by December 16, 2013.

Acquisition Strategy

This acquisition provides the opportunity to preserve existing affordable housing. The Montgomery Village area can currently be considered “naturally affordable” with existing rents at or below 60% of AMI. Acquiring this property now would allow HOC to ensure that a portion of the project remain at the current level of affordability.

Given the size of the transaction, a key component to this strategy is risk mitigation. To that end, staff has recommended purchasing the property with Republic Land Company. This structure will allow the vast majority of the equity (80%) to be provided by an institutional investor and limit HOC’s and RLC’s equity investment to 10% each. The estimated equity investment by HOC and RLC will be \$4 million.

The team’s preliminary due diligence anticipates a very light renovation program that would consist of improvements to the club house, upgrading utility reimbursement systems, and kitchen and bath improvements.

Public Purpose

Currently, Cider Mill is not subject to any rental restrictions and a new owner would raise all the rents to achieve the maximum market returns. HOC’s participation will ensure that it plays a role in preventing massive economic displacement through significant rent increases to the existing population. HOC has the opportunity to protect this property long term and preserve a portion of the units as affordable. Lake Forest Mall, across from the property, is also believed to have new ownership and improvements to the mall will enhance the surrounding community, attract more residents, and ultimately put further upward pressure on rents in the submarket.

Unit Type	# of Units	Existing Rents	60% of AMI Rents	Variance
1 BD / 1 BA	427	1,055	1,206	(\$151) / (12.5%)
1 BD / 1 BA	16	1,183	1,206	(\$23) / (2%)
Den				
2 BD / 1 BA	341	1,344	1,449	(\$105) / (7.2%)
2 BD / 1 BA	8	1,424	1,449	(\$7) / (~1%)
Den				
3 BD / 2 BA	72	1,684	1,674	\$10 / 1%
TOTAL	864			

On average, rents are nine percent (9%) below 60% of the AMI. Long-term, this property is one of the largest in the market and its conversion would have far reaching consequences to the stability of working class families. HOC’s presence in the deal ensures that working class families still have an opportunity to live here.

Summary of Acquisition Terms

Upon Commission approval, HOC and RLC would begin to negotiate a PSA with the seller. The purchase price for the property is \$120,000,000, with a \$6,000,000 deposit. Closing would be anticipated by December 16, 2013.

At the signing of the PSA, a \$1,000,000 refundable deposit would be made. HOC would contribute \$500,000 (50%) of the total. Staff proposes that the deposit be funded from the Revolving Fund with the County (MPDU/ Property Acquisition Fund). As of July 10, 2013, the unobligated balance in the account is \$943,491 (see Exhibit A) to this memorandum.

During the study period, staff expects to expend approximately \$335,000 in due diligence costs. These costs are outlined below. HOC's portion of these costs is \$167,500 (50%). Staff also proposes that these expenditures be funded from the MPDU/Property Acquisition Fund.

Predevelopment Funds Required	
Environmental Reports	\$20,000
Survey	\$15,000
Appraisal	\$20,000
Property Needs Assessment	\$20,000
Legal	\$60,000
Financing Deposits	\$200,000
Total	\$335,000

During this period, staff and third-party consultants will inspect the property for a second time, review the leases and ensure the condition of the property is acceptable. RLC will create a single purpose entity, Republic HOC Cider Mill LLC, as the ownership entity. This entity will be organized in Delaware.

If the due diligence is successful, staff will return to the Commission at the September 11, 2013 meeting to inform the Commission of the result of the due diligence and to request approval to complete the purchase of the property, approval of partnership terms, and approval to fund HOC's portion of the equity for the transaction. On September 30, 2013, the deposit will increase to \$6,000,000. HOC's additional contribution would be \$2,500,000.

Financial Analysis

RLC and HOC will be sourcing both debt and equity through Cassidy Turley. The projected total capitalization of the Project (including the capital improvements and closing costs) is approximately \$134 million. The equity contribution is projected to total \$40 million. It is currently assumed that Republic and HOC will fund a combined 20% of the equity requirement (\$8 million), while an outside investor will fund the remaining 80% (\$32 million). Debt is assumed to be in the form of a 70% LTV loan through Freddie Mac or Fannie Mae. It is expected that the debt would fund 70% of both the acquisition and improvements. Pricing on

the debt is expected to be at or below 4%, with a 30 year amortization. Currently, the term of the debt is seven (7) years. Given the short term of the debt, we will have to plan for a refinance in 2020. During the study period, the Mortgage Finance staff will also explore options for issuing tax-exempt bonds for the transaction.

The investors will be looking for a mid to high teens return on its equity investment. This return can be achieved with the program of modest improvements and rental increases.

Sources of Funds		
Debt	\$94,300,000	70%
Equity	40,557,277	30%
Total	\$134,857,277	

This capitalization structure is proposed at this point and will be thoroughly vetted through the due diligence process to ensure that it is consistent with the Commission’s goals and objectives.

Uses of Funds

Cider Mill is in good condition today. The buildings are made of concrete and could last another 30 years. Upon Commission approval, a full property needs assessment will be conducted and a comprehensive review of the project will be completed.

RLC and HOC estimate that the total project cost is \$135 million to acquire the property, upgrade the club house and utility reimbursement systems and upgrade the units. No development fee is projected to be earned at this point in the project analysis. Staff will return to the Commission prior to closing in order to request approval of the final acquisition and financing plan.

Current underwriting assumes \$8,640,000 (\$10,000/unit) to upgrade kitchens and baths in the units and \$2,000,000 to upgrade the clubhouse (\$1,000,000) and utility reimbursement system (\$1,000,000).

Uses of Funds	
Acquisition	\$120,000,000
Improvements	11,172,000
Soft Costs & Transaction Costs	3,685,277
Total	\$134,857,277

Operating Projections

Current RLC projections show approximately \$4 million in cash flow and HOC would receive 10% of it. Final projections will be updated and confirmed during due diligence.

Outstanding Issues

1. *Financing and Transaction Structure*

The due diligence period will provide an opportunity to assess the feasibility of the proposed financing options presented by Cassidy Turley and to evaluate their risk to the Commission. Significant concerns around the term of the debt and investor expectations will need to be thoroughly vetted prior to staff recommendation to proceed with the transaction.

2. Partnership Relationship

3. HOC-Montgomery Village concentration issues.

During the study period, these and all other issues of the transaction will be investigated and resolved and all requisite approvals will be sought from the Commission.

Risks during Due Diligence

- The Commission will invest approximately \$67,500 for due diligence costs for Engineering Reports and Property studies and legal fees.
- The initial deposit is fully refundable.
- Staff time

ISSUES FOR CONSIDERATION:

Should the Commission authorize the Executive Director to execute a purchase and sale agreement jointly with Republic Land Company to purchase Cider Mill Apartments and to negotiate terms to complete the acquisition of the property under the proposed terms described in this memorandum?

Should the Commission authorize the funding of a refundable deposit of \$500,000 (50%) from the MPDU Property Acquisition Fund (Revolving Fund)?

Should the Commission authorize up to \$200,000 from the MPDU Property Acquisition Fund (Revolving Fund) to fund its pro rata share of due diligence expenditures?

PRINCIPALS:

Home Properties (Seller)

Republic Land Company (Buyer)

Housing Opportunities Commission (Buyer)

Republic HOC Cider Mill LLC (Single Purpose Entity)

BUDGET IMPACT:

None. The MPDU/Property Acquisition Fund is interest free.

TIME FRAME:

For ratification at the July 17, 2013 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends the following actions by the Commission:

Authorization for the Executive Director to execute a purchase and sale agreement jointly with Republic Land Company for the purchase Cider Mill Apartments and to negotiate terms to complete the acquisition of the property under the proposed terms described in this memorandum?

Approval to fund a refundable deposit of \$500,000 (50%) from the MPDU Property Acquisition Fund (Revolving Fund).

Approval of up to \$200,000 from the MPDU Property Acquisition Fund (Revolving Fund) to fund its pro rata share of due diligence expenditures.

RESOLUTION:

RE: Authorization for the Executive Director to Execute a Purchase and Sale Agreement Jointly with Republic Land Company LLC and Approval to Fund a Good Faith Deposit and Due Diligence Expenses for the Acquisition of Cider Mill Apartments

WHEREAS, the Housing Opportunities Commission has been presented with the opportunity to purchase Cider Mill Apartments, an 864-unit multifamily apartment development located in Montgomery Village; and

WHEREAS, Cider Mill is a multifamily residential community that consists of one-, two-, and three-bedroom units that serve nearly 1,000 Montgomery County residents by providing rents at moderate incomes below 60% of the Washington, DC-MD-VA Metropolitan Statistical Area Median Income (AMI) and for which the monthly average unit rent is \$1,227 and the average unit size is 840 square feet; and

WHEREAS, Republic Land Company (“RLC”) approached HOC with the opportunity to purchase the property as a joint venture in which HOC is anticipated to negotiate a 50% ownership stake in the property for an equity investment of 10% of the total development cost (approximately \$4,000,000); and

WHEREAS, in conjunction with Republic Land Company (RLC), HOC submitted a non-binding letter of interest for the purchase of the property on June 6, 2013 which was accepted on June 14, 2013; and

WHEREAS, the estimated total development cost is \$134,857,277 which includes the purchase price for the property of \$120,000,000 (\$138,889 per unit) and is projected to be funded from a number of sources including conventional debt, private equity, HOC equity and RLC equity; and

WHEREAS, the draft purchase and sale agreement for the property (the “PSA”) requires HOC and RLC to fund equal portions of a good faith deposit of \$1,000,000 (\$500,000 each) and upon successful completion of the due diligence and subject to Commission approval, a second deposit of \$5,000,000 (\$2.5 million each) is required; and

WHEREAS, upon Commission approval of the PSA, the due diligence period will commence on execution of the PSA and ends on September 30, 2013 during which time the initial good faith deposit is fully refundable and thereafter, the deposit is non-refundable and the Commission would be required to close on the transaction within 75 days or forfeit its deposit; and

WHEREAS, if authorization is granted for the Executive Director to execute the PSA, prior to the end of the due diligence period, the Commission will review the due diligence findings and determine whether to complete the purchase of the property and authorize all other requisite approvals.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the Executive Director to execute a purchase and sale agreement jointly with Republic Land Company LLC for the acquisition of Cider Mill Apartments for up to \$120,000,000 subject to Commission review of the draft purchase and sale agreement within seven days, ending on June 27, 2013.

BE IT FURTHER RESOLVED that the Commission approves the:

1. Use of the MPDU/Property Acquisition Fund (Revolving Fund) to fund HOC's pro rata share of the good faith deposit of \$500,000 due at execution of the purchase and sale agreement.
2. Use of the MPDU/Property Acquisition Fund (Revolving Fund) to fund due diligence expenses of approximately \$200,000.

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Patrice M. Birdsong
Special Assistant to the Commission

**Exhibit A
Summary of Revolving Funds**

Table 1: SUMMARY OF AVAILABLE CASH				
	OHDF		MPDU/PAF	
	Fund Authority	\$4,500,000	Fund Authority	
			\$12,507,000	
7/8/13	Loans Outstanding		Loans Outstanding	
(a)	Smith Village (Brooks Farm)	(\$152,722.06)	(q)	HOC/HOP Program
(b)	Alexander House (Original Loan \$1,347,620)	(\$471,667)	(r)	Pooks Hill Midrise (Land)
(c)			(s)	
(d)	Paddington Square	(\$3,000,000)	(t)	Cider Mill - good faith deposit
(e)	Jubilee Housing - matching funds	(\$218,156)	(u)	
			(v)	Ambassador
			(w)	Holiday Park (repay Seller note)
			(x)	
			(y)	
(f)	Total Loans Outstanding	(\$3,842,545)	(z)	Total Loans Outstanding
(g)	Available Balance	\$657,455	(aa)	Available Balance
(h)	COMBINED AVAILABLE BALANCE (OHDF & MPDU/PAF) 7-8-13			\$9,486,559

Table 2: FY14 PROJECTIONS - SUMMARY OF REPAYMENT AND USES				
FY14	Expected Repayments		Expected Repayments	
(i)	Alexander House -		(bb)	Holiday Park
(j)	Smith Village -		(cc)	HOC/HOP
(k)			(dd)	
			(ee)	
			(ff)	
			(gg)	
(l)	Total Expected Repayment	\$0	(hh)	Total Expected Repayment
				\$169,387.00
FY14	Current Projected Needs		Current Projected Needs	
(m)			(ii)	<i>Cider Mill (Deposit/Due Diligence)</i>
(n)	<i>Unknown</i>	<u>\$0</u>	(jj)	<i>669 Renovation</i>
			(kk)	<i>HOC/HOP</i>
			(ll)	<i>Timberlawn Interim Renovation</i>
			(mm)	
(o)	Total Current Projected Needs	\$0	(nn)	Total Current Projected Needs
				(\$8,055,000)
(p)	Total Projected Available in FY14	\$657,455	(oo)	Total Projected Available in FY14
				\$943,491
FY14	Total Available in the Combined Funds - Current Projections:			\$1,600,946

Information Exchange

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

July 2013

8	Agenda Formulation (<i>Piñero and Banks</i>)	1:00 p.m.
4	Independence Day (HOC Closed)	
5	Independence Day Observed (HOC Closed)	
15	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
15	Town Hall Meeting (Northwest High School Cafeteria, 13501 Richter Farm Rd, Germantown, MD 20874)	6:00 p.m.
16	Legislative and Regulatory Committee (<i>Roman, Banks, Lindstrom</i>)	2:00 p.m.
17	HOC Regular Meeting and Tony Davis Award Ceremony	4:00 p.m.
18-20	NAHRO Summer Conference – Denver, CO	
23	Town Hall Meeting (Walter Johnson High School Cafeteria, 6400 Rock Spring Dr., Bethesda, MD 20814)	6:00 p.m.
25	Development and Finance Committee (<i>Lindstrom, Edson, Wiencek</i>)	11:30 a.m.
29	Agenda Formulation (<i>Piñero and Banks</i>)	1:00 p.m.
29	Town Hall Meeting (Rockville High School Cafeteria, 2100 Baltimore Rd., Rockville, MD 20851)	6:00 p.m.
30	Worksession – Public Housing Rental Assistance Demonstration	10:00 a.m.
30	Legislative and Regulatory Committee (<i>Roman, Banks, Lindstrom</i>)	2:00 p.m.
30	Town Hall Meeting (Montgomery Blair High School Cafeteria, 51 University Blvd., E., Silver Spring, MD 20901)	6:00 p.m.

August 2013

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

September 2013

2	Labor Day (HOC Closed)	
11	HOC Regular Meeting	4:00 p.m.
17	Legislative and Regulatory Committee (<i>Roman, Banks, Lindstrom</i>)	2:00 p.m.
18	Budget, Finance and Audit Committee (<i>Kator, Piñero, Roman</i>)	10:00 a.m.
19	Development and Finance Committee (<i>Lindstrom, Edson, Wiencek</i>)	11:30 a.m.
23	Agenda Formulation (<i>Piñero and Kator</i>)	1:00 p.m.
24	Information and Communication Committee (<i>Banks</i>)	12:30 p.m.

October 2013

2	HOC Regular Meeting	4:00 p.m.
8	Budget Finance and Audit Committee (<i>Kator, Piñero, Roman</i>)	10:00 a.m.
15	Information and Communication Committee (<i>Banks</i>)	12:30 p.m.
16	FSS Graduation Ceremony	6:00 p.m.
21	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.

22	Town Center, Inc. Board Meeting (<i>Banks, Wiencek</i>) (Commissioners' Lounge – Kensington)	4:00 p.m.
24	Development and Finance Committee (<i>Lindstrom, Edson, Wiencek</i>)	11:30 a.m.
28	Agenda Formulation (<i>Piñero, Edson</i>)	1:00 p.m.
28	Friends of HOC Award Ceremony	6:30 p.m.
28	Bauer Park, Inc. Board Meeting (<i>Edson, Roman</i>) (Bauer Park, 14635 Bauer Dr., Rockville, MD)	7:30 p.m.

November

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

December

4	Longevity Reception (Atrium)	3:30 p.m.
4	HOC Regular Meeting	4:00 p.m.
16	Agenda Formulation (<i>Piñero, Wiencek</i>)	1:00 p.m.
16	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
18	Information and Communication Committee (<i>Banks</i>)	12:30 p.m.
19	Development and Finance Committee (<i>Lindstrom, Edson, Wiencek</i>)	11:30 a.m.
23	Agenda Formulation (<i>Piñero, Wiencek</i>)	1:00 p.m.
25	Christmas Holiday (HOC Closed)	

Activities of Interest

TBD	Joint Meeting with Commission on People with Disabilities
TBD	Joint Meeting with the Planning Board

Hearing Board

June – July (Kator)
Aug. – Sept. (Roman)
Oct. – Nov. (Wiencek)

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-283	TBD	<u>Resident Advisory Board (RAB) Training</u> <ul style="list-style-type: none"> • Pursue Visit from Resident Commissioner with the Chicago Housing Authority to Meet with RAB (Banks, Commission Mtg., Nov. 2, 2011) 	GS	In Progress
TD-286	Spring 2013	Provide a HOC Managed vs. Contract Managed Cost Comparison Analysis (Kator, Commission Mtg., Jan. 11, 2012)	AO	Status Report
TD-291	October 2013	Utility Consultation for Client Accounts (Kator – HOC Meeting, July 18, 2012)	JF	Status Report

Future Action

New Business

Executive Session

ADJOURN