

## PADDINGTON SQUARE DEVELOPMENT CORPORATION MEETING

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

### **Minutes**

April 7, 2021

21-001

Mr. Priest convened the meeting of the Paddington Square Development Corporation on Wednesday, April 7, 2021 at 5:37 p.m. via an online platform and teleconference, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland. Those in attendance were:

### **Present**

Roy Priest, Chair  
France Kelleher, Vice Chair  
Richard Y. Nelson, Jr., Chair Pro Tem  
Jackie Simon  
Linda Croom

### **Absent**

Pamela Byrd

### **Also Attending**

Stacy Spann, HOC Executive Director  
Aisha Memon, General Counsel  
Nicolas Deandreis  
Terri Fowler  
Ian Hawkins  
Cornelia Kent  
Marcus Ervin  
Zachary Marks  
Jennifer Arrington  
Fred Swan  
Kathryn Hollister

Kayrine Brown, Deputy Executive Director  
Christina Autin  
Renee Harris  
Victoria Dixon  
Jay Berkowitz  
Darcel Cox  
Nathan Bovelie  
Emma Fiorentino  
Charnita Jackson  
Claire Kim  
Tomi Adebbon

### **Development Corporation Support**

Patrice Birdsong

Mr. Priest called to order the Paddington Square Development Corporation, reporting that there was only one item on the Agenda for consideration by the Corporation.

- **Approval of a Refinancing Plan; Authorization to Negotiate and Execute a Permanent Financing Commitment with Love Funding Corporation; Authorization for Corporation to Accept Loan in Accordance with Refinancing Plan**

Kayrine Brown, HOC Deputy Executive Director, and Victoria Dixon, HOC Senior Multifamily Underwriter, were presenters. Ms. Dixon reported that the property is a 165-unit mixed income garden style rental Community. She informed that 41% of the units are restricted to households earning 50-60% area median income (AMI). The property has an outstanding mortgage with Love Funding. Ms. Dixon explained that the loan has a lockout restriction subject to prepayment penalty. She informed that the HOC Staff is requesting approval of refinancing plan, authorization for HOC's Executive Director to negotiate and execute a financing commitment with Love Funding, and accepting a new refinancing loan.

Mr. Nelson interjected for the record that the page numbers Ms. Dixon referenced during her presentation were from an older version of this Briefbook.

Stacy Spann, HOC Executive Director, responded to Mr. Merkwitz question regarding additional cash flow by explaining that HOC would like to take advantage of the favorable interest rate and additional cash to help in rent arrearages.

The following resolution was adopted upon a motion by Richard Y. Nelson, Jr., and seconded by Frances Kelleher. Affirmative votes were cast by Roy Priest, Frances Kelleher, Richard Y. Nelson, Jr., Linda Croom, Jeffrey Merkwitz, and Jackie Simon. Pamela Byrd was necessarily absent and did not participate in the vote.

**RESOLUTION NO.: 21-001<sub>ps</sub>**

**RE: Approval of a Refinancing Plan for Paddington Square; Authorization to Negotiate and Execute a Permanent Financing Commitment with Love Funding Corporation; and, Authorization for the Corporation to Accept Loans in Accordance with Refinancing Plan**

**WHEREAS**, the Paddington Square Development Corporation (the "Corporation") is a wholly-controlled corporate instrumentality of the Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission");

**WHEREAS**, the Corporation owns the property known as "Paddington Square", a community consisting of 165 units in Silver Spring, Maryland (the "Property"), which was acquired by the Corporation on February 4, 2004;

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

**WHEREAS**, on November 5, 2014 the Corporation approved, and on December 18, 2014 closed, on a permanent loan in the amount of \$20,741,700 from Love Funding Corporation (the "Lender") with mortgage insurance under the FHA Section 223(f) Program (the "Senior Loan"), assignment of an existing loan from the County's Housing Initiative Fund ("HIF") of approximately \$5.1 million, and with an equity contribution of \$738,000, which combined proceeds were used to retire existing debt and pay closing costs;

**WHEREAS**, as of February 28, 2021, the Property currently holds approximately \$761,955 (\$4,618 per unit) of funds in its replacement reserve account and renovation escrow accounts;

**WHEREAS**, considering the favorable interest rate environment, staff has reviewed the Property's operational performance, obtained term sheets from multiple lenders from the Commission's FHA Multifamily Accelerated Processing ("MAP") Lender Pool, and proposes (a) refinancing the existing 223(f) Loan under the

223(a)(7) program (“Refinancing Loan”) with the existing Lender for proceeds sufficient to retire the existing Senior Loan and closing costs, (b) re-subordinating the County HIF loan, and (c) utilize existing cash held in the existing replacement reserve and renovation escrow accounts to fund a new initial replacement reserve of approximately \$4,600 per unit (collectively the “Refinancing Plan”); and

**WHEREAS**, as a requirement of closing the Refinancing Loan, staff of the County have expressed support to resubordinate the existing HIF loan, including accrued interest.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Paddington Square Development Corporation, that it approves the following:

1. The Property’s Refinancing Plan, as described herein, including (a) a Refinancing Loan of approximately \$18,800,000 under the 223(a)(7) program with Love Funding Corporation, credit enhanced with mortgage insurance provided by FHA, which will be used to repay existing senior debt, closing costs, and capitalize financing; (b) resubordinating the existing \$5.2 million County HIF loan and accrued interest, and (c) combining proceeds of the Property’s existing replacement reserve and renovation escrow accounts to fund a new initial replacement reserve equal to approximately \$4,600 per unit;
2. Authorization for the Commission’s Executive Director to negotiate and execute a financing commitment with Love Funding Corporation;
3. Authorization for the Commission’s Executive Director to negotiate and execute re-subordination of the County HIF loan to the Refinancing Loan; and
4. Accepting the new Refinancing Loan and County HIF loan.

**BE IT FURTHER RESOLVED** that the Paddington Square Development Corporation authorizes and directs the Commission’s Executive Director, or his designee, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

Based upon this report and there being no further business to come before this session, a motion was made by Jackie Simon and seconded by Richard Y. Nelson, Jr., to adjourn the meeting of the Paddington Square Development Corporation at 5:45 p.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer  
Paddington Square Development Corporation

/pmb

**Approved: May 5, 2021**