



**EXPANDED AGENDA**

July 1, 2020

		Res #
4:00 p.m.	<p><b>I. <u>INFORMATION EXCHANGE</u></b></p> <ul style="list-style-type: none"> <li>A. Resident Advisory Board</li> <li>B. Report of the Executive Director</li> <li>C. Commissioner Exchange</li> </ul> <p><b>The Community Forum has been cancelled due to the current state of emergency and social distancing guidelines related to the Coronavirus Disease (COVID-19). Please refer to HOC’s website for more information on HOC’s State of Emergency Open Meeting Procedures.</b></p>	
4:40 p.m. Page 5	<p><b>II. <u>APPROVAL OF MINUTES</u></b></p> <ul style="list-style-type: none"> <li>A. Approval of Minutes of June 3, 2020</li> </ul>	
4:45 p.m.	<p><b>III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u></b></p>	
Page 32  36	<p><b>A. Budget, Finance &amp; Audit Committee – Com. Nelson, Chair</b></p> <ul style="list-style-type: none"> <li>1. Approval of the FY’21 County Revised Spending</li> <li>2. Authorization to Draw on the General Fund Operating Reserve to Fund HOC Operations as a Result of the COVID-19 Pandemic</li> </ul>	<p>20-53 (pg. 35)</p> <p>20-54 (pg. 39)</p>
5:10 p.m. Page 41  53	<p><b>B. Development and Finance Committee – Com. Simon, Chair</b></p> <ul style="list-style-type: none"> <li>1. <b>Sandy Spring Missing Middle:</b> Approval of Second Phase of Predevelopment Funding to Pursue Due Diligence and Site Plan Submittal on Pilot Missing Middle Initiative</li> <li>2. <b>West Side Shady Grove:</b> Approval to Issue Short-Term Tax-Exempt Notes by Recycling Previously Allocated Private Activity Volume Cap by Maryland CDA and HOC and the Selection of PNC Bank, N.A. as the Lender; Approval of Cost of Issuance Budget; and Adoption of a Bond Authorizing Resolution for the Issuance of a Tax-Exempt Note</li> </ul>	<p>20-55 (pg. 51)</p> <p>20-56(pg. 69)</p>
5:30 p.m. 74	<p><b>C. Legislative and Regulatory Committee – Com. Kelleher, Chair</b></p> <ul style="list-style-type: none"> <li>1. Revision of HOC’s Administrative Plan for the Housing Choice Voucher Program to add Temporary Changes in Response to COVID-19 Pursuant to HUD PIH Notice 2020-05</li> </ul>	<p>20-57 (pg. 77)</p>
	<p><b>IV. <u>NEW BUSINESS ITEM</u></b></p>	
Page 87	<ul style="list-style-type: none"> <li>1. <b>Brooke Park Apartments:</b> Approval to Draw on the Original PNC Bank, N.A. Line of Credit to Bridge Receipt of County Loan Funds for the Renovation of Brooke Park Apartments</li> </ul>	<p>20-58 (pg. 91)</p>
5:40 p.m.	<b><u>ADJOURN</u></b>	
5:45 p.m.	<p><b><u>ADMINISTRATIVE SESSION</u></b></p> <p><i>A closed Administrative Session will be called to order pursuant to Section 3-305(b)(13) of the General Provisions Article of the Annotated Code of Maryland</i></p>	
6:00 p.m.	<b><u>ADJOURN</u></b>	

---

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](mailto:commissioners@hocmc.org).

---

# Information Exchange

# Minutes

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Minutes**

June 3, 2020

20-06

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted via an online platform and teleconference on Wednesday, June 3, 2020, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:00 p.m. Chair Priest began the meeting with a moment of silence in honor of George Floyd. Those in attendance were:

**Present**

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

**Also Attending**

Stacy L. Spann, Executive Director  
Cornelia Kent  
Christina Autin  
Darcel Cox  
Olutomi Adebo  
Renee Harris  
Jay Shepherd  
Nicolas Deandreis  
Fred Swan  
Gail Willison  
Nathan Bovelle  
Jay Berkowitz  
Marcus Ervin  
Hyunsuk Choi  
Victoria Dixon  
Rita Harris  
Len Vilicic  
Jonathan Cartagena  
Eugenia Pascual

Aisha Memon, General Counsel  
Kayrine Brown  
Terri Fowler  
Gio Kaviladze  
Zachary Marks  
Kathryn Hollister  
Lynn Hayes  
Patrick Mattingly  
Ian Hawkins  
Charnita Jackson  
Eamon Lorincz  
Bonnie Hodge  
Ellen Goff  
Jennifer Arrington  
Millicent Anglin  
Karlos Taylor  
Belinda Felco  
Sewavi Prince  
Leidi Reyes

**Resident Advisory Board**

Yvonne Caughman, Vice President

**Commission Support**

Patrice Birdsong, Spec. Asst. to the Commission

I. **Information Exchange**

**Resident Advisory Board**

Yvonne Caughman, Vice President, reported on activities of the Resident Advisory Board meeting held on May 18, 2020 via online platform. Jonathan Cartagena, Coordinator-Fatherhood Initiative, provided a presentation to the RAB on the activities of the Fatherhood Initiative Program. Ms. Caughman reported that the RAB has been updating the residents on services available to them during the COVID-19 Pandemic.

Chair Priest expressed his appreciation to the Resident Advisory Board and the work that they are doing with the residents on behalf of the Commission during the pandemic.

**Executive Director's Report**

Stacy L. Spann, Executive Director, provided an overview of a recently launched Rental Assistance Program that HOC is managing on behalf of Montgomery County and the Department of Community Affairs.

Chair Priest and Commissioner Simon expressed their appreciation to Executive Director Spann and the HOC Staff for their expedient work in getting this program up and running.

**Commissioner Exchange**

Vice Chair Kelleher thanked Executive Director Spann on the detailed Executive Director's Report.

- II. **Approval of Minutes** - The minutes were approved as submitted with a motion by Commissioner Simon and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.
- A. Approval of Minutes of May 6, 2020**
  - B. Approval of Minutes of May 6, 2020 Administrative Session**
  - C. Approval of Minutes of May 20, 2020 Special Session**

III. **CONSENT**

- A. Approval to Appoint Commissioners to the Board of Directors of Various Development Corporation**

Aisha Memon, General Counsel, was the presenter.

The following resolution was adopted upon a motion by Vice Chair Kelleher and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-52**

**RE: Approval to Appoint Commissioners to the Board of Directors of Various Development Corporations**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) owns various properties through wholly-controlled corporate instrumentalities, including: Alexander House Development Corporation, Barclay Apartments Development Corporation, Brookside Glen Apartments Development Corporation, Damascus Gardens Development Corporation, Diamond Square Development Corporation, Glenmont Crossing Development Corporation, Glenmont Westerly Development Corporation, Magruder’s Discovery Development Corporation, The Metropolitan Development Corporation, Montgomery Arms Development Corporation, Oaks at Four Corners Development Corporation, Paddington Square Development Corporation, Pooks Hill Development Corporation, Rad 6 Development Corporation, Scattered Site One Development Corporation, Scattered Site Two Development Corporation, Sligo Hills Development Corporation, TPM Development Corporation, VPC One Corporation, VPC Two Corporation, and Wheaton Metro Development Corporation (together, the “Corporations”);

**WHEREAS**, the Bylaws of the Corporations provide that the Board of Directors of the Corporations shall be selected annually by HOC;

**WHEREAS**, the Commission desires to appoint Roy O. Priest, Fran Kelleher, Richard Y. Nelson, Pamela Byrd, Linda Croom, and Jackie Simon (each an “Appointee”) to the Board of Directors of the Corporations;

**WHEREAS**, upon the death or resignation of any Appointee, such Appointee shall be automatically removed from the Board of Directors of the Corporations; and

**WHEREAS**, in the event a successor Commissioner is appointed to HOC, such Commissioner shall automatically be appointed to the Board of Directors of the Corporations.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County appoints Roy O. Priest, Fran Kelleher, Richard Y. Nelson, Pamela Byrd, Linda Croom, and Jackie Simon to the Board of Directors of the Corporations.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that upon the death or resignation of any Appointee, such Appointee shall be automatically removed from the Board of Directors of the Corporations, and in the event a successor Commissioner is appointed to HOC, such Commissioner shall automatically be appointed to the Board of Directors of the Corporations.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is authorized to take any and all other actions necessary and proper to carry out the actions contemplated herein, including the execution of any documents related thereto.

**RECESS:** Development Corporation Annual Meetings and Approval of FY 21 Budgets

Meeting of the Housing Opportunities Commission of Montgomery County, Maryland reconvened at 4:41 p.m.

**IV. ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION**

- A. Ratification of Action Taken in Special Session on May 20, 2020:** Approval to Increase the Predevelopment Budget and a Final Installment of Predevelopment Funding from the Opportunity Housing Reserve Fund to Fund Closing and Development Related Expenses;

Approval to Complete Acquisition & LIHTC Closing; and Approval to Increase the Number of Vacant Units to Complete the Renovations

The foregoing Resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-39R**

**RE: Approval to Increase the Predevelopment Budget and a Final Installment of Predevelopment Funding from the Opportunity Housing Reserve Fund to Fund Closing and Development Related Expenses; Approval to Complete Acquisition & LIHTC Closing; and Approval to Increase the Number of Vacant Units to Complete the Renovations**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC”) seeks to preserve Montgomery County’s existing affordable housing, including those subsidized by Rental Assistance Payment (“RAP”) contracts and Section 236 financing; and

**WHEREAS**, Bauer Park Apartments (the “Property”), located at 14635/39/43 Bauer Drive, consists of 142 units in three (3) buildings on 3.88 acres of land on the southeast corner of the intersection of Bauer Drive and Norbeck Road in Rockville, MD; and

**WHEREAS**, the Property was originally built in 1977 under the Section 236 Program and is owned by Banor Housing, Inc., a non-profit corporation (“Banor”) that is managed by a Policy Board (the “Policy Board”); and

**WHEREAS**, on April 5, 2017, HOC passed Resolution 17-23 approving the advance of \$850,000 in aggregate from the Opportunity Housing Reserve Fund (“OHRF”) to reimburse Victory Housing, Inc. for predevelopment costs as they are incurred to prepare and submit tax credit applications for the Property for up to \$350,000; and

**WHEREAS**, on July 11, 2018, HOC passed Resolution 18-54 approving the Preliminary Development Plan for the Property and authorized an additional \$100,000 for predevelopment funding for costs as they are incurred to prepare and submit tax credit applications for the Property; and

**WHEREAS**, on July 10, 2019, HOC passed Resolution 19-76 approving the Final Development Plan for the Property (the “Final Development Plan”) identifying additional predevelopment costs of \$250,000 to be funded from the OHRF and a total development cost of approximately \$40 million to be funded with HOC-issued FHA-insured tax-exempt bonds, County Capital Improvements Program funds, 4% Low Income Housing Tax Credit equity, a seller note (to be assigned from Banor to HOC), and acquired replacement reserves; and

**WHEREAS**, additional predevelopment funding in the amount of \$400,000 is needed to fund permits fees and final obligations related to closing, which shall be funded from the OHRF; and

**WHEREAS**, in order to renovate more efficiently, staff recommends increasing vacancy at the Property; and



**WHEREAS**, in order to consummate the closing approved in the Final Development Plan, HOC desires to confirm its approval of certain elements of the transaction, including (i) causing the planned purchaser of the property, Bauer Park Apartments, LP (“Bauer LP”) to (a) amend the Purchase and Sale Agreement for the Property dated August 8, 2019, (the “Purchase Agreement”) to increase the purchase price to the “as-is unrestricted value” set forth in the planned updated appraisal for the Property and to transfer all reserves for the Property to Bauer LP (the “Purchase Agreement Amendment”), (b) accept a deed to the Property from Banor pursuant to the Purchase Agreement (the “Deed”) and (c) accept an assignment of the construction contract with Hooten Construction, LLC and the architect agreement with Architecture by Design, Inc. (the “Contract Assignments”) from a subsidiary of HOC’s development partner, Victory Housing, Inc. (“VHI”) and (ii) executing a (a) Guaranty Agreement from HOC in favor of Bauer LP’s tax credit investor limited partner (the “Guaranty Agreement”) and (b) a Grant Agreement between HOC and the Maryland Energy Administration (the “MEA Grant Agreement”), the proceeds of which, if received, will be used to reimburse HOC for expenditures for certain energy efficiency improvements paid for with the proceeds of HOC’s subordinate loan to Bauer LP and will be deposited into the OHRF upon receipt; and

**WHEREAS**, in order to satisfy certain Low Income Housing Tax Credit requirements for acquisition and rehabilitation transactions, HOC desires for its development partner, VHI, to have up to a 45% non-managing member interest in Bauer Park Apartments, LLC (“Bauer LLC”), the managing member of Bauer LP.

**WHEREAS**, at a Special Session duly called and held on May 20, 2020, with a quorum participating, the Commission duly adopted Resolution 20-39, with Commissioners Priest, Kelleher, Nelson, and Simon voting in approval, and Commissioners Byrd and Croom being necessarily absent and not participating in the vote;

**WHEREAS**, by adopting resolution 20-39, the Commission approved the following actions:

1. Incurring up to Four Hundred Thousand Dollars (\$400,000) in additional predevelopment costs, which shall be funded from the OHRF and reimbursed at closing with any excess sales proceeds;
2. Increasing vacancy at the Property to 35 units to facilitate the rehabilitation of the Property;
3. The execution of the Guaranty Agreement and the MEA Grant Agreement; and
4. Acting on behalf of itself and of Bauer LLC, as its managing member, approved the execution of an Operating Agreement with a subsidiary of VHI granting such subsidiary up to a 45% non-managing member interest in Bauer LLC; and
5. Acting on behalf of itself and of Bauer LLC, as its managing member, and Bauer LP, as its ultimate managing general partner, approved the execution of the Purchase Agreement Amendment, the Deed, the Contract Assignments and all related documents necessary to consummate the closing of the acquisition of the Property from Banor and the admission of an affiliate of Enterprise Community Partners as a tax credit investor limited partner in Bauer LP in accordance with the Development Plan set forth in Resolution 19-76 and with this resolution.

**WHEREAS**, consistent with the Commission’s Second Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in a regular open meeting with a quorum participating, the action undertaken by the Commissioners in adopting Resolution 20-39 and any actions taken since May 20, 2020 to effectuate the actions contemplated therein.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 20-39 and any subsequent actions taken in relation thereto are hereby ratified and affirmed.

- B. Ratification of Action Taken in Special Session on May 20, 2020:** Approval of the Financing Plan, Feasibility and Public Purpose for Bauer Park Apartments; Authorization to Issue Loans to Bauer Park Apartments LP for Acquisition and Construction Financing; Authorization to Issue a Commitment for up to \$25.8 Million in Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan

The foregoing Resolution was adopted upon a motion by Commissioner Simon and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-40R**

**RE: Approval of the Financing Plan, Feasibility and Public Purpose for Bauer Park Apartments; Authorization to Issue Loans to Bauer Park Apartments LP for Acquisition and Construction Financing; Authorization to Issue a Commitment for up to \$25.8 Million in Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or 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 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 multifamily rental housing properties which provide a public purpose;

**WHEREAS**, Bauer Park Apartments (the “Property”) is an existing 142-unit age-restricted residential community located at 14635, 14639 and 14643 Bauer Drive, Rockville, Maryland owned by Banor Housing, Inc. (“Banor”);

**WHEREAS**, the Property will be acquired by in a single purpose entity known as Bauer Park Apartments LP (“Borrower”), which will be controlled by Bauer Park Apartments LLC (“General Partner”) an entity controlled by HOC;

**WHEREAS**, HOC will enter into a partnership with Victory Housing, Inc. which will provide Victory Housing, Inc. with up to a non-managing 45% ownership interest in the General Partner;

**WHEREAS**, the Borrower proposes for the Property to serve seniors with household incomes at 60% of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area Median Income (“AMI”) or less, provided that the low income set-asides for the tax-exempt financing will be observed;

**WHEREAS**, on July 10, 2019, the Commission approved the selection of Enterprise Community Investment, Inc. (“Enterprise”) as the Low Income Housing Tax Credit (“LIHTC”) syndicator and authorized the Executive Director to negotiate and execute a Limited Partnership Agreement to admit an affiliate of Enterprise as a non-managing member of the Borrower, with HOC remaining in control of the Borrower as the managing member of the General Partner entity;

**WHEREAS**, on July 10, 2019, the Commission approved the final development plan totaling \$40 million for the Property as a 142-unit, income and age-restricted community, which included predevelopment and renovation funding in a cumulative amount up to \$3.4 million from various sources available to HOC including \$1,348,897 from the Operating Housing Reserve Fund, which will be subject to repayment upon closing of the transaction;

**WHEREAS**, the Commission has provided a loan to Banor to support operations of the Property, totaling approximately \$812,000 from the Commission's General Fund as of March 31, 2020, which is to be repaid from sale proceeds of the Property;

**WHEREAS**, as of March 31, 2020, the Property held approximately \$564,000 of unrestricted cash in residual receipts, replacement reserve, and mortgage escrow accounts ("Property Cash");

**WHEREAS**, staff explored a variety of options for the estimated \$42.9 million acquisition, rehabilitation and permanent financing for the Property, and determined to use a number of sources including (1) the issuance of private activity, long-term, tax-exempt bonds in an amount up to \$25.8 million to fund a loan for costs of acquisition, rehabilitation, and equipping the Property, enhanced by FHA Risk Sharing ("Mortgage Loan" or "Permanent Loan"); (2) LIHTC equity estimated at \$10.4 million; (3) a subordinate loan of approximately \$2.1 million from HOC, funded from previously contributed sources available to HOC ("HOC Loan"); (4) a subordinate loan of approximately \$6.2 million from Banor Housing Inc. representing contributed land equity which will be assigned to HOC ("Seller Loan"); and (5) available Property Cash (collectively, the "Financing Plan");

**WHEREAS**, Commission and the Borrower has applied for a Letter of Reservation/Determination for 4% LIHTC from the Maryland Department of Housing and Community Development, which will enable the Borrower to raise approximately \$10.4 million in equity to pay part of its acquisition and development costs;

**WHEREAS**, the Property will require an allocation of a portion of the Commission's tax-exempt volume cap in an amount not to exceed \$25.8 million;

**WHEREAS**, a review of the transaction has been completed and it has been determined that given the financial commitments to the Property and its operating projections, this transaction is believed to be feasible, and that by providing 142 units at or below 60% of the AMI to seniors aged 62 years old or higher, the Property will provide significant public purpose supporting an allocation of tax-exempt volume cap;

**WHEREAS**, at a Special Session duly called and held on May 20, 2020, with a quorum participating, the Commission duly adopted Resolution 20-40, with Commissioners Priest, Kelleher, Nelson, and Simon voting in approval, and Commissioners Byrd and Croom being necessarily absent and not participating in the vote;

**WHEREAS**, by adopting resolution 20-40, the Commission took the following actions:

1. Approved the Financing Plan, Feasibility and Public Purpose, as recommended by the Development and Finance Committee and as described herein, and the staff is authorized to proceed with the review and processing of the necessary financing applications and other documentation;
2. Authorized the allocation of tax-exempt volume cap in an amount not to exceed \$25,790,000 for the issuance of long-term bonds to finance the transaction and for the Commission, as conduit

lender, to use those bond proceeds to make a tax-exempt Mortgage Loan to Borrower with a maximum term of up to 516 months (43 years) to fund development of the Property, which will be subject to conversion to a Permanent Loan phase;

3. Authorized the issuance of a subordinate HOC Loan of approximately \$2.1 million to the Borrower for up to 43 years representing previously contributed funds by the Commission from available sources;
4. Approved using existing Property Cash balances from residual receipts, replacement reserves, and mortgage escrow accounts for the subject transaction;
5. Authorized pursuing obtaining a waiver from FHA for issuance of 40-year tax-exempt bonds with a 25-year balloon payment, if necessary to adjust for interest rate conditions to maintain economics of the transaction at the time of closing;
6. Authorized the issuance of a commitment for the Mortgage Loan in an amount up to \$25,790,000, which will be credit enhanced by FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between the Commission and the U.S. Department of Housing and Urban Development (“HUD”), of which the Commission shall assume 25% of the risk while HUD shall assume 75% for the transaction;
7. Acting on behalf of itself and on behalf of the General Partner of Borrower, acting for itself and on behalf of Borrower, accepted the Mortgage Loan, Permanent Loan, HOC Loan, and Seller Loan for the financing closing, which may occur separate and apart from the LIHTC equity closing; and
8. Acting on behalf of itself and on behalf of the General Partner, the general partner of Borrower, acting for itself and on behalf of Borrower, that the Executive Director, or a duly appointed designee of the Executive Director, is authorized, without any further action on their respective parts, to execute such other documents, including without limitation guarantees from HOC required by Borrower’s lenders, and to take any and all other actions, in each case as necessary and proper, in the Executive Director’s judgment, to carry out the Financing Plan and the transaction and actions contemplated herein.

**WHEREAS**, consistent with the Commission’s Second Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in a regular open meeting with a quorum participating, the action undertaken by the Commissioners in adopting Resolution 20-40 and any actions taken since May 20, 2020 to effectuate the actions contemplated therein.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 20-40 and any subsequent actions taken in relation thereto are hereby ratified and affirmed.

**V. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**

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

**1. Acceptance of Third Quarter Fiscal Year 2020 Budget to Actual Statements**

Cornelia Kent, Chief Financial Officer, and Olutomi Adebo, Assistant Budget Officer, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-41**

**RE: Acceptance of Third Quarter FY'20 Budget  
to Actual Statements**

**WHEREAS**, the Budget Policy for the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) states that quarterly budget to actual statements will be reviewed by the Commission; and

**WHEREAS**, the Commission reviewed the Third Quarter FY'20 Budget to Actual Statements during its June 3, 2020 meeting.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Third Quarter FY'20 Budget to Actual Statements.

**2. Approval of Fiscal Year 2020 Third Quarter Budget Amendment**

Cornelia Kent, Chief Financial Officer, and Terri Fowler, Budget Officer, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-42**

**RE: Approval of FY'20 Third Quarter Budget  
Amendment**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (the “Commission”) adopted a budget for FY'20 on June 5, 2019;

**WHEREAS**, the Commission’s Budget Policy allows for amendments to the budget;

**WHEREAS**, the net effect of the FY'20 Third Quarter Budget Amendment is a balanced budget;

**WHEREAS**, the total FY'20 Operating Budget increased from \$279,683,636 to \$279,996,215;

**WHEREAS**, the total FY'20 Capital Budget remained unchanged at \$155,388,946; and

**WHEREAS**, approval of the budget amendments to revise the FY'20 budget will reflect an accurate plan for the use of the Commission’s resources for the remainder of FY'20.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'20 Operating Budget by increasing total revenues and expenses for the Commission from \$279,683,636 to \$279,996,215.

**3. Authorization to Accept \$1,000,000 from The Metropolitan Development Corporation Operating Account to the Commissions' General Fund Operating Reserve (GFOR)**

Cornelia Kent, Chief Financial Officer, and Terri Fowler, Budget Officer, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Kelleher and seconded by Chair Pro Tem Nelson. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20- 43**

**RE: Authorization to Accept \$1,000,000 from  
The Metropolitan Development Corporation  
Operating Account to the Agency General Fund  
Operating Reserve (GFOR)**

**WHEREAS**, The Metropolitan Development Corporation (the "Corporation") is a wholly-controlled corporate instrumentality of the Housing Opportunities Commission of Montgomery County (the "Commission"); and

**WHEREAS**, the Agency is projecting a shortfall for FY'21 operating budget due to anticipated impacts from the COVID 19 Pandemic; and

**WHEREAS**, impacts over the next several months may necessitate draws from the General Fund Operating Reserve (GFOR) to cover Agency expenses.

**WHEREAS**, the Corporation's property has excess unrestricted cash in its operating account that was generated by cash flow from operations from prior years; and

**WHEREAS**, the Corporation desires to transfer \$1,000,000 of unrestricted cash from its operating account to the Commission's GFOR to address the anticipated operating shortfall for FY'21;

**WHEREAS**, the Commission desires to accept \$1,000,000 of unrestricted cash from the Corporation to deposit in its GFOR;

**WHEREAS**, the transfer of \$1,000,000 from the Corporation's property excess cash will leave a cash balance in excess of 2.5 times the property's monthly disbursements which is above the minimum threshold of 1.5 times established for minimum cash balances.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Commission authorizes staff to accept \$1,000,000 from the Metropolitan Development Corporation's operating account to the Agency General Fund Operating Reserve.

**4. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable (January 1, 2020 – March 31, 2020)**

Cornelia Kent, Chief Financial Officer, and Eugenia Pascual, Controller, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Kelleher and seconded by Chair Pro Tem Nelson. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-44**

**RE: Authorization to Write-off Uncollectible  
Tenant Accounts Receivable**

**WHEREAS**, the current policy of the Housing Opportunities Commission of Montgomery County (“HOC”) is (i) to provide for an allowance for tenant accounts receivable balances that are delinquent for more than ninety (90) days; and (ii) to propose the write-off of former tenant balances; and

**WHEREAS**, staff periodically proposes the write-off of uncollected former tenant 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 January 1, 2020 – March 30, 2020 is \$106,513, consisting of \$99,656 from Opportunity Housing properties, \$6,850 from RAD Properties, and \$7 from Rental Assistance Sec8 Repays.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County authorizes and directs the Executive Director, or his designee, without further action on its part, to take any and all actions necessary and proper to write off \$106,513 in uncollectible accounts receivable related to (i) tenant balances that are delinquent for more than ninety (90) days, and (ii) former tenant balances, including the execution of any and all documents related thereto.

**5. Acceptance of Calendar Year 2019 Low Income Tax Credit Partnership and Limited Liability Company Audits**

Cornelia Kent, Chief Financial Officer, and Eugenia Pascual, Controller, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-45**

**RE: Acceptance of CY 2019 Tax Credit Partnerships and  
CCL Multifamily LLC Audits**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“Commission”), or its wholly-owned and controlled affiliate, is the managing general partner in ten (10) tax credit partnerships, including: 4913 Hampden Lane Limited Partnership, Alexander House Limited Partnership, Arcola Towers RAD Limited Partnership, Forest Oak Towers Limited Partnership, Greenhills Limited Partnership, MV Affordable Housing Associates Limited Partnership, Spring Garden One Associates Limited Partnership, Tanglewood and Sligo Limited Partnership, Waverly House RAD Limited Partnership, and Wheaton Metro Limited Partnership (together, the “Tax Credit Partnerships”);

**WHEREAS**, the Commission is the managing member and fifty percent (50%) owner of CCL Multifamily LLC (“CCL Multifamily”), which owns The Lindley;



**WHEREAS**, the calendar year annual audits for 10 of the Tax Credit Partnerships and CCL Multifamily have been completed;

**WHEREAS**, a standard unqualified audit opinion was received from the respective independent certified public accounting firms performing the audits for all 10 of the Tax Credit Partnerships; and

**WHEREAS**, a standard unqualified audit opinion was received from the respective independent certified public accounting firm performing the audit for CCL Multifamily.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County accepts the CY 2019 audits for the Tax Credit Partnerships and CCL Multifamily.

**6. Approval to Procure Property Management Services Pursuant to RFP #2200 for The Lindley**

Millicent Anglin, Property Management Asset Manager, was the presenter.

The following resolution was adopted upon a motion by Vice Chair Kelleher and seconded by Chair Pro Tem Nelson. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-46**

**RE: Approval to Award Property Management Contract for The Lindley**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC”) is the managing member of CCL Multifamily LLC, which owns the development known as The Lindley located in Chevy Chase, Maryland (the “Property”);

**WHEREAS**, on March 17, 2020, staff issued Request for Proposal #2200 (the “RFP”) to provide property management services for the Property in accordance with HOC’s Procurement Policy;

**WHEREAS**, staff received seven qualified proposals in response to the RFP from which staff selected Bozzuto Management, the highest scoring firm based on the established selection criteria in the RFP; and

**WHEREAS**, staff desires to award a two-year property management contract with two one-year optional extensions to Bozzuto Management for the Property.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of CCL Multifamily LLC, as its managing member, that the Executive Director is hereby authorized and directed to execute a two-year property management contract with two one-year optional extensions with Bozzuto Management for the Property.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is hereby authorized and directed, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction contemplated herein.



**7. Approval to Extend the use of the PNC Bank Line of Credit and the Real Estate Line of Credit to Finance Commission Approved Actions Related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, HOC Fenwick & Second Headquarters, Ambassador Apartments, Avondale Apartments and Year 15 LIHTC Properties**

Cornelia Kent, Chief Financial Officer, and Eugenia Pascual, Controller, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-47**

**RE: Approval to Extend the Use of PNC Bank N.A. Line of Credit (LOC) and the Real Estate Line of Credit (RELOC) to Finance Commission Approved Actions related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, HOC Fenwick & Second Headquarters, Ambassador Apartments, Avondale Apartments, and Year 15 LIHTC properties**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) has approved various actions related to Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, HOC Fenwick & Second Headquarters, Ambassador Apartments, Avondale Apartments, and Year 15 LIHTC properties (together, the “Properties”), which are currently financed through the PNC Bank N.A. Line of Credit (the “LOC”) and the PNC Bank N.A. Real Estate Line of Credit (the “RELOC”);

**WHEREAS**, staff recommends extending, through June 30, 2021, the use of the LOC at the taxable borrowing rate of LIBOR plus 90 basis points or the tax exempt rate of 68.5% of LIBOR plus 59 basis points, and the use of the RELOC at the taxable rate of LIBOR plus 58 basis points or the tax exempt rate of 68.5% of LIBOR plus 38 basis points to continue to finance Commission approved actions related to the Properties; and

**WHEREAS**, the estimated cost, as of April 1, 2020, under the LOC and RELOC is expected to be approximately \$214,888.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby approves extending, through June 30, 2021, the use of the PNC Bank N.A. Line of Credit and the PNC Bank N.A. Real Estate Line of Credit to finance various Commission actions related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, HOC Fenwick & Second Headquarters, Ambassador Apartments, Avondale Apartments and Year 15 LIHTC properties.

## 8. Adoption of the Fiscal Year 2021 Budget

Cornelia Kent, Chief Financial Officer, and Terri Fowler, Budget Officer, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-48a**

**RE: Adoption of the FY'21 Budget,  
Bond Draw Downs and Transfers**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (the "Commission" or "Agency") is required to adopt a budget based on the current chart of accounts in use before July 1, 2020; and

**WHEREAS**, the Commission is required 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 for FY'21 of \$278.7 million by fund as attached.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County approves the drawdown of bond funds for the Operating Budget as follows:

- \$ 1,762,866 from the 1996 Multifamily Housing Development Bond (MHDB); and Indenture
- \$ 1,123,805 from the 1979 Single Family Mortgage Revenue Bond (MRB) Indenture.

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

- Up to \$2,620,096 for FY'21 from the combined cash flow from the Opportunity Housing properties in the Opportunity Housing Fund to the General Fund.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County hereby adopts a Capital Budget for FY'21 of \$236.8 million as attached.

---

The following resolution was adopted upon a motion by Vice Chair Kelleher and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-48b**

**RE: Reimbursement Resolution**

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

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

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

**WHEREAS**, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to finance such capital expenditures in an amount not to exceed \$240,000,000, *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.

**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 the properties as described in the Commission’s FY 21 Capital Budget attached, including **900 Thayer Avenue (dba Fenton Silver Spring), Alexander House, Avondale Apartments, The Barclay Apartments, Bauer Park Apartments, Brooke Park Apartments, Brookside Glen, Camp Hill Square Apartments, CDBG-NSP-NCI, Chelsea Towers, Cider Mill Apartments, Dale Drive, Deeply Affordable Unit Renovation, Diamond Square Apartments, Elizabeth House III, Fairfax Court, Georgian Court Apartments, Glenmont Crossing, Glenmont Westerly, Holiday Park, Jubilee Hermitage, Jubilee Woodedge, King Farm Village Center, Magruder’s Discovery, Manchester Manor, Manor at Clopper’s Mill, Manor at Colesville, Manor at Fair Hill Farm, McHome, McKendree, MetroPointe, The Metropolitan, Montgomery Arms, MHLP VII, MHLP VIII, MHLP IX-Pond Ridge, MHLP IX-Scattered, MHLP X, MPDU 2007 Phase II, MPDU I, MPDU II (TPM), MPDU III, The Oaks at Four Corners, Paddington Square, Paint Branch, Pomander Court, Pooks Hill High-Rise, Pooks Hill Mid-Rise, RAD 6 Properties (Ken Gar, Parkway Wood, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square), Scattered Site One, Scattered Site Two, Shady Grove Apartments, Southbridge, State Rental Combined, Strathmore Court, Stewartown Homes, Timberlawn Crescent Upton II, VPC One, VPC Two, West Side Shady Grove, Westwood Tower, and The Willows** 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 and General Fund Property Reserve Account for these Projects and from its operating cash.

**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 \$240,000,000 **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 – Com. Simon, Chair**

- 1. Bond Issuance: Approval of a Bond Authorizing Resolution for the Issuance of one or more Series of Multifamily Housing Development Bonds to Finance the Acquisition and Rehabilitation of Bauer Park Apartments and to Refund the Multifamily Housing Development Bonds, 2007 Series A, 2007 Series C-1, and 2010 Series A; and the Multiple Purpose Bonds, 2002 Series A**

Kayrine Brown, Chief Investment and Real Estate Officer, and Jennifer Arrington, Assistant Director of Bond Management, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Kelleher and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION: 20-49**

**Re: Adoption of an Authorizing Resolution for the Issuance of 2020 Series A Multifamily Housing Development Bonds for the Financing of the Acquisition and Rehabilitation of the Bauer Park Apartments Development, for the Issuance of 2020 Series B and 2020 Series C Multifamily Housing Development Bonds for the Refunding and Redemption of Certain Prior Bonds of the Commission and for Approval of Certain Actions relating to Strathmore Apartments**

**A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AUTHORIZING THE ISSUANCE AND SALE OF A SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2020 SERIES A (THE "2020 A BONDS"), IN A TOTAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$25,790,000 FOR THE PURPOSE OF THE FINANCING A MORTGAGE LOAN TO BE**

**INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION, REHABILITATION AND EQUIPPING OF BAUER PARK APARTMENTS, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY BAUER PARK APARTMENTS LP; AUTHORIZING THE ISSUANCE AND SALE OF A SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2020 SERIES B (THE "2020 B BONDS"), IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$25,500,000 FOR THE PURPOSE OF REFUNDING AND REDEEMING THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2010 SERIES A AND ITS MULTIPLE PURPOSE BONDS SERIES 2002 SERIES A; AUTHORIZING THE ISSUANCE AND SALE OF A SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2020 SERIES C (THE "2020 C BONDS," AND COLLECTIVELY WITH THE 2020 A BONDS AND THE 2020 B BONDS, THE "2020 ABC BONDS"), IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$16,500,000 FOR THE PURPOSE OF REFUNDING AND REDEEMING THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2007 SERIES A AND THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2007 SERIES C-1; AUTHORIZING THE EXECUTION AND DELIVERY OF SERIES INDENTURES, CERTAIN TAX-RELATED DOCUMENTS, A DISCLOSURE AGREEMENT AND ANY AND ALL RELATED DOCUMENTS; APPROVING THE PREPARATION, EXECUTION AND DISTRIBUTION OF PRELIMINARY AND FINAL OFFERING DOCUMENTS RELATING TO THE FINANCING; AUTHORIZING THE EXECUTION OF ANY OTHER DOCUMENTS NECESSARY FOR THE ISSUANCE OF THE 2020 ABC BONDS AND THE ACCOMPLISHMENT OF THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE SALE OF THE 2020 ABC BONDS TO BOFA SECURITIES, INC. AND PNC CAPITAL MARKETS LLC, AS CO-SENIOR MANAGERS, AND TO EXECUTE AND DELIVER A CONTRACT OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2020 ABC BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2020 ABC BONDS; AUTHORIZING CERTAIN ACTIONS RELATING TO THE STRATHMORE APARTMENTS, A MULTIFAMILY RESIDENTIAL RENTAL FACILITY FINANCED, IN PART, WITH THE PROCEEDS OF THE COMMISSION'S MULTIPLE PURPOSE BONDS, 2002 SERIES A; AND PROVIDING AN EFFECTIVE DATE.**

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

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

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

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

**WHEREAS**, pursuant to the Act and the Program, the Commission entered into the Trust Indenture, dated as of November 1, 1996, as supplemented and amended (the "Trust Indenture"), by and

between the Commission and U.S. Bank National Association, as successor trustee, providing for the issuance of bonds (the "Bonds") from time to time in accordance with the provisions thereof and of any series indenture specifically relating to any such series of Bonds issued thereunder; and

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

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

**WHEREAS**, the Commission has determined to issue its tax-exempt Multifamily Housing Development Bonds, 2020 Series A (the "2020 A Bonds") pursuant to the Trust Indenture and the Series Indenture Providing for the Issuance of Multifamily Housing Development Bonds, 2020 Series A (the "2020 A Series Indenture"), (i) to make moneys available for the acquisition, rehabilitation and equipping of Bauer Park Apartments (the "Development"), to be owned and operated by Bauer Park Apartments LP (the "Borrower"), the general partner of which is controlled by the Commission, (ii) if necessary, to make a deposit to the Reserve Fund pursuant to the Trust Indenture and the 2020 A Series Indenture and (iii) to fund the costs of issuance of the 2020 A Bonds in the amount set forth in the 2020 A Series Indenture and the Tax-Related Documents, all in accordance with the financing plans approved by the Commission in connection with the Development on June 3, 2020 (the "2020 A Financing Plan"); and

**WHEREAS**, the Mortgage Loan financed with the proceeds of the 2020 A Bonds (the "2020 A Mortgage Loan") will be endorsed for federal insurance under the Risk-Sharing Agreement, dated September 23, 1994 (the "Risk-Sharing Agreement"), by and between the Commission and the Secretary of the U.S. Department of Housing and Urban Development ("HUD"), pursuant to which Risk-Sharing Agreement, the Commission will reimburse HUD for its losses under the 2020 A Mortgage Loan in an amount not greater than 25% of the outstanding principal balance of the 2020 A Mortgage Loan; and

**WHEREAS**, the Commission, in furtherance of the Program, issued its Multifamily Housing Development Bonds 2010 Series A (the "2010 Series A Bonds"), Multifamily Housing Development Bonds 2007 Series A (the "2007 Series A Bonds"), Multifamily Housing Development Bonds 2007 Series C-1 (the "2007 Series C-1 Bonds"), and Multiple Purpose Bonds, 2002 Series A (the "2002 Series A Bonds," and collectively with the 2010 Series A Bonds, the 2007 Series A Bonds and the 2007 Series C-1 Bonds, the "Prior Bonds") pursuant to the Trust Indenture and other resolutions, series indentures and/or series resolutions, as applicable, for the purpose, in part, of providing funds to provide permanent financing for various multifamily residential rental developments located in the County; and

**WHEREAS**, the Commission has determined to issue its tax-exempt Multifamily Housing Development Bonds 2020 Series B (the "2020 B Bonds") pursuant to the Trust Indenture and one or more series indentures (each, a "2020 B Series Indenture") relating thereto for the purpose of (i) financing the refunding and redemption of the 2010 Series A Bonds and the 2002 Series A Bonds and (ii) achieving net present value savings of a projected \$4,736,478 over the term of the 2020 B Bonds (the "2020 B Financing Plan"); and



**WHEREAS**, the Commission has determined to issue its taxable Multifamily Housing Development Bonds 2020 Series C (the “2020 C Bonds,” and collectively with the 2020 A Bonds and the 2020 B Bonds, the “2020 ABC Bonds”) pursuant to the Trust Indenture and one or more series indentures (each, a “2020 C Series Indenture,” and collectively with the 2020 A Series Indenture and the 2020 B Series Indenture, the “Series Indenture”) relating thereto for the purpose of (i) financing the refunding and redemption of the 2007 Series A Bonds and the 2007 Series C-1 Bonds, and (ii) achieving net present value savings of a projected \$2,422,278 over the term of the 2020 B Bonds (the “2020 C Financing Plan,” and collectively with the 2020 A Financing Plan and the 2020 Series B Financing Plan, the “Financing Plan”); and

**WHEREAS**, the costs of issuance of the 2020 B Bonds and 2020 C Bonds will be paid from the Commission’s own funds; and

**WHEREAS**, in connection with the issuance of the 2020 ABC Bonds and the accomplishment of the Financing Plan, the Commission anticipates entering into various documents, including, but not limited to, the Series Indenture and, as hereinafter defined, the Offering Documents, the Contract of Purchase, the Tax-Related Documents, the Disclosure Agreement and certain other documents relating to the sale of the 2020 A Bonds, and the financing of the Development.

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

**1. 2020 ABC Bonds.** The 2020 ABC Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$67,790,000 to carry out the purposes under the Program as described above. The 2020 ABC Bonds shall be designated as set forth in the recitals hereto, or such additional series or subseries designations as approved by the Executive Director, in consultation with the Financial Advisor and Bond Counsel to the Commission. The 2020 ABC Bonds are to be issued pursuant to the terms of the Trust Indenture and the Series Indenture and shall be limited obligations of the Commission, secured by and payable solely from moneys and other assets pledged therefor under the Indenture and the Series Indenture, including, without limitation, the 2020 A Mortgage Loan and the assets securing the Prior Bonds.

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

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

**4. Tax-Related Documents.** The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver a Tax Regulatory Agreement and No Arbitrage Certificate and other documents (collectively, the “Tax-Related Documents”) restricting the application of the proceeds of the 2020 A Bonds and the 2020 B Bonds and the use and occupancy of the Development in such forms as shall be prepared by Bond Counsel and approved by the Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director, the execution of the Tax-Related Documents being conclusive evidence of such approval and of the approval of the Commission. The Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director of the Commission is hereby further authorized and directed to execute and deliver on behalf of the Commission Internal

Revenue Service Form 8038 relating to the 2020 A Bonds and the 2020 B Bonds as prepared by Bond Counsel.

**5. Disclosure Agreement.** The Commission hereby authorizes and approves the execution and delivery of a continuing disclosure agreement (the "Disclosure Agreement") related to the 2020 ABC Bonds, in such form as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Disclosure Agreement constituting conclusive evidence of such officer's approval of the Disclosure Agreement and the approval of the Commission.

**6. 2020 A Mortgage Loan; Real Estate Documents.** The Commission hereby authorizes and approves the financing of the 2020 A Mortgage Loan with the proceeds of the 2020 A Bonds which will be endorsed for federal insurance under the Risk-Sharing Agreement, pursuant to which the Commission will reimburse HUD for its losses under the 2020 A Mortgage Loan in an amount not greater than 25% of the outstanding principal balance of the 2020 A Mortgage Loan. The Commission hereby further authorizes and approves the preparation, execution and delivery of any and all real estate documents (the "Real Estate Documents") relating to the acquisition and rehabilitation of the Development, in its capacity as issuer of the 2020 A Bonds and in its capacity as a member of the managing member of the general partner of the Borrower.

**7. Offering Documents.** The Commission hereby authorizes and approves the preparation and distribution of a preliminary offering document of the Commission and the preparation, execution and distribution of a final offering document (collectively, the "Offering Documents"), each relating to the 2020 ABC Bonds, in such forms as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Offering Documents constituting conclusive evidence of such officer's approval of the Offering Documents and the approval of the Commission.

**8. Sale of 2020 ABC Bonds.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to proceed with the sale of the 2020 ABC Bonds to BofA Securities, Inc. and PNC Capital Markets LLC or such other underwriter or to any other entity as shall be in the best interest of the Commission as determined by the Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission.

**9. Contract of Purchase.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to execute a contract of purchase and/or any other form of purchase agreement (the "Contract of Purchase") in connection with the issuance, purchase and sale of the 2020 ABC Bonds.

**10. Terms; Ongoing Determinations.** The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners to establish the dates, maturities, interest payment dates, denominations, terms of redemption, registration privileges, security and other terms, and to approve the interest rates on the 2020 ABC Bonds, all of the foregoing to be specified in the Series Indenture. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, and is hereby authorized, from time to time during the period the 2020 ABC Bonds are



outstanding, to make ongoing determinations, as may be required by the terms of the Series Indenture and any other documents relating to the 2020 ABC Bonds and the 2020 A Mortgage Loan, including, but not limited to, the giving and withholding of consents, the selection of certain providers, the determination to permit the prepayment of the 2020 ABC Mortgage Loan and the refunding and redemption of the 2020 ABC Bonds and/or other Bonds, and the Executive Director or other Authorized Representative of the Commission, as the case may be, is further authorized to execute any and all documents evidencing such determinations as may be deemed necessary and proper.

**11. Other Action.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution relating to the 2020 ABC Bonds and the accomplishment of the Financing Plan.

**12. Appointment of Financial Advisor and Bond Counsel.** Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the 2020 ABC Bonds.

**13. No Personal Liability.** No stipulation, obligation or agreement herein contained or contained in the 2020 ABC Bonds, the Series Indenture, the Contract of Purchase, the Tax-Related Documents, the Offering Documents, the Disclosure Agreement, the Real Estate Documents, or in any other agreement or document executed on behalf of the Commission shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the 2020 ABC Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

**14. Action Approved and Confirmed.** All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance of the 2020 ABC Bonds and the accomplishment of the Financing Plan are hereby approved, and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

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

**16. Additional Approvals Relating the Development Financed with the 2002 Series A Bonds.** The Commission acknowledges that the 2002 Series A Bonds were issued to finance a portion of the costs of the Strathmore Court Apartments (“Strathmore Apartments”). In connection with the issuance of the 2020 B Bonds, the Commission hereby authorizes the Executive Director to direct, in his discretion, the transfer to the Trust Indenture of any and/or all assets securing the Strathmore Apartments, including amounts pledged under the Multiple Purpose Bonds indenture and any project-level reserves benefiting Strathmore Apartments. The Commission hereby further authorizes the staff of the Commission, at the direction of the Executive Director, to proceed with the refinancing of the mortgage securing Strathmore Apartments, including without limitation, by filing an application for federal insurance for such mortgage under the Risk-Sharing Agreement.

2. **EH III/SCRRAC: Approval to Select Hillis-Carnes Engineering Associates, Inc. as Construction Materials Testing and Third Party Inspector and Authorization for the Executive Director to Execute a Contract for Request for Proposal #2205**

Kayrine Brown, Chief Investment and Real Estate Officer, and Hyunsuk Choi, Senior Financial Analyst, were the presenters.

The following resolution was adopted upon a motion by Commissioner Croom and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-50**

**RE: Approval to Select Hillis-Carnes Engineering Associates, Inc. as Construction Materials Testing and Third-Party Inspector and Authorization for the Executive Director to Execute a Contract for Request for Proposal #2205**

**WHEREAS**, Elizabeth House III (“EH III”) is currently under construction and will be a 267-unit development for seniors and will include the South County Regional Recreation and Aquatic Center, totaling approximately 120,000 square feet, and a 7,500 square feet Senior Resource Center/Primary Care Facility that will be operated by Holy Cross Hospital; and

**WHEREAS**, EH III is owned by Elizabeth House III Limited Partnership, a Maryland limited partnership (the “Partnership”), which is ultimately controlled by the Housing Opportunities Commission of Montgomery County (“Commission”) as the sole member of the Partnership’s general partner; and

**WHEREAS**, on November 7, 2018, the Commission approved the EH III final development budget, which included construction materials testing and third-party inspection fees; and

**WHEREAS**, third-party testing of construction materials is integral to quality assurance and control for new construction, and testing of building materials (such as concrete) is required both by the Montgomery County Department of Permitting Services and the Montgomery County building code; and

**WHEREAS**, staff issued a Request for Proposal #2205 (the “RFP”) for construction materials testing and third-party inspections for EH III on March 12, 2020 in accordance with HOC’s Procurement Policy; and

**WHEREAS**, staff received five proposals in response to the RFP (ECS Mid-Atlantic, LLC; FMC & Associates, LLC; Hillis-Carnes Engineering Associates, Inc.; Soil and Land Use Technology, Inc.; and Universal Engineering Sciences) from which staff selected Hillis-Carnes Engineering Associates, Inc. (“HCEA”), the highest scoring firm based on the established selection criteria in the RFP; and

**WHEREAS**, the Commission wishes to approve the selection of HCEA as the construction materials testing and third-party inspector for EH III.

**NOW, THEREFORE, BE IT RESOLVED**, that the Housing Opportunities Commission of Montgomery County, on behalf of itself and, with respect to the Partnership, additionally in its capacity as the sole member of the general partner of the Partnership, hereby approves the selection of Hillis-

Carnes Engineering Associates, Inc. as the construction materials testing and third-party inspector for EH III.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, on behalf of itself and, with respect to the Partnership, additionally in its capacity as the sole member of the general partner of the Partnership, hereby authorizes the Executive Director of the Commission, or his designee, to execute a contract with Hillis-Carnes Engineering Associates, Inc. for \$349,270.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is authorized to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein including the execution of any documents related thereto.

3. **Westwood Tower Apartments: Approval of Feasibility Funding for the Refinancing of Westwood Tower Apartments**

Kayrine Brown, Chief Investment and Real Estate Officer, and Kathryn Hollister, Senior Financial Analyst, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, and Simon.

**RESOLUTION NO.: 20-51**

**RE: Approval of Feasibility Funding for the Refinancing of Westwood Tower Apartments**

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

**WHEREAS**, HOC is the owner of a multifamily building located at 5401 Westbard Avenue, Bethesda known as Westwood Tower Apartments ("Westwood Tower" or the "Property"); and

**WHEREAS**, HOC acquired Westwood Tower on December 14, 2017 by drawing on its line of credit and refinanced the draw with short-term acquisition financing ("Acquisition Financing") on March 26, 2018; and

**WHEREAS**, the Acquisition Financing matures on March 26, 2021; and

**WHEREAS**, HOC intends to close on long-term financing for the Property ("Permanent Financing") in advance of the maturity of the Acquisition Financing; and

**WHEREAS**, HOC wishes to leverage the low-interest rate environment to maximize Permanent Financing proceeds which can be used to repay the outstanding Acquisition Loan, fund the Property's

immediate capital needs, establish reserves for replacement to address future Property needs, and fund other eligible uses; and

**WHEREAS**, the Commission desires to approve funding in an amount up to \$300,000 to cover due diligence and feasibility activities related to the Property's Permanent Financing ("Feasibility Funding") and fund the Feasibility Funding from the Opportunity Housing Reserve Fund ("OHRF"), which will be repaid upon closing of Permanent Financing; and

**WHEREAS**, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to refinance the acquisition cost, finance certain property improvements, and fund other eligible uses in an amount not to exceed \$60,000,000, all or a portion of which may reimburse the Commission for the portion of such 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 expenditures or the date that the Property is placed in service as part of the Permanent Financing (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 expenditures with the proceeds of the Commission's future tax-exempt borrowing for such projects named in this Resolution.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity, approves a Feasibility Funding in an amount up to \$300,000 to cover feasibility and due diligence costs related to the Permanent Financing of the Westwood Tower, and to fund the Feasibility Funding from the OHRF, which will be repaid upon closing of Permanent Financing.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds, in an amount not to exceed \$60,000,000, will be applied to reimburse the Commission for its expenditures in connection with Westwood Tower and other eligible uses as may be described in other reimbursement resolutions of the Commission.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it presently intends and reasonably expects to refinance the acquisition cost, finance certain property improvements, and fund other eligible uses from the proceeds of a tax-exempt bond issuance and that all of the acquisition and financing 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 project as defined in Treasury Regulation Section 1.150-2(f)(2).

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission Montgomery County authorizes the 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, including the execution of any documents related thereto.

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 5:36 p.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

# Committee Reports and Recommendations for Action

# Budget, Finance & Audit Committee

## **Approval of the FY'21 County Revised Spending Plan**

**July 1, 2020**

- On June 17, 2020, the County Executive requested that HOC also participate in the County FY'21 Revised Spending Plan by identifying opportunities to reduce spending in FY'21. In addition, a revised spending plan reducing PAYGO and tax-supported current revenue is being developed for the FY'21-26 Capital Improvements Program (CIP) in the context of the current fiscal situation.
- All departments and agencies have been asked to identify savings of six (6) percent from their current FY'21 County Operating Budgets.
- HOC's original Maximum Allowable Request Ceiling (MARC) for FY'21 was \$6,824,693. The reduction of six (6) percent equates to \$409,482 for HOC.
- The savings target for the HOC County Capital Improvements Program (CIP) is \$125,000.
- The savings plan was due to the Office of Management and Budget (OMB) by June 26, 2020.
- Staff requested an extension to allow for approval by the Commission at the July 1, 2020 meeting.





---

**ISSUES FOR CONSIDERATION:****HOC – FY’21 Operating Budget:**

The savings target for the **HOC County Operating Budget** is **\$409,482**. In order to minimize the negative impact on our customers and to meet the County’s deadline, staff is proposing that staffing costs for personnel supporting the Housing Choice Voucher Program (HCVP) at the Customer Service Centers equivalent to the requested savings be charged to the HCVP Administrative Fee income received under the CARES Act for COVID related expenses. The County Revised Spending Plan reduction was a direct result of the COVID-19 global pandemic and its anticipated impacts on the County; therefore, staff is viewing the loss of this revenue as an impact to HOC of the pandemic. If the costs are deemed to be “not” eligible for COVID-19 relief, there are sufficient administrative reserves that have been generated by savings due to salary lapse in prior years.

**HOC – FY’21-26 Capital Improvements Program Budget:**

The savings target for the **HOC County Capital Improvements Program** is **\$125,000**. Two projects are dependent upon County Current Revenue; the **Demolition Fund** for the Ambassador and Emory Grove, and the **Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements**. Staff is proposing that the savings be taken from the Supplemental Funds for Unit Improvements which was funded at \$1.25 million for FY’21. Based on the average cost of \$60,000 for units requiring full interior and exterior renovations, this savings will delay renovations for two units.

---

**BUDGET IMPACT:**

The County’s Operating Grant is the primary funding source for the Agency’s Resident Services and Housing Resource Service Divisions. The County’s Capital Improvements Program is the primary funding source for the Agency’s renovations of deeply subsidized scattered sites.

---

**TIME FRAME:**

The FY’21 County Revised Spending Plan was due to OMB by June 26, 2020. Staff requested an extension to allow for approval by the Commission. The FY’21 County Revised Spending Plan was reviewed by the Budget, Finance and Audit Committee at the June 24, 2020 meeting. Action is requested at the July 1, 2020 Commission meeting. Once approved, the Revised Spending Plan will be submitted to the County.

---

**COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:**

To approve the proposed FY’21 County Revised Spending Plan.

**WHEREAS**, the County Executive has requested that all County departments and agencies submit a County Operating Budget Revised Spending Plan for FY'21 that identifies savings of six (6) percent from their current FY'21 budgets ("FY'21 Revised Spending Plan"); and

**WHEREAS**, the County Executive has requested that the Housing Opportunities Commission of Montgomery County ("HOC") participate in the FY'21 Revised Spending Plan and that HOC also identify \$125,000 of savings in current revenue funded projects in the County Capital Improvements Program (CIP); and

**WHEREAS**, the County's FY'21 contribution to HOC is \$6,824,693, and a six (6) percent savings is \$409,482; and

**WHEREAS**, HOC must submit a FY'21 Revised Spending Plan to the County no later than June 26, 2020, however an extension was granted until July 1, 2020.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby approves the submission of the FY'21 Revised Spending Plan reducing the operating budget by \$409,482 and the Capital Improvements Program for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements by \$125,000.

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 1, 2020.

---

Patrice Birdsong  
Special Assistant to the Commission

S

E

A

L

# **AUTHORIZATION TO DRAW ON THE GENERAL FUND OPERATING RESERVE TO FUND HOC OPERATIONS AS A RESULT OF THE COVID-19 PANDEMIC July 1, 2020**

- The COVID-19 pandemic continues to affect millions of people across many nations and has had devastating consequences on the global and local economy.
- Governor Larry Hogan declared a State of Emergency for Maryland in March closing schools, bars, restaurants, movie theaters, gyms and prohibiting large public gathering. In addition, an order was passed in March temporarily restricting tenant evictions due to circumstances related to COVID-19.
- The closures are negatively affecting many of the customers HOC serves, which has resulted in the collection of less rental income.
- On March 25, 2020, the Commission approved an increase to the PNC Bank LOC of \$70 million. Prior to drawing on the PNC Bank LOC, HOC will use the General Fund Operating Reserve (“GFOR”) and any excess property cash as possible to offset the reduction in rent collections.
- During the months of April and May, HOC has experienced a reduction in rent collections. Total rent collected in March was 95%, compared to 87% in April, 88% in May and 78% in June.
- In order to ensure adequate operating cash for the agency, staff is requesting the Commission to authorize the Executive Director to make a draw on the General Fund Operating Reserve (GFOR) not to exceed \$2 million to fund HOC operations as a result of the COVID-19 Pandemic in the event that operating cash falls below the minimum threshold of \$2 million.



cash collected (including prior month receivable balances) in June was 90%. July rent collections and total cash collected are expected to be below June levels.

Staff has prepared cash flow projections through September 2020 and based on the projections expects to be at or below the minimum amount necessary to fund a bi-weekly payroll and accounts payable estimated at \$2 million. In order to ensure adequate operating cash for the agency, staff is requesting to grant the authority to the Executive Director to draw on the GFOR in the amount not to exceed \$2,000,000 in the event that the operating cash falls below the minimum threshold of \$2 million.

---

**BUDGET IMPACT:**

None anticipated for FY'20 or FY 21.

---

**TIME FRAME:**

The Authorization to Draw on the General Fund Operating Reserve to Fund HOC Operations as a Result of the COVID-19 Pandemic was reviewed by the Budget, Finance and Audit Committee at the June 24, 2020 meeting. Actions is requested at the July 1, 2020 Commission meeting.

---

**COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:**

The Budget, Finance and Audit Committee recommends to the full commission authorization for the Executive Director to make a draw on the General Fund Operating Reserve not to exceed \$2 million to fund HOC operations as a result of the COVID-19 Pandemic in the event that operating cash falls below the minimum threshold of \$2 million.

**RESOLUTION: 20-54**

**RE: Authorization to Draw on the General Fund Operating Reserve to Fund HOC Operations as a Result of the COVID-19 Pandemic**

**WHEREAS**, the COVID-19 pandemic continues to affect millions of people across many nations and has had devastating consequences on the global and local economy;

**WHEREAS**, in order to mitigate the harm to the County’s residents, Governor Larry Hogan issued an order temporarily halting the eviction of tenants who cannot meet their rental obligations due to COVID-19 related circumstances;

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) has experienced a reduction in rent collection;

**WHEREAS**, the Commission has a General Fund Operating Reserve (“GFOR”), which may be used to meet the operational cash flow needs of the Commission; and

**WHEREAS**, in order to offset the lost rental income, staff is requesting that the Commission approve a draw on the GFOR up to the amount of \$2,000,000.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to make a draw on the General Fund Operating Reserve not to exceed \$2,000,000 to fund HOC operations as a result of the COVID-19 Pandemic in the event that operating cash falls below the minimum threshold of \$2,000,000.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is hereby authorized, without further action on its part, to take any and all other actions necessary and proper to carry out the transactions contemplated herein, including the execution and delivery of any documents related thereto.

**I HEREBY CERTIFY** that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 1, 2020.

S  
E  
A  
L

---

**Patrice M. Birdsong**  
**Special Assistant to the Commission**

# Development and Finance Committee



# SANDY SPRING MISSING MIDDLE: APPROVAL OF SECOND PHASE OF PREDEVELOPMENT FUNDING TO PURSUE DUE DILIGENCE AND SITE PLAN SUBMITTAL ON PILOT MISSING MIDDLE INITIATIVE

---

**SANDY SPRING**



Stacy L. Spann, Executive Director

Kayrine Brown  
Zachary Marks  
Jay Shepherd

July 1, 2020

# Table of Contents

Topic	Page #
Executive Summary	3
Previous Commission Actions	4
Sandy Spring Rural Village Plan	5
Missing Middle Demonstration/Pilot Project	6
Concept Redevelopment Plan	7
Preliminary Development Timeline	8
Predevelopment Budget	9
Summary and Recommendations	10

# Executive Summary

- On March 4, 2020, the Commission approved \$75,000 in feasibility funding from the Opportunity Housing Reserve Fund (“OHRF”) to explore the joint venture between Maryland-National Capital Park and Planning Commission (“M-NCPPC”) and HOC on the Pilot Missing Middle Initiative at Sandy Spring Meadow (Resolution 20-25AS), (“Sandy Spring Missing Middle”, or “SSMM”). Missing Middle Housing is a range of multi-unit or clustered housing types—compatible in scale with neighborhood with detached single family homes.
- SSMM is 3.27 +/- acres within the Sandy Spring Meadows community and the lot acquired in 2015 at 617 Olney Sandy Spring Road. SSMM is immediately adjacent to the Sandy Spring Village Center and as proposed will cluster new units close to the village center along Skymeadow Way. The most intensive unit types and densities are closest to the village center, which then transition to lower density building types as one travels from south and north along Skymeadow Way. New open space and recreational opportunities would be created in the portion of existing Sandy Spring Meadow.
- During the initial phase of feasibility, staff assembled a preliminary design team and began to draft the concept plan weaving a new scale, density, character, storm water management, utilities, parking and pedestrian access together into a cohesive group.
- Staff then met with and incorporated ideas from key staff members from the Planning Department further refining the concept plan for submittal. Staff also has started drafting the communications plan for community outreach and information sharing pathways.
- As envisioned, the concept plan would proceed as an R-60 MPDU Optional Method project with the following attributes:
  - Retention of 11 existing detached houses;
  - Demolition of one detached house at 617 Olney-Sandy Spring Road;
  - Construction of two (2) new detached houses;
  - Construction of eight (8) new duplex dwelling units;
  - Construction of three (3) new triplex dwelling units;
  - Construction of eight (8) new townhouses;
  - Construction of approximately 880 square feet of community space; and
  - Creation of new community open space, pathways, and recreational facilities.
- The redevelopment would include a total of 32 residential dwelling units, of which 13 would be detached houses (40.6%), and 19 would be a combination of duplexes, triplexes, and townhouses (59.4%). Staff is requesting a loan of \$330,000 from the Opportunity Housing reserve Fund (“OHRF”) to fund a second phase of entitlement costs for the Sandy Spring Missing Middle opportunity.



Figure 1. Sandy Spring Missing Middle Concept Plan, June 2020

# Previous Commission Actions

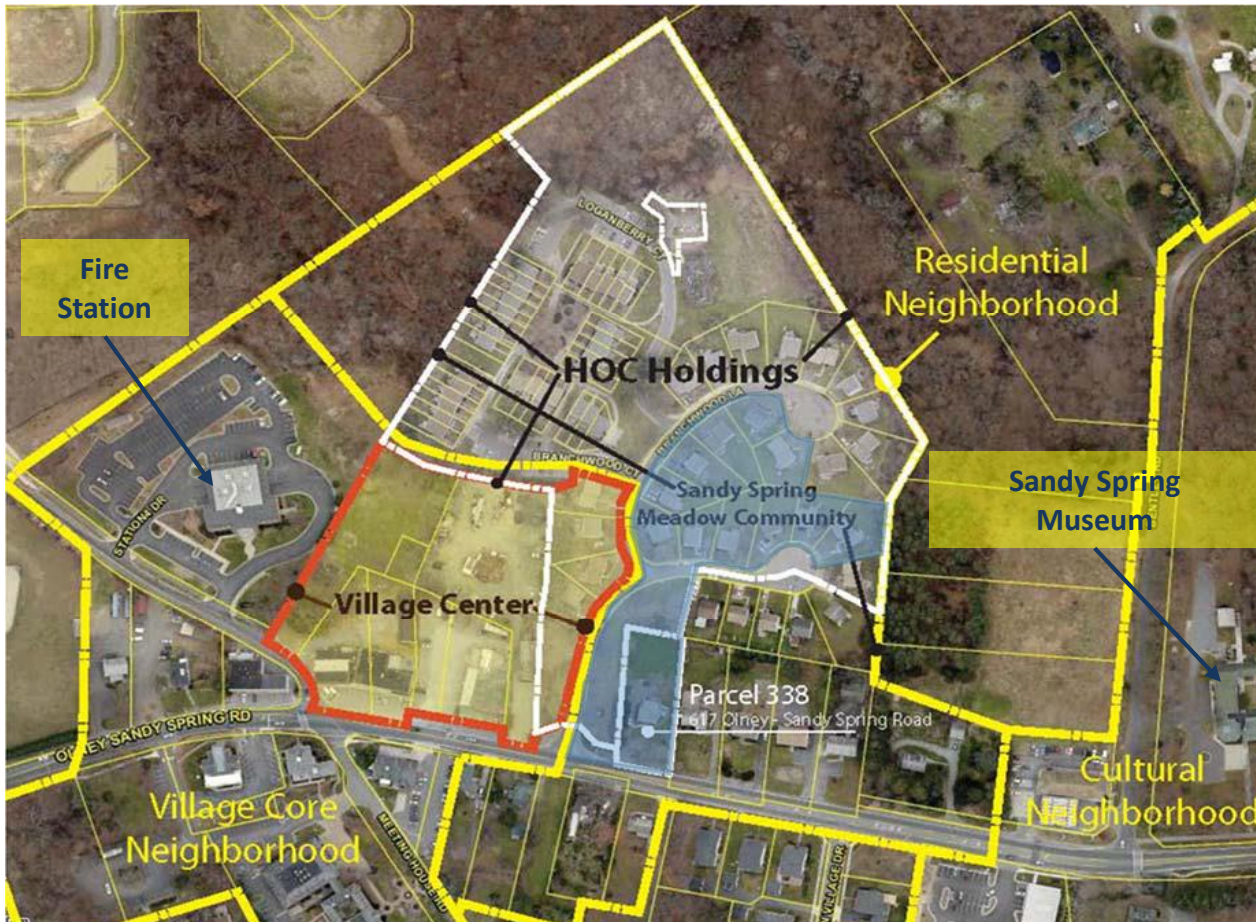
In May 2013, the Montgomery County Planning Department (“Planning”) began the process of revising the Sandy Spring Rural Village Plan (“Plan”). From the outset, HOC staff was an active participant in the revision process with the goal of producing viable redevelopment capacity for Sandy Spring Meadow itself as well as realigning the town center intersection of Brooke Road and Route 108 to accommodate the creation of a more formal town square.

- On **July 30, 2013**, the Commission approved participation in the Rental Assistance Demonstration (“RAD”) Program and authorized evaluation of a portfolio disposition of its entire Public Housing program in multifamily and senior developments.
- On **August 6, 2014**, the Commission approved the Final Development Plans and authorized the transfer of six (6) Public Housing developments under the RAD program, which included Sandy Spring Meadow Apartments (the “Property”) and owned by RAD 6 Development Corporation, an HOC affiliate entity.
- On **January 14, 2015**, the Commission approved the purchase of the single family house and lot located at 617 Olney Sandy Spring Road (“617 O-SS”), immediately adjacent to Sandy Spring Meadow Apartments. With the purchase, the HOC investment created the opportunity for new mixed-income housing, increased connectivity to and around the existing Sandy Spring Meadow property, fostered long-term relationships with Montgomery County agencies, and enhanced the economic viability of the property.
- The acquisition of the 617 O-SS parcel created a larger aggregation that staff believe is a strong candidate for a Missing Middle development. Missing Middle Housing is a range of multi-unit or clustered housing types—compatible in scale with detached single-family homes—that help meet the growing demand for walkable urban living.<sup>1</sup>
- On **March 4, 2020**, the Commission approved \$75,000 in feasibility funding from the OHRF to explore the joint venture between M-NCPPC and HOC on the Pilot Missing Middle Initiative at Sandy Spring Meadow (Resolution 20-25AS).

<sup>1</sup> Source: <https://missingmiddlehousing.com/>

# Sandy Spring Rural Village Plan

In May 2013, the Montgomery County Planning Department (“Planning”) began the process of revising the Sandy Spring Rural Village Plan (“Plan”). From the outset, HOC staff was an active participant in the revision process with the goal of producing viable redevelopment capacity for Sandy Spring Meadow itself as well as realigning the town center intersection of Brooke Road and Route 108 to accommodate the creation of a more formal town square. The result of the effort is the recommended plan included in the revised Plan, adopted by the County Council in March 2015.



The plan transforms Skymeadow Way from a straitened entry road to the eastern frontage for the future town square. Planning and Council placed a high value on creating connectivity among properties within the Plan and adding open space. Sandy Spring currently has virtually no public open space.

Bracketing the Plan area, the Sandy Spring Volunteer Fire Department station and Sandy Spring Museum – both technically private institutions – are the two predominate venues for events. Traversing from one location to the other by foot or bicycle is not possible.

*Figure 2. Vicinity Map of Sandy Spring showing the master planned village center, the HOC holdings, and the Concept Plan Application area in blue. Previous dedications are not shown.*



# Missing Middle Demonstration/Pilot Project

The Sandy Spring Missing Middle is a proposed planned development on the aggregated redevelopment of 617 Olney Sandy Spring lot (purchased by the Commission in 2015) and the undeveloped portion of Sandy Spring Meadow near the property's entrance which is immediately adjacent to the Sandy Spring Village Center. It's a pilot program to integrate affordable housing composed of multi-unit housing types (such as duplexes, triplexes, bungalow courts, and mansion apartments) into blocks with primarily single-family homes. The outcome creates diverse housing choices and enough density to support transit and locally-serving commercial. Thus far, no one has attempted to deliver a Missing Middle prototype despite strong interest from both housing advocates and the Director of Planning.



In fact, in 2019 as a part of a strategic plan to increase affordable housing in Montgomery County, the Planning Department prepared a study of Missing Middle Housing. It is our understanding that this housing strategy will be formalized, and made a part of a county-wide functional plan for affordable housing. It is also our understanding that this Missing Middle Master Plan will inform the update Thrive Montgomery, the General Plan update that is currently in process.

As a Demonstration/pilot project, HOC will be providing key documentation of the issues associated with this housing type, and will also implement several public policy goals, including: enhancing the Sandy Spring village center, increasing affordable housing, and providing an incubator project for the study, documentation, and assessment of the Missing Middle Housing concept.



Figure 3. Zoning Map. Concept Plan Application is highlighted in blue overlay.

# Concept Redevelopment Plan

Staff met with a team from the Montgomery County Planning Department (“MCPD”) in May 2020 to present the concept and solicit feedback for a final Concept Plan submission. Highlighted items were an all-rental community, the inclusion of ADUs\*, the potential for Tri-plex/Three-unit living, and general zoning questions. There was positive feedback on the design and approach with the following exceptions:

**MD 108 Frontage:** MCPD expressed a desire to maintain the character of the MD 108 frontage, specifically regarding bulk, height and architectural character. Staff agreed to look at alternative designs that lower building heights, reduce overall massing, and include architecture that is more in keeping with the character of Sandy Spring.

**ADUs:** Multiple MCPD staff did not support the concept of ADUs in an all rental community, but were supportive of additional duplex units as an alternative. HOC responded that ADUs would be deleted from future designs.

**Triplex:** MCPD staff indicated general acceptance of the concept of three unit living and would review a zoning text amendment (ZTA) when introduced.

**Skymeadow Drive.** MCPD suggested inclusion of on-street parking on the Missing Middle (east) side of Skymeadow Way. This would provide on-street parking on both sides of the Business District portion of Skymeadow. Staff indicated that there may be cost implications to this approach and that was HOC’s original goal - to provide parking on one side (west side) of Skymeadow Way when the Village Center (CRN zoning) portion of the property was developed in the future by removing the existing sidewalk.

**Sidewalk Connectivity to Branchwood Road.** The HOC design provides a new 6-foot wide public sidewalk along the east side of Skymeadow Way within the Business District portion of the roadway. It terminates at the future crosswalk for the Village Center Connector Road (also a Business District Street) identified in the 2015 Sandy Spring Rural Village Sector Plan.

**Outreach.** Staff indicated that the team has not yet met with neighbors or the general public, but are developing a schedule to do so. HOC requested MCPD suggestions on this subject. MCPD will reply to HOC in the future.



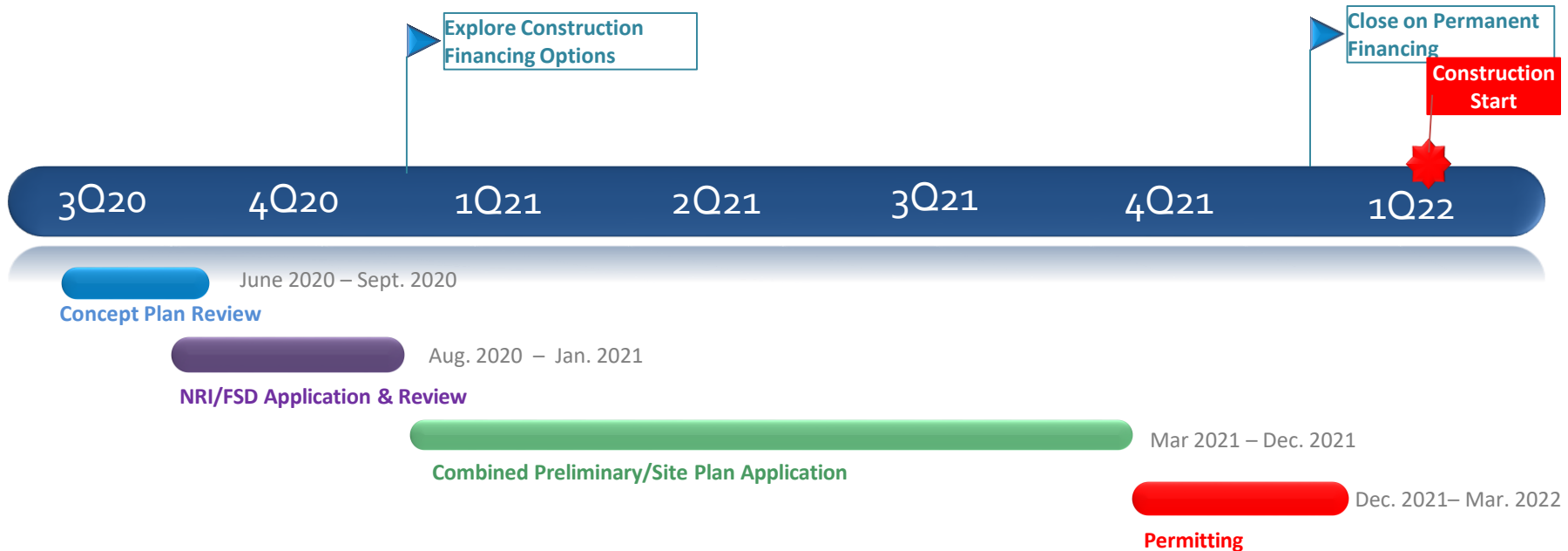
\*ADUs – attached dwelling units.

# Preliminary Development Timeline

The application process for an infill development on 3.27 +/- acres within the Sandy Spring Meadows community, which is immediately adjacent to the Sandy Spring Village Center as a Demonstration/Pilot Project to implement Missing Middle Housing, is envisioned as proceeding under the R-60 MPDU Optional Method project.

## Site Plan Approval Timeline

1. **Concept Plan Submittal**– goes to Montgomery County Planning Department Development Review Committee, comments only.
2. **Natural Resource Inventory/Forest Stand Delineation(NRI/FSD)** – staff review only, requires approval before next step.
3. **Combined Preliminary / Site Plan (Planning Board).**
4. **Sediment Control** – Agency approval at staff level.
5. **Apply for Construction permits** such as SHA road improvements, WSSC improvements, etc.
6. **Apply for Building permits.**





# Predevelopment Budget

## Feasibility Budget

### Budget for Sandy Spring Missing Middle

Sources				Base
Resolution 20-25AS				\$75,000.00
Resolution 20-XX				\$330,000.00
<b>Total</b>				<b>\$405,000.00</b>

Uses - PHASE I	Vendor	PO	Pending	Contract Amount
Land Planning	Townscape Design	330020	\$0.00	\$39,600.00
Architectural Concept Design	Davos	NA	\$0.00	\$0.00
Civil Engineer	AMT	330777	\$0.00	\$14,000.00
Utility Designating (QL-B)	AMT		\$3,670.00	
Site Survey	TBD		\$5,000.00	
Land Planning CO#1	Townscape Design	TBD	\$11,500.00	
<b>SubtotalTotal</b>			<b>\$20,170.00</b>	<b>\$53,600.00</b>
BalanceRemaining				\$331,230.00

Uses - PHASE II	Vendor	PO	Pending	Contract Amount
Land Planning	Townscape Design (includes Davos A&S)		\$76,700.00	\$0.00
Architectural Concept Design	TBD		\$0.00	\$0.00
Civil Engineering	AMT		\$88,000.00	\$0.00
Dry Utility Consultant	TBD		\$20,000.00	\$0.00
Land Use Counsel	Learnch Early		\$100,000.00	\$0.00
Contingency @15%			\$42,705.00	\$0.00
<b>SubtotalTotal</b>			<b>\$327,405.00</b>	<b>\$0.00</b>
BalanceRemaining				\$3,825.00

Staff is requesting \$330,000 for six months of feasibility funding for the Sandy Spring Missing Middle redevelopment. This includes \$100,000 for the engagement of Land Use counsel, \$108,000 for civil and dry utility consultant contracts, and \$76,700 to complete Natural Resource Inventory/Forest Stand Delineation(NRI/FSD) application and prepare for submittal of the Combined Preliminary / Site Plan to the Planning Board, and 15%, or \$42,705 as a contingency. Staff recommends utilizing the Opportunity Housing Reserve Fund (OHRF) as the source of this feasibility funding, to be repaid upon permanent financing. The OHRF had a balance of \$2,588,092 as of June 12, 2020.

### Second Phase Objectives:

- Determine maximum unit count the site can yield.
- Solicit next required phase of development team members, including design and civil.
- Engage County Development and Review Committee (“DRC”) on Concept Plans.
- Fully investigate all site opportunities and constraints.
- Determine maximum unit count the site can yield.
- Solve for any parking and traffic circulation issues.

# Summary and Recommendations

## ISSUES FOR CONSIDERATION

Does the Commission wish to accept the recommendation of the Development and Finance Committee to approve a loan of \$330,000 from the OHRF to fund the second phase of predevelopment costs for the Missing Middle concept at the aggregated 617 O-SS & Sandy Spring Meadow development?

## BUDGET/FISCAL IMPACT

The decision does not involve changes to HOC's current FY2020 operating budget. The fiscal impact is that, if these funds are approved, they will not be available for use on other projects and reduces available cash in the OHRF by \$330,000. The OHRF had a balance of \$2,588,092 as of June 12, 2020. If approved, the OHRF's available balance will be reduced by \$330,000 for this item reducing the overall OHRF balance to \$2,228,092.

## TIME FRAME

For action at the regular meeting of the Commission on July 1, 2020.

## COMMITTEE RECOMMENDATION

The Development and Finance Committee discussed this item at its meeting on June 19, 2020 and voted to recommend approval to the full Commission at its meeting on July 1, 2020.

## STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that Commission accept the recommendation of the Development & Finance Committee and approve a loan of \$330,000 from the OHRF to fund the second phase of predevelopment costs for the Missing Middle concept at the aggregated 617 O-SS & Sandy Spring Meadow development.

**RESOLUTION No: 20-55**

**RE: Approval of Second Phase of Predevelopment Funding to Pursue Due Diligence and Site Plan Submittal on Pilot Missing Middle Initiative at Sandy Spring Meadow**

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

**WHEREAS**, “Missing Middle” housing is a range of multi-unit or clustered housing types—compatible in scale with detached single-family homes—that help meet the growing demand for walkable urban living; and

**WHEREAS**, on January 14, 2015, the Commission approved the purchase of a single family house and lot located at 617 Olney Sandy Spring Road (“617 O-SS”), immediately adjacent to Sandy Spring Meadow Apartments, a property that is owned by an HOC affiliate; and

**WHEREAS**, the acquisition of 617 O-SS with HOC’s ownership interest in Sandy Spring Meadow Apartments, created a larger property aggregation that staff believes is a strong candidate for a Missing Middle development (the “Pilot Missing Middle Initiative”); and

**WHEREAS**, On March 4, 2020, the Commission approved \$75,000 in feasibility funding from the Opportunity Housing Reserve Fund to explore a joint venture between the Maryland-National Capital Park and Planning Commission and HOC on the Pilot Missing Middle Initiative; and

**WHEREAS**, the Pilot Missing Middle Initiative would produce approximately 20 rental units, which would intentionally include a number of different Missing Middle unit styles; and

**WHEREAS**, to continue predevelopment activities for the Pilot Missing Middle Initiative, staff requires a second tranche of funding in the amount of \$330,000.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the Executive Director to expend up to \$330,000 to continue predevelopment activities at the Pilot Missing Middle Initiative, to be funded by a draw on the Opportunity Housing Reserve Fund.

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

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 1, 2020.

S  
E  
A  
L

---

Patrice M. Birdsong  
Special Assistant to the Commission

**WEST SIDE SHADY GROVE: APPROVAL TO ISSUE SHORT-TERM TAX-EXEMPT NOTES BY RECYCLING PREVIOUSLY ALLOCATED PRIVATE ACTIVITY VOLUME CAP BY MARYLAND CDA AND HOC AND THE SELECTION OF PNC BANK, N.A. AS THE LENDER; APPROVAL OF COST OF ISSUANCE BUDGET; AND ADOPTION OF A BOND AUTHORIZING RESOLUTION FOR THE ISSUANCE OF A TAX-EXEMPT LOAN**

---

**PHASE II AT SHADY GROVE**



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE BROWN  
ZACHARY MARKS  
MARCUS ERVIN  
JENNIFER ARRINGTON  
GIO KAVILADZE

July 1, 2020

# Table of Contents

Topics	Page
Executive Summary	3
Predevelopment Schedule	7
Development Overview	8
Flow of Funds	12
Transaction Terms	14
Current Request	15
Summary and Recommendations	16

# Executive Summary

The entitlement and permitting of West Side Shady Grove (the “Development”) is expected to be complete by the end of calendar year 2020. Therefore, staff is developing a formal financing plan with identified sources for the Development. Since its Spring 2019 introduction to the Commission, the Development was to be conventionally financed with a combination of equity and a commercial bank construction loan. Once stabilized, the Development would convert from construction to the permanent phase with financing provided by HOC to repay the construction financing.

Having acquired the land for the Development nearly fully entitled, HOC required a financing strategy that could be executed timely so as not to delay the start of construction. Though the Development’s 80 affordable units would have qualified for Low Income Housing Tax Credit (“LIHTC”) equity, pursuit of a LIHTC equity allocation would have added considerable time to the process of securing project construction financing. The Development was also a relatively recent and sizeable addition to the HOC pipeline. So, the financing strategy also needed to avoid using the more typical limited resources that may be required by other pipeline projects. Use of LIHTC equity (4%) would have required the use of tax-exempt bonds, which are limited by the availability of volume cap (see page 4). HOC’s pipeline projects exceeds the available volume cap.

Construction Sources & Uses of Funds		
	Total	Per Unit
Construction Loan (70% LTC)	\$67,410,303	\$251,531
Interim Operating Proceeds	\$36,297,855	\$135,440
<b>Total Sources</b>	<b>\$103,708,158</b>	<b>\$386,971</b>
Estimated Uses		
Construction Costs	\$78,882,773	\$294,338.71
Financing Costs	\$14,805,668	\$55,245.03
Developer Costs	\$3,268,333	\$12,195
Land	\$2,338,156	\$8,724
Developer Fee (5%)	\$3,996,229	\$14,911
Capitalized Operating Costs	\$417,000	\$1,556
<b>Total Uses</b>	<b>\$103,708,159</b>	<b>\$386,971</b>

More recently, the Montgomery County Council (“Council”) has been considering a construction equity fund (“Housing Production Fund” and “HPF”) dedicated to HOC that would replace private equity as a construction source for the Project at a much lower cost of capital. The HPF will come before the Planning, Housing, and Economic Development Committee (“PHED Committee”) on June 22, 2020. Should the PHED Committee recommend approval of the HPF to the full Council, it would be voted on in mid-July. Alternatively, private equity is contemplated as an effective option to fund the construction of the Development.

The Construction debt is to be provided by a private bank for a likely period of five years. HOC staff is in talks with several banks to supply that financing. Assuming 70% loan to cost, the construction loan will be **\$67,410,303**.

# Executive Summary



## Volume Cap Explained

### What is volume cap?

- The amount of tax-exempt private activity bonds that may be issued by a state or municipality as determined by the IRS annually.
- HOC as a local Housing Finance Agency is allowed a maximum amount of tax-exempt private activity bonds during any calendar year, approximately \$38MM for both single family and multifamily use.

### How has HOC attempted to solve this issue?

- HOC staff has made years long attempts to acquire additional cap from the State outlining upcoming multifamily transactions. Unfortunately, the Agency has not been granted sufficient cap to satisfy its multifamily housing needs.
- HOC has accumulated unused cap from prior years (up to three years) to fund transactions in the years needed.
- HOC has refunded and recycled volume cap in the single family programs, a common practice unlike multifamily recycling.

### Immediate Challenge for West Side Shady Grove ("WSSG"):

- The volume cap challenge is colliding with the need to solve for financing and development of several HOC transactions, most prominently WSSG.

### The Solution

- Staff proposes solutions that generate necessary bond financing to address both the overall volume cap need at a pace that supports the WSSG transaction.
- An opportunity to recycle multifamily volume cap may be part of the solution, but the timing is precise and prompt action is required.



# Executive Summary

HOC's permanent phase debt may be structured in one of two fashions:

## I. REFUNDED TAX-EXEMPT PRIVATE ACTIVITY BONDS

Both CDA and HOC have outstanding 2018-vintage tax-exempt, private activity bonds totaling \$100.52MM ("2018 Bonds"). As originally intended, those bonds are to be paid off with permanent financing as the respective transactions reach stabilization. Normally, pay off would mean redemption of the bonds. If paid off using proceeds of a new bond issuance, the new bond issuance takes on the characteristics of private activity without utilizing new volume cap (i.e., the volume cap associated with the outstanding bonds, upon pay off, may be transferred or recycled to the new bonds). One key caveat: if using this transferred volume cap, the new bonds cannot be used in association with LIHTC equity.

The Development is not using LIHTC transaction; therefore, it may use this derivative tax-exempt issuance and benefit from a lower interest rate. The private activity nature of the new issuance also allows for the desired continued private participation of Bozzuto and EYA into the permanent phase. **This structure thus achieves the three core project financing goals: the lowest possible interest rate and private participation into the permanent phase without the use of new volume cap. (see page 6)**

## II. GOVERNMENTAL BONDS

HOC staff's original plan, which is still viable, achieved two of the three core project financing goals: the lowest possible rate without the use of new volume cap (as volume cap is only necessary for projects with a private activity component). Private participation into the permanent phase is not yet solved for this financing approach (although HOC staff believes it ultimately will reach a solution).

Total Permanent Sources & Uses of Funds		
	Total	Per Unit
Tax Exempt Bonds	\$96,881,604	\$361,498.52
Equity	\$14,747,290	\$55,027.20
<b>Total</b>	<b>\$111,628,893</b>	<b>\$416,526</b>
Acquisition Costs	\$2,338,156	\$8,724.46
Construction Contract	\$78,882,773	\$294,338.71
Financing & Loan Costs	\$15,977,263	\$59,616.65
Other Financing Fees and Charges	\$4,768,274	\$17,792.07
Guarantees and Reserves	\$1,730,865	\$6,458.45
Developer Costs	\$3,518,333	\$13,128.11
Capitalized Operating Costs	\$417,000	\$1,555.97
Developer Fee	\$3,996,229	\$14,911.30
<b>Total</b>	<b>\$111,628,893</b>	<b>\$416,526</b>

Under this scenario, at conversion to the permanent phase, HOC would take ownership of the Project and fund the repayment of the private equity (or HPF) and construction period debt with the issuance of governmental bonds supported by the operations of the stabilized property.

As it satisfies all three core project financing goals, staff is recommending to the Commission that it pursue the path of refunding the 2018 Bonds. The first step, as proposed herein, is the approval to preserve the volume cap associated with the 2018 bonds by issuing short-term notes to recycle the CDA and HOC private activity bonds.

# Executive Summary

In addition to the proposed innovative financing structure for the WSSG transaction, HOC has undertaken several unique financing structures to advance its development pipeline.

## WSSG – Preferred Strategy “Refunded Tax-Exempt Private Activity Bonds (from recycled volume cap)”

- The proposed and preferred strategy solves for ongoing volume cap challenges, which adversely impacts our broad development pipeline.
- Provides another market-based and innovative solution to unreasonable, state imposed capital constraints.
- Achieves the three core project financing goals: the lowest possible interest rate and private participation into the permanent phase without the use of new volume cap.

## Program Revenue Bonds

- Historically, HOC has issued bonds under separate trust indentures in order to finance the separate purposes. However, to provide additional flexibility for the Bond Program, and in particular to solve for unavailability of volume cap for the single family program, The General Trust Indenture was created.
- HOC issued its first series of governmental bonds to reimburse itself for \$30MM of expenditures associated with the acquisition of Cider Mill Apartments and used those funds to purchase mortgage loan and mortgage backed securities in the Single Family program, thereby freeing up private activity funds to make new mortgages in the single family program.

## Condominium Structures

- Throughout its history of using the LIHTC program to fund real estate transaction, HOC has utilized condominium structures to minimize the use of private activity volume cap.
- Most recently in 2017, the financing of Alexander House utilized a similar condominium structure, requiring an allocation of \$16.7MM of volume cap instead of \$65MM if it were financed as a single owner.

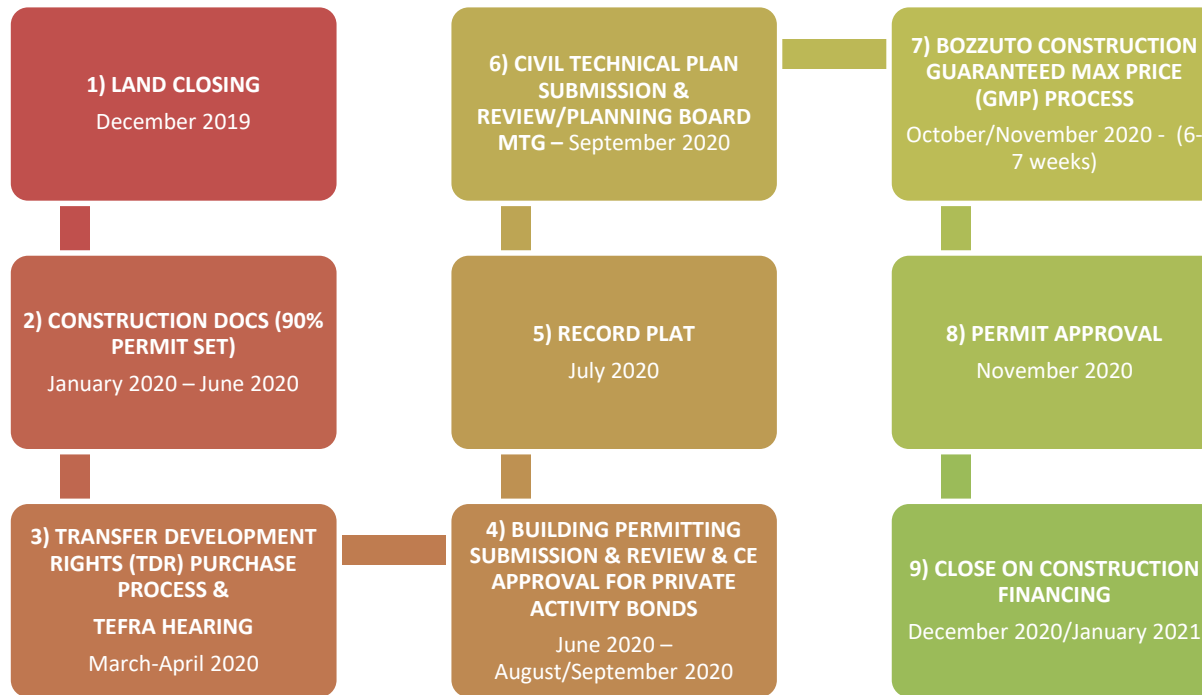
## Private Equity | Sale of Land to Multifamily – Lindley

- The transaction enabled HOC to provide 50% of the equity needed to complete the financing of the development and expand the supply of affordable units on site and create a financially sustainable affordable housing model.
- The Lindley, a new 200-unit luxury, mixed-income multifamily building in Chevy Chase, MD. Result of a unique public-private partnership between HOC, EYA LLC, and The Morris and Gwendolyn Cafritz Foundation. The \$75 million property was funded without tax credits or direct subsidies, and is one of the first buildings of its kind to include private equity as a major funding source while remaining under the principal control of a public housing authority.

## Mezzanine Loans

- Mezzanine debt is a financing vehicle that serves as a bridge between debt and equity. It is subordinated debt used in lieu of private equity, which allows HOC to retain full ownership in the transaction. Mezzanine debt is often less expensive than equity and allows the Mezzanine Borrower certain flexibility, including the ability to maintain control over the property.
- This financing vehicle was used for the first time by HOC in the financing of Cider Mill Apartments.

# Predevelopment Schedule



# Development Overview



Lobby Lounge

Phase II at Shady Grove (the “Project”), a 268-unit luxury mixed-use community steps from a Washington Metropolitan Area Transit Authority (“WMATA”) Red Line Station, Shady Grove. The partnership will develop and stabilize the mixed-use property for long-term ownership by HOC. HOC, in its capacity as a lender, will also provide a permanent loan commitment at construction start.

Building on the success of Phase I’s The Daley at Shady Grove, the Development marks the second multifamily phase in the dramatic 90-acre master-planned redevelopment of Montgomery County’s County Service Park, and the mixed-income project will feature a 30% affordable component and will be developed for long-term, mission-oriented ownership by HOC. This transit-oriented site is proximate to thousands of

life sciences jobs and offers convenient multimodal access to Gaithersburg, Rockville, Bethesda, downtown DC, and other regional employment and entertainment hubs. Phase II at Shady Grove will stand out among the DC Metro’s suburban projects as a unique, price competitive, transit-oriented, urban-style community.



View: Corner of Crabbs Branch Way/Gramercy Blvd



Site Aerial

# Development Overview

## Development Summary

### Highlights

---

•Number of Units.....	268
•Gross Square Feet.....	300,224 SF
•Amenity Space.....	10,830 SF
•Retail Space.....	30,437 (includes 7,268 SF HOC Service Center)
•Subtotal GSF.....	<b>341,491 SF</b>
•Parking Garage.....	<b>165,485 SF (322 Spaces)</b>
•Grand Total SF.....	<b>506,976 SF</b>
•Est Total Project Costs.....	<b>\$103.7M (incl. HOC Financing Fee, No Davis Bacon, Service Center Buildout, &amp; Cost Esc)</b>
•Total Construction Contract	<b>\$63,224,526</b>

## Development Timeline

### Milestones

---

•Construction Start.....	January – 2021 *Contingent on County Permit Reviews, Final Pricing, & Commission Approvals
•No. of Months in Const. Period.....	23 Months
•Const. Period End.....	November - 2022
•Lease-up - # of Units per Month.....	18 units
•First Unit Delivery (prior to completion).....	September - 2022
•Stabilized Year - Rents.....	January - 2024
•Stabilized Year – Expenses.....	January - 2024



# Development Overview

## High Demand

- Averaging 24 net leases per month to date, the first phase of Shady Grove (“The Daley”), located adjacent to the Subject property, has capitalized on the strong pent-up demand for luxury apartments and retail in the Shady Grove submarket.
- Phase II at Shady Grove will build upon the momentum set by the first phase through the delivery of more outstanding apartments and retail.

## Prime Multi-Modal Transit Location

- Central to the success of this development, the transit-oriented location provides a unique opportunity to create a community steps from the Shady Grove Metro station, which services 11,000+ passengers a day with several available Metrobus and Ride On routes servicing the Germantown, Montgomery Village and Lakeforest Transit Centers.
- The Development has excellent vehicular access via the ICC, Interstates 270 and 95, and Rockville Pike (Maryland Route 355), providing its residents easy transit to a wide range of points throughout the Washington, D.C. metro area.
- In addition to being an outstanding asset to our residents, the Development’s transit-friendly location will bring outstanding visibility to drivers, Metro commuters, and pedestrians resulting in substantial value for the apartment community as well as retailers.

## Excellent Access to Major Employment Base

- The Development is located in the heart of Montgomery County, continuously one of the highest paying counties in the country, and one of the nation’s strongest employment centers.
- Surrounding the Development is the 15-mile Biotechnology Corridor, containing one of the largest life sciences clusters in the country and employing over 50,000 workers in technology firms, federal laboratories, federal agencies, hospitals, and medical universities.
- Furthermore, the major employment centers of Rockville, Bethesda, and Fort Meade (Maryland’s largest employer), are easily accessed by car and Metro.

## Low Land Basis

- The land basis for Phase II at Shady Grove of \$12,437 per unit is significantly lower than other recent sales comparables in the area, which have ranged from \$36,438 to \$46,898.

## Established and Experienced Sponsorship

- EYA’s and Bozzuto’s combined experience results in over 50 years of creating large-scale, transit-oriented communities with a focus on place-making.
- Following the success at The Daley (subsequent slides), Phase II at Shady Grove will be the second opportunity for these two storied firms to collaborate on an exceptional product.
- As proposed, and subject to final Commission approval the community would be managed by Bozzuto Management Company, which currently oversees the day-to-day operations of over 70,000 units nationwide.



Interior Design – Club Room

# Development Overview

## Unit Features

- Quartz countertops, tiled kitchen backsplashes, and full-size stainless steel kitchen appliances.
- Premium wood-like vinyl plank flooring in living areas and ceramic tile bathroom floors.

## Community Amenities

- 10,830 SF of premium amenity space including:
  - State-of-the-art fitness center with indoor/outdoor yoga studio
  - Club/game room with TV, kitchen, and dining spaces
  - Library and conference areas with Wi-Fi connectivity, providing work-from-home capability
  - Outdoor courtyard containing a pool, fire pit, lounge areas, and grilling stations allowing for group activities

## Retail

- Approximately 23,000 SF of ground floor retail space including:
  - 9,700 SF CVS anchor
  - Four to five small-format retail spaces, which are anticipated to include restaurant, fitness, and retail uses, totaling approximately 13,469 SF.

## Construction

- The Development will feature a five-story wood-frame residential building over a concrete podium and a five-story above-grade parking structure.
- Featuring open and inviting spaces from the entrance and throughout the common areas, The Development seeks to maximize the resident experience through its superior design.
- The community is being designed to National Green Building Standards and will contain a variety of environmentally sustainable features with the goal of minimizing the Development's environmental impact and cutting down on operating expenses.

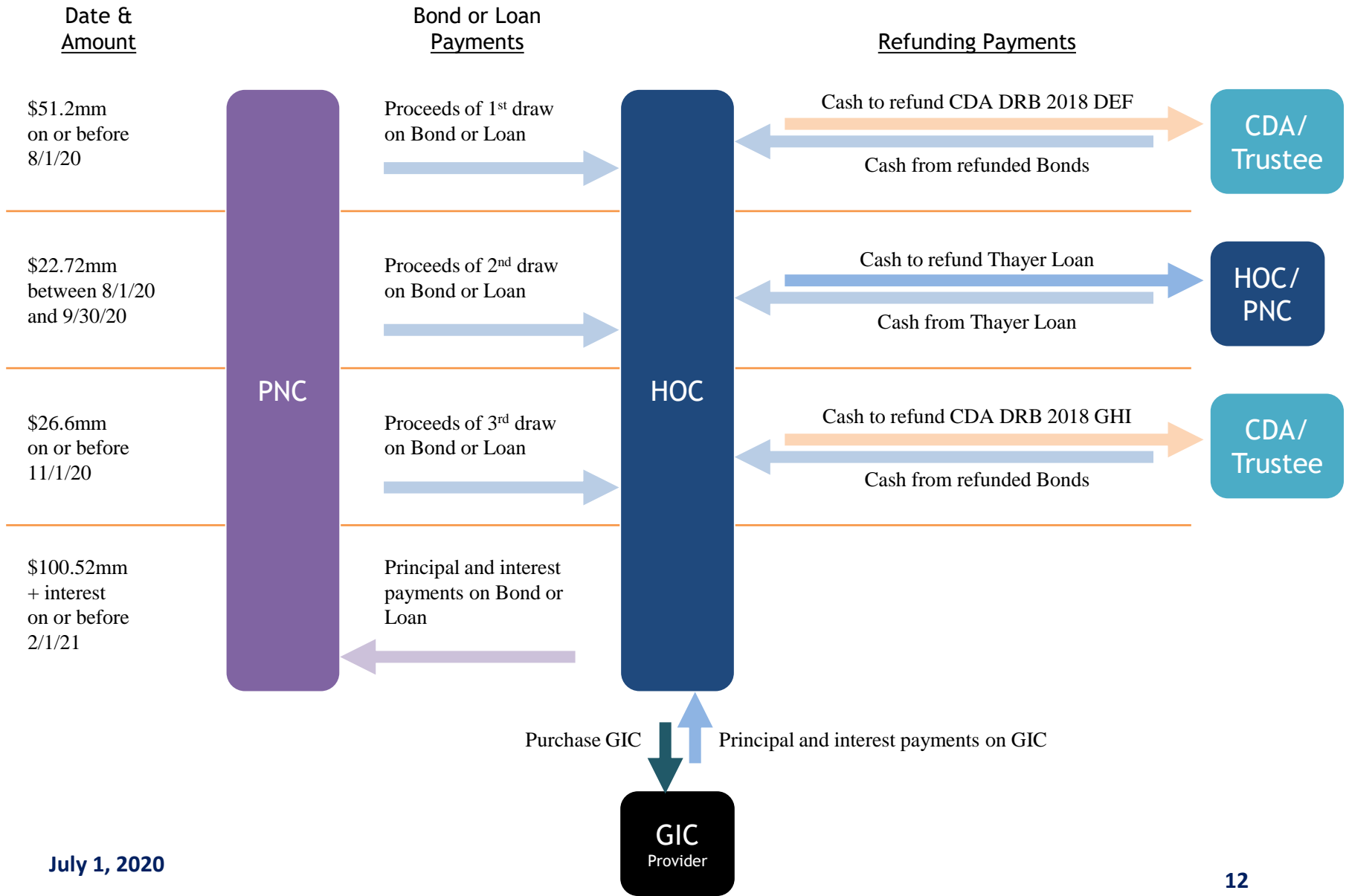
## Property Summary

Apartment Units	268
Ground Floor Retail	23,169 SF
HOC Service Center	7,268 SF
Amenity Space	10,830 SF
Residential Parking Spaces	322
Retail Parking Spaces (subject to change)	79

Unit Mix	# of Units	% of Total	Avg Rent/ Unit	Avg Rent/ SF
Studio	9	3.4%	\$1,575	\$3.09
1BR/1BA – JR	16	6.0%	\$1,675	\$2.78
1BR/1BA	73	27.2%	\$1,860	\$2.76
1BR/1BA – Loft/Den	17	6.3%	\$1,995	\$2.42
2BR/2BA	59	22.0%	\$2,325	\$2.23
2BR/2BA Roof Terrace	3	1.1%	\$2,500	\$1.94
2BR + Den/2BA	10	3.7%	\$2,700	\$2.07
Terrace Units	1	0.4%	\$2,925	\$1.97
<b>Subtotal/Avg.</b>	<b>188</b>	<b>70.0%</b>	<b>\$2,049</b>	<b>\$2.45</b>
<b>Affordable Units (65% AMI)</b>	<b>13</b>	<b>5.0%</b>	<b>\$1,360</b>	<b>\$1.76</b>
<b>Affordable Units (50% AMI)</b>	<b>67</b>	<b>25.0%</b>	<b>\$1,081</b>	<b>\$1.34</b>
<b>Total/Avg.</b>	<b>268</b>	<b>100%</b>	<b>\$1,774</b>	<b>\$2.15</b>

July 1, 2020

# Flow of Funds – West Side Shady Grove





# Flow of Funds – Supporting Details

- **The Developer(s)** whose project(s) originally received the short-term tax-exempt financing in 2018 as well as the 900 Thayer developer will provide the funds to redeem or repay the outstanding indebtedness on the maturity or conversion dates for the respective projects. Should these funds be applied to retire the short-term debt, the volume cap associated with those project financing would be extinguished, a concept often referred to as “bond burn”. However, they may be recycled into another multifamily transaction that does not involve the use of the LIHTC credit by issuing recycling private activity bonds herein contemplated.
- **Maryland CDA** as the original issuer of the 2018 Bonds will receive borrower proceeds prior to the redemption dates to redeem bonds. First redemption occurs on August 1, 2020 for \$51,200,000. The last redemption date is November 1, 2020. Similarly, 900 Thayer will convert to the permanent loan in September 2020, and proceeds from the financing will be presented to HOC to retire the short-term debt at conversion.
- **PNC Bank, N.A.** will make a tax-exempt loan to HOC and funds will be provided to CDA and HOC to meet the redemption schedules.
- **HOC** is the issuer of a private activity tax-exempt transaction with PNC Bank, N.A. with the proceeds of a loan expected to be drawn in three tranches to meet the aforementioned maturity dates. The PNC loan proceeds are provided to CDA and HOC to redeem the 2018 Bonds and the 900 Thayer tax-exempt loan. The redemption proceeds received by CDA and HOC are exchanged for refunded proceeds and the CDA/HOC proceeds invested into a GIC upon which CDA exits the transaction. This process effectuates the recycling of the multifamily volume cap.
- **Bond Counsel:** Kutak Rock LLP and Ballard Spahr LLP both represent the Maryland Department of Housing and Community Development (“DHCD”) and HOC. DHCD has determined that they require assistance from both firms with this transactions and would not waive the conflict of interest. HOC completed a procurement and has selected Barclay Damon LLP (“Barclay Damon”) as bond counsel for the transaction. Barclay Damon is a full-service law firm with a team of attorneys across offices and practices. Its nearly 300 attorneys, operate from a strategic platform of primary offices located throughout NY, Washington DC, and Toronto. The firm reportedly has served as counsel to numerous clients of similar in size and scope to HOC, and have been immersed in the local, municipal, state, and federal laws, rules, and regulations that govern these entities.
- **Trustee:** U.S. Bank is trustee for the Multifamily Housing Development Bond Resolution (the “1996 Indenture”), under which the permanent bonds will be issued. Therefore, U.S. has been chosen to serve as trustee for the transaction during this six-month refunding period.
- **Financial Advisor:** **Caine Mitter & Associates Incorporated** will serve as HOC’s Financial Advisor.
- **Refunding** into the **permanent financing** must occur within six month prior to February 1, 2021.

# Transaction Terms

PNC Bank, N.A.

Bank of America

PRELIMINARY TERMS		
<b>Borrower</b>	HOC or the Borrower	HOC or Borrower
<b>Lender</b>	PNC Bank, National Association	Bank of America
<b>Credit Facility</b>	Non-Revolving \$100,000,000 Tax Exempt Draw Down Credit Facility	Non-Revolving \$100,000,000 Tax Exempt Draw Down Credit Facility
<b>Purpose</b>	Pay down of existing CDA multifamily bonds and repayment of HOC tax-exempt loan for 900 Thayer	Pay down of existing CDA multifamily bonds and repayment of HOC tax-exempt loan for 900 Thayer
<b>Maturity</b>	The earlier of February 1, 2021 or the issuance of tax exempt bonds for the WSSG Development.	The earlier of February 1, 2021 or the issuance of tax exempt bonds for the WSSG Development.
<b>Security</b>	<p><b>Option 1:</b> The Credit Facility will be issued under HOC's Multifamily Indenture. The GIC will be pledged to the Multi-Family Indenture.</p> <p><b>Option 2:</b> The Credit Facility will be a general obligation of HOC, and will be pledged directly to PNC.</p> <p>The proceeds from the financing will be invested pursuant to a Guaranteed Investment Contract ("GIC") providing 100% cash collateral for the transaction.</p>	<p>The Credit Facility will be issued under HOC's Multifamily Indenture.</p> <p>The proceeds from the financing will be invested pursuant to a Guaranteed Investment Contract ("GIC") providing 100% cash collateral for the transaction.</p> <p>The GIC will be pledged to the Multifamily Indenture.</p>
<b>Interest Rate</b>	Advances shall initially bear interest at a per annum rate of interest equal to the sum of 80% of 1-month LIBOR plus 60bps (0.60%). In the event LIBOR at any time would be determined to be less than 0.50%, such rate shall be deemed to be 0.50%.	Advances shall initially bear interest at a per annum rate of interest equal to the sum of 80% of 1-month LIBOR plus 57bps (0.57%). In the event LIBOR at any time would be determined to be less than 0.50%, such rate shall be deemed to be 0.50%.
<b>Bank Fees</b>	None.	None.
<b>Estimated COI</b>	\$451,689	\$448,933

July 1, 2020

# Current Request

## Bond Authorizing Resolution

- The Commission must authorize the issuance of approximately \$100,000,000 of a Private Activity tax-exempt loan for the financing of the West Side Shady Grove transaction.
- The funds are expected to be drawn down in three tranches to meet the redemption dates shown.

Redemption Dates	Maturing Bonds	Outstanding Bonds
8/1/2020	MD CDA DRB 2018 Series DEF	\$51,200,000
8/1 - 9/30/2020	HOC 900 Thayer	\$22,722,216
11/1/2020	MD CDA DRB 2018 Series GHI	\$26,600,000
<b>TOTAL</b>		<b>\$100,522,216</b>

## Approval of Cost of Issuance (“COI”) Budget

- Estimated costs of issuing bonds or notes will be incurred for completing the recycling of multifamily volume cap and are outlined in the table to the right.
- Repayment of the COI budget is from construction loan proceeds at closing, which must occur prior to February 1, 2021.
- Staff requests approval to fund the COI budget from the County Revolving Opportunity Housing Development Fund which currently has an unobligated balance of \$4,478,182.

	Public Offering COI	Note Placement PNC Bank	Note Placement BofA
Underwriter’s Spread	\$185,058	\$0	\$0
Expenses	\$369,042	\$526,689	\$523,933
<b>Total Cost Of Issuance</b>	<b>\$554,100</b>	<b>\$526,689</b>	<b>\$523,933</b>

*The current LIBOR rate is 19bps; therefore, the 50bps floor is effective. Legal fees are higher for BofA higher than PNC, resulting in higher overall cost of issuance. A contingency is included to round the total COI to \$550,000, the amount of the total request.*

## Approval to Select PNC Bank, N.A. as Lender

- Staff evaluated proposals from PNC Bank, N.A. and Bank of America and proposes the selection of PNC Bank as the lender for this transactions based on the overall cost. The terms were very similar for the two proposals with three basis points difference in rate.

# Summary and Recommendations

## ISSUES FOR CONSIDERATION

Does the Commission wish to accept the recommendation of the Development & Finance Committee and approve the:

1. Adoption of a Bond Authorizing Resolution for the issuance of a tax-exempt transaction with PNC Bank, N.A. pursuant to which PNC will loan to the Commission a maximum aggregate principal amount of a private activity tax-exempt facility of up to \$100 million to preserve the volume cap for the permanent financing of the West Side Shady Grove transaction?
2. Selection of PNC Bank, N.A. as the lender?
3. Cost of issuance budget of \$550,000 for issuance short-term notes, which shall be funded from the County revolving Opportunity Housing Development Fund and repaid from proceeds from the closing of the construction financing?

## BUDGET/FISCAL IMPACT

No impact to the Agency's fiscal year 2020 or 2021 adopted operating budget.

## TIME FRAME

Action at the regular meeting of the Commission on July 1, 2020.

## COMMITTEE RECOMMENDATION

The Development and Finance Committee met on June 19, 2020 and unanimously voted to advance this item the Commission for approval.

## STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development & Finance Committee and approve the:

1. Adoption of a Bond Authorizing Resolution for the issuance of a tax-exempt transaction with PNC Bank, N.A. pursuant to which PNC will loan to the Commission a maximum aggregate principal amount of a private activity tax-exempt facility of up to \$100 million to preserve the volume cap for the permanent financing of the West Side Shady Grove transaction.
2. Selection of PNC Bank, N.A. as the lender.
3. Cost of issuance budget of \$550,000 for issuance short-term notes, which shall be funded from the County revolving Opportunity Housing Development Fund and repaid from proceeds from the closing of the construction financing.

RESOLUTION: 20-56

Re: Adoption of an Authorizing Resolution for the Selection of PNC Bank, National Association, as the Lender of a Tax-Exempt Obligation for the Purpose of Financing West Side Shady Grove

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT, A PROMISSORY NOTE, AND A DEPOSIT ACCOUNT CONTROL AGREEMENT AND ANY OTHER DOCUMENTS NECESSARY TO EFFECTUATE A TAX-EXEMPT LOAN TRANSACTION WITH PNC BANK, NATIONAL ASSOCIATION IN A MAXIMUM AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000 (THE "RECYCLING FACILITY"), THE PROCEEDS OF WHICH WILL BE USED IN CONNECTION WITH THE REDEMPTION OF CERTAIN BONDS IN ORDER TO RECYCLE MORTGAGE LOAN REPAYMENTS AND THE MAKING OF A NEW MORTGAGE LOAN TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF A DEVELOPMENT KNOWN AS WEST SIDE SHADY GROVE (THE "PROJECT"), TO BE OWNED AND OPERATED BY A JOINT VENTURE CONTROLLED BY THE COMMISSION, AND/OR NECESSARY TO ACCOMPLISH THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE RECYCLING FACILITY AND TO ESTABLISH THE TERMS RELATING THERETO AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; AUTHORIZING THE EXECUTION AND DELIVERY OF A TAX CERTIFICATE OR NO ARBITRAGE CERTIFICATE, AND ANY OTHER DOCUMENTS NECESSARY FOR THE RECYCLING FACILITY AND/OR NECESSARY TO ACCOMPLISH THE FINANCING PLAN DESCRIBED HEREIN; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE RECYCLING FACILITY; AND PROVIDING AN EFFECTIVE DATE.

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

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

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

WHEREAS, the Commission is contemplating entering into a tax-exempt loan transaction with PNC Bank, National Association (“PNC”) pursuant to which PNC will loan to the Commission a maximum aggregate principal amount not to exceed \$100,000,000 (the “PNC Loan”), the proceeds of which PNC Loan will be used, periodically, in connection with the redemption of certain outstanding bonds of the Commission and of the Community Development Administration of the Maryland Department of Housing and Community Development (the “CDA”) that are eligible to be redeemed from repayments of mortgage loans on outstanding tax-exempt bonds of the Commission and of the CDA (collectively, the “Mortgage Loans”); and

WHEREAS, the Commission, by receiving the PNC Loan, will have the ability to recycle such Mortgage Loan repayments in order to make a new mortgage loan to fund the acquisition, construction and equipping of a development known as West Side Shady Grove (the “Project”), to be owned and operated by a joint venture controlled by the Commission, all in accordance with the financing plans approved by the Commission in connection with the Project under the separate resolutions adopted by the Commission on September 4, 2019, December 5, 2019 and ratified on December 11, 2019, and in accordance with the additional financing plans set forth in this Resolution and other resolutions to be adopted by the Commission (collectively, the “Financing Plan”); and

WHEREAS, the costs of issuance in connection with the Recycling Facility will be paid from the Commission’s own funds.

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

1. **Approval of Financing Plan.** The Commission hereby approves the Financing Plan as described above pursuant to the terms and conditions to be set forth in the Recycling Facility approved hereby, including the use of not more than \$550,000 from the County Revolving Opportunity Housing Development Fund to pay costs of issuance in connection with the Recycling Facility.

2. **Recycling Facility.** The Recycling Facility is hereby authorized to be executed and delivered in an aggregate principal amount not to exceed \$100,000,000 to carry out the purposes under the Program as described above. Notwithstanding the foregoing, the Executive Director is hereby authorized to approve, in consultation with the Financial Advisor and Bond Counsel to the Commission, such greater number or amount of Recycling Facility required to accomplish the Financing Plan and to determine and establish the terms thereof. The Recycling Facility will be executed and delivered in accordance with the provisions of the Financing Documents (as hereinafter defined).

3. **Financing Documents.** The Chairman, the Vice Chairman, or the Chairman Pro Tem, and the Executive Director of the Commission (each, an “Authorized Officer”) or any duly appointed and authorized designee of the Executive Director (an “Authorized Representative”) are hereby authorized and directed to execute and deliver a loan agreement (the “Loan Agreement”) with PNC in connection with the PNC Loan, which Loan Agreement will evidence the terms of the PNC Loan, (ii) a Promissory Note (“Note”) in connection with the PNC Loan, which Note will evidence the repayment

terms of the PNC Loan, (iii) a Deposit Account Control Agreement (the “Deposit Account Control Agreement”) in connection with the PNC Loan, pursuant to which the Commission will agree to deposit Mortgage Loan repayments (cash collateral) in a deposit account (which may also be in the form of a guaranteed investment contract) in connection with each advance of the PNC Loan to the Commission (the Loan Agreement, the Note and the Deposit Account Control Agreement, collectively, the “Financing Documents”). Such Financing Documents shall be in such form as shall be approved by such officers, the execution of such Financing Documents being conclusive evidence of such approval and of the approval of the Commission, and the Secretary-Treasurer of the Commission, or any Authorized Officer is hereby authorized and directed to affix the seal of the Commission to the Financing Documents, as may be necessary, and to attest the same.

4. ***Tax-Related Documents.*** An Authorized Officer is hereby authorized and directed to execute and deliver a Tax Certificate or No Arbitrage Certificate and other documents (collectively, the “Tax-Related Documents”) necessary for the Recycling Facility and/or to accomplish the Financing Plan, in such forms as shall be prepared by Bond Counsel and approved by such officer, the execution of the Tax-Related Documents being conclusive evidence of such approval and of the approval of the Commission. An Authorized Officer is hereby further authorized and directed to execute and deliver on behalf of the Commission Internal Revenue Service Form 8038 relating to the Recycling Facility as prepared by Bond Counsel.

5. ***Terms; Ongoing Determinations.*** The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners to establish the date, maturity, terms of redemption or repayment and other terms, and to approve the interest rates of the Recycling Facility, all of the foregoing to be specified, as applicable, in the Financing Documents. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, and is hereby authorized, from time to time during the period the Recycling Facility is outstanding, to make ongoing determinations, as may be required by the terms of the Financing Documents and any other documents relating to the Recycling Facility, the Project, and any additional related loans, including, but not limited to, the giving and withholding of consents, the selection of certain providers, and the refinancing and repayment or prepayment of the Recycling Facility and/or other related obligations of the Commission, and the Executive Director or other Authorized Representative, as the case may be, is further authorized to execute any and all documents evidencing such determinations as may be deemed necessary and proper.

6. ***Other Action.*** Each Authorized Officer or other Authorized Representative of the Commission is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the

transactions contemplated by this Resolution relating to the Recycling Facility and the accomplishment of the Financing Plan.

7. ***Appointment of Financial Advisor and Bond Counsel.*** Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor to the Commission, and Barclay Damon LLP, New York, New York, is hereby appointed as Bond Counsel in connection with the Recycling Facility.

8. ***No Personal Liability.*** No stipulation, obligation or agreement herein contained or contained in or contemplated by the Recycling Facility or the Financing Documents or in any other agreement or document executed on behalf of the Commission in connection with the Recycling Facility or in its capacity in the joint venture for the Project, shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the Recycling Facility or be subject to personal liability or accountability by reason of the issuance thereof.

9. ***Action Approved and Confirmed.*** All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this Resolution and in furtherance of the Recycling Facility and the accomplishment of the Financing Plan are hereby approved, and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

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

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

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on July \_\_\_\_, 2020.

---

Patrice Birdsong  
Special Assistant to the Commission



# Legislative and Regulatory Committee

# **AUTHORIZATION TO IMPLEMENT TEMPORARY CHANGES TO THE ADMINISTRATIVE PLAN IN RESPONSE TO THE CORONAVIRUS DISEASE 19 (COVID-19)**

**July 1, 2020**

- On March 13, 2020, President Trump declared the Coronavirus Disease (COVID-19) pandemic a national emergency.
- The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020.
- The CARES Act provides HUD with broad authority to waive statutes and regulations for the Housing Choice Voucher Program.
- HUD published PIH Notice 2020-05 on April 10, 2020 establishing temporary waivers and alternative requirements for the Housing Choice Voucher Program.
- HOC adopted many of the waivers without board approval in accordance with the waiver flexibility authorized in PIH Notice 2020-05.
- Any informally adopted revision must be adopted by the Board of Commissioners by July 31, 2020. Staff recommends that the Commission approve the temporary modifications to the Administrative Plan as outlined on the attached Exhibit A and resolution.



Assistance, including special programs such as Mainstream, Family Unification Program (FUP) and Veterans Administration Supportive Housing (VASH).

The use of the waivers are temporary and at the discretion of the Public Housing Authority (PHA). The PHA may adopt all or some of the approved waivers. Recognizing the urgency to meet operational challenges and keep families housed, the notice allows the PHA to revise the administrative plan on a temporary basis, without approval from the Board of Commissioners. However, any informally adopted revision must be adopted by July 31, 2020.

Effective April 20, 2020, HOC chose to adopt some of the available waivers as outlined on the attached exhibit. The waivers affect chapters 4, 6, 7, 8, 9, 10, 12, and 21 of the Administrative Plan. The short term waivers will expire on July 31, 2020 and the long term waivers will expire on December 31, 2020. The adopted waivers streamline the daily program operations and lessen direct customer contact, thus reducing the chance of virus transmission. The modified operations help to ensure the safety and wellbeing of our customers and staff. Additionally, they allow flexibility to both tenants and landlords, as retention of both groups is essential to program operations.

---

**ISSUES FOR CONSIDERATION:**

Does the Housing Opportunities Commission of Montgomery County wish to accept the recommendation of the Legislative and Regulatory Committee to adopt the temporary changes to the Administrative Plan and authorize the Executive Director, or his designee, to implement the revisions to the Administrative Plan for the Housing Choice Voucher Program?

---

**PRINCIPALS:**

Housing Resources Division

---

**BUDGET IMPACT:**

None

---

**TIME FRAME:**

The Legislative and Regulatory Committee reviewed this item at its meeting on June 29, 2020. For Commission action on July 1, 2020.

---

**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Housing Opportunities Commission of Montgomery County accept the recommendation of the Legislative and Regulatory Committee to adopt the revisions to HOC's Administrative Plan in response to COVID-19 and in accordance with PIH Notice 2020-05, and authorize the Executive Director, or his designee, to implement the revisions to the Administrative Plan for the Housing Choice Voucher Program ("Administrative Plan").

**RESOLUTION NO.: 20-57**

**RE: Revision of HOC’s Administrative Plan for the Housing Choice Voucher Program to Add Temporary Changes in Response to COVID-19 Pursuant to HUD PIH Notice 2020-05**

**WHEREAS**, in response to COVID 19, the U.S. Department of Housing and Urban Development issued Notice PIH 2020-05 (the “Notice”) on April 10, 2020 that established temporary waivers and alternative requirements for the Housing Choice Voucher Program;

**WHEREAS**, the Notice allowed a housing authority to adopt waivers and temporarily revise its administrative plan without board approval, provided that any informally adopted revisions are approved by its board no later than July 31, 2020;

**WHEREAS**, pursuant to the Notice, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) informally adopted many of the waivers in the Notice, and the Commission now desires to formally revise its Administrative Plan for the Housing Choice Voucher Program (the “Plan”) to add the temporary waivers; and

**WHEREAS**, the recommended revisions to the Plan are outlined in the attached Exhibit A.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County adopts the revisions to the Plan as identified in the attached Exhibit A.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is hereby authorized and directed, without any further action on its part, to take any and all other actions necessary and proper to carry out the actions contemplated herein.

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 1,2020.

S  
E  
A  
L

---

**Patrice M. Birdsong**  
**Special Assistant to the Commission**

## EXHIBIT A

### Summary of HCV Waivers and Alternative Requirements

This chart summarizes the waivers authorized under PIH Notice 2020-05 and the availability period for each.

Item	Statutory and regulatory waivers	Summary of alternative requirements	Availability Period Ends	Did PHA implement waiver and alternative requirement?	Date of PHA adoption
PH and HCV-1 PHA 5-Year and Annual Plan	Statutory Authority	Alternative dates for submission Changes to significant amendment process	Varies based on FYE 7/31/20	NO	
	Section 5A(a)(1), Section 5A(b)(1), Section 5A(g), Section 5A(h)				
PH and HCV-2 Family income and composition – delayed annual reexaminations	Regulatory Authority	Permits the PHA to delay the annual reexamination of income and family composition HCV PHAs must implement HCV-7 for impacted families if they implement this waiver	12/31/20	YES	4/20/20
	§ 903.5(a)(3), 903.5(b)(3), 903.21				
PH and HCV-3 Annual	Statutory Authority	Waives the requirements to use the income	7/31/20	YES	4/20/20
	Section 3(a)(1)				
	Regulatory Authority				
	§ 982.516(a)(1), § 960.257(a)				
	§ 5.233(a)(2)				

Item	Statutory and regulatory waivers	Summary of alternative requirements	Availability Period Ends	Did PHA implement waiver and alternative requirement?	Date of PHA adoption
reexamination Income Verification	<u>Sub-regulatory Guidance</u> PIH Notice 2018-18	hierarchy, including the use of EIV, and will allow PHAs to consider self-certification as the highest form of income verification PHAs that implement this waiver will be responsible for addressing material income discrepancies that may arise later		YES	4/20/20
PH and HCV-4 Interim reexaminations	<u>Statutory Authority</u> Section 3(a)(1) <u>Regulatory Authority</u> § 5.233(a)(2), 982.516(c)(2), 960.257(b) and (d) <u>Sub-regulatory Guidance</u> PIH Notice 2018-18	Waives the requirement to use the income verification requirements, including the use of EIV, for interim reexaminations	7/31/20	YES	4/20/20
PH and HCV-5 EIV System Monitoring	<u>Regulatory Authority</u> § 5.233 <u>Sub-regulatory Guidance</u>	Waives the mandatory EIV monitoring requirements.	7/31/20	YES	4/20/20

Item	Statutory and regulatory waivers	Summary of alternative requirements	Availability Period Ends	Did PHA implement waiver and alternative requirement?	Date of PHA adoption
	PIH Notice 2018-18				
PH and HCV-6 FSS Contract of Participation	Regulatory Authority § 984.303(d)	Provides for extensions to FSS contract of participation	12/31/20	YES	4/20/20
	Regulatory Authority § 982.206(a)(2) PIH Notice 2012-34				
PH and HCV-7 Waiting List	Regulatory Authority § 982.206(a)(2) PIH Notice 2012-34	Waives public notice requirements for opening and closing waiting list Requires alternative process	7/31/20	NO	
HQS-1 Initial inspection	Statutory Authority Section 8(o)(8)(A)(i), Section 8(o)(8)(C) Regulatory Authority § 982.305(a), 982.305(b), 982.405	Changes initial inspection requirements, allowing for owner certification that there are no life- threatening deficiencies Where self-certification was used, PHA must inspect the unit no later than October 31, 2020.	7/31/20	YES	4/20/20
			10/31/20		
HQS-2: PBV Pre-HAP Contract Inspections, PHA acceptance of completed units	Statutory Authority: Section 8(o)(8)(A) Regulatory Authority: §§ 983.301(b), 983.156(a)(1)	Changes inspection requirements, allowing for owner certification that there are no life- threatening deficiencies Where self-certification was used, PHA must inspect the unit no later than October 31, 2020.	7/31/20	YES	4/20/20
			10/31/20		



Item	Statutory and regulatory waivers	Summary of alternative requirements	Availability Period Ends	Did PHA implement waiver and alternative requirement?	Date of PHA adoption
HQS-3 Non-Life Threatening HQS - Initial Unit Approval	Statutory Authority	Allows for extension of up to 30 days for owner repairs of non-life threatening conditions	7/31/20	YES	4/20/20
	Section 8(o)(8)(A)(ii)				
	Regulatory Authority HOTMA HCV Federal Register Notice January 18, 2017				
HQS-4 Initial HQS - Alternative Inspections	Statutory Authority	Under Initial HQS Alternative Inspection Option - allows for commencement of assistance payments based on owner certification there are no life-threatening deficiencies  Where self-certification was used, PHA must inspect the unit no later than October 31, 2020.	7/31/20	YES	4/20/20
	Section 8(o)(8)(A)(iii)				
	Regulatory Authority HOTMA HCV Federal Register Notice January 18, 2017				
HQS-5 Biennia Inspections	Statutory Authority	Allows for delay in biennial inspections All delayed biennial inspections must be completed as soon as reasonably possible but	10/31/20	NO	
	Section 8(o)(D)				
	Regulatory Authority §§ 982.405(a), 983.103(d)				

Item	Statutory and regulatory waivers	Summary of alternative requirements	Availability Period Ends	Did PHA implement waiver and alternative requirement?	Date of PHA adoption
		by no later than October 31, 2020.			
HQS-6 Interim Inspections	Statutory Authority	<p>Waives the requirement for the PHA to conduct interim inspection and requires alternative method</p> <p>Allows for repairs to be verified by alternative methods</p>	7/31/20	YES	4/20/20
	Section 8(o)(8)(F)				
	Regulatory Authority §§ 982.405(g), § 983.103(e)				
HQS-7 PBV Turnover Inspections	Regulatory Authority	<p>Allows for PBV turnover units to be filled based on owner certification there are no life-threatening deficiencies</p> <p>Allows for delayed full HQS inspection</p>	7/31/20	YES	4/20/20
	§ 983.103(c)		10/31/20		
HQS-8: PBV	Statutory Authority	<p>Allows for PBV units to be added or substituted in the HAP contract based on owner certification there are no life-threatening deficiencies</p> <p>Allows for delayed full HQS inspection</p>	7/31/20	YES	4/20/20
HAP Contract –	Section 8(o)(8)(A)				
HQS	Regulatory Authority				
Inspections to	§§ 983.207(a), 983.207(b)				
Add or					
Substitute Units					
			10/31/20		

Item	Statutory and regulatory waivers	Summary of alternative requirements	Availability Period Ends	Did PHA implement waiver and alternative requirement?	Date of PHA adoption
HQS-9 HQS QC Inspections	Regulatory Authority	Provides for a suspension of the requirement for QC sampling inspections	10/31/20	YES	4/20/20
	§ 982.405(b)				
HQS--10 HQS Space and Security	Regulatory Authority	Waives the requirement that each dwelling unit have at least 1 bedroom or living/sleeping room for each 2 persons.	Remains in effect one year from lease term or date of notice, whichever is longer	NO	
	§ 982.401(d)				
HQS-11 Homeownership HQS	Statutory Authority	Waives the requirement to perform an initial HQS inspection in order to begin making homeownership assistance payments Requires family to obtain independent professional inspection	7/31/20	YES	4/20/20
	Section 8(o)(8)(A)(i), Section 8(y)(3)(B)				
	Regulatory Authority § 982.631(a)				
HCV-1 Administrative Plan	Regulatory Authority	Waives the requirement to adopt revisions to the admin plan	7/31/20	YES	4/20/20
	§ 982.54 (a)				
HCV-2 PHA Oral Briefing	Regulatory Authority	Waives the requirement for an oral briefing Provides for alternative methods to conduct required voucher briefing	7/31/20	YES	4/20/20
	§ 982.301(a)(3) § 983.252(a)				

<b>Item</b>	<b>Statutory and regulatory waivers</b>	<b>Summary of alternative requirements</b>	<b>Availability Period Ends</b>	<b>Did PHA implement waiver and alternative requirement?</b>	<b>Date of PHA adoption</b>
HCV-3 Term of Voucher - Extensions of Term	Regulatory Authority § 982.303(b)(1)	Allows PHAs to provide voucher extensions regardless of current PHA policy	7/31/20	YES	4/20/20
HCV-4 PHA Approval of Assisted Tenancy	Regulatory Authority § 982.305(c)	Provides for HAP payments for contracts not executed within 60 days PHA must not pay HAP to owner until HAP contract is executed	7/31/20	YES	4/20/20
HCV-5 Absence from unit	Regulatory Authority § 982.312	Allows for PHA discretion on absences from units longer than 180 days PHAs must not make HAP payments beyond 12/31/20 for units vacant more than 180 consecutive days	12/31/20	YES	4/20/20
HCV-6 Automatic Termination of the HAP Contract	Regulatory Authority § 982.455	Allows PHA to extend the period of time after the last HAP payment is made before the HAP contract terminates automatically.	12/31/20	YES	4/20/20

Item	Statutory and regulatory waivers	Summary of alternative requirements	Availability Period Ends	Did PHA implement waiver and alternative requirement?	Date of PHA adoption
HCV-7 Increase in Payment Standard	Regulatory Authority	Provides PHAs with the option to increase the payment standard for the family at any time after the effective date of the increase, rather than waiting for the next regular reexamination to do so.	12/31/20	NO	
	§ 982.505(c)(4)				
HCV-8 Utility Allowance	Regulatory Authority	Provides for delay in updating utility allowance schedule	12/31/20	NO	
	§ 982.517				
HCV-9 Homeownership Counseling	Statutory Authority	Waives the requirement for the family to obtain pre-assistance counseling	7/31/20	YES	4/20/20
	Section 8(y)(1)(D)				
	Regulatory Authority § 982.630, 982.636(d)				
HCV-10 FUP	Statutory Authority	Allows PHAs to increase age to 26 for foster youth initial lease up	12/31/20	YES	4/20/20
	Section 8(x)(2)				
PH-1 Fiscal closeout of Capital Grant Funds	Regulatory Authority	Extension of deadlines for ADCC and AMCC	Varies by PHA		
	§ 905.322(b)				
PH-2 Total	Regulatory Authority	Waives the TDC and HCC limits permitting	Applies to development		
	§ 905.314(c)				

# New Business

**APPROVAL TO DRAW ON THE ORIGINAL PNC BANK, N.A. LINE OF CREDIT TO BRIDGE RECEIPT OF COUNTY LOAN FUNDS FOR THE RENOVATION OF BROOKE PARK APARTMENTS**

**July 1, 2020**

- Brooke Park Apartments was acquired in 2013, after Montgomery County DHCA (“DHCA”) exercised its Right of First Refusal and assigned the right to HOC to purchase Brooke Park Apartments to preserve affordable housing units in this location of the county that lacked affordable housing and risked demolition and redevelopment as luxury townhomes for the affluent, and the displacement of 18 low- and moderate-income families.
- DHCA approved and funded a \$5,200,000 HIF loan in 2013 to fund acquisition, entitlement, and some initial development costs.
- On April 9, 2020, HOC received letter of commitment from DHCA for to fund the remaining \$3,747,829 needed to complete the renovation through a combination of HOME, HIF, and potentially energy-efficiency improvement related funding sources.
- Staff anticipated closing the new loan within 30-60 days from the date of the commitment letter; however, the loan has not yet closed and is not expected to close until late July-August 2020 to allow DHCA to complete regulatory processes required for use of Federal HOME funds.
- Through the end of August 2020, construction and related activities will incur \$1.8 million additional costs.
- To avoid any interruption in construction activities, staff requests the Commission’s authorization to draw up to \$1.8 million from the PNC Bank, N.A. Line of Credit to bridge receipt of County loan funds.

## M E M O R A N D U M

**TO:** Housing Opportunities Commission

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Division: Real Estate  
Staff: Kayrine Brown, Chief Investment and Real Estate Officer Ext. 9589  
Zachary Marks, Director of Development Ext. 9613  
Gio Kaviladze, Senior Financial Analyst Ext. 9667

**RE:** Approval to Draw on the Original PNC Bank, N.A. Line of Credit to Bridge Receipt of County Loan Funds for the Renovation of Brooke Park Apartments

**DATE:** July 1, 2020

---

**STATUS:** Consent:  New Business  Status Report  Future Action

---

**OVERALL GOAL & OBJECTIVE:**

To obtain approval from the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) to draw up to \$1.8 million on the PNC Bank, N.A. Line of Credit (“PNC LOC”) to bridge receipt of County loan funds for the renovation of Brooke Park Apartments.

---

**BACKGROUND:**

In 2013 DHCA exercised its Right of First Refusal and assigned the right to HOC to purchase Brooke Park Apartments. At the time of acquisition, the property was entitled for redevelopment to 10 luxury townhome units. HOC had to undergo a lengthy and costly entitlement process of amending the preliminary plan and revising the plat to obtain approval to revert to the 17 apartment units at the site. Project entitlement process was completed in 2019 and as a result, all 17 units are required to be MPDUs with rents levels at or below 65% of the Washington-Arlington-Alexandria, D.C.-Va.-Md.-W.Va. Metropolitan Statistical Area Median Income (“AMI”).

The total project cost, including costs of acquisition, entitlement, and renovation, is \$9,004,390. DHCA provided a \$5,200,000 HIF loan in 2013 to fund acquisition, entitlement, and some initial development costs. On April 9, 2020, HOC received letter of commitment from DHCA for to fund the remaining \$3,747,829 needed to complete the renovation through a combination of HOME, HIF, and potentially energy-efficiency improvement related funding sources.

On-site renovation activities started in December 2019. The initial limited “Early Start” scope of work was funded from the remaining balance of the original 2013 HIF loan. The “Early Start” scope of work was completed in April 2020. Upon the receipt of the commitment letter from DHCA for the additional funding, and to avoid costly interruption of construction activities, on April 10, 2020 HOC issued the notice to proceed for the full scope of the renovation to the general contractor. At the time, staff anticipated working with DHCA to close the new loan within 30-60 days from the date of the commitment letter. However, the loan has not yet closed because DHCA is required to complete



environmental review requirements for federally funded loans. Consequently, the new loan is not expected to close until the end of July 2020 at the earliest.

Pending the approval of the retaining wall permit, the general contractor is expected to start significant site-work activity in the beginning of July 2020. This activity will include excavation, grading and construction of all storm water structures, retaining wall, pedestrian bridge from the parking area to accessible units, curbs/gutters, dumpster pad, and installation of site lighting. With the commencement of site-related construction activity, projected payment application amounts for July and August 2020 are expected to increase substantially from the previous months' levels. Based on the projections supplied by the general contractor, staff expects the project to incur up to \$1.8 million in construction and related costs through the end of August 2020:

Projected Construction Payment Applications through 08/31/2020	\$1,492,067
Approved and Anticipated Construction Change Orders	\$203,566
Other Costs Related to the Construction	\$101,753
<b>Total Estimated Funding Needed through 08/31/2020</b>	<b>\$1,797,386</b>

Without funding, HOC must issue a work stoppage order; therefore, to avoid any interruption in construction activities, which would not only delay the completion of the renovation but would also incur substantial additional costs, staff requests the Commission's authorization to draw up to \$1.8 million from the LOC to bridge receipt of County loan funds.

The PNC LOC current has an unobligated balance of about \$6.8 million. HOC would repay the line of credit as soon as the County financing is in place.

---

**ISSUES FOR CONSIDERATION:**

Does the Commission wish to authorize staff to draw up to \$1.8 million on the original PNC LOC to bridge receipt of County loan funds for the renovation of Brooke Park Apartments? Draws on the PNC LOC may be at a tax-exempt or taxable rate and staff proposes a taxable draw at the 30-day London Interbank Offered Rate ("LIBOR") plus 90 basis points. The interest cost will be borne by the Brooke Park property and paid either from the development budget.

---

**BUDGET/FISCAL IMPACT:**

There is no impact for the Commission's FY2020 operating budget or the FY2021 adopted budget. The PNC LOC interest cost to the General Fund will be reimbursed from the development budget.

---

**TIME FRAME:**

Action at the July 1, 2020 meeting of the Commission.

---

**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Commission authorize staff to draw up to \$1.8 million on original PNC LOC to bridge receipt of County loan funds for the renovation of Brooke Park Apartments.

Funds drawn are projected to be outstanding for approximately three months; however, staff requests approval for a term of six months with repayment from proceeds of the DHCA loan for the renovation of the property.

Staff further recommends approval to borrow funds at the taxable 30-day LIBOR plus 90 basis points while outstanding and that repayment will be from the development budget for Brooke Park.

**RESOLUTION No: 20-58**

**RE: Approval to Draw on the Original PNC Bank, N.A. Line of Credit to Bridge Receipt of County Loan Funds for the Renovation of Brooke Park Apartments**

**WHEREAS**, in 2013 the Montgomery County Department of Housing and Community Affairs (“DHCA”) exercised its right of first refusal and assigned the right to the Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”) to purchase Brooke Park Apartments (“the Property”) to preserve affordable housing units in this location of the county that lacked affordable housing and risked demolition and redevelopment as luxury townhomes for the affluent, and the displacement of 18 low- and moderate-income families; and

**WHEREAS**, DHCA approved and funded an acquisition and development loan of \$5,200,000 at the time of the acquisition and committed to provide additional funding as needed to complete the renovation; and

**WHEREAS**, in April 2020, DHCA provided a commitment letter to fund the net funding need of \$3,747,829 through a combination of HOME, HIF, and, potentially, energy-efficiency improvement related funding sources; and

**WHEREAS**, the new loan is not expected to close until August 2020 to allow DHCA to complete regulatory processes required for use of Federal HOME funds; and

**WHEREAS**, renovation activities, funded by the remaining balance of the original HIF loan, started in December 2019 and an interruption of construction activities would delay the completion of the renovation and would incur substantial additional costs to complete the renovation; and

**WHEREAS**, based on the projections supplied by the general contractor, staff expects the project to incur up to \$1.8 million in construction and related costs through the end of August 2020; and

**WHEREAS**, without funding, HOC must issue a work stoppage order; and

**WHEREAS**, bridge financing through August 2020 from the PNC Bank, N.A. Line of Credit would prevent interruption of construction and related activities; and

**WHEREAS**, the Commission may make draws on the PNC Bank, N.A. Line of Credit at a taxable rate equal to London Interbank Offered Rate (“LIBOR”) (at 1-month, 3-month, 6-month, or 12-month LIBOR) plus 90 basis points.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to draw up to \$1.8 million on the Original PNC Bank, N.A. Line of Credit at a taxable rate of one-month LIBOR plus 90 basis points to bridge receipt of County loan funds for the renovation of Brooke Park Apartments, to be repaid, including cost of interest, from the proceeds of County loan funds, and that this draw shall have a due date of six months from the date of the first draw.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County

that the Executive Director, or his designee, is authorized and directed, without further action on its part, to take any and all other actions necessary and proper to carry out the transactions contemplated herein including, without limitation, the negotiation and execution of related documents.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on July 1, 2020.

S  
E  
A  
L

---

Patrice M. Birdsong  
Special Assistant to the Commission

Adjourn

# Administrative Session