



EXPANDED AGENDA

October 6, 2021

YouTube Link: <https://youtu.be/bz5wpds1SH8>

In order to continue to implement recommended social distancing guidelines, HOC will conduct its meetings via an online platform and teleconference call until further notice

		Res #
4:00 p.m. 4	I. <u>INFORMATION EXCHANGE</u> A. Community Forum B. Report of the Acting Executive Director C. Commissioner Exchange	
4:30 p.m. Page 13 Page 39 Page 41	II. <u>APPROVAL OF MINUTES</u> A. Approval of Minutes of September 1, 2021 B. Approval of Minutes of September 1, 2021 Closed Session C. Approval of Minutes of September 15, 2021 Special Session D. Approval of Minutes of September 15, 2021 Closed Special Session E. Approval of Minutes of September 23, 2021 Special Session F. Approval of Minutes of September 23, 2021 Closed Special Session	
4:35 p.m. Page 44	III. <u>CLOSED AND SPECIAL SESSION RATIFICATION</u> A. Housing Opportunities Commission (HOC): Ratification of Action taken in Closed Special Session held on September 23, 2021 – Approval to Accept Two Lines of Credit from PNC Bank, N.A.	21-90ASR (pg. 45)
Page 47	IV. <u>CONSENT</u> A. Approval to Amend the Housing Opportunities Commission’s Written Minutes Dated October 15, 2019	21-91 (pg. 48)
4:40 p.m.	V. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>	
Page 68	A. Budget, Finance and Audit Committee – Com. Nelson, Chair 1. Fiscal Year 2021 Fourth Quarter Budget to Actual Statements: Approval of the Fourth Quarter Fiscal Year 2021 Budget to Actual Statements	21-92 (pg. 79)
4:45 p.m. Page 80	2. Fiscal Year 2022 First Quarter Budget Amendment: Approval of the Fiscal Year 2022 First Quarter Budget Amendment	21-93 (pg. 85)
4:55 p.m. Page 88	3. Uncollectible Tenant Accounts Receivable: Authorization to Request Write-Off Uncollectible Tenant Accounts Receivable (April 1, 2021 – June 30, 2021)	21-94 (pg. 93)
5:05 p.m. Page 94	4. Addition of Third Signer to HOC Bank Accounts: Request to Authorize the Addition of the Human Resources Director as a Third Signer to HOC’s Bank Accounts	21-95 (pg. 97)

5:10 p.m. Page 99	B. Development and Finance Committee – Com. Simon, Chair	
	1. Georgian Court: Approval of the Financing Plan, Feasibility and Public Purpose; Authorization to Issue Loans at HOC at Georgian Court, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan	21-96 (pg. 115)
5:25 p.m. Page 118	2. Shady Grove: Approval of the Financing Plan, Feasibility and Public Purpose; Authorization to Issue Loans at HOC at Shady Grove, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan	21-97 (pg. 134)
5:35 p.m. Page 137	3. Approval of a Bond Authorizing Resolution Amending and Restating in its Entirety the Bond Authorizing Resolution for Willow Manor Properties to Incorporate the Approval of the Issuance of Bonds to Provide Financing for Georgian Court and Shady Grove Apartments	21-98 (pg. 142)
5:45 p.m. Page 149	4. Upton II: Approval to Remove Cap of \$6.5MM and Restore the Maximum Bridge Loan of \$12MM Approved from Draws on the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) for the Upton II Financing	21-99 (pg. 153)
6:05 p.m. Page 156	VI. <u>ITEMS REQUIRING DELIBRATION and/or ACTION</u>	
	1. 4527 Avondale Street: Authorization for the Acting Executive Director to Enter into a Non-binding Letter of Intent for the Disposition of 4527 Avondale to National Center for Children and Families (NCCF)	21-100 (pg. 167)
6:15 p.m. Page 170	<u>CLOSING STATEMENT</u>	
6:20 p.m.	<u>ADJOURN</u>	
6:30 p.m.	<u>CLOSED SESSION</u> <i>A closed session will be called to order pursuant to Sections 3-305(b)(3) and 3-305(b)(13) of the General Provisions Article of the Annotated Code of Maryland</i>	
	<u>ADJOURN</u>	

NOTES:

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

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

INFORMATION EXCHANGE

Update on Emergency Rental Assistance Funding

The Acting Executive Director and several members of the HOC leadership team met with Montgomery County's Director of Health and Human Services, Dr. Raymond Crowel on September 28, 2021, to discuss ideas and offer assistance to increase the County's rate of distribution of Emergency Rental Assistance Program funds to residents. On this call, the Acting Executive Director extended HOC's expertise in and familiarity with the certification of residents, resident outreach, and the navigation of programs designed to support those in housing distress. She also offered suggested best practices from other counties to effectively eliminate resident responsiveness as a processing issue (as it appears to be a meaningful source of application denial in Montgomery County).

The Acting Executive Director also outlined a specific proposal: in exchange for a full commitment to HOC (and other non-profits) for its stipulated qualifying arrearage, HOC would accept compliance risk, remediation responsibility, and certification burden. Director Crowel expressed interest in continuing to discuss such an arrangement. He also noted DHHS' own current consideration of letters of commitment and advanced funding as potential expedited funding vehicles. The director noted that DHHS was likely to impose an initial 50% disbursement limit for any applicant through those vehicles. He also added that the executive branch intends to continue to prioritize funding households at or below 50% AMI.

The Acting Executive Director suggested that the County reconsider such a threshold as it left out the County's two most common classifications of affordable housing – Low Income Housing Tax Credit (LIHTC) units and Moderately Priced Dwelling Units (MPDU). She also noted that placing the cut-off at 50% AMI unnecessarily missed an income qualification economy, where setting the limit at the MPDU level would allow DHHS to do simple file checks already on hand in many cases rather than having to parse LIHTC- and MPDU-qualifying households. The group agreed to look at the percentage of HOC's arrears that would be covered at incremental AMI thresholds (i.e., 50% AMI, 60% AMI, 70% AMI, and 80% AMI) and revisit the issue, with the idea that knowledge of the percentage of arrearage covered for each incremental increase will allow for more informed DHHS decisions around commitment levels.

October is Cybersecurity Awareness Month

October marks “Cybersecurity Awareness Month.” In 2004, the National Cyber Security Alliance and the U.S. Department of Homeland Security (DHS) launched this initiative to help all Americans perform activities online more safely and securely. Cyber attackers exploit system vulnerabilities to launch different types of attacks, such as malware infection, hacking, ransomware, etc. Unfortunately, even everyday computer users can unknowingly aid cyber attackers in accessing their companies’ systems. As cybersecurity awareness education is a way to mitigate this risk, and given the increased migration of daily work interactions and transactions to online platforms, IT and Compliance evaluated, selected and are in the process of acquiring a cybersecurity

training platform called “KnowBe4” for the agency. Other training platforms evaluated were Mimecast and Stormwind Studios.

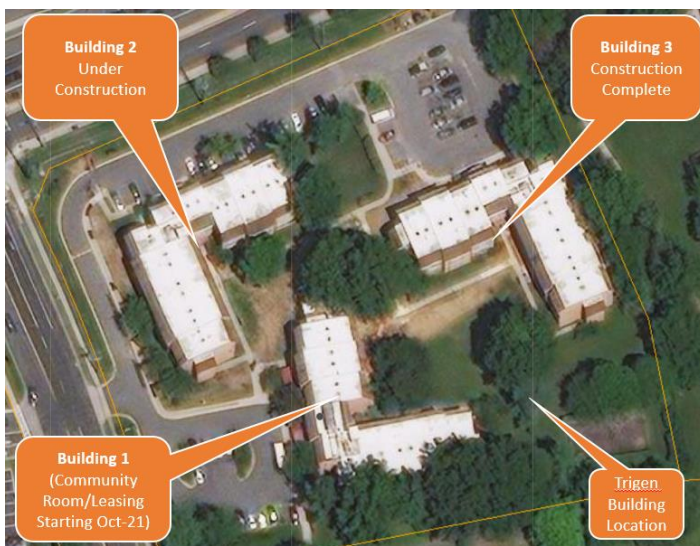
IT has implemented authentication protocols for the agency e-mail system as an added layer of information security. IT also launched a phishing campaign for HOC staff; phishing involves sending e-mail messages that appear to be sent from reputable sources to trick users into revealing personal or company information, such as passwords or credit card numbers. The information revealed is then used by the cyber attackers to access user accounts and/or company systems. The results of the phishing campaign will be used to develop plans for cybersecurity awareness training for staff.

Family Self Sufficiency (FSS) Continues Efforts to Bolster Customers’ Financial Health

In partnership with HOC FSS staff, the Emmanuel Brinklow Seventh Day Adventist Church conducted a virtual Financial Literacy workshop for HOC customers on September 21, 2021. Seventeen (17) customers and FSS participants attended the session on bankruptcy issues. This interactive workshop explored the consequences of filing for bankruptcy, the impact on homeownership opportunities, and the long-term effects on credit. The presenter also focused on the distinctions between secured and unsecured debt and provided tips and resources for making good financial choices.

On September 24, 2021, the FSS Coordinator attended a virtual FSS Roundtable meeting hosted by the District of Columbia Housing Authority (DCHA). FSS Coordinators within the MD/VA/DC area attended the meeting, which aims to connect FSS staff across the region to share information and best practices for FSS programs. Two guest speakers presented information on rent reporting and building credit specifically with a specific focus on housing authority customers. FSS Coordinators provided program updates and discussed programming successes and challenges during the COVID-19 pandemic. Most of the Coordinators reported maintaining pre-COVID enrollment numbers, but only two housing agencies – including HOC – reported steady growth in participants the last 12 months.

Renovation and Improvements Continue at Bauer Park



Bauer Park is a 142-unit senior garden community, located in Rockville and is currently under renovation. The project consists of the full renovation of the community including unit interiors, mechanical systems, the community room & leasing areas, common area amenities, and site landscaping. The RAD 2 conversion from Section 236 financing will allow for preservation of subsidy at the property, while allowing needed renovations to occur.

One of the most pioneering sustainable efforts at the community is the turnkey installation of a

combined heat and power system for the property located in the “Trigen Building” towards the rear of the site. Trigeneneration is the production of combined cooling, heat, and power from a single generator or process. The Trigen system produces electricity and useful heat which is utilized for hot water, space heating, as well as energy efficient cooling. At Bauer Park, this advanced & automated high-efficiency system consists of an EPA-certified natural gas fueled, low-emissions engine coupled to a generator that allows for remote monitoring and connection to existing utility services that will not only benefit operations at the property but provide energy savings for HOC’s residents. In the most basic terms, the system’s heat recovery equipment recovers all possible thermal energy which would have otherwise been “waste heat” back into the system in the form of useable thermal energy. Trigeneneration is an energy efficient method of power creation, offering around 30% reduction in greenhouse gas emissions compared with main grid power production.



Renovation to Building 3 has been completed, and work within Building 2 is underway (the property has three buildings). Work to the Community Room and Leasing Offices in Building 1 are scheduled to begin towards the end of October. The project is approximately 68% complete and slated for completion in Spring 2022.

Renovations to Brooke Park Complete

Renovations to the 17-unit Brooke Park community located in Bethesda, MD, which was a preservation community under the County’s Right of First Refusal (ROFR) ordinance have been completed and staff is in the process of leasing the units for occupancy. The development was funded with County Housing Initiative Funds and HOME funds totaling \$3.8 million (excluding acquisition cost).



Agency Closes on Lease for Garnkirk Farms Community

On September 17, 2021, the Commission formally closed on the long-term 99-year Ground Lease with the Duffie Companies for Garnkirk Farms Apartments. Located at Shawnee Lane and Observation Drive in Clarksburg, Garnkirk Farms Apartments is a fully entitled, 184-unit, wood frame apartment community wrapped around a 254-unit structured parking deck. The apartment community is the final phase of the Duffie-



developed Garnkirk Farms master-planned community consisting otherwise of 18 single-family detached units and 190 townhouses. As designed, the property is approximately 50% one-bedroom and 50% two-bedroom units. Market rate rents supported by a recent market study are approximately equivalent to 75% AMI. The project will offer garden-style units within a four-story, elevator-served building. The project is fully entitled with an approved site plan and stormwater management concept. Staff will work with Duffie over the course of 2022 through the design, entitlement and permitting process for an anticipated construction financing closing in 2023, which will address both sustainability and accessibility design elements where possible.

Voucher Selection and Emergency Housing Voucher Update

HOC has received 28 referrals from the Department of Health and Human Services (DHHS) for the Emergency Housing Voucher (EHV) Program thus far. To date, 16 families have been determined eligible for program participation, two families were denied, and ten families are currently in review. HOC will conduct an orientation on October 7, 2021, and issue vouchers to all eligible families. DHHS experienced challenges in obtaining the certification materials from the EHV family referrals but committed to submitting and additional 50 certification packets to HOC by October 15, 2021. Staff continues to meet with DHHS regularly and will do so until the 118 allocated vouchers are fully utilized. The next scheduled meeting is on October 4, 2021.

Staff selected 400 applicants from the Housing Path Waitlist in the month of August. Increasing the program utilization rate remains a priority until a minimum occupancy rate of 95% is achieved. Activity from the month of August is as follows:

- 130 vouchers issued to new families
- Total of 339 families with issued vouchers are seeking units to rent
- 107 Families submitted Request for Tenancy Approval (“RFTA”) Forms, pending an inspection
- 55 new admissions processed

Staff solicited assistance from all HOC departments to assist with the leasing efforts. The Property Management division provided a listing of available units to rent, that will be provided to eligible customers at the voucher

orientation meetings. Additionally, staff from the Compliance division have agreed to assist with granting move-in approvals.

Yardi Voyager PHA Module Upgrade

Information Technology division (IT) staff completed an upgrade of the Yardi Voyager PHA module, which is used for Housing Choice Voucher program and financial management. To prepare for the upgrade, IT staff converted numerous critical correspondence pieces into a different program language format. IT also conducted rigorous testing of the new software, in conjunction with the Housing Resources, Property Management, Finance and Resident Services divisions, to prevent any potential disruptions to system operations and employee productivity upon installation. This upgrade has now enabled HOC to fully utilize the 118 Emergency Housing Vouchers (EHV) awarded to support families who are homeless, recently homeless, at risk of homelessness, fleeing domestic violence, sexual assault, stalking or human trafficking and transmit to the EHV HUD Public Housing Information Center (PIC) system. The updated software was installed successfully on September 24, 2021.

Resident Services - Service Coordination

The Service Coordination Unit provides assessment, counseling, information, referrals, and program services to HOC's customers. During the month of September 2021, staff continued to provide services primarily virtually due to the COVID-19 pandemic and the continued closure of HOC offices to the public. Resident Counselors continued to engage HOC's customers to determine their needs. During the month of September, customers were referred to our partners and received food and other assistance. Resident counselors continued to perform wellness checks with customers to ensure their safety and assess their needs.

During the month of September, HOC's customers also continued to receive referrals to Housing Stabilization, unemployment assistance, TCA, SNAP, MEAP, EARP and other benefit programs. Housing Stabilization staff continues to process a vast number of applications for rental assistance. Resident Counselors also continued to refer HOC's customers who are behind in their rent to county's COVID rental assistance program. Though resident counselors continued working remotely due to the COVID-19 pandemic, staff continues to come in as needed for emergencies and to assist with food distribution. Resident Counselors have also been in attendance at the HRD briefings to provide information on the services that Resident Services offer.

Highlights for September service coordination activities include:

- Hosting a workshop on, and assisting 136 customers in applying for, utility assistance through the Maryland Energy Assistance Program (MEAP) for customers at Forest Oak Towers;
- Participating in the bi-monthly meeting with the Cider Mill Tenant Association;
- Assisting HOC waitlist applicants with disabilities with updating their applications;
- Hosting virtual workshops for HOC's customers that cover housing fundamentals and resources sharing;
- Assisting HOC's customers with identifying resources to assist with rent delinquencies;
- Attending and participating in the RAD conversion meetings at Stewartown;
- Attending and participating in renovation meetings at Shady Grove Apartments;

- Processing applications for rental assistance under the Housing Stabilization Program; and
- Assisting with relocation efforts at Bauer park.

Resident Services - Programming

Resident Services staff continues to provide food resources and other supports with the help of Manna Food Center, Emmanuel Brinklow Seventh Day Adventist Church, Montgomery County Senior Nutrition Lunch Program, and the Capital Area Food Bank’s Senior Brown Bag and My Groceries To Go programs. In September, 400 HOC customers were provided food. Resident Services staff also continued to facilitate the Senior Nutrition Program. Although the county has resumed in-person congregate meals for the program, HOC will continue to deliver frozen meal boxes door-to-door for the safety and well-being of our customers.

Additionally, Resident Services staff are partnering with Montgomery County Senior Planet and Department of Environmental Protection to host a series of education workshops on a virtual platform to include energy savings workshops and computer classes on how to successfully connect to virtual platforms to participate in future HOC programs. The Senior Planet/Department of Environmental Protection’s virtual workshop series will be offered in English and Mandarin beginning November 2021. Workshops will be open to all HOC customers who are seniors. Resident Services also continues its collaboration with Montgomery County’s Primary Care Coalition (PCC) and Catholic Charities Dental Clinic that affords HOC participants 62 and older an opportunity to receive specialized dental treatment at no cost. The \$100,000 grant was awarded to PCC in 2019. Over the past four (4) months the program has been able to serve 11 older adults with dental services that include root canals, crowns, dentures, extractions, and more. A large percentage of participants reported that they have not be able to receive dental services in the past five years or more, and express gratitude for the opportunity to improve their overall wellbeing with this opportunity. HOC will continue to make referrals until funds are exhausted.

September programming highlights include:

- Hosting a pumpkin carving contest for families at Town Centre, Sandy Spring, Stewartown, Washington Square and Pond Ridge communities;
- Hosting a virtual workshop on renter’s insurance;
- Hosting a virtual workshop on renter’s insurance; and
- Providing customer assistance at the vaccination clinic held at Pooks Hill.

Resident Services - HOC Academy

HOC Academy will host two Social Work Interns from the University of Maryland Baltimore County this fiscal year. The interns will be instrumental in assisting HOC with administering Adult Education Workforce Development (AEWD) community needs assessments and the youth STEM advisory group. Both initiatives will help HOCA to collaboratively create new youth and adult programs within Resident Services. One intern will be working specifically with Tuition Assistance participants to review their education and career goals and assist them with establishing action steps that will be tracked throughout the course of their participation with HOCA. Housing Opportunities Community Partners (HOCP) has been awarded a \$15,000 grant small business development grant through the Montgomery County Economic Development Corporation. This grant, along with additional funds awarded to HOC Academy through HOCP, will assist in creating small business

development opportunities for HOC's customers. The funding will be utilized to have ALSTNTEC, LLC provide four Small Business Strategy Courses this fiscal year that will enroll approximately 40 HOC customers.

Youth Enrichment

HOC Academy wrapped up summer camp activities by sending out promised incentives (3D printers, Science Kits, and more) for participants with 100% program attendance. Additionally, t-shirts, gift cards, and other items were sent to all registered participants that attended at least 75% of camp days.

HOC Academy hosted its first information session for HOC households interested in HOC's College Success Program on September 30, 2021. Sixteen (16) households participated in the information session and another three (3) households contacted The Academy the following day noting a scheduling conflict. Along with First Generation College Bound (FGCB) staff, FGCB Alumni Delegate Alonzo Washington attended and provided first-hand experience of the impact of FGCB on his journey through high school and throughout his college and career. He currently serves in the Maryland House of Delegates, District 22, Prince George's County. Families are excited and encouraged about this relatively new resource in Montgomery County for HOC's participants. Families had an opportunity during the session to register for HOC and FGCB programs and services, including the first College Admissions workshop scheduled for October 5, 2021.

This program will connect approximately 30 high school juniors and seniors to First Generation College Bound for one-on-one student mentoring and parent coaching on the college admission process. This partnership will afford HOC access to data that would help Resident Services and the agency to track long-term progress of our youth and families, as FGCB tracks all participants from high school through post-secondary education.

Adult Education and Workforce Development

On Saturday, September 11th, HOC Academy staff completed its final week of the Small Business Strategy Course for Cohort Four. The course was conducted by ALSTNTEC LLC. A total of 12 HOC participants were selected through a rigorous application process. Fifty percent of the class completed all 10 sessions including the required final presentation. Fifty percent of the class was recommended for further mentoring and business legalization, which ALSTNTEC will conduct over the next three months starting in October 2021. A total of five (5) participants will legalize their business within the next three to six months. Six (6) students received a four-hour web development class, at no cost, for their performance in the class. This is a way for HOC and ALSTNTEC to further support and encourage students to continue with the launch of their business. The web class will be conducted in October 2021.

ALSTNTEC provided a final report, detailing each student's participation in the course and recommendations for how to support these students moving forward. HOC Academy staff will review the recommendations and work with ALSTNTEC to provide further assistance to the students. AEWD is now planning for Cohort Five and Six, which will launch in October 2021. HOC Academy is also actively recruiting for the Section 3 employment opportunity with Costello Construction. The team has submitted two HOC customers as viable candidates for the open positions.

Resident Services - Financial Literacy

The Financial Literacy Coach continued to work with HOC customers and individuals on the Housing Path waitlist on creating a financial foundation. During the month of September, the Financial Literacy Coach provided one-on-one financial literacy coaching to nine (9) HOC customers and four (4) individuals from the Housing Path waitlist. The coaching sessions covered topics including: creating a working budget; identifying disposable income; reading one's credit report; and, creating and accomplishing monthly financial goals. Additionally, a virtual workshop covering budgeting and credit repair was held. Five (5) individuals participated in the workshop.

Resident Services - Supportive Housing

The Supportive Housing Program provides housing assistance and case management services to 230 participants who are formerly homeless and have disabilities. The program services some of the most vulnerable residents of the county. In September program staff continued to resume home visits with program participants. Program staff continue to wear the appropriate personal protective equipment and maintaining distancing. Since the beginning of the pandemic 14 participants have unfortunately passed away. As a result, the program has brought in new participants with varying challenges. Additionally, five program participants are being referred to receive the emergency vouchers that have been issued to HOC by HUD.

During the month of September, program staff worked on the submission of grant renewal applications. The Supportive Housing Program is funded by the HUD McKinney Grants. The grant renewal is a competitive process and the program is also currently being evaluated on the accuracy and timeliness of collecting program data.

Resident Services - Fatherhood Initiative

The Fatherhood Initiative is a national program funded by the U.S. Department of Health and Human Services. HOC is the first and only housing agency to be awarded a grant under the Fatherhood Initiative. HOC completed its first five-year grant as a best practice model. HOC was awarded a second five-year grant and began enrolling new fathers in May 2021. The program provides parenting education, case management services, financial assistance for educational classes and training, and participation incentives. In September 2021, the program continued to serve the 32 fathers that were enrolled in August 2021. The first year of the new grant period (five years) ended on September 30th. The total number of fathers enrolled for the year is 190. The enrollment target for year one of the grant is 180. The program has exceeded its enrollment target for the year.

HOC's Fatherhood Initiative also continued its participation in the Strengthening the Implementation of Responsible Fatherhood Programs (SIRF) Study. The study will work closely with the program to identify and overcome the challenges the program may face along the lines of case management. The study also identifies challenges, helps implement possible solutions, examine those effects on the program, and make adjustments when needed. The SIRF study will produce usable, broadly applicable lessons to inform emerging best practices in recruiting, engaging, and retaining fatherhood participants, as well as methods for implementing rapid cycle evaluations within Responsible Fatherhood programs. During the month of September Fatherhood Initiative staff worked to bring on new staff to implement the SIRF study.

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

September 1, 2021

21-08

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted via an online platform and teleconference on Wednesday, September 1, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:02 p.m. Those in attendance were:

Present via Teleconference

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

Also Attending via Teleconference

Kayrine Brown, Acting Executive Director
Heather Grendez
Timothy Goetzinger
Charnita Jackson
Christina Autin
Hyunsuk Choi
Kathryn Hollister
Marcus Ervin
Olutomi Adebo
Victoria Dixon
Bonnie Hodge
Jay Shepherd
Zachary Marks

Aisha Memon, General Counsel
Cornelia Kent
Fred Swan
Paul Vinciguerra
Matt Husman
Darcel Cox
Lynn Hayes
Jennifer Arrington
Eugenia Pascual
Jay Berkowitz
Nathan Bovelie
Claire Kim
Ian-Terrell Hawkins

IT Support

Aries Cruz

Guest

Toby Emmerson
Rian Adamian

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

Chair Priest opened the meeting welcoming all to the monthly meeting. There was a roll call of Commissioners participating.

I. **Information Exchange**

Community Forum

- Toby Emmerson – Addressed the Board regarding flooding to his property.
- Rian Adamian – Addressed the Board regarding the sale of Westwood Towers/Bethesda African Cemetery Coalition

Executive Director’s Report

- Kayrine Brown, Acting Executive Director, provided an overview of the written report with respect of acknowledging activities of Resident Services and Mortgage Finance/Real Estate Development.

Commissioner Exchanged

- Vice Chair Kelleher provided update on the Executive Director search.

II. **Approval of Minutes** - The minutes were approved as submitted with a motion by Commissioner Byrd and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, Merkowicz, and Simon.

- A. **Approval of Minutes of July 7, 2021**
- B. **Approval of Minutes of July 28, 2021 Special Session**
- C. **Approval of Minutes of July 28, 2021 Closed Special Session**

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

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

- 1. **County Fiscal Year 2023-2028 (FY’23-28) Capital Improvements Program Budget:**
Authorization to Submit County FY’23-28 Capital Improvements Program Budget

Cornelia Kent, Chief Financial Officer, introduced Olutomi Adebo, Assistant Budget Officer, who was the presenter.

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

RESOLUTION NO.: 21-77

**Re: Authorization to Submit County FY’23-28
Capital Improvements Program Budget**

WHEREAS, the Capital Improvements Program (“CIP”) is a program administered by Montgomery County (the “County”) that provides funds for larger long-term investments in facilities, infrastructure, and affordable housing;

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) receives funds from the CIP to further its purpose in providing affordable housing;

WHEREAS the County Office of Management and Budget is preparing the FY' 23-28 CIP budget, and the Commission must submit a request for both new and renewed funding by September 1, 2021; and

WHEREAS, the Commission wishes to request \$86,987,000 which includes: continued funding for current projects in the amount of \$83,782,000, the addition of \$1,250,000 annually for FY'27 and FY'28 for deeply subsidized units, and new funding of \$705,000 for the WSSC Sewer and Storm Line Improvements at Elizabeth Square.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the submission to the County of a request that the CIP Budget for FY'23-28 totaling \$86,987,000, which includes continued funding for current projects in the amount of \$83,782,000, the addition of \$1,250,000 annually for FY'27 and FY'28 for deeply subsidized units, and new funding of \$705,000 for the WSSC Sewer and Storm Line Improvements at Elizabeth Square.

2. **Wheaton Gateway, LLC and 8800 Brookville Road (Lyttonsville):** Approval to Extend the Maturity Dates for the Draws on the PNC Bank Line of Credit Which Financed the Acquisition of Lindsay Ford (Wheaton Gateway) and the Lyttonsville Site (8800 Brookville Road)

Cornelia Kent, Chief Financial Officer, introduced Eugenia Pascual, Controller, who was the presenter.

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, Merkwowitz, and Simon.

RESOLUTION NO.: 21-78

RE: Approval to Extend the Maturity Dates for the Draws on the PNC Bank, N. A. Line of Credit ("PNC Bank LOC") which Financed Acquisition of Lindsay Ford (Wheaton Gateway) and Lyttonsville (8800 Brookville Road)

WHEREAS, on January 9, 2019, the Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission") authorized a taxable draw of up to \$11,635,000 from the PNC Bank, N.A. Line of Credit ("PNC Bank LOC") to fund the acquisition of the Lindsay Ford Holding Site (Wheaton Gateway), costs related to the acquisition, and reimbursement of costs incurred by the Commission related to title and earnest money deposits;

WHEREAS, on November 7, 2018, HOC authorized a taxable draw of up to \$10,850,000 from the PNC Bank LOC to fund the acquisition of the approximately 10 acres at 8800 Brookville Road in Silver Spring;

WHEREAS, as of July 31, 2021, the actual draw on the PNC Bank LOC was \$11,530,881 for the Lindsay Ford Holding Site (Wheaton Gateway), and \$10,850,000 for the 10 acres at 8800 Brookville Road in Silver Spring (the "Loans");

WHEREAS, staff recommends extending the maturity date of the Loans through June 30, 2022 at the PNC Bank LOC contractual rate with PNC Bank, N.A.; and

WHEREAS, the estimated cost, as of July 31, 2021, under the PNC Bank LOC is expected to be approximately \$224,368.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves extending through June 30, 2022 the maturity dates for the draws on the PNC Bank LOC, which financed acquisition of Lindsay Ford (Wheaton Gateway) and Lyttonsville (8800 Brookville Road).

3. Spring Garden One Associates Limited Partnership – Property Management Contract:
Presentation of Request to Renew the Property Management Contract for Spring Garden One Associates Limited Partnership

Jay Berkowitz, Asset Manager – Property Management Division, was the presenter.

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

RESOLUTION NO.: 21-79

RE: Approval to Renew Property Management Contract for Spring Garden One Associates Limited Partnership

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of Spring Garden One Associates Limited Partnership (“Spring Garden LP”), and Spring Garden LP owns the development known as Spring Garden located in Silver Spring, Maryland (“Spring Garden”); and

WHEREAS, staff desires to renew the current property management contract at Spring Garden for one (1) year with Edgewood Management.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Spring Garden One Associates Limited Partnership, as its general partner, that the Executive Director (including the Acting Executive Director) is hereby authorized and directed to execute a one (1) year renewal of the property management contact at Spring Garden.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director (including the Acting Executive Director), or her 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 transactions contemplated herein, including the execution of any documents related thereto.

4. The Willow Manor Properties – Property Management Contract: Presentation of Request to Renew the Property Management Contract for The Manor at Clopper’s Mill, LLC, The Manor at Colesville, LLC, and The Manor at Fair Hill Farm, LLC

Jay Berkowitz, Asset Manager – Property Management Division, was the presenter.

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

RESOLUTION NO.: 21-80

RE: Approval to Renew Property Management Contract for The Manor at Clopper’s Mill, LLC, The Manor at Colesville, LLC and The Manor at Fair Hill Farm, LLC

WHEREAS, HOC is the sole member of The Manor at Fair Hill Farm, LLC, which owns the development known as The Manor at Fair Hill Farm (“Fair Hill Farm”); and

WHEREAS, HOC is the sole member of The Manor at Colesville, LLC, which owns the development known as The Manor at Colesville (“Colesville”); and

WHEREAS, HOC is the sole member of The Manor at Clopper’s Mill, LLC, which owns the development known as The Manor at Cloppers Mill (“Cloppers Mill”); and

WHEREAS, staff desires to renew the current property management contract at Fair Hill Farm, Colesville, and Cloppers Mill for one (1) year with Habitat America, LLC.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of The Manor at Fair Hill Farm, LLC, that the Executive Director (including the Acting Executive Director) is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Fair Hill Farm with Habitat America, LLC.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of The Manor at Colesville, LLC, that the Executive Director (including the Acting Executive Director) is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Colesville with Habitat America, LLC.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of The Manor at Clopper’s Mill, LLC, that the Executive Director (including the Acting Executive Director) is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Cloppers Mill with Habitat America, LLC.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director (including the Acting Executive Director), or her 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 transactions contemplated herein, including the execution of any documents related thereto.

B. Development and Finance Committee – Com. Simon, Chair

- 1. Mortgage Finance:** Approval to Renew the Contracts of the Underwriting Team Consisting of a Senior Manager, Co-Senior Manager, and Co-Managers in Accordance with the Current Contracts and the Procurement Policy

Jennifer Arrington, Acting Director of Mortgage Finance, was the presenter.

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

RESOLUTION NO.: 21-81

RE: Approval to Renew the Contracts of the Underwriting Team Consisting of a Senior Manager, Co-Senior Manager, and Co-Managers in Accordance with the Current Contracts and the Procurement Policy

WHEREAS, to advance its mission and operate a successful bond financing program, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") engages the services of a number of industry professionals, including a team of investment banking firms (Underwriters) to help structure HOC's bond issuances and market the bonds to obtain the most favorable pricing; and

WHEREAS, on January 9, 2019, after completing a new procurement for Underwriter services, the Commission selected eight firms, approved a structure that consists of a Senior Manager, a Co-Senior Manager, and six (6) Co-Managers, and authorized the Executive Director to execute Letter Agreements ("Contracts") with each firm with initial terms of two (2) years with two (2) one-year renewals that must be approved by the Commission in accordance with provisions of the Procurement Policy; and

WHEREAS, the eight (8) firms were Bank of America Merrill Lynch, Citigroup Global Markets, Jefferies, LLC, Morgan Stanley, PNC Capital Markets, LLC, RBC Capital Markets, Wells Fargo Company, and M&T Securities, but Citigroup did not finalize its Contract and is no longer eligible to join the team, and M&T Securities terminated its Contract, having exited the long-term fixed rate municipal business as of July 1, 2020, leaving six (6) active underwriting firms on the team; and

WHEREAS, on September 9, 2020, the Commission approved the first one-year renewal for the six (6) Underwriters, which expires in January 2022; and

WHEREAS, all firms continue to perform satisfactorily and are positioned to meet the Commission's upcoming issuance needs, and the Commission wishes to extend each Contract for one year, representing the second and final renewal, which will extend the contract through January 2023.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County approves the final one-year renewal of each of the Contracts with the following six (6) Underwriters (with the structure unchanged and incorporating the terms of the original Contracts):

Senior Manager:	Bank of America Merrill Lynch, New York NY
Co-Senior Manager	PNC Capital Markets, LLC, Pittsburgh, PA
Co-Managers:	Jefferies LLC, New York, NY
	Morgan Stanley, New York, NY
	RBC Capital Markets, New York, NY
	Wells Fargo Company, San Francisco, CA

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Acting Executive Director, or her designee, without any further action on its part, to execute such other documents 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 actions contemplated herein.

- 2. Westside Shady Grove Building D:** Approval to Select Kim Engineering, Inc. for Construction Materials Testing and Third-Party Inspector and Authorization for the Acting Executive Director to Execute a Contract in Accordance with Request for Proposal #2265

Marcus Ervin, Acting Director of Development, introduced Paul Vinciguerra, Construction Manager, who was the presenter.

The following 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, Merkowicz, and Simon.

RESOLUTION NO.: 21-82

RE: Approval to Select Kim Engineering Inc., Inc. for Construction Materials Testing and Third-Party Inspector and Authorization for the Acting Executive Director to Execute a Contract in Accordance with Request for Proposal # 2265

WHEREAS, Westside Shady Grove Building D is currently under construction and will be a 268-unit mixed use apartment building with 21,000 square feet of retail space and serve as the Housing Opportunities Commission of Montgomery County's (the "Commission" or "HOC") Up-County Customer Service Center in the Westside Shady Grove area of Rockville, MD; and

WHEREAS, Westside at Shady Grove Building D is owned by HOC at Westside Shady Grove LLC ("Owner"), which is ultimately controlled by the Commission; and

WHEREAS, on May 8, 2019, the Commission approved the Westside at Shady Grove Building D 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 #2265 (the "RFP") for construction materials testing and third-party inspections for Westside at Shady Grove Building D on May 19, 2021 in accordance with HOC's Procurement Policy; and

WHEREAS, staff received three (3) proposals in response to the RFP (Hillis-Carnes Engineering Associates, Inc.; Stratified Engineering Inc.; and Kim Engineering Inc.) from which staff selected Kim Engineering Inc. the highest scoring firm based on the established selection criteria in the RFP; and

WHEREAS, the Commission wishes to approve the selection of Kim Engineering Inc. as the construction materials testing and third-party inspector for Westside at Shady Grove Building D.

NOW, THEREFORE, BE IT RESOLVED, that the Housing Opportunities Commission of Montgomery County, on behalf of itself and on behalf of Owner as its ultimate managing member, hereby approves the selection of Kim Engineering, Inc. as the construction materials testing and third-party inspector for Westside at Shady Grove Building D.

BE IT FURTHER RESOLVED, that the Housing Opportunities Commission of Montgomery County, on behalf of itself and on behalf of Owner as its ultimate managing member, hereby authorizes the Acting Executive Director of the Commission, or her designee, to execute a contract with Kim Engineering Inc. for \$336,385.00.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Acting Executive Director, or her 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. Willow Manor Properties:** Approval of a Final Development Plan, Including the Approval and Acceptance of a Seller Note and Bridge Financing for the Transaction, and Approval to Execute a Contract and Early Start Agreement with Nastos Construction, Inc.

Kathryn Hollister, Senior Financial Analyst, was the presenter.

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

RESOLUTION NO.: 21-83a

RE: Approval of a Final Development Plan, Including the Approval and Acceptance of a Seller Note and Bridge Financing for the Transaction, and Approval to Execute a Contract and Early Start Agreement with Nastos Construction, Inc.

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) is the sole member of three individual single-purpose entities: The Manor at Cloppers Mill, LLC, The Manor at Fair Hill Farm, LLC, and The Manor at Colesville, LLC (collectively the “Willow Manor Single-Purpose Entities”), which own Willow Manor at Clopper’s Mill, Willow Manor at Fair Hill Farm, and Willow Manor at Colesville, respectively; and

WHEREAS, Willow Manor at Clopper’s Mill consists of 102 age-restricted Low Income Housing Tax Credit (“LIHTC”) and market-rate apartments in Germantown, MD (“Clopper’s Mill”), Willow Manor at Fair Hill Farm consists of 101 age-restricted LIHTC apartments in Olney, MD (“Fair Hill Farm”), and Willow Manor at Colesville consists of 83 age-restricted LIHTC apartments in Silver Spring, MD (“Colesville”) (collectively, the “Willow Manor Properties” or “Properties”); and

WHEREAS, on April 1, 2020 the Commission approved pursuing a Low Income Housing Tax Credit (“LIHTC”) resyndication and renovation of the Properties as a single scattered site transaction (“Transaction”); and

WHEREAS, in April, 2021, the Commission authorized (1) the selection of Nastos Construction, Inc. as the General Contractor (“GC”) and for the Executive Director to negotiate a GC contract; (2) holding up to 20 units vacant (7% vacancy) to facilitate the renovation phasing; and (3) restricting Clopper’s Mill’s 20 market-rate units to households earning at or below 80% AMI and utilizing the Income Averaging set aside to comply with the requirement that 100% of scattered site LIHTC units must be restricted; and

WHEREAS, in July, 2021, the Commission approved (1) the selection of PNC Bank, N.A. (“PNC”) as the tax credit syndicator for the Willow Manor Properties; (2) the Executive Director to negotiate and execute a letter of intent outlining the terms of an operating agreement (“Operating Agreement”); and (3) the ratification of wholly-owned special purpose entities, HOC at Willow Manor, LLC and HOC MM Willow Manor, LLC, to serve as the new owner (“Owner”) and managing member (“Managing Member”) entities, respectively, for the Transaction; and

WHEREAS, the Commission desires to (1) approve the final development plan for the Transaction, as presented at the September 1, 2021 meeting of the Commission (“Final Development Plan”), and (2) authorize the Acting Executive Director to execute a purchase and sale agreement between the Willow Manor Single-Purpose Entities and Owner, and complete the purchase and sale of the Properties; and

WHEREAS, the Commission desires to authorize the Acting Executive Director to enter into an Operating Agreement with PNC and grant its permission to admit PNC, or PNC affiliate(s), as the tax credit investor and non-managing limited member and special limited members of the Owner; and

WHEREAS, the Commission desires to authorize staff to negotiate with Montgomery County Department of Housing and Community Affairs (“DHCA”) to consolidate, refinance and resubordinate the outstanding amount of the Properties’ three existing Housing Initiative Fund (“HIF”) loans at closing, and for the Owner to accept the consolidated HIF loan; and

WHEREAS, the Commission desires to authorize the Willow Manor Single-Purpose Entities to provide all of its anticipated sale proceeds from the sale of the Properties as a source for the Transaction in the form of a subordinate seller note (“Seller Note”), bearing interest at a rate equivalent to or greater than the long term Applicable Federal Rate, and authorize the Owner to accept the Seller Note; and

WHEREAS, the Commission desires to provide a bridge loan (“Bridge Loan”) to the Owner in an amount up to \$22,000,000, funded by way of proceeds from HOC’s PNC Real Estate Line of Credit, for a term of up to 42 months, and to authorize Owner to accept the Bridge Loan; and

WHEREAS, the Commission desires to release the Properties’ existing available property cash and cash equivalents to HOC’s General Fund at closing, and to release the Properties’ existing debt service reserves to HOC’s FHA Risk Share/MIP Cash Reserves at closing; and

WHEREAS, the Commission desires to close the Transaction; and

WHEREAS, the Commission desires to (1) authorize the Acting Executive Director to execute a Guaranteed Maximum Price (“GMP”) contract with Nastos Construction, Inc. (“Nastos”) in an amount not to exceed \$16,500,000, and (2) to execute an early start agreement (“Early Start”) with Nastos for an amount not to exceed \$1,600,000, and approve the use of the Opportunity Housing Development Fund as a source for the Early Start in the event the Transaction’s closing is delayed or does not occur; and

WHEREAS, the Commission desires to hold up to 29 vacant units (a 10% vacancy) at the Properties, an increase of nine units over the Commission's prior approval of 20 vacant units, to facilitate renovation phasing and temporary relocation for residents at the Properties; 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 reserves for the Willow Manor Properties in an amount not to exceed \$100,000,000, 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 Willow Manor Properties are placed in service as part of the LIHTC resyndication (but in no event more than 3 years after the date of the original expenditure of such moneys); and

WHEREAS, the Commission hereby desires to declare its official intent, pursuant to Treasury Regulation §1.150-2, to reimburse the Commission for such 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 on behalf of itself and on behalf of the Willow Manor Single-Purpose Entities (as the sole member of each entity), the Managing Member (as its sole member), and Owner (as the sole member of its managing member) authorizes the following:

- 1) the Final Development Plan for the Transaction;
- 2) the Acting Executive Director to execute a purchase and sale agreement between the Willow Manor Single-Purpose Entities and Owner, and complete the purchase and sale of the Properties;
- 3) the Acting Executive Director to enter into an Operating Agreement with PNC and permission to admit PNC, or PNC affiliate(s), as the tax credit investor and non-managing member and special limited members of the Owner;
- 4) staff to negotiate with DHCA to consolidate, refinance and resubordinate the outstanding amount of the Properties' three existing HIF loans at closing, and for the Owner to accept the consolidated HIF loan;
- 5) the Willow Manor Single-Purpose Entities to provide the Seller Note, bearing interest at a rate equivalent to or greater than the long term Applicable Federal Rate, to the Owner and authorize the Owner to accept the Seller Note;
- 6) HOC to provide a Bridge Loan to the Owner in an amount up to \$22,000,000, funded by way of proceeds from HOC's PNC Real Estate Line of Credit, for a term of up to 42 months, and to authorize Owner to accept the Bridge Loan;

- 7) the release of the Properties' existing available property cash and cash equivalents to HOC's General Fund at closing;
- 8) the release of the Properties' existing debt service reserves to HOC's FHA Risk Share/MIP Cash Reserves at closing;
- 9) the closing of the Transaction;
- 10) the Acting Executive Director to execute a GMP contract with Nastos in an amount not to exceed \$16,500,000;
- 11) the Acting Executive Director to execute an Early Start with Nastos for an amount not to exceed \$1,600,000;
- 12) obligating \$1,600,000 in funds from the Opportunity Housing Development Fund as the source for the Early Start in the event the Transaction's closing is delayed or does not occur, with any unused amounts released once the Transaction is closed; and
- 13) holding up to 29 vacant units (a 10% vacancy) at the Properties, an increase of nine units over the Commission's prior approval of 20 vacant units, to facilitate renovation phasing and temporary relocation for residents at the Properties.

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 \$100,000,000, will be applied to reimburse the Commission for its expenditures in connection with the Willow Manor Properties.

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 reserves for the Willow Manor Properties 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) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that 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 LIHTC resyndication and renovation of the Willow Manor Properties, shall be and hereby are in all respects ratified, approved and confirmed.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission Montgomery County, acting on behalf of itself and on behalf of the Willow Manor Single-Purpose Entities (as the sole member of each entity), the Managing Member (as its sole member), and Owner (as the sole member of its managing member), authorizes the Acting Executive Director of HOC, or her designee, without any further action on their respective parts, 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.

The following 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, Merkowitz, and Simon.

RESOLUTION NO.: 21-83b

RE: Approval to Draw up to \$22,000,000 on the PNC Bank, N.A. Real Estate Line of Credit to Provide Bridge Financing for the Renovation of the Willow Manor Properties

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 rehabilitation of rental housing properties which provide a public purpose; and

WHEREAS, HOC is preparing to renovate three senior multifamily communities: (1) Willow Manor at Clopper’s Mill in Germantown, MD, (2) Willow Manor at Fair Hill Farm in Olney, MD, and (3) Willow Manor at Colesville in Silver Spring, MD (collectively, the “Willow Manor Properties” or “Properties”); and

WHEREAS, HOC intends to finance the renovation using equity proceeds from the Properties’ Low Income Housing Tax Credit resyndication (“LIHTC Equity”) in an anticipated amount of \$29,600,000;

WHEREAS, due to the timing of LIHTC Equity installments, HOC intends to provide a bridge loan (“Bridge Loan”) to finance the renovation until all LIHTC Equity is received, which will be funded by way of proceeds from a taxable draw on its PNC Bank N.A. Real Estate Line of Credit (“RELOC”) of up to \$22,000,000.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes taxable draws on the RELOC in an amount not to exceed \$22,000,000 for the renovation of the Willow Manor Properties for a term of up to 42 months.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission Montgomery County authorizes the Acting Executive Director, or her authorized 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.

- 4. Willow Manor:** Approval of the Financing Plan, Feasibility and Public Purpose for Willow Manor Properties; Authorization to Issue Loans to HOC at Willow Manor, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and, Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan

Victoria Dixon, Senior Multifamily Underwriter, was the presenter.

The following resolutions were adopted upon a motion by Commissioner Simon and seconded by Commissioner Merkwitz. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, Merkwitz, and Simon.

RESOLUTION NO.: 21-84A

RE: Approval of the Financing Plan, Feasibility and Public Purpose for the Willow Manor Properties; Authorization to Issue Loans to HOC at Willow Manor, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for up to \$55 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, as further provided in that certain Memorandum of Understanding by and between the Commission and Montgomery County, Maryland, dated June 29, 2018, the Commission is authorized to issue its notes and bonds from time to time to fulfill its corporate purposes, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing of multifamily rental housing properties which provide a public purpose; and

WHEREAS, HOC is the sole member of three individual single-purpose entities: The Manor at Cloppers Mill, LLC, The Manor at Fair Hill Farm, LLC, and The Manor at Colesville, LLC (collectively the “Seller”), which own the properties known as Willow Manor at Clopper’s Mill, Willow Manor at Fair Hill Far, and Willow Manor at Colesville (collectively the “Properties”); and

WHEREAS, Willow Manor at Clopper’s Mill consists of 102 age- and income-restricted units Germantown, MD, Willow Manor at Fair Hill consists of 101 age- and income-restricted units in Olney, MD, and Willow Manor at Colesville consists of 83 age- and income-restricted units in Silver Spring, MD; and

WHEREAS, on October 3, 2018, the Commission approved (a) acquisition of the Properties under the County’s Right of First Refusal Ordinance, and (b) a Financing Plan including acceptance of a first mortgage loan from PNC Bank, N.A. and subordinate debt from the Montgomery County’s Department of Housing and Community Affairs to complete the acquisition; and

WHEREAS, on July 7, 2021, the Commission ratified formation of wholly-owned special purpose entities known as HOC at Willow Manor, LLC (“Borrower”) and HOC MM Willow Manor, LLC (“Managing Member”), approved the selection of PNC Bank as the Low Income Housing Tax Credit (“LIHTC”) syndicator, and authorized the Executive Director to begin negotiating an Operating Agreement to admit an associated LIHTC investor as a non-managing member of the Borrower, with HOC remaining in control of the Borrower as the sole member of the Managing Member entity; and for the transaction; and

WHEREAS, the Properties will be acquired by the Borrower, which will be controlled by Managing Member, whose sole member is HOC; and

WHEREAS, the Borrower proposes to serve seniors (aged 62+) across a wide income range through implementation of income averaging component of the LIHTC program, which allows households with

incomes from 40% up to 80% of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area Median Income (“AMI”), to enjoy rent protection without impairing the LIHTC equity for the development (“Public Purpose”); and

WHEREAS, existing debt of the Seller from PNC Bank N.A. and Montgomery County, are to be repaid or resubordinated in closing of the transaction; and

WHEREAS, between September 5, 2018 and July 7, 2021, the Commission has approved a loan of up to \$1,961,200 to the Seller to pay predevelopment and closing costs on the Properties, funded from proceeds of the Opportunity Housing Reserve Fund and FHA Risk Sharing/MIP Cash Reserve, which is to be repaid from closing of the transaction; and

WHEREAS, on September 1, 2021, the Commission approved the Final Development Plan totaling approximately \$99.5 million for the Properties as a 286-unit, age and income restricted scattered site, which included but not limited to (1) authorization to negotiate and close on a new subordinate loan with the County (“County Loan”), (2) authorization to execute a Purchase and Sale Agreement between the Seller and Borrower; (3) Seller’s authorization to accept all or some of the purchase price for sale of the Properties to be provided in the form of a subordinate note (“Seller Note”); (4) authorization to enter into an Operating Agreement and admit PNC Bank, N.A. or PNC affiliate(s) as the new LIHTC investor, (5) authorization for HOC to provide an unsecured loan to bridge the receipt of LIHTC equity proceeds (“Bridge Loan”), funded from draw proceeds on the Commission’s real estate line of credit with PNC Bank N.A., in an amount not to exceed \$22 million (6) authorization to close on the LIHTC transaction; (7) authorization to execute the general contractor contract and early start agreement with Nastos Construction; and (8) approval to hold up to 29 units vacant to facilitate renovations at the Properties; and

WHEREAS, Commission and the Borrower have applied for a Letter of Reservation for 4% LIHTC from the Maryland Department of Housing and Community Development, which will enable the Borrower to raise approximately \$29.6 million in equity to pay part of its acquisition and development costs; and

WHEREAS, staff explored a variety of options for the estimated \$99.5 million acquisition, rehabilitation and permanent financing for the Properties, together as a scattered site, and determined to use a number of sources including: (1) the issuance of tax-exempt private activity bonds and taxable bonds in an amount up to \$55 million to fund a loan for the costs of acquisition, rehabilitation, and equipping the Properties, enhanced by FHA Risk Sharing (“Mortgage Loan” or “Permanent Loan”) and a bond reserve (“Indenture Bond Reserve”); (2) LIHTC equity; (3) the Bridge Loan to be provided from HOC, (4) a subordinate County Loan of approximately \$13.7 million, funded from previously contributed sources to the Properties; and (5) a subordinate Seller Note of approximately \$9 million or up to the acquisition price (collectively, the “Financing Plan”); and

WHEREAS, the Properties will require an allocation of a portion of the Commission’s tax-exempt volume cap in an amount not to exceed \$48 million; and

WHEREAS, a review of the transaction has been completed and it has been determined that given the financial commitments to the Properties and its operating projections, this transaction is feasible (“Feasibility”), and the Properties will provide significant public purpose supporting an allocation of tax-exempt volume cap.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Financing Plan, Feasibility, and Public Purpose, are hereby approved and that the staff is hereby authorized to proceed with the review and processing of the necessary financing applications and other documentation.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes (a) the allocation of tax-exempt volume cap in an amount not to exceed \$48,000,000, and (b) the issuance of tax-exempt private activity bonds and taxable bonds to finance the transaction and for the Commission, as conduit lender, to use those bond proceeds to make a Mortgage Loan to Borrower with a maximum term of up to 43 years (three years of construction and 40 years of permanent financing), to fund development of the Properties with a balloon payment option in year 25.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the issuance of a commitment for the Mortgage Loan in an amount up to \$55,000,000, 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.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes obtaining a waiver from FHA for issuance of bonds and the Mortgage Loan 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.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Managing Member, acting for itself and on behalf of Borrower accepts the Mortgage Loan and Permanent Loan for the financing closing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Managing Member, acting for itself and on behalf of Borrower, that the Acting Executive Director, or a duly appointed designee of the Acting Executive Director of HOC, is hereby 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.

RESOLUTION NO.: 2021-84B

Re: Adoption of an Authorizing Resolution for the Issuance of 2021 Series C Multifamily Housing Development Bonds, in one or more series, for the Financing of the Acquisition and Rehabilitation of the Willow Manor Properties Development

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY ADOPTED BY THE COMMISSION ON SEPTEMBER 1, 2021; AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF THE COMMISSION’S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2021 SERIES C (THE “2021 C BONDS”), IN A TOTAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000 FOR THE PURPOSE OF FINANCING A

MORTGAGE LOAN TO BE INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION, REHABILITATION AND EQUIPPING OF THE WILLOW MANOR PROPERTIES, THREE MULTIFAMILY RESIDENTIAL RENTAL PROJECTS FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY HOC AT WILLOW MANOR, LLC; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, CERTAIN TAX 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 2021 C BONDS AND THE ACCOMPLISHMENT OF THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND ACTING EXECUTIVE DIRECTOR, EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE SALE OF THE 2021 C 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 ACTING EXECUTIVE DIRECTOR, EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2021 C BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2021 C BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the "Act"), and authorized by the Act and pursuant to the Memorandum of Understanding between the Commission and Montgomery County, Maryland, effective as of June 29, 2018, 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, 2021 Series C-1 (the “2021 C-1 Bonds”) and its taxable Multifamily Housing Development Bonds, 2021 Series C-2 (the “2021 C-2 Bonds,” and together with the 2021 C-1 Bonds, the “2021 C Bonds”) pursuant to the Trust Indenture and the Series Indenture Providing for the Issuance of Multifamily Housing Development Bonds, 2021 Series C-1 and 2021 Series C-2 (the “2021 C Series Indenture”), (i) to make moneys available for the acquisition, rehabilitation and equipping of the Willow Manor Properties, consisting of three projects to be financed as a single scattered-site development (the “Development”), to be owned and operated by HOC at Willow Manor, LLC (the “Borrower”), the managing member 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 2021 C Series Indenture, and (iii) to fund the costs of issuance of the 2021 C Bonds in the amount set forth in the 2021 C Series Indenture and the Tax Documents (as defined herein), all in accordance with the financing plan approved by the Commission in connection with the Development on September 1, 2021 (the “Financing Plan”); and

WHEREAS, in connection with the issuance of the 2021 C 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 Documents, the Disclosure Agreement and certain other documents relating to the sale of the 2021 C Bonds, and the financing of the Development;

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

1. **2021 C Bonds.** The 2021 C Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$55,000,000 to carry out the purposes under the Program as described above. The 2021 C Bonds shall be designated as set forth in the recitals hereto, or such additional series or subseries designations as approved by the Acting Executive Director or the Executive Director, as applicable, in consultation with the Financial Advisor and Bond Counsel to the Commission. The 2021 C 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 2021 C Mortgage Loan.

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 Acting Executive Director or the Executive Director, as applicable, of the Commission or any authorized designee of the Acting Executive Director or the Executive Director, as applicable, 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

Representative”), is hereby authorized and directed to affix the seal of the Commission to the Series Indenture and to attest the same.

4. **Tax Documents.** The Chairman, the Vice Chairman, the Chairman Pro Tem and the Acting Executive Director or the Executive Director, as applicable, 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 Documents”) restricting the application of the proceeds of the 2021 C-1 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 Acting Executive Director or the Executive Director, as applicable, the execution of the Tax Documents being conclusive evidence of such approval and of the approval of the Commission. The Chairman, the Vice Chairman, the Chairman Pro Tem or Acting Executive Director or the Executive Director, as applicable, 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 2021 C-1 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 2021 C Bonds, in such form as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Acting Executive Director or the Executive Director, as applicable, 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. **2021 C Mortgage Loan; Real Estate Documents.** The Commission hereby authorizes and approves the financing of the 2021 C Mortgage Loan with the proceeds of the 2021 C 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 2021 C Mortgage Loan in an amount not greater than 25% of the outstanding principal balance of the 2021 C 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 2021 C Bonds and in its capacity as the owner of a membership interest in the managing member 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 2021 C Bonds, in such forms as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Acting Executive Director or the Executive Director, as applicable, 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 2021 C Bonds.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Acting Executive Director or the Executive Director, as applicable, or other Authorized Representative of the Commission is authorized to proceed with the sale of the 2021 C 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 Acting Executive Director or the Executive Director, as applicable, or other Authorized Representative of the Commission.

9. **Contract of Purchase.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Acting Executive Director or the Executive Director, as applicable, 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 2021 C Bonds.

10. **Terms; Ongoing Determinations.** The Acting Executive Director or the Executive Director, as applicable, 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 2021 C Bonds, all of the foregoing to be specified in the Series Indenture. The Acting Executive Director or the Executive Director, as applicable, 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 2021 C 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 2021 C Bonds and the 2021 C 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 2021 C Mortgage Loan and the refunding and redemption of the 2021 C Bonds and/or other Bonds, and the Acting Executive Director or the Executive Director, as applicable, 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 Acting Executive Director or the Executive Director, as applicable, 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 2021 C 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 2021 C Bonds.

13. **No Personal Liability.** No stipulation, obligation or agreement herein contained or contained in the 2021 C Bonds, the Series Indenture, the Contract of Purchase, the Tax 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 2021 C 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 2021 C Bonds and the accomplishment of the Financing Plan are hereby approved, and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

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

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

5. The Upton II: Approval for the Acting Executive Director to Execute Change Order to Continue CFI Construction for Construction Management Services

Jay Shepherd, Senior Financial Analyst, was the presenter.

The following resolutions were adopted upon a motion by Commissioner Simon and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, Merkwitz, and Simon.

RESOLUTION NO.: 21-85

RE: Upton II: Approval for The Acting Executive Director to Execute Change Order to Continue Construction Management Services

WHEREAS, on January 9, 2019 the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) approved the Final Development Plan for Upton II and construction started in April 2019; and

WHEREAS, HOC is the managing member of HOC MM Upton II, LLC, which is the managing member of HOC at the Upton II, LLC (“Owner”), the owner of Upton II; and

WHEREAS, on May 10, 2019, the Commission approved the selection of CFI Construction Corporation (“CFI”) as construction manager for the project and CFI was awarded a contract in the amount of \$249,000; and

WHEREAS, on November 19, 2019, an affiliate of Wells Fargo provided LIHTC equity to the Owner with equity credits predicated on delivery of ninety (90) unit lease signings and occupancy by December 31, 2021; and

WHEREAS, to ensure the efficient and timely execution of the development plan and delivery of equity credits, staff proposes an expanded role for CFI and approval of a change order to their contract to augment staff resources to handle construction management services for the delivery of units to protect the Commission’s interests and to ensure the on-time delivery of the newly-built units.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, on behalf of itself and as the ultimate managing member of Owner, that it hereby approves a change order to the CFI contract up to \$150,000 (bringing their aggregate contract amount to \$399,000) to provide continuing services for construction management at Upton II through completion, and authorizes the Acting Executive Director, or her designee, to execute such change order to be funded from the Upton II development budget.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, on behalf of itself and as the ultimate managing member of Owner, that the Acting Executive Director of HOC, or her designee, is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein including the execution of any documents related thereto.

6. **Georgian Court:** Approval of the Final Development Plan and Budget for Georgian Court Apartments and Authorization for the Acting Executive Director to Execute the General Contractor Contract with Hamel Builders, Inc.

Marcus Ervin, Acting Director of Development, introduced Hyunsuk Choi, Senior Financial Analyst, who was the presenter.

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

RESOLUTION NO.: 21-86

RE: Approval of Final Development Plan, Admission of Investor Member, Authorization for the Acting Executive Director to Execute a Purchase and Sale Agreement and Close on the Purchase and Sale of the Property, Approval to Execute a Contract and Early Start Agreement with Hamel Builders, Inc., and to Execute an Operating Agreement and General Contractor Contract for the Georgian Court Apartments

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) is the general partner of Georgian Court Silver Spring Limited Partnership (“Seller”), the current owner of Georgian Court Apartments (the “Property”); and

WHEREAS, the Property was originally constructed in 1976 and is a 147-unit Low Income Housing Tax Credit (“LIHTC”) and a former Section 236 of the National Housing Act with a Housing Assistance Payment Contract that consists of 49 one-bedroom and 98 two-bedroom units; and

WHEREAS, the Property is currently operating under an extended-use covenant, which requires the following set asides: 29 units (Project-Based Section 8 rental assistance) set aside at 50% of area median income (“AMI”), and 118 units set aside at 60% of AMI; and

WHEREAS, in June 2021, the Commission approved (i) the selection of Hamel Builders, Inc. (“Hamel”) as general contractor for the renovation of the Property, (ii) the request to create a maximum of 24-vacant units at the Property by allowing staff to freeze leasing and temporarily relocate residents off-site to facilitate

the renovation schedule, (iii) an increase of \$500,000 to the existing predevelopment budget to be funded with a loan from the PNC Bank, N.A. Real Estate Line of Credit, and (iv) ratified the formation of wholly-owned special purpose entities, HOC at Georgian Court, LLC (“HOC at Georgian Court”) and HOC MM Georgian Court, LLC (“HOC MM Georgian Court”), to serve as the new Property owner and managing member entities, respectively; and

WHEREAS, staff has prepared the Final Development Plan for the Property identifying a total development cost of approximately \$72.3 million to be funded with the proceeds of HOC-issued tax-exempt bonds enhanced by FHA Risk Share mortgage insurance, HOC-issued short-term tax-exempt bonds, 4% LIHTC equity, residual receipts reserve, deferred developer’s fee, a seller note, and the preservation of affordability for 29 units set aside at 50% of AMI and 118 units set aside at 60% AMI (the “Final Development Plan”); and

WHEREAS, staff will return to the Commission at a later date to seek its approval of the final financing plan which, in addition to tax-exempt and LIHTC equity funding, will include a request to approve a loan that bridges the funding of LIHTC equity; and

WHEREAS, HOC intends to negotiate an Operating Agreement with a tax credit investor affiliate of Boston Financial (the “Investor”) for the admission of the Investor as a non-managing investor member of HOC at Georgian Court with a 99.99% interest; and

WHEREAS, the Commission desires to authorize the Acting Executive Director to (1) execute a general contractor contract with Hamel in an amount not to exceed \$13.6 million, and (2) execute an Early Start Contract not to exceed \$941,330 to allow Hamel to execute an agreement with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Final Development Plan for the Property is hereby approved.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of HOC MM Georgian Court, as its sole member, acting on behalf of itself and on behalf of HOC at Georgian Court, as its managing member, that it approves (1) the negotiation and execution of an Operating Agreement with the Investor for HOC at Georgian Court, (2) the admission of the Investor as a non-managing member of HOC at Georgian Court with a 99.99% interest, and (3) the execution of related documents, including without limitation, a tax credit recapture and other guarantees by HOC MM Georgian Court, and/or the Housing Opportunities Commission of Montgomery County, as may be required by the Investor.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Seller, as its general partner and ultimate sole owner of its limited partner, and on behalf of HOC MM Georgian Court, as its sole member, acting on behalf of itself and on behalf of HOC at Georgian Court, as its managing member, that it approves (1) the negotiation and execution of a Purchase and Sale Agreement, (2) the transfer of the Property from Seller to HOC at Georgian Court (3) the acquisition of the Property by HOC at Georgian Court, and (4) the execution of related documents, including without limitation assignment and assumption of existing HAP contracts and the existing management agreement.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of the Seller, as its general partner, that the Seller may accept some or all of the purchase price for the sale of the Property in the form of a subordinated seller note.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of HOC MM Georgian Court, as its sole member, acting on behalf of itself and on behalf of HOC at Georgian Court, as its managing member, that it approves the negotiation and execution of a general contractor contract with Hamel for an amount not to exceed \$13.6 million for the renovation of the Property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of HOC MM Georgian Court, as its sole member, acting on behalf of itself and on behalf of HOC at Georgian Court, as its managing member, that it approves the authorization and execution an Early Start Contract not to exceed \$941,330 to allow Hamel to execute an agreement with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of HOC MM Georgian Court, as its sole member, acting on behalf of itself and on behalf of HOC at Georgian Court, as its managing member, that the Acting Executive Director of HOC, or her designee, is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

- 7. Shady Grove:** Approval of the Final Development Plan and Budget for Shady Grove Apartments and Authorization for the Acting Executive Director to Execute the General Contractor Contract with Hamel Builders, Inc.

Marcus Ervin, Acting Director of Development, introduced Hyunsuk Choi, Senior Financial Analyst, who was the presenter.

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

RESOLUTION NO.: 21-87

RE: Approval of Final Development Plan, Admission of Investor Member, Authorization for the Acting Executive Director to Execute a Purchase and Sale Agreement and Close on the Purchase and Sale of the Property, Approval to Execute a Contract and Early Start Agreement with Hamel Builders, Inc., and to Execute an Operating Agreement and General Contractor Contract for the Shady Grove Apartments

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) is the general partner of Shady Grove Apartments Limited Partnership (“Seller”), the current owner of Shady Grove Apartments (the “Property”); and

WHEREAS, the Property was originally constructed in 1980 and is a 144-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 45 one-bedroom, 83 two-bedroom, and 16 three-bedroom units; and

WHEREAS, the Property is currently operating under an extended-use covenant, which requires the following set aside: 144 units (100%) (project-based Section 8 rental assistance) set aside at 50% of area median income (“AMI”); and

WHEREAS, in June 2021, the Commission approved (i) the selection of Hamel Builders, Inc. (“Hamel”) as general contractor for the renovation of the Property, (ii) the request to create a maximum of 24-vacant units at the Property by allowing staff to freeze leasing and temporarily relocate residents off-site to facilitate the renovation schedule, (iii) an increase of \$485,000 to the existing predevelopment budget to be funded with a loan from the PNC Bank, N.A. Real Estate Line of Credit, and (iv) ratified the formation of wholly-owned special purpose entities, HOC at Shady Grove, LLC (“Shady Grove LLC”) and HOC MM Shady Grove, LLC (“Shady Grove MM LLC”) to serve as the new Property owner and managing member entities, respectively; and

WHEREAS, staff has prepared the Final Development Plan for the Property identifying a total development cost of approximately \$60.8 million to be funded with the proceeds of HOC-issued tax-exempt bonds enhanced by FHA Risk Share mortgage insurance, 4% LIHTC equity, deferred developer’s fee, a seller note, and the preservation of affordability for 100% of the units at 50% of AMI (the “Final Development Plan”); and

WHEREAS, staff will return to the Commission at a later date to seek its approval of the final financing plan which, in addition to tax-exempt and LIHTC equity funding, will include a request to approve a loan that bridges the funding of LIHTC equity; and

WHEREAS, HOC intends to negotiate an Operating Agreement with a tax credit investor affiliate of Boston Financial (the “Investor”) for the admission of the Investor as a non-managing investor member of Shady Grove LLC with a 99.99% interest; and

WHEREAS, the Commission desires to authorize the Acting Executive Director to (1) execute a general contractor contract with Hamel in an amount not to exceed \$13.2 million, and (2) execute an Early Start Contract not to exceed \$941,330 to allow Hamel to execute an agreement with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Final Development Plan for the Property is hereby approved.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Shady Grove MM LLC, as its sole member, acting on behalf of itself and on behalf of Shady Grove LLC, as its managing member, that it approves (1) the negotiation and execution of an Operating Agreement with the Investor for Shady Grove LLC, (2) the admission of the Investor as a non-managing member of Shady Grove LLC with a 99.99% interest, and (3) the execution of related documents, including without limitation a tax credit recapture and other guarantees by Shady Grove MM LLC and/or the Housing Opportunities Commission of Montgomery County, as may be required by the Investor.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Seller, as its general partner and ultimate sole owner of its limited partner,

and on behalf of Shady Grove MM LLC, as its sole member, acting on behalf of itself and on behalf of Shady Grove LLC, as its managing member, that it approves (1) the negotiation and execution of a Purchase and Sale Agreement, (2) the transfer of the Property from Seller to Shady Grove LLC (3) the acquisition of the Property by Shady Grove LLC, and (4) the execution of related documents, including without limitation assignment and assumption of existing HAP contracts and the existing management agreement.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of the Seller, as its general partner, that the Seller may accept some or all of the purchase price for the sale of the Property in the form of a subordinated seller note.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Shady Grove MM LLC, as its sole member, acting on behalf of itself and on behalf of Shady Grove LLC, as its managing member, that it approves the negotiation and execution of a general contractor contract with Hamel for an amount not to exceed \$13.2 million for the renovation of the Property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Shady Grove MM LLC, as its sole member, acting on behalf of itself and on behalf of Shady Grove LLC, as its managing member, that it approves the authorization and execution an Early Start Contract not to exceed \$941,330 to allow Hamel to execute an agreement with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Shady Grove MM LLC, as its sole member, acting on behalf of itself and on behalf of Shady Grove LLC, as its managing member, that the Acting Executive Director of HOC, or her designee, is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions 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 Commission adjourned the open session at 5:57 p.m. and reconvened in closed session at 6:09 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on September 1, 2021 at approximately 6:09 p.m. in via an online platform and teleconference, with moderator functions occurring at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(3), Section 3-305(b)(7), Section 3-305(b)(8), and Section 3-305(b)(13) to discuss the acquisition of the fee simple interest of three multifamily properties located in Bethesda, Maryland (pursuant to Section 3-305(b)(3)), the confidential commercial and financial terms of that acquisition (pursuant to Section 3-305(b)(13)), and to discuss and obtain legal advice from legal counsel regarding ongoing litigation (pursuant to Section 3-305(b)(7) and Section 3-305(b)(8)) that is subject to attorney-client privilege (pursuant to Section 3-305(b)(13)).

The meeting was closed and the closing statement dated September 1, 2021 was adopted on a motion made by Richard Y. Nelson, Jr., seconded by Frances Kelleher, with Roy Priest, Frances Kelleher, Richard Y. Nelson, Jr., Pamela Byrd, Linda Croom, Jeffrey Merkwowitz, and Jackie Simon voting in favor of the motion. The following persons were present: Roy Priest, Frances Kelleher, Richard Y. Nelson, Jr.,

Pamela Byrd, Linda Croom, Jeffrey Merkwowitz, Jackie Simon, Kayrine Brown, Aisha Memon, Christina Autin, Zachary Marks, Cornelia Kent, Marcus Ervin, Kathryn Hollister, Timothy Goetzinger, Ian-Terrell Hawkins, and Patrice Birdsong.

In closed session, the Commission discussed the below topics and took the following actions:

1. **Topic:** The acquisition of the fee simple interest (via a purchase and sale agreement) of three multifamily properties located in Bethesda, Maryland, including confidential commercial and financial information provided to HOC from private financial institutions in order to finance the acquisition (pursuant to Section 3-305(b)(3) and Section 3-305(b)(13)).
 - a. **Action Taken:** With a quorum present, Commissioners Priest, Kelleher, Byrd, and Merkwowitz approved Resolution 21-88AS, thereby authorizing (i) entering into Purchase and Sale Agreements to acquire the properties, (ii) funding necessary deposits, (iii) creating one more single purpose entities to acquire the properties, (iv) a budget and loan to be used for due diligence related to the acquisition, and (v) all other actions necessary and proper to carry out the transactions. Commissioners Nelson, Croom and Simon voted against the action.
2. **Topic:** Discussion with counsel about ongoing litigation impacting Westwood Tower Apartments (pursuant to Section 3-305(b)(7), Section 3-305(b)(8) and Section 3-305(b)(13)).
 - a. **Action Taken:** No action taken.

The closed session was adjourned at 7:36 p.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Special Session Minutes

September 15, 2021

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted via an online platform and teleconference on Wednesday, September 15, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:04 p.m. Those in attendance were:

Via Online/Teleconference

Roy Priest, Chair
Richard Y. Nelson, Chair Pro Tem
Pamela Byrd
Jeffrey Merkowitz

Absent

Frances Kelleher, Vice Chair
Linda Croom
Jackie Simon

Also Attending via Online/Teleconference

Kayrine Brown, Acting Executive Director
Christina Autin
Kathryn Hollister
Charnita Jackson
Claire Kim
Ian-Terrell Hawkins

Aisha Memon, General Counsel
Darcel Cox
Timothy Goetzinger
Jennifer Arrington
Nathan Bovelie

IT Support

Aries Cruz

Commission Support

Patrice Birdsong, Special Assistant to the Commission

Chair Priest opened the meeting welcoming all to the Special Session of the Housing Opportunities Commission. The sole item on the agenda was to conduct a vote to meet in closed session pursuant to Section 3-305(b)(7), Section 3-305(b)(8), and Section 3-305(b)(13) of the General Provisions Article of the Annotated Code of Maryland.

Chair Priest read the Written Closing Statement and made a motion to adopt the statement and close the meeting. The motion was seconded by Chair Pro Tem Nelson and Commissioners Priest, Nelson, Byrd, and Merkowitz voted unanimously in approval.

Based upon this report and there being no further business to come before this session of the Commission, the Commission adjourned the open session at 4:07 p.m., and reconvened in closed session at 4:13 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on September 15, 2021 at approximately 4:13 p.m. via an online platform and teleconference, with moderator functions occurring at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(7), Section 3-305(b)(8), and Section 3-305(b)(13) to discuss and obtain legal advice from counsel about ongoing litigation (pursuant to Sections 3-305(b)(7) and Section 3-305(b)(8)) that is subject to attorney-client privilege (pursuant to Section 3-305(b)(13)).

The meeting was closed and the closing statement dated September 15, 2021 was adopted on a motion made by Chair Priest, seconded by Chair Pro Tem Nelson, with Commissioners Priest, Nelson, Byrd, and Merkowitz voting in favor of the motion. Commissioners Kelleher, Croom, and Simon were necessarily absent and did not participate in the vote. The following persons were present during the closed session: Roy Priest, Frances Kelleher, Richard Y. Nelson, Jr., Pamela Byrd, Jeffrey Merkowitz, Jackie Simon, Kayrine Brown, Aisha Memon, Cornelia Kent, Ian-Terrell Hawkins, Marcus Ervin, Timothy Goetzinger, Zachary Marks, Christina Autin, Kathryn Hollister, Frederick Douglas, Attorney, and Patrice Birdsong.

In closed session, the Commission discussed the below topics and took the following action:

1. **Topic:** Discussion with counsel about ongoing litigation impacting Westwood Tower Apartments (pursuant to Section 3-305(b)(7), Section 3-305(b)(8) and Section 3-305(b)(13)).
 - a. **Action Taken:** No action taken.

The closed session was adjourned at 5:16 p.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Special Session Minutes

September 23, 2021

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted via an online platform and teleconference on Thursday, September 23, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:17 p.m. Those in attendance were:

Via Online/Teleconference

Roy Priest, Chair
Frances Kelleher, Vice Chair
Richard Y. Nelson, Chair Pro Tem
Jeffrey Merkowitz
Jackie Simon

Absent

Pamela Byrd
Linda Croom

Also Attending via Online/Teleconference

Kayrine Brown, Acting Executive Director
Charnita Jackson
Claire Kim
Darcel Cox
Ian-Terrell Hawkins
Marcus Ervin
Timothy Goetzinger

Aisha Memon, General Counsel
Christina Autin
Cornelia Kent
Eugenia Pascual
Jennifer Arrington
Nathan Bovellev

IT Support

Aries Cruz

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

Chair Priest opened the meeting welcoming all to the Special Session of the Housing Opportunities Commission. The sole item on the agenda was to conduct a vote to meet in closed session pursuant to Section 3-305(b)(13) of the General Provisions Article of the Annotated Code of Maryland.

Chair Priest read the Written Closing Statement and Chair Pro Tem Nelson made a motion to adopt the statement and close the meeting. The motion was seconded by Vice Chair Kelleher and Commissioners Priest, Kelleher, Nelson, Merkowitz, and Simon voted unanimously in approval.

Based upon this report and there being no further business to come before this session of the Commission, the Commission adjourned the open session at 4:19 p.m., and reconvened in closed session at 4:22 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on September 23, 2021 at approximately 4:22 p.m. via an online platform and teleconference, with moderator functions occurring at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(13) to discuss the confidential commercial and financial information related to selecting PNC Bank, N.A. to provide various lines of credit to HOC.

The meeting was closed and the closing statement dated September 23, 2021 was adopted on a motion made by Chair Pro Tem Nelson, seconded by Vice Chair Kelleher, with Commissioners Priest, Kelleher, Nelson, Merkowitz, and Simon voting in favor of the motion. Commissioners Byrd and Croom were necessarily absent. The following persons were present during the closed session: Roy Priest, Frances Kelleher, Richard Y. Nelson, Jr., Jeffrey Merkowitz, Jackie Simon, Kayrine Brown, Cornelia Kent, Aisha Memon, Christina Autin, Zachary Marks, Darcel Cox, Marcus Ervin, Timothy Goetzinger, Ian-Terrell Hawkins, and Patrice Birdsong.

In closed session, the Commission discussed the below topic and took the following action:

1. **Topic:** Approval to Accept Two Lines of Credit from PNC Bank, N.A. (pursuant to Section 3-305(b)(13)).
 - a. **Action Taken:** With a quorum present, Commissioners Priest, Kelleher, Nelson, Merkowitz, and Simon approved Resolution 21-90AS, thereby authorizing two lines of credit from PNC Bank, N.A. and authorizing the Acting Executive Director to negotiate and execute all related documents. Commissioners Byrd and Croom were necessarily absent and did not participate in the vote.

The closed session was adjourned at 4:28 p.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

Closed and Special Session Ratifications

**RATIFICATION OF ACTION TAKEN IN CLOSED SPECIAL SESSION ON
SEPTEMBER 23, 2021:**

APPROVAL TO ACCEPT TWO LINES OF CREDIT FROM PNC BANK, N.A.

OCTOBER 6, 2021

- At a closed Special Session held on September 23, 2021, the Commission adopted Resolution 21-90AS in which the Commission approved two lines of credit from PNC Bank.
- 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 taken at the September 23, 2021 closed Special Session. Additionally, the Commission wishes to ratify any action taken since the Special Session with respect to the approved action.

RESOLUTION: 21-90ASR

RE: Approval to Accept Two Lines of Credit from PNC Bank, N.A.

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly created, organized, and existing under the laws of the State of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, to carry out and effectuate the purpose of providing affordable housing;

WHEREAS, at a closed Special Session duly called and held on September 23, 2021, with a quorum participating, the Commission adopted Resolution 21-90AS, with Commissioners Priest, Kelleher, Nelson, Merkowitz, and Simon voting in approval, and with Commissioners Byrd and Croom being necessarily absent and not participating in the vote;

WHEREAS, by adopting Resolution 21-90AS, the Commission approved two lines of credit from PNC Bank, N.A., and authorized the Acting Executive Director to negotiate and execute all related documents; and

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 21-90AS and any actions taken since September 23, 2021 to effectuate the actions contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 21-90AS and any subsequent actions taken in relation thereto are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 6, 2021.

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Patrice M. Birdsong
Special Assistant to the Commission

Consent

**APPROVAL TO AMEND HOC'S WRITTEN MINUTES DATED
OCTOBER 15, 2019**

October 6, 2021

- HOC is required to prepare and adopt minutes for its meetings.
- HOC received a request to amend the written minutes for the monthly meeting held on October 15, 2019.
- Upon review of the video recording of the meeting, HOC has determined to amend the minutes to reflect the testimony as shown on the recording.

RESOLUTION No.: 21-91

**RE: Approval to Amend HOC's Written Minutes
Dated October 15, 2019**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") is required to keep minutes of its meetings;

WHEREAS, upon review of both the written minutes of the monthly Commission meeting dated October 15, 2019 ("**October 2019 Minutes**") and the video recording, the Commission desires to amend the written October 2019 Minutes; and

WHEREAS, upon approval, the October 2019 Minutes shall be amended and restated in their entirety with the minutes attached hereto as Exhibit A.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the October 2019 Minutes are hereby amended and restated in their entirety with the minutes attached hereto as Exhibit A.

I HEREBY CERTIFY that the foregoing Resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular open meeting on October 6, 2021.

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Patrice M. Birdsong
Special Assistant to the Commission

EXHIBIT A

Amended and Restated Written Minutes for October 15, 2019

(see attached)

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

October 15, 2019

19-10

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Tuesday, October 15, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:04 p.m. Those in attendance were:

Present

Jackie Simon, Chair
Roy Priest, Chair Pro Tem
Linda Croom
Frances Kelleher

Absent

Richard Y. Nelson, Vice Chair
Pamela Byrd

Also Attending

Stacy L. Spann, Executive Director
Bonnie Hodge
Charnita Jackson
Cornelia Kent
Olutomi Adebo
Charnita Jackson
Christina Autin
Ellen Goff
Ian-Terrell Hawkins
Eugenia Pascual
Fred Swan
Susan Smith
Vivian Benjamin
Ian Williams
Jennifer Arrington
Terri Fowler
Millicent Anglin

Aisha Memon, Acting General Council
Lynn Hayes
Marcus Ervin
Patrick Mattingly
Heather Grendze
Lorie Seals
Leidi Reyes
Lorie Seals
Darcel Cox
Jay Shepherd
Sherraine Rawlins
Cathy Kramer
Zachary Marks
Jay Berkowitz
Kayrine Brown
Kathryn Hollister

Resident Advisory

Yvonne Caughman, Vice Chair

IT Support

Irma Rodriguez
Gabriel Taube
Michael Tadesse

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

I. **Information Exchange**

Chair Simon began with open remarks informing guest of a 40-minutes time limit allotted for Community Forum. Chair Simon also addressed the untimely passing of Shauna Sorrells, Chief Operating Officer, with a moment of silence prior to the convening of the meeting. Chair Simon's remarks are attached.

Resident Advisory Board

- Yvonne Caughman, Vice Chair, updated on activities of Resident Advisory Board.

Community Forum

- Karen Lundregan addressed the Board to inform that she will continue to pursue her alleged ongoing issues of discrimination and retaliation from staff.

II. **Approval of Minutes** - The minutes were approved as submitted with a motion by Chair Pro Tem Priest and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

A. **Approval of Minutes of September 4, 2019**

B. **Approval of Minutes of September 4, 2019 Administrative Session**

III. **Consent Items**

A. None

IV. **Information Exchange Continued**

Report of the Executive Director

- In addition to the written report, Mr. Spann reported that there was a conference held on October 15, 2019 by Councilmember Glass and Councilmember Jawando for proposed legislation of Impact Fairness Act; Mr. Spann reported that HOC received a Certificate of Merit Award for The Lindley; and he informed that HOC was asked to investigate live streaming its Board meetings. He informed that the meeting was the first meeting to begin streaming.

Commissioner Exchange

- Chair Simon and Commissioner Kelleher attended the NAHRO Conference in San Antonio, TX on October 9. They were there to receive the Award for The Lindley.

V. **ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION**

A. None

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

A. Budget, Finance and Audit Committee – Com. Nelson, Chair
1. Acceptance of Fourth Quarter FY’19 Budget to Actual Statements

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 Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-93

Re: Acceptance of Fourth Quarter FY’19 Budget to Actual Statements, and Approval to Transfer Funds to the General Fund Operating Reserve from the General Fund to Balance the FY’19 Budget

WHEREAS, the Budget Policy for the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) states that (1) quarterly budget to actual statements will be reviewed by the Commission, and (2) the Commission will end the fiscal year with a balanced budget; and

WHEREAS, the Commission reviewed the Fourth Quarter FY’19 Budget to Actual Statements during its October 15, 2019 meeting; and

WHEREAS, the Agency ended FY’19 with an operating surplus of \$172,037; and

WHEREAS, in order to balance the budget, it is recommended that \$172,037 be transferred to the General Fund Operating Reserve from the General Fund.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Fourth Quarter FY’19 Budget to Actual Statements.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes staff to transfer \$172,037 to the General Fund Operating Reserve from the General Fund to balance the FY’19 Budget.

2. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable (April 1, 2019 – June 30, 2019)

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

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

Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-94

**RE: Authorization to Write off Bad Debt
Related to 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 April 1, 2019 – June 30, 2019 is \$224,199, consisting of \$159,519 from Opportunity Housing properties, \$38,123 from RAD properties and \$26,557 from Supportive Housing program.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes and directs the Executive Director, without further action on its part, to take any and all actions necessary and proper to write off \$224,199 in bad debt related to (i) tenant accounts receivable 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.

3. Approval to Extend the use of the PNC Bank Real Estate Line of Credit (RELOC) for the Purpose of Making a Capital Contribution to CCL Multifamily LLC

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

The following resolution was adopted upon a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-95

**RE: Approval to Extend the Use of the PNC Bank,
N.A. Real Estate Line of Credit for the Purpose of
Making a Capital Contribution to CCL Multifamily
LLC**

WHEREAS, on July 13, 2016, the Housing Opportunities Commission of Montgomery County (“HOC”) authorized a taxable draw of up to \$11,008,930 (the “Draw”) from the PNC Bank, N.A. Real Estate Line of Credit (the “RELOC”) for the purpose of making a 50% capital contribution to CCL Multifamily LLC for the development of the Chevy Chase Lake Multifamily project (The Lindley);

WHEREAS, on November 7, 2016, HOC closed construction and equity financing for the project and \$2,968,213 was drawn from the RELOC;

WHEREAS, as of June 30, 2019, a total of \$10,156,430 was drawn on the RELOC and \$781,765 was repaid from the sales proceeds of townhome units, leaving a balance of \$9,374,665 that will mature on November 7, 2019;

WHEREAS, staff recommends extending the maturity date of the Draw through November 7, 2020 at a taxable rate of LIBOR plus 58 basis points until a permanent loan is put in place; and

WHEREAS, the estimated cost, as of August 1, 2019, under the RELOC is expected to be approximately \$353,379.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby approves extending the use of the PNC Bank Real Estate Line of Credit through November 7, 2020 to continue to fund HOC's capital contribution to CCL Multifamily LLC.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is hereby authorized, 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.

4. Approval to Release Obligations against the PNC Bank Line of Credit

Cornelia Kent, Chief Financial Officer, and Jennifer Arrington, Assistant Director of Bonds Management, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-96

RE: Approval to Release Obligation Against the PNC Bank \$60 Million Line of Credit

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") has a \$60 million Line of Credit with PNC Bank, N.A. ("PNC LOC"); and

WHEREAS, in May 2012, the Commission obligated \$10 million of the PNC LOC for the Single Family Mortgage Purchase Program (the "Program") for the purpose of purchasing Mortgage Backed Securities ("MBS"); and

WHEREAS, in October 2015, the Commission reduced the PNC LOC obligation for the Program to \$5 million (the "\$5 Million PNC LOC Obligation"); and

WHEREAS, in December 2018, the Commission approved an additional \$5 million obligation on the

PNC LOC for the Program to be used on a revolving basis for the purpose of preserving Single Family volume cap via replacement refunding bonds (the "\$5 Million Revolving PNC LOC Obligation"), creating a total PNC LOC obligation for the Program of \$10 million; and

WHEREAS, the last utilization of the PNC LOC by the Program to purchase MBS was March 17, 2017; and

WHEREAS, in order to free up the Commission's limited financial resources, Caine Mitter has advised HOC staff that releasing the \$5 Million PNC LOC Obligation is appropriate and will not adversely impact activities of the Program; and

WHEREAS, upon releasing the \$5 Million PNC LOC Obligation, the \$5 Million Revolving PNC LOC Obligation will remain, and the unobligated balance of the PNC LOC will be \$4,590,801.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes staff to release the \$5 Million PNC LOC Obligation.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is hereby authorized, 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.

5. Approval to Renew the Property Management Contract for Barclay Apartments Development Corporation, Barclay One Associates, LP and Fairfax Court Apartments

Charnita Jackson, Director of Property Management, and Millicent Anglin, Asset Manager, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-97

RE: Approval to Renew Property Management Contracts for Barclay Apartments and Fairfax Court for One Year

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") is the general partner of Barclay One Associates Limited Partnership ("Barclay LP"), and Barclay LP owns 81 units in the development known as Barclay Apartments located in Chevy Chase, Maryland ("Barclay Apartments");

WHEREAS, HOC owns the development known as Fairfax Court located in Chevy Chase, Maryland ("Fairfax Court," together with Barclay Apartments, the "Properties").

WHEREAS, HOC staff desires to renew the current property management contracts at the Properties for one (1) year with CAPREIT;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Barclay LP, as its general partner, that the Executive Director, or his designee, is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Barclay Apartments with CAPREIT.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Fairfax Court with CAPREIT.

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 transactions contemplated herein, including the execution of any documents related thereto.

6. Approval to Renew the Property Management Contract at Spring Garden One Associates Limited Partnership

Charnita Jackson, Director of Property Management, and Jay Berkowitz, Asset Manager, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-98

RE: Approval to Renew Property Management Contract for Spring Garden One Associates Limited Partnership

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of Spring Garden One Associates Limited Partnership (“Spring Garden LP”), and Spring Garden LP owns the development known as Spring Garden located in Silver Spring, Maryland (“Spring Garden”); and

WHEREAS, staff desires to renew the current property management contract at Spring Garden for one (1) year with Edgewood/Vantage Management.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Spring Garden One Associates Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one (1) year renewal of the property management contact at Spring Garden.

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 transactions contemplated herein, including the execution of any documents related thereto.

7. Approval to Renew the Property Management Contracts for Metropolitan Development Corporation, Metropolitan of Bethesda LP, Strathmore Court, and Strathmore Court Associates LP

Charnita Jackson, Director of Property Management, and Millicent Anglin, Asset Manager, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-99

RE: Approval to Renew Property Management Contracts for The Metropolitan and Strathmore for One Year

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of The Metropolitan of Bethesda Limited Partnership (“Metropolitan LP”), and Metropolitan LP owns 92 units at the development known as The Metropolitan located in Bethesda, Maryland (the “Metropolitan”);

WHEREAS, HOC is the general partner of Strathmore Court Associates Limited Partnership (“Strathmore LP”), and Strathmore LP owns 51 units and HOC owns 151 units at the development known as Strathmore Court located in Bethesda, Maryland (“Strathmore,” together with the Metropolitan, the “Properties”); and

WHEREAS, staff desires to renew the current property management contracts at the Properties for one (1) year with Bozzuto Management Company.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of The Metropolitan of Bethesda Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Metropolitan with Bozzuto Management Company.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Strathmore Court Associates Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Strathmore with Bozzuto Management Company.

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 transactions contemplated herein, including the execution of any documents related thereto.

8. Approval to Renew the Property Management Contracts at CCL Multifamily LLC (The Lindley)

Charnita Jackson, Director of Property Management, and Millicent Anglin, Asset Manager, were the presenters.

The following resolution was adopted upon a motion by Commissioner Croom and seconded by Chair Pro Tem Priest. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-100

RE: Approval to Renew 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”); and

WHEREAS, HOC staff desires to renew the current property management contract at the Property through May 2, 2020 with Bozzuto Management Company.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf itself and on behalf of CCL Multifamily LLC, as its managing member, that the Executive Director is hereby authorized and directed to execute a renewal of the property management contract at the Property through May 2, 2020 with Bozzuto Management Company.

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

B. Development and Finance Committee – Com. Simon, Chair

1. Approval of a Bond Authorizing Resolution for the Refunding of 2004 Series C and Series D Multifamily Housing Development Bonds (MFHDB)

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

The following resolutions were adopted upon a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, and Kelleher. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-101

**Re: Approval of a Bond Authorizing Resolution
for the Issuance of 2019 Series B and
2019 Series C Multifamily Housing
Development Bonds to Refund 2004
Series C and 2004 Series D**

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE TAX-EXEMPT AND/OR TAXABLE SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,405,000 (THE "2019 BONDS") FOR THE PURPOSE OF REFUNDING AND REDEEMING CERTAIN PRIOR BONDS OF THE COMMISSION ISSUED TO PROVIDE PERMANENT FINANCING FOR VARIOUS MULTIFAMILY RESIDENTIAL RENTAL PROJECTS FOR OCCUPANCY, IN PART, BY PERSONS OF ELIGIBLE INCOME AND PERMITTING THE COMMISSION TO REALIZE PRESENT VALUE SAVINGS IN ORDER TO CARRYOUT THE PURPOSES OF ITS PROGRAM; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, 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 2019 BONDS; AUTHORIZING THE EXECUTION OF ANY OTHER DOCUMENTS NECESSARY FOR THE ISSUANCE OF THE 2019 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 2019 BONDS TO BOFA SECURITIES INC., AS REPRESENTATIVE OF ITSELF AND PNC CAPITAL MARKETS, LLC, OR TO ANY OTHER UNDERWRITERS OR TO ANY OTHER INITIAL PURCHASERS AND TO EXECUTE AND DELIVER A CONTRACT OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2019 BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2019 BONDS; AND PROVIDING AN EFFECTIVE DATE.

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

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

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

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

WHEREAS, pursuant to the Act and the Program, the Commission entered into the Trust Indenture, dated as of November 1, 1996 (the “Trust Indenture”), by and between the Commission and U.S. Bank National Association (successor-in-interest to SunTrust Bank), as trustee (the “Trustee”), providing for the issuance of bonds (the “Bonds”) from time to time in accordance with the provisions thereof and the provisions of separate series indentures (the “Series Indentures,” and together with the Trust Indenture, the “Indenture”) specifically authorizing and setting forth the terms of each series of Bonds issued under the Trust Indenture; and

WHEREAS, the proceeds received from the issuance and sale of the Bonds under the Trust Indenture are used to make, purchase or finance mortgage loans (the “Mortgage Loans”) or finance mortgage loans through the purchase of Guaranteed Mortgage Securities (as defined in the Trust Indenture); 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 Bond, except as expressly provided in the Trust Indenture or in any Series Indenture; and

WHEREAS, the Commission, in furtherance of the Program, issued its Multifamily Housing Development Bonds 2004 Series C and 2004 Series D pursuant to the Indenture (collectively, the “Prior Bonds”) 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 Prior Bonds were issued as variable rate demand obligations enhanced by a TD Bank, N.A. direct-pay letter of credit (the “Credit Facility”) and hedged by an interest rate swap between the Commission and Merrill Lynch Capital Services Inc. (the “Swap”); and

WHEREAS, each of the Mortgage Loans funded from the proceeds of the Prior Bonds is insured

by the Federal Housing Administration (“FHA”) under Section 542(c) of the Housing and Community Development Act of 1992, as amended, and the regulations promulgated thereunder (the “Risk Sharing Act”); and

WHEREAS, the Commission has determined to issue one or more tax-exempt and/or taxable series of its Multifamily Housing Development Bonds to be designated, subject to the provisions hereof, 2019 Series B and 2019 Series C (together with such other series designation as shall be approved by the Executive Director, the “2019 Bonds”), pursuant to the Trust Indenture and pursuant to one or more series indentures (each, a “Series Indenture”) relating thereto, in part, for the purpose, among other things, of providing (i) financing for the refunding and redemption of the Prior Bonds thereby permitting the termination of the Credit Facility and the Swap, (ii) funding for Costs of Issuance (as defined in the Trust Indenture) and (iii) net present value savings of up to \$1.8 million over the term of the 2019 Bonds (the “Financing Plan”); and

WHEREAS, in connection with the issuance of the 2019 Bonds and the accomplishment of the Financing Plan, the Commission anticipates entering into various documents, including, but not limited to, a Series Indenture, preliminary and final Offering Documents, a Disclosure Agreement, a Contract of Purchase, the Tax-Related Documents and certain other documents relating to the 2019 Bonds and the Financing Plan (each such capitalized term not heretofore defined shall have the meaning as hereinafter set forth);

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

- 1. 2019 Bonds.** The 2019 Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$17,405,000 of the Commission, to carry out the purposes under the Program as described above. Subject to the following sentence, the Bonds shall be separately designated “2019 Series B” and “2019 Series C.” Notwithstanding the foregoing, the Executive Director is hereby authorized to approve, in consultation with the Financial Advisor and Bond Counsel to the Commission, such greater number of series of Bonds to be issued in connection with the Financing Plan and to determine the designations therefor. The 2019 Bonds are to be issued pursuant to the terms of the Trust Indenture and pursuant to the terms of the Series Indenture. The 2019 Bonds shall be limited obligations of the Commission, secured by and payable solely from moneys pledged therefor under the Indenture. The 2019 Bonds shall be issued as obligations the interest on which is excludable from gross income for federal income tax purposes (the “Tax Exempt 2019 Bonds”) and/or as obligations the interest on which is includable in gross income for federal income tax purposes, subject to the approval of the Executive Director, in consultation with the Financial Advisor and Bond Counsel to the Commission.
- 2. Approval of Financing Plan.** The Commission hereby approves the Financing Plan as described above pursuant to the terms and conditions set forth in the Indenture and such other documents approved hereby.

- 3. *Series Indenture.*** The Chairman, the Vice Chairman, or the Chairman Pro Tem and the Executive Director of the Commission, or any authorized designee of the Executive Director, are hereby authorized and directed to execute and deliver the Series Indenture in such form as shall be approved by such officers, the execution of such Series Indenture being conclusive evidence of such approval and of the approval of the Commission, and the Secretary-Treasurer of the Commission, or any other authorized officer of the Commission (an "Authorized Officer"), is hereby authorized and directed to affix the seal of the Commission to the Series Indenture and to attest the same.
- 4. *Tax-Related Documents.*** The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver a Tax Regulatory Agreement and No Arbitrage Certificate and other documents relating to the Tax-Exempt 2019 Bonds (collectively, the "Tax-Related Documents") restricting the application of the proceeds of the Tax-Exempt 2019 Bonds 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.
- 5. *Disclosure Agreement.*** The Commission hereby authorizes and approves the execution and delivery of a continuing disclosure agreement (the "Disclosure Agreement") related to the 2019 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. *Offering Documents.*** The Commission hereby authorizes and approves the preparation and distribution of one or more preliminary offering documents of the Commission and the preparation, execution and distribution of one or more final offering documents (collectively, the "Offering Documents"), each relating to the 2019 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.
- 7. *Sale of 2019 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 2019 Bonds to BofA Securities, Inc., as representative of itself, PNC Capital Markets LLC, and/or such other underwriters as may be designated by the Commission, 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.

- 8. 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 2019 Bonds.
- 9. 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 2019 Bonds, all of the foregoing to be specified in the related Series Indenture. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, is hereby authorized, from time to time during the period the 2019 Bonds are outstanding, to make ongoing determinations, as may be required by the terms of the related Series Indenture and any other financing documents relating to the 2019 Bonds, including, but not limited to, the giving and withholding of consents, the selection of certain providers and the refunding and redemption of the 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.
- 10. Other Action.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution relating to the issuance and sale of the 2019 Bonds and the accomplishment of the Financing Plan.
- 11. 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 2019 Bonds.
- 12. No Personal Liability.** No stipulation, obligation or agreement herein contained or contained in the 2019 Bonds, the Series Indenture, the Contract of Purchase, the Tax-Related Documents, the Offering Documents, the Disclosure Agreement or in any other agreement or document executed on behalf of the Commission shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the 2019 Bonds or be subject to personal liability or accountability by reason of the issuance thereof.
- 13. 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 2019 Bonds, the refunding and redemption of the Prior 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.

14. 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.

15. Effective Date. This Resolution shall take effect immediately.

VII. **ITEMS REQUIRING DELIBERATION and/or ACTION**

None

VIII. **FUTURE ACTION ITEMS**

None

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 5:11 p.m. and reconvened in closed session at approximately 5:23 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on October 15, 2019 at approximately 5:23 p.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(13) to discuss the financial and commercial terms of potential real estate dispositions.

The meeting was closed on a motion by Chair Pro Tem Priest, seconded by Commissioner Croom, with Commissioners Simon, Priest, Croom, and Kelleher unanimously voting in approval. Commissioners Nelson and Byrd were necessarily absent and did not participate in the vote. The following persons were present during the closed session: Jackie Simon, Roy Priest, Linda Croom, Frances Kelleher, Stacy Spann, Kayrine Brown, Cornelia Kent, Aisha Memon, Christina Autin, Millicent Anglin, Zachary Marks, Charnita Jackson, and Patrice Birdsong.

In closed session, the Commission discussed the financial and commercial terms of potential real estate dispositions. No formal action was taken.

The closed session was adjourned at 6:23 p.m.

Respectfully submitted,

HOC Minutes
October 15, 2019
Page 16 of 19

Stacy L. Spann
Secretary-Treasurer

/pmb

Attachment

Approved: November 6, 2019 (as amended and restated on October 6, 2021).

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

FISCAL YEAR 2021 (FY'21) FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS: COMMISSION ACCEPTANCE OF THE FOURTH QUARTER FY 2021 BUDGET TO ACTUAL STATEMENTS

October 6, 2021

- The Agency ended the year with a net cash flow surplus of \$1,241,830, which equates to 0.44% of the total operating budget of \$285,210,846 and 0.67% of the total adjusted operating budget of \$186,678,348, which excludes Housing Assistance Payments (“HAP”).
- The primary causes were savings in various expense categories in the General Fund and slightly higher cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance.
- At the end of the year, many of the unrestricted properties in the Opportunity Housing Fund exceeded budget expectations; however, the recognizable cash flow to the Agency did not meet budget due to shortfalls in some of the unrestricted properties.
- The Public Housing Program ended FY’21 with a shortfall of \$79,847 primarily as a result of a small amount of continued expenses at Emory Grove. The shortfall will be covered by existing cash in the fund.
- The Housing Choice Voucher (“HCV”) Program ended the year with an administrative surplus of \$2,185,228 as a result of higher than anticipated administrative fee incomes coupled with savings in administrative expenses. The surplus will be restricted to the program for future administrative costs.
- Staff recommends that surplus of \$1,241,830 be restricted as follows: 50% or \$620,915 to the General Fund Operating Reserve (“GFOR”) for future operational needs; and 50% or \$620,915 to the Opportunity Housing Property Reserve (“OHPR”) to help replenish the reserve to fund the shortfalls for capital needs that can be expected during the FY’22 and FY’23 budget season.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
 Terri Fowler Ext. 9507
 Tomi Adebo Ext. 9472

RE: **Fiscal Year 2021 (FY'21) Fourth Quarter Budget to Actual Statements:** Commission Acceptance of Fourth Quarter FY 2021 Budget to Actual Statements

DATE: October 6, 2021

OVERALL GOAL & OBJECTIVE:

Commission acceptance of the Fourth Quarter FY'21 Budget to Actual Statements.

BACKGROUND:

The Executive Director or Acting Executive Director is presenting the quarterly budget to actual statements and amendments to the Budget, Finance & Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

ISSUES FOR CONSIDERATION:

To assess the financial performance of the Housing Opportunities Commission of Montgomery County (Agency) for the fourth quarter of FY'21 against the budget for the same period.

BUDGET IMPACT:

Please see Discussion section of the memo for the budget impact of recommended actions for FY'21.

TIME FRAME:

For formal action at the October 6, 2021 meeting of the Commission.

The Budget, Finance and Audit Committee informally discussed the Fourth Quarter FY'21 Budget to Actual Statements at the September 21, 2021 meeting and supports staff's recommendation.

RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the full Commission accept the Fourth Quarter FY'20 Budget to Actual Statements.

DISCUSSION – FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the fourth quarter of FY'21 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (“HCV”) Programs and all Capital Improvements Budgets.

HOC Overall (see Attachment A)

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

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

The Commission approves the revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY 21 Fourth Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY’21 Fourth Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the year with a net cash surplus of \$1,241,830, which equates to 0.44% of the total operating budget of \$285,210,846 and 0.67% of the total adjusted operating budget of \$186,678,348, which excludes Housing Assistance Payments (“HAP”). The primary causes were savings in various expense categories in the General Fund (see General Fund) and slightly higher cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance (see Opportunity Housing Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the year with a deficit of \$1,062,124, which resulted in a positive variance of \$1,248,633 when compared to the projected deficit of \$2,310,757.

As of June 30, 2021, income in the General Fund was \$94,008 lower than budgeted. It is important to note that the FY’21 Amended Budget assumed a contribution from the General Fund Operating Reserve (“GFOR”) of \$1,047,443, which was reflected as income in the General Fund. As a result of the overall surplus at year-end, the contribution was not needed, which reduced income in the General Fund by the same amount. If we exclude the impact of not drawing the \$1,047,443 from the GFOR, income in the General Fund was actually \$953,435 greater than budget.

The positive income variance was primarily the result of higher than anticipated payments from

properties utilizing the FHA Risk Sharing program of \$660,103, which is reflected as income in the General Fund with a corresponding expense to restrict the income to the FHA Risk Sharing Reserve. In addition, Development Corporation Fees, which represent unrestricted cash flow from the properties, and Asset Management Fee income, which includes distributions of cash from tax credit properties, were slightly higher than budget. This income partially offset the lower Commitment and Development Fee income and lower draws from the Opportunity Housing Reserve Fund (OHRF) for Real Estate personnel and predevelopment costs due to savings in the division's expenses.

Expenses were \$1,342,641 lower than budgeted. The positive expense variance was primarily the result of substantial lapse in salary and benefits due to turnover and vacancy coupled with savings in professional services, computer software, utilities and tenant services expenses. This savings was partially offset by the previously mentioned restriction of the additional FHA Risk Sharing income that was restricted to the reserves coupled with overages in maintenance due to COVID-19.

The Multifamily Bond Fund and **Single Family Bond Fund** are budgeted to balance each year.

The Multifamily Bond Fund draw for FY'21 was reduced by the cumulative \$241,570 of savings left in the fund at FY'20 year-end. As a result of savings in administrative salaries and benefits, legal and financial services expenses, the fund ended the year with a positive expense variance of \$133,516. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of \$133,516. Staff is recommending that the surplus of \$133,516 be used to reduce the budgeted draw for FY'22 for the Multifamily Bond Fund.

The Single Family Bond Fund draw for FY'21 was reduced by the \$208,038 of savings left in the fund at FY'20 year-end. As a result of savings in administrative salaries, benefits, legal costs, financial services expenses, legal, financial services, trustee fees, and lender service fees the fund ended the year with a positive expense variance of \$82,613. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of \$82,613. Staff is recommending that the surplus of \$82,613 be used to reduce the budgeted draw for FY'22 for the Single Family Bond Fund.

The Opportunity Housing Fund

The FY'21 Second Quarter Budget Amendment incorporated the anticipated impact on rent receipts and the corresponding impact to the Allowance for Bad Debt, due to the continued impact of the COVID-19 pandemic on properties' performance. Bad debt expense on the properties continued to grow during FY'21 with an ending balance of \$3.3M. However, the FY'21 Amended budget projected a much larger bad debt expense than was realized due in part to the higher beginning allowance balances at some of the properties as well as slightly better performance during the spring. It is possible that the increased payments were the result of the additional stimulus payments, continued unemployment benefits and tax refunds. We saw a slight decline of receipts in the fourth quarter, which resulted in a total receivable balance at

year-end of approximately \$5.9M. In addition, the deferral of County Loan Payments in response to potential cash flow shortfall resulting from the COVID 19 impact on rent receipts resulted in savings of over \$456k in debt service payments in the portfolio. In many cases, the savings in bad debt and/or debt service was offset by lower gross rents, higher concessions, and vacancy loss at several properties. Other variances in the properties are detailed below.

Attachment B is a chart of the Net Cash Flow for Development Corporation Properties. This chart divides the properties into two groups.

Group 1

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'21 Operating Budget. It should be noted that a few properties also had a portion of operating cash flow restricted for various reasons. This group ended the year with cash flow of \$4,485,414 or \$560,442 lower than projected. Cash flow recognized for Scattered Site One and Sligo MPDU III were adjusted down to reflect the growth in tenant receivables that exceeded the allowance at year-end. When we adjust the recognized cash flow by the reductions mentioned above the net year-end recognizable cash flow is \$4,397,633 or \$648,223 below the portfolio budget.
- **Alexander House Dev Corp** ended the year with a negative cash flow variance of \$732,631 as a result of lower gross rents coupled with higher concessions, vacancy loss, bad debt and maintenance expenses that were offset slightly by savings in administrative, utility and security costs. Cash flow at **The Barclay Dev Corp** was \$79,907 lower than anticipated due to higher vacancies and higher administrative and maintenance cost that were partially offset by lower bad debt, tax and security cost. **Glenmont Crossing Dev Corp** experienced a positive cash flow variance of \$35,149 as a result of lower maintenance, administrative and bad debt expense countered by lower gross rents and overages in utilities costs. **Glenmont Westerly Dev Corp** experienced a positive cash flow variance of \$18,487 as a result of lower maintenance and administrative costs that were almost entirely offset by lower gross rents and overages in utilities costs. **The Metropolitan Dev Corp** ended the year with a negative cash flow variance of \$362,384 (\$305,101 + \$57,283) primarily as a result of lower tenant rents coupled with higher concessions and vacancy loss. Excess cash from the Metropolitan Dev Corp is used to cover the budgeted loss on the **Metropolitan Affordable** units, which was \$92,434 lower than anticipated as a result of savings in tenant services, utility, maintenance, and tax expenses. **Montgomery Arms Dev Corp** experienced negative cash flow variances of \$90,378 as a result of slightly lower gross rents and higher vacancy loss coupled with higher administrative and bad debt expense that was partially offset by savings in utility, maintenance and security costs. **MPDU 59** reported a positive cash flow variance of \$74,663 primarily attributed to lower bad debt offset by higher utilities, maintenance costs, and vacancy loss. Cash flow for **Paddington Square** was \$204,753 lower than budget as a result of lower gross rents and higher vacancies and concessions coupled with overages in utility, administrative and insurance costs that were partially offset by savings in maintenance and bad debt expenses. **Pooks Hill High-Rise Dev Corp** experienced negative cash flow variances of \$89,746 as a result of lower gross rents and higher vacancy and concessions that was

partially offset by savings in administrative, tenant services, utility and maintenance costs. **Scattered Site One Dev Corp** and **Scattered Site two Dev Corp** reported positive cash flow variances of \$68,308 and \$19,127, respectively, primarily due to lower bad debt expense compared to the amended budget that was partially offset by overages in administrative, maintenance and utilities coupled with lower tenant income and higher vacancy loss. Cash flow at **Sligo Development Corp** was \$19,627 lower than anticipated due to lower gross rents and higher vacancies that were partially offset by savings in utilities and bad debt expenses. **VPC One Dev Corps** and **VPC Two Dev Corps** experienced positive cash flow variances of \$512,428 and \$133,932, respectively, largely the result of lower bad debt expense compared to the amended budget coupled with lower vacancies that were partially offset by lower gross rents and concessions at both properties. VPC One also experienced savings in administrative, utility, and maintenance expenses. The positive variance at VPC Two was also partially offset by higher maintenance and administrative expenses.

Group 2

- The second group consists of properties whose cash flow will not be used for the Agency's FY'21 Operating Budget. Cash flow from this group of Development Corporation properties was \$65,040 lower than budgeted for the year. **MetroPointe Dev Corp** reported a negative cash flow variance of \$156,127 primarily attributed to lower gross rents, higher vacancy loss and concessions coupled with higher administrative and bad debt expense that were partially offset by savings in tenant services, utility and maintenance costs. The shortfall at MetroPointe will be funded through a planned draw from the GFOR. Cash flow at the **Oaks at Four Corners Dev Corp** was \$30,119 higher than anticipated due to savings in administrative, tenant services and maintenance costs that was partially offset by lower gross rents coupled with higher utility and bad debt expense. The **RAD 6** properties ended the year with a shortfall of **(\$204,681)** which resulted in a positive cash flow variance of \$118,251, collectively, as a result of higher gross rents and lower vacancies coupled with lower bad debt that was partially offset by overages in utility, administrative and maintenance cost. Cash flow at **Ken Gar** was \$54,340 lower than anticipated due to lower tenant subsidies and higher maintenance expenses. **Parkway Woods** reported a positive cash flow variance of \$15,840 primarily due to savings in most expense categories that was partially offset by higher bad debt expense. **Sandy Spring Meadow** ended the year with a positive cash flow of \$12,188 resulting in a positive variance of \$42,405 when compared to the budgeted deficit of \$30,217 primarily due to lower bad debt and savings in administrative and maintenance costs that were partially offset by overages in utilities. The planned deficit for **Seneca Ridge** was \$109,751 lower than anticipated due to higher gross rents and lower vacancies coupled with lower bad debt expense that was partially offset by overages in administrative, utility and maintenance expenses. **Towne Center Place** ended the year with a positive cash flow of \$8,858 resulting in a positive variance of \$42,522 when compared to the budgeted deficit of \$33,664 primarily due to higher tenant subsidies coupled with lower bad debt expense that was partially offset by overages in utility and administrative costs. **Washington Square** reported a negative cash flow variance of \$37,927 primarily attributed to overages in administrative, utility and maintenance expenses that were partially offset by lower vacancy and bad debt.

Attachment C is a chart of the Net Cash Flow for Opportunity Housing Properties. This chart divides the properties into two groups.

Group 1

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'21 Operating Budget. This group ended the year with cash flow of \$3,648,391 or \$995,232 more than projected. Cash flow recognized for McHome, MHLP VII, MHLP VIII, and MHLP X, were adjusted down to reflect the growth in tenant receivables that exceeded the allowance at year end. When we adjust the recognized cash flow by the reductions mentioned above the net year-end recognizable cash flow is \$3,201,672 or \$548,513 above the portfolio budget.
- Cash flow at **MPDU I (64)** was \$125,475 higher than anticipated due to lower bad debt expense that was partially offset by lower tenant rents and higher vacancy loss coupled with overages in utility and maintenance expense. **Avondale Apartments** reported a negative cash flow variance of \$26,363 primarily due to lower gross rent and higher vacancy loss coupled with overages in utility costs that were partially offset by savings in administrative, maintenance, and tax expenses. **Barclay Affordable** experienced a positive cash flow variance of \$94,832 as a result of lower bad debt, administrative and maintenance expenses that were partially offset by overages in utilities. **Camp Hill Square** reported a negative cash flow variance of \$142,687 primarily attributed to higher security and maintenance costs coupled with higher vacancy loss that were partially offset by higher gross rents coupled with lower bad debt and utility costs. **Chelsea Towers** experienced a positive cash flow variance of \$97,287 due to of lower debt service expense, as a result of deferring payment on the County loan due to COVID 19 impact on Agency income coupled with no vacancy loss for the year. Cash flow at **Fairfax Court** was \$31,177 lower than anticipated due to lower gross rents and slightly higher vacancy coupled with higher administrative, utility and maintenance expense that were partially offset by lower bad debt expense. **Holiday Park** reported a negative cash flow variance of \$112,099 primarily due to overages in most expense categories coupled with higher vacancy loss. **Jubilee Hermitage** and **Jubilee Woodedge** experienced negative cash flow variances of \$21,272 and \$12,165, respectively, mainly as a result of adjustments for prior year subsidy payments that decreased tenant income. In addition, Jubilee Hermitage experienced higher than anticipated maintenance expenses related to grounds and elevator work. Cash flow at the three **Manor** properties was collectively \$78,863 (\$56,727 + \$46,740 + **(\$24,604)**) higher than anticipated due to saving related to the refinancing of loans on the properties that was partially offset by higher vacancies to support for the upcoming renovations coupled with overages in most expense categories. **McHome** experienced a positive cash flow variance of \$42,819 as a result of savings in maintenance and bad debt expenses that were partially offset by higher vacancies, utilities and administrative cost. **MHLP VII, MHLP VIII, MHLP IX Pond Ridge** and **Scattered Sites**, and **MHLP X** all experienced positive cash flow variances due to lower bad debt and debt service payments that were partially offset by higher vacancies. **MPDU 2007** reported positive cash

flow variances of \$20,561 as a result of lower bad debt and maintenance expense coupled with 100% occupancy for the year. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of \$39,027 as a result of lower gross rents and higher vacancies coupled with overages in utility and bad debt expenses that were partially offset by savings in maintenance cost. **Shady Grove Apt** experienced a positive cash flow variance of \$575,127 as a result of higher tenant income due to the catchup on subsidy payments rates and lower vacancy coupled with savings in maintenance expenses that were partially offset by overages in administrative and utility cost. **Strathmore Court** experienced a negative cash flow variance of \$417,601 as a result of lower tenant income and higher concessions and vacancy loss coupled with higher than anticipated expenses in most categories. **TPP LLC Pomander Court** experienced a negative cash flow variance of \$87,429 primarily as a result of higher maintenance and utilities coupled with lower gross rents. **Westwood Towers** experienced a negative cash flow variance of \$55,603 as a result of lower gross rents and higher vacancy loss coupled with overages in administrative costs that was partially offset by savings in tenant services, utility, maintenance, and security expenses. Cash flow at **The Willows**, which was projected at a deficit of **(\$198,119)**, ended the year at a positive cash flow of \$247,608 resulting in a positive variance of \$445,727 due to savings in most expense categories coupled with higher gross rents that were partially offset by higher vacancy loss.

Group 2

- The second group consists of properties whose cash flow will not be used for the Agency's FY'21 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was \$2,147,615 more than budgeted. The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of \$12,267 mainly driven by costs associated with the transfer of the property to Wheaton Gateway and taxes coupled with interest paid on the outstanding debt on the PNC Real Estate Line of Credit (RELOC). There are sufficient reserves at the property to cover the costs. **Bradley Crossing** was acquired on June 1, 2021, which did not allow time for the adoption of a budget for FY'21 or FY'22. The FY'22 First Quarter Budget Amendment will establish the budget for FY'22. Cash flow at **Brookside Glen** was \$35,502 higher than anticipated due to savings in most expense categories that were partially offset by overages in utilities coupled with lower gross rents and slightly higher concessions and vacancy loss. The planned shortfall of **(\$850,912)** at **Cider Mill** was \$531,418 smaller than anticipated primarily due to lower bad debt and the receipt of rental payments from ex-tenants coupled with lower vacancy loss countered by higher concessions and overages in administrative, utility, maintenance and security costs. **Diamond Square** ended the year with a positive cash flow variance of \$40,295 largely the result of savings throughout most expense categories coupled with lower vacancy loss that was partially offset by overages in maintenance expenses and lower gross rents. Cash flow at **Elizabeth House Interim RAD**, which was projected at a deficit of **(\$17,377)**, ended the year at a positive cash flow of \$578,805 resulting in a positive variance of \$596,182 due to higher subsidy payments that included the receipt of vacant unit subsidies that were partially offset by overages in most expense categories. A portion of the cash flow equal to the deficit covered by the Agency in FY'20, which was \$266,542, will be unrestricted to reimburse the Agency. **Georgian**

Court Affordable ended the year with a positive cash flow variance of \$441,928 due to savings in most expense categories coupled with higher gross rents and lower vacancies. **Holly Hall Interim RAD**, which was vacated in November 2019 and therefore not budgeted, has continued to experience a small amount of maintenance and utilities costs for the building resulting in expenses of \$57,504 which will be covered by unrestricted cash in the Opportunity Housing portfolio. Manchester Manor ended the year with a deficit of **(\$42,631)** resulting in a negative cash flow variance of \$45,599 largely resulting from lower gross rents and higher vacancies coupled with overages in administrative, maintenance, and security costs that were partially offset by savings in utilities, bad debt and debt service expenses. The shortfall will be covered by existing cash at the property. **Paint Branch** experienced a negative cash flow variance of \$16,946 due to higher maintenance and administrative cost. **Southbridge** ended the year with a negative cash flow variance of \$48,625 due to higher vacancy coupled with higher utility, maintenance and security costs. **State Rental Combined** reported a negative cash flow variance of \$23,576 primarily attributed to lower gross rents and higher vacancy, utilities and maintenance expense countered by lower bad debt expense. Cash flow at **Stewartown Affordable** was \$334,441 higher than anticipated due to higher gross rents and lower vacancies partially offset by overages in most expense categories.

The Public Fund (Attachment D)

- The FY'21 Budget was developed with no Public Housing property budgets. **Elizabeth House** received additional Rental Assistance Demonstration (RAD) vacant unit subsidies at the end of FY'20 and in FY'21 that were subsequently transferred to the Elizabeth House RAD property. In addition, a small amount of expenses continued at **Emory Grove** for communication costs, utilities and solid waste tax.
- The Housing Choice Voucher Program (HCVP) ended the year with a shortfall of \$1,238,272. The shortfall was comprised of Housing Assistance Payment ("HAP") payments that exceeded HAP revenue by \$3,423,500 offset by an administrative surplus of \$2,185,228. The HAP shortfall was funded from the HCVP Net Restricted Position ("NRP"), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was the result of a higher proration factor of 80% compared to the budgeted proration factor of 79%, higher administrative fees received on incoming portables, additional administrative fees received in July and September 2020 as a result of the reconciliation of fees earned based on actual utilization from January 1, 2020 through June 30, 2020, and additional fees received to support the COVID-19 voucher funding received. The administrative surplus will be restricted to the program for future administrative costs.

Tax Credit Partnerships

The Tax Credit Partnerships have a calendar year end.

Budget Impact – FY’21

- As explained in this memo, the Agency ended the year with a surplus of \$1,241,830 primarily as a result of lower than anticipated expenses in the General Fund and slightly higher cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance.
- Staff recommends that surplus of \$1,241,830 be restricted 50% or \$620,915 to the General Fund Operating Reserve (“GFOR”) for future operational needs and 50% or \$620,915 to the Opportunity Housing Property Reserve (“OHPR”) to help replenish the reserve to fund the shortfalls for capital needs that can be expected during the FY’22 and FY’23 budget season.

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY’21. The chart is grouped in two sections – General Fund and Opportunity Housing properties. Several properties exceeded their budget due to unanticipated physical needs at the properties. For properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve (“OHPR”) for FY ’21. Total expenditures for the portfolio did not exceed the authorized amount of \$739,500 allocated from the OHPR for FY’21. Capital budgets from projects with positive variances may be rolled forward as requested for projects that were planned for FY’21 but not completed.

Following is an explanation of properties that have exceeded their annual capital budget. There are sufficient property reserves to cover the overages at all of the properties except **Barclay Apartments Dev Corp, Holiday Park, Jubilee Hermitage, Manchester Manor Apartments, McKendree, MHLP VII, MHLP VIII, MHLP IX – Pond Ridge, MHLP IX – Scattered, TPM – 59 MPDUs** and **Sligo Dev Corp**. The overages at these properties will be covered by the OHPR. There are sufficient savings in other capital budgets that were drawing from this reserve to cover the overage at these properties.

There are a few properties with overages that will be funded by the respective properties reserves.

Bradley Crossing, which was acquired on June 1, 2021, did not have an established budget. Capital cost are for appliance replacement. **Brookside Glen** exceeded the capital budget due to unplanned appliance replacements and significant water heater failures at the property that required immediate replacement to prevent property damage. The **CDBG units** exceeded their capital budget due to unanticipated carpet replacement. **Cider Mill** overspent its capital budget due to unplanned parking lot repaving and concrete replacements. The **Day Care at 9845 Lost Knife** had an unanticipated property condition assessment capital expense. **Georgian Court Affordable** has exceeded its FY’21 capital budget mainly as a result of window replacements that will be funded by residual receipts held at the property. **Ken Gar** overspent its capital budget due to unanticipated plumbing replacements. The **Manor at Cloppers Mill** exceeded its capital budget due to unanticipated HVAC unit and flooring replacements. **Manor at Fair Hill Farm** exceeded the capital budget due to unanticipated ejector pump and HVAC replacements. The

NCI Units overspent their capital budget due to unanticipated flooring replacements and emergency HVAC repairs. **Paddington Square** exceeded its capital budget as a result of unanticipated flooring replacements and building jetting. **Scattered Site One Dev Corp** exceeded its capital budget due to work necessitated by unanticipated unit turnovers, some of which were the result of skips. **Seneca Ridge** exceeded its capital budget as a result of unanticipated unit turns primarily resulting in overages in painting. **Shady Grove** exceeded the capital budget due to the County Department of Storm Water management requiring the replacement of 125 feet of principal spillway pipe for the storm water facility after an issue was discovered during the inspection of the spillway pipe. **State Rental Combined, VPC One and Two** overspent the capital budgets as a result of unanticipated appliance, plumbing and flooring work. Most of work at State Rental was required by the Maryland Department of Housing and Community Development (DHCD). **Towne Center Place Dev Corp** overspent their capital budget due to unanticipated plumbing and flooring replacements. **Washington Square** has exceeded its FY'21 capital budget as a result of unanticipated flooring, roofing and kitchen cabinets replacements.

It is worth noting that staff is working to identify capital work that was done in the Scattered Site portfolio that is eligible for funding available from the County Capital Improvements Program (CIP) and will request reimbursement from the County thus reducing the dependence on the respective properties reserves and/or the OHP.

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 Fourth Quarter FY’21 Budget to Actual Statements during its October 6, 2020 meeting; and

WHEREAS, the Agency ended FY’21 with an operating surplus of \$1,241,830; and

WHEREAS, it is recommended that surplus of \$1,241,830 be restricted 50% or \$620,915 to the General Fund Operating Reserve (GFOR) for future operational needs and 50% or \$620,915 to the Opportunity Housing Property Reserve (OHPR) to help replenish the reserve to fund the shortfalls for capital needs that can be expected during the FY’22 and FY’23 budget season.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Fourth Quarter FY’21 Budget to Actual Statements.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes that the surplus of \$1,241,830 be restricted 50% or \$620,915 to the General Fund Operating Reserve (GFOR) for future operational needs and 50% or \$620,915 to the Opportunity Housing Property Reserve (OHPR) to help replenish the reserve to fund the shortfalls for capital needs that can be expected during the FY’22 and FY’23 budget season.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on Wednesday, October 6, 2021.

Patrice Birdsong
Special Assistant to the Commission

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**FISCAL YEAR 2022 (FY'22) FIRST QUARTER BUDGET
AMENDMENT: COMMISSION APPROVAL OF FY 2022 FIRST
QUARTER BUDGET AMENDMENT**

October 6, 2021

- The net effect of the FY'22 First Quarter Budget Amendment is a surplus of \$192,960.
- The FY'22 Adopted Budget includes a projected draw of \$1,434,616 from the General Fund Operating Reserve ("GFOR") to balance the budget. Staff recommends that the anticipated draw be reduced by \$192,960 to \$1,241,656 in order to maintain a balanced budget.
- Total Operating Budget for the Agency has increased from \$292.9 million to \$300.4 million.
- Total Capital Budget for the Agency has increased from \$438.3 million to \$439.1 million.
- Personnel Complement remains unchanged.
- No policy changes are reflected in the budget amendment.
- Staff recommends that the Commission approve the proposed FY'22 First Quarter Budget Amendment.

for these expenditures was restricted at the end of FY'21 in anticipation of this rollover request. This budget amendment identifies the restricted cash as the source for the expenditures and will be reflected in the FY'22 budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by \$63,580 to reflect the source and use of the funds to pay for the capital expenditures.

- **Strengthening the Implementation of Responsible Fatherhood Programs (“SIRF”)**
Study: The Fatherhood Initiative Program has recently been selected out of 100 grantees to be one of the 15 to participate in the National SIRF Study. The Study works closely with programs to identify and overcome the challenges they face, such as recruiting fathers, enrolling them in services, and keeping them actively engaged in services so they can realize their goals. In the study, HOC's Fatherhood Initiative Program will be focusing on case management and taking the coaching stance. As part of the study, \$125k has been awarded to the program for training as well as extra staff in efforts of implementation of the coaching stance. Income and expenses in the General Fund will be increased by a \$125,000 to incorporate the award into the Agency budget.
 - **Bradley Crossing:** On June 1, 2021, HOC acquired Bradley Crossing. The property will pay HOC an Asset Management Fee of \$192,960 from the property to support Agency overhead, which is reflected as income in the General Fund (See Opportunity Housing Fund). Income in the General Fund will increase by \$192,960.
- **Opportunity Housing Fund:**
 - **Bradley Crossing:** On June 1, 2021, HOC acquired Bradley Crossing, which is comprised of three properties located in south Bethesda with seven buildings and 402 units. The property is managed by Aldon management Corporation. HOC implemented the following affordability restrictions for the property: 30% of the units (121 units) at max 80% AMI, and an additional 20% of the units (81 units) at max 50% AMI. Although anticipated cash flow of \$991,074 from the property will be restricted for FY'22, HOC will receive an Asset Management Fee of \$192,960 from the property to support Agency overhead. The fee is reflected as income in the General Fund (See General Fund). Both income and expenses will be increased by \$7,085,668 to incorporate the property into the Agency budget.

FY'22 First Quarter Budget Amendment

	Bradley Crossing
Total Revenue	\$7,085,668
Gross Rents	\$7,411,503
Concessions	(\$48,826)
Vacancy Loss	(\$370,577)
Other Revenue	\$93,568
Total Operating Expenses	\$2,814,954
Administrative	\$1,155,287
Utilities	\$486,837
Maintenance	\$840,736
Other	\$332,094
Net Operating Income	\$4,270,714
Annual RfR Contribution	\$143,180
Asset Management Fee	\$192,960
Excess Cash Flow Restricted	\$991,074
Annual Debt Service	\$2,943,500
Total Non-Operating Expenses	\$4,270,714
Cash Flow / (Deficit)	\$0
Capital	\$80,323

Capital Budget Amendments: Attachment 1-2 is a detailed chart of the following proposed transactions. Below is a description of the proposed amendment:

- **Capital Improvements:**

- **Capital Roll Over for Facilities (General Fund):** All planned capital expenses for Facilities were not completed in FY'21. Therefore, staff requests that \$255,000 be rolled forward and included in the FY'22 Budget to pay for carpet and warehouse heating at East Deer Park (\$60,000) and HVAC, elevator, lighting and roof work at 880 Bonifant (\$195,000). The work will be funded by cash restricted in FY'21.
- **Capital Roll Over for Information Technologies (General Fund):** All planned capital expenses for Information Technologies (IT) were not completed in FY'21. Therefore,

staff requests that \$63,580 be rolled forward and included in the FY'22 Budget. The work will be funded by cash restricted in FY'21.

- **Capital Roll Over for Opportunity Housing Fund Properties:** Each year, Property Management reviews capital budgets at year-end and requests capital funds to roll forward to the next year. This is necessary, as there are always capital projects that have not been completed by year-end. This year, Property Management has requested that \$432,374 for a few properties be rolled forward and included in the FY'22 Budget. This work will be funded from property replacement reserves.

FY'22 1st Quarter Capital Rollover	
Diamond Square	\$275,000
MetroPointe	\$138,534
Strathmore Court - Market	\$5,742
Strathmore Court - Affordable	\$13,098
Total	\$432,374

- **Bradley Crossing:** The capital budget for the acquired property is \$80,323 and includes typical work that can be expected such as replacement of kitchen and bath countertops, appliances, flooring, windows and hardware upgrades.

BUDGET IMPACT:

The net effect of the FY'22 Second Quarter Budget Amendment is a surplus of \$192,960. The FY'22 Adopted Budget included a projected draw of \$1,434,616 from the General Fund Operating Reserve (“GFOR”) to balance the budget. Staff recommends that the anticipated draw be decreased by \$192,960 to \$1,241,656 in order to maintain a balanced budget.

The total FY'22 Operating Budget for HOC increased from \$292,911,404 to \$300,440,652. This is an increase of \$7,529,248. The total FY'22 Capital Budget for HOC increased from \$438,310,612 to \$439,141,889. This is an increase of \$831,277. Approval by the Commission of any budget amendments will revise the FY'22 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

For formal action at the October 6, 2021 meeting of the Commission.

The Budget, Finance and Audit Committee informally reviewed the FY'22 First Quarter Budget Amendment at the September 21, 2021 meeting and supports staff's recommendation.

RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve the proposed FY'22 First Quarter Budget Amendment.

Resolution No.: 21-93

**Re: Approval of FY 2022 First Quarter
Budget Amendment**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”) adopted a budget for FY’22 on June 9, 2021;

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

WHEREAS, the net effect of the FY’22 First Quarter Budget Amendment is a surplus of \$192,960, which will decrease the anticipated draw from the General Fund Operating Reserve (“GFOR”) of \$1,434,616 by \$192,960 to \$1,241,656 in order to maintain a balanced budget;

WHEREAS, the total FY’22 Operating Budget increased from \$292,911,404 to \$300,440,652;

WHEREAS, the total FY’22 Capital Budget increased from \$438,310,612 to \$439,141,889;
and

WHEREAS, approval of the budget amendments to revise the FY’22 budget will reflect an accurate plan for the use of the Commission’s resources for the remainder of FY’22.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY’22 Operating Budget by increasing total revenues and expenses for the Commission from \$292,911,404 to \$300,440,652.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY’22 Capital Budget by increasing revenues and expenses for the Commission from \$438,310,612 to \$439,141,889.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on October 6, 2021.

Patrice Birdsong
Special Assistant to the Commission

FY 2022 Operating Budget First Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes		Net Changes		First Quarter Budget Amendment
					To Revenue	To Expenses	Revenues	Expenses	
General Fund									
	General Fund	\$25,904,324	\$29,562,785	(\$3,658,461)	\$636,540	\$443,580	\$26,540,864	\$30,006,365	(\$3,465,501)
	Draw from GFOR to Balance Budget	\$1,434,616	\$0	\$1,434,616	(\$192,960)	\$0	\$1,241,656	\$0	\$1,241,656
Multifamily & Single Family Bond Funds									
	Multifamily Fund	\$17,101,758	\$17,101,758	\$0	\$0	\$0	\$17,101,758	\$17,101,758	\$0
	Single Family Fund	\$9,596,244	\$9,596,244	\$0	\$0	\$0	\$9,596,244	\$9,596,244	\$0
Opportunity Housing Fund									
	Opportunity Housing & Dev Corps	\$96,433,357	\$94,403,933	\$2,029,424	\$7,085,668	\$7,085,668	\$103,519,025	\$101,489,601	\$2,029,424
	Draw from GFOR for MetroPointe Deficit	\$194,421	\$0	\$194,421	\$0	\$0	\$194,421	\$0	\$194,421
	Opportunity Housing Reserve Fund	\$5,895,910	\$1,624,626	\$4,271,284	\$0	\$0	\$5,895,910	\$1,624,626	\$4,271,284
	Restricted to OHRF	\$0	\$4,271,284	(\$4,271,284)	\$0	\$0	\$0	\$4,271,284	(\$4,271,284)
Public Fund									
	Housing Choice Voucher Program	\$118,304,140	\$115,169,540	\$3,134,600	\$0	\$0	\$118,304,140	\$115,169,540	\$3,134,600
	Restrict to HCVP HAP Reserve	\$0	\$2,889,672	(\$2,889,672)	\$0	\$0	\$0	\$2,889,672	(\$2,889,672)
	Restrict to HCVP Administrative Reserve		\$244,928	(\$244,928)	\$0	\$0	\$0	\$244,928	(\$244,928)
	Federal , State and Other County Grants	\$18,046,634	\$18,046,634	\$0	\$0	\$0	\$18,046,634	\$18,046,634	\$0
TOTAL - ALL FUNDS		\$292,911,404	\$292,911,404	\$0	\$7,529,248	\$7,529,248	\$300,440,652	\$300,440,652	\$0

Footnotes - explanation of changes recommended to adopted

GF R \$192,960 Add Asset Management Fee from Bradley Crossing

GF R \$125,000 Add Budget for SIRF Study Award

GF E \$125,000 Add Budget for SIRF Study Award

GF R \$60,000 Add funds restricted in FY'21 for East Deer Park Capital Rollover

GF R \$195,000 Add funds restricted in FY'21 for 880 Bonifant Capital Rollover

GF E \$60,000 Add funds restricted in FY'21 for East Deer Park Capital Rollover

GF E \$195,000 Add funds restricted in FY'21 for 880 Bonifant Capital Rollover

GF R \$63,580 Add funds restricted in FY'21 for IT Capital Rollover

GF E \$63,580 Add funds restricted in FY'21 for IT Capital Rollover

GF E (\$192,960) Reduce draw from GFOR

OH R \$7,085,668 Add Budget for Bradley Crossing

OH E \$7,085,668 Add Budget for Bradley Crossing

FY 2022 Capital Budget 1st Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes to Revenue	Net Changes to Expenses	Revenues	Expenses	1st Quarter Amendment
Capital Improvements									
	East Deer Park	\$95,000	\$95,000	\$0	\$60,000	\$60,000	\$155,000	\$155,000	\$0
	Kensington Office	\$100,000	\$100,000	\$0	\$0	\$0	\$100,000	\$100,000	\$0
	880 Bonifant	\$82,000	\$82,000	\$0	\$195,000	\$195,000	\$277,000	\$277,000	\$0
	Information Technology	\$781,000	\$781,000	\$0	\$63,580	\$63,580	\$844,580	\$844,580	\$0
	Opportunity Housing Properties	\$5,998,048	\$5,998,048	\$0	\$512,697	\$512,697	\$6,510,745	\$6,510,745	\$0
		\$7,056,048	\$7,056,048	\$0	\$831,277	\$831,277	\$7,887,325	\$7,887,325	\$0
Capital Development Projects									
	Bauer Park Apartments	\$9,094,460	\$9,094,460	\$0	\$0	\$0	\$9,094,460	\$9,094,460	\$0
	Deeply Affordable Units	\$1,250,000	\$1,250,000	\$0	\$0	\$0	\$1,250,000	\$1,250,000	\$0
	Elizabeth House III	\$26,358,960	\$26,358,960	\$0	\$0	\$0	\$26,358,960	\$26,358,960	\$0
	Georgian Court	\$29,113,153	\$29,113,153	\$0	\$0	\$0	\$29,113,153	\$29,113,153	\$0
	Hillandale Gateway	\$19,614,762	\$19,614,762	\$0	\$0	\$0	\$19,614,762	\$19,614,762	\$0
	Metropolitan	\$112,604,941	\$112,604,941	\$0	\$0	\$0	\$112,604,941	\$112,604,941	\$0
	Shady Grove	\$42,420,591	\$42,420,591	\$0	\$0	\$0	\$42,420,591	\$42,420,591	\$0
	Stewartown	\$8,360,330	\$8,360,330	\$0	\$0	\$0	\$8,360,330	\$8,360,330	\$0
	Upton II	\$16,285,095	\$16,285,095	\$0	\$0	\$0	\$16,285,095	\$16,285,095	\$0
	West Side Shady Grove	\$63,061,089	\$63,061,089	\$0	\$0	\$0	\$63,061,089	\$63,061,089	\$0
	Westwood Towers	\$42,750,000	\$42,750,000	\$0	\$0	\$0	\$42,750,000	\$42,750,000	\$0
	Willow Manor Resyndication	\$60,341,183	\$60,341,183	\$0	\$0	\$0	\$60,341,183	\$60,341,183	\$0
		\$431,254,564	\$431,254,564	\$0	\$0	\$0	\$431,254,564	\$431,254,564	\$0
TOTAL - ALL FUNDS		\$438,310,612	\$438,310,612	\$0	\$831,277	\$831,277	\$439,141,889	\$439,141,889	\$0

Footnotes - explanation of changes

GF-Fac R \$60,000 Roll forward Facilities FY'21 Capital for East Deer Park

GF-Fac R \$195,000 Roll forward Facilities FY'21 Capital for 880 Bonifant

GF-Fac E \$60,000 Roll forward Facilities FY'21 Capital for East Deer Park

GF-Fac E \$195,000 Roll forward Facilities FY'21 Capital for 880 Bonifant

GF-IT R \$63,580 Roll forward IT FY'21 Capital

GF-IT E \$63,580 Roll forward IT FY'21 Capital

OH R Add roll over budgets from FY 2020 - \$432,374

\$275,000 Diamond Square - (Elevator upgrade)

\$138,534 MetroPointe - (Hallway Painting, HCAV Replacements, and Garage Cameras)

\$5,742 Strathmore Court Market - (Hallway Painting)

\$13,098 Strathmore Court Affordable - (Hallway Painting and Carpeting)

\$432,374 Total Change to OH Fund

OH E Add roll over budgets from FY 2020 - \$432,374

\$275,000

\$138,534

\$5,742

\$13,098

\$432,374 Total Change to OH Fund

OH R \$80,323 Add Budget for Bradley Crossing

OH E \$80,323 Add Budget for Bradley Crossing

**UNCOLLECTIBLE TENANT ACCOUNTS RECEIVABLE:
AUTHORIZATION TO WRITE-OFF UNCOLLECTIBLE TENANT
ACCOUNTS RECEIVABLE
(APRIL 1, 2021 – JUNE 30, 2021)**

October 6, 2021

- HOC's current policy is to provide for an allowance for any tenant accounts receivable balance in excess of 90 days.
- Additionally, HOC periodically proposes the write-off of uncollected former resident balances.
- The proposed write-off for the fourth quarter of Fiscal Year 2021 totaled \$50,389, a decrease of \$17,331 compared to the previous quarter.
- The primary reasons for the write-offs across the properties include tenants who purchased homes, needed more space, passed away, skipped, no longer qualifies for the program, left due to lease violation, and voluntary left the program.
- The next anticipated write-off of former tenants' uncollectible accounts receivable balance will be for the first quarter of FY'22, which will cover the period from July 1, 2021 to September 30, 2021.
- Staff recommends that the Commission approve the proposed write-off of uncollected former residents' balances for the fourth quarter of fiscal Year 2021, which totaled \$50,389.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
 Eugenia Pascual Finance Ext. 9478
 Nilou Razeghi Finance Ext. 9494
 Charnita Jackson Property Management Ext. 9776

RE: Uncollectible Tenant Accounts Receivable: Authorization to Write-Off
Uncollectible Tenant Accounts Receivable (April 1, 2021 – June 30, 2021)

DATE: October 6, 2021

BACKGROUND:

HOC's current policy is to provide an allowance for any tenant accounts receivable balance of more than 90 days. HOC records all proposed write-offs of former tenant accounts receivable balances in HOC's Uncollectible Accounts Receivable Database as well as in the various individuals' Equifax Credit Bureau files. This process updates the financial records to accurately reflect the receivables and provides greater potential for outstanding receivable collection.

HOC also maintains a relationship with the rent collections firm, Rent Collect Global ("RCG"). All delinquent balances of \$200 or more are submitted to RCG for further pursuit. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a security bond, at a much lower rate, from the firm SureDeposit, Inc. instead of paying a traditional security deposit to HOC. Furthermore, the full value of the Surety Bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC's collection efforts and the services of RCG and SureDeposit, HOC makes every effort to pursue all tenant outstanding receivables.

The last approved write-off of former tenants' accounts on May 25, 2021 was for \$67,720, which covered the three-month period from January 1, 2021 through March 31, 2021.

The proposed write-off of former tenant accounts receivable balances for the fourth quarter April 1, 2021 through June 30, 2021 is \$50,389.

The \$50,389 fourth quarter write-off is primarily attributable to former tenants within HOC's Opportunity Housing properties and Supportive Housing. The RAD 6 properties also contributed small amounts to the write-offs from former tenants. The primary reasons for the write-offs across the properties include tenants who skipped, voluntarily left their units, passed away, purchased a home and tenant who had lease violation.

The following table shows the write-offs by fund/program.

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
Property Type	04/01/21 - 06/30/21	01/01/21 - 03/31/21	03/31/21 - 06/30/21	03/31/21 - 06/30/21	07/01/20 - 06/30/21	07/01/19 - 06/31/20
Public Housing	\$ -	\$ 336	\$ (336)	-100.00%	\$ 706	\$ -
Opportunity Housing	34,362	62,914	(28,552)	-45.38%	183,854	205,774
Supportive Housing	15,149	3,699	11,450	309.54%	40,313	5,330
RAD Properties	878	771	107	13.88%	20,526	37,046
Rental Asst Sec8 Repays	-	-	-	0.00%	-	4,115
	\$ 50,389	\$ 67,720	\$ (17,331)	-25.59%	\$ 245,399	\$ 252,265

The following tables show the write-offs by fund and property.

Public Fund

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	\$ Change	Year-to-Date	Year-to-Date
Public Fund	04/01/21 - 06/30/21	01/01/21 - 03/31/21	03/31/21 - 06/30/21	03/31/21 - 06/30/21	07/01/20 - 06/30/21	07/01/19 - 06/31/20
Former PH Tenants	\$ -	\$ 336	\$ (336)	-100.00%	\$ 706	\$ -
Total Public Fund	\$ -	\$ 336	\$ (336)	-100.00%	\$ 706	\$ -

Within the former Public Housing tenants, there were no write-offs to report in the fourth quarter of FY '21.

Opportunity Housing Fund

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	\$ Change	Year-to-Date	Year-to-Date
	04/01/21 - 06/30/21	01/01/21 - 03/31/21	03/31/21 - 06/30/21	03/31/21 - 06/30/21	07/01/20 - 06/30/21	07/01/19 - 06/31/20
Opportunity Housing (OH) Fund						
Camp Hill Square	17,288	-	17,288	0.00%	20,971	-
Chelsea Towers	-	-	-	0.00%	-	2,934
Holiday Park	40	-	40	0.00%	40	-
Magruder's Discovery	847	-	847	0.00%	847	-
McHome	749	1,769	(1,020)	-57.66%	2,518	60
McKendree	-	-	0	0.00%	-	-
MHLP I/64	-	4,208	(4,208)	-100.00%	4,620	15,597
MHLP IX - MPDU	-	3,200	(3,200)	-100.00%	3,657	7,392
MHLP IX - Pondridge	-	11,427	(11,427)	-100.00%	11,427	2,435
MHLP VII	-	2,070	(2,070)	-100.00%	2,070	7,063
MHLP VIII	-	872	(872)	-100.00%	1,742	110
MHLP X	150	-	150	0.00%	150	5,549
NCI-1 - 13202 Black Walnut Court	-	552	(552)	-100.00%	552	-
NCI-1 - 13671 Harvest Glen Way	-	-	-	0.00%	-	9,104
NCI-1 - 60 Catoctin Court	1,458	-	1,458	0.00%	1,458	-
Paint branch	-	-	-	0.00%	-	3,191
Scattered Site One Dev Corp	2,519	8,008	(5,489)	-68.54%	22,511	2,868
Scattered Site Two Dev Corp	-	2,838	(2,838)	-100.00%	2,838	-
Sligo Dev Corp MPDU III	9,858	-	9,858	0.00%	9,858	-
State Rental Partnership	266	10,991	(10,725)	-97.58%	19,437	5,486
Town Center Apts	-	2,012	(2,012)	-100.00%	2,012	123
TPM Dev Corp - MPDU II (59)	-	1,619	(1,619)	-100.00%	23,401	10,680
TPP LLC - Pomander	-	-	-	0.00%	-	834
VPC One Corp	-	6,848	(6,848)	-100.00%	6,869	45,381
VPC Two Corp	1,187	6,500	(5,313)	-81.74%	46,876	86,967
Total OH Fund	\$ 34,362	\$ 62,914	\$ (28,552)	-45.38%	\$ 183,854	\$ 205,774

Within the Opportunity Housing portfolio, the \$34,362 former tenant write-off amounts were largely attributable to Camp Hill Square, NCI-1 60 Catocin Court, Scattered Site One Development Corporation, Sligo Development Corporation/MPDU III and VPC Two Corporation. The write-offs were mainly due to one tenant who purchased a home, one tenant who passed away, two tenants who wanted more space, three tenants who skipped, four who voluntarily left the unit, one tenant who left due to a lease violation and one tenant who no longer qualifies.

Supportive Housing

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	04/01/21 - 06/30/21	01/01/21 - 03/31/21	03/31/21 - 06/30/21	03/31/21 - 06/30/21	07/01/20 - 06/30/21	07/01/19 - 06/31/20
Supportive Housing						
McKinney X - HUD	\$ 14,082	\$ 3,699	\$ 10,383	280.70%	\$ 39,246	\$ 4,953
McKinney XIV - HUD	1,067	-	1,067	0.00%	1,067	377
Total Supportive Housing	\$ 15,149	\$ 3,699	\$ 11,450	309.54%	\$ 40,313	\$ 5,330

Within the Supportive Housing Program, the \$15,149 write-off amounts were due to three tenants who passed away and one tenant who skipped.

LIHTC/RAD Properties

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	04/01/21 - 06/30/21	01/01/21 - 03/31/21	03/31/21 - 06/30/21	03/31/21 - 06/30/21	07/01/20 - 06/30/21	07/01/19 - 06/31/20
LIHTC/RAD Properties						
Arcola Towers LP	\$ -	\$ -	\$ -	0.00%	\$ -	\$ 2,315
Bauer Park	\$ -	\$ 353	\$ (353)	-100.00%	\$ 353	\$ 35
Elizabeth House - Interim RAD	-	172	(172)	-100.00%	1,283	-
Holly Hall RAD	-	246	(246)	-100.00%	1,910	331
RAD 6 - Ken Gar	-	-	-	0.00%	295	-
RAD 6 - Seneca Ridge	-	-	-	0.00%	15,807	9,722
RAD 6 - Washington Square	-	-	-	0.00%	-	21,637
Waverly House LP	878	-	878	0.00%	878	3,006
Total RAD Properties	\$ 878	\$ 771	\$ 107	13.88%	\$ 20,526	\$ 37,046

Within the RAD properties, the \$878 write-off amounts were mainly due to two tenants who passed away.

Rental Assistant Section 8 [Repayments]

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	04/01/21 - 06/30/21	01/01/21 - 03/31/21	03/31/21 - 06/30/21	03/31/21 - 06/30/21	07/01/20 - 06/30/21	07/01/19 - 06/31/20
Rental Asst Sec8 Repays						
Rental Asst Sec8 Repays	\$ -	\$ -	\$ -	0.00%	\$ -	\$ 4,115
Total Rental Asst Sec8 Repays	\$ -	\$ -	\$ -	0.00%	\$ -	\$ 4,115

Within the Rental Assistant Sec8 Repays, there were no write-offs to report in the fourth quarter of FY '21.

The next anticipated write-off will be for the first quarter of FY'22, covering July 1, 2021 through September 30, 2021. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the write-off of uncollectible tenant accounts receivable for \$50,389?

BUDGET IMPACT:

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

TIME FRAME:

For formal action at the October 6, 2021 meeting of the Commission.

STAFF RECOMMENDATION:

Staff recommends that the Commission authorize the write-off the uncollectible tenant accounts receivable balance of \$50,389 for the period covering April 1, 2021 through June 30, 2021.

RESOLUTION NO.: 21-94

**RE: Uncollectible Tenant Accounts Receivable:
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;

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 of April 1, 2021 – June 30, 2021 is \$50,389, consisting of \$34,362 from Opportunity Housing properties, \$15,149 from Supportive Housing, and \$878 from Waverly House LP.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes and directs the Acting Executive Director, or her designee, without further action on its part, to take any and all actions necessary and proper to write off \$50,389 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.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on October 6, 2021.

Patrice M. Birdsong
Special Assistant to the Commission

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**ADDITION OF THIRD SIGNER TO HOC BANK ACCOUNTS:
REQUEST TO AUTHORIZE THE ADDITION OF THE
DIRECTOR OF HUMAN RESOURCES AS A THIRD SIGNER
TO HOC'S BANK ACCOUNTS**

October 6, 2021

- The Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) historically maintains three authorized signers for its bank accounts.
- This is necessary because the Commission maintains numerous bank accounts with many financial institutions and frequently makes large payments, requiring at least two signers.
- Because of the recent departure of the former Executive Director, there are presently only two authorized signers on HOC’s bank accounts, the Acting Executive Director and the Chief Financial Officer.
- Staff is requesting the addition of the Director of Human Resources as a third signer on HOC’s bank accounts.
- The number of authorized signers to HOC’s bank accounts will be limited to three signers who are members of the Executive Staff.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Kayrine Brown, Acting Executive Director

FROM Staff: Cornelia Kent Division: Finance Ext. 9754
Eugenia Pascual Finance Ext. 9478

RE: Addition of Third Signer to HOC Bank Accounts: Request to Authorize the Addition of the Director of Human Resources as a Third Signer to HOC’s Bank Accounts

DATE: October 6, 2021

BACKGROUND:

The Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) historically maintains three authorized signer for its bank accounts. This is necessary because the Commission maintains numerous bank accounts with many financial institutions and frequently makes large payments, requiring at least two signers.

Because of the recent departure of the former Executive Director, there are presently only two authorized signers on HOC’s bank accounts, the Acting Executive Director and the Chief Financial Officer. To avoid the situations where there is only one authorized signer available, staff is requesting the addition of the Director of Human Resources as a third signer on HOC’s bank accounts. The number of authorized signers to HOC’s bank accounts will be limited to three signers who are members of the Executive Staff.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the addition of the Director of Human Resources as a third signer on HOC’s bank accounts?

PRINCIPALS:

HOC
PNC Bank (primarily)

BUDGET IMPACT:

There is no budget impact from this request.

TIME FRAME:

For formal action at the October 6, 2021 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve the addition of the Director of Human Resources as a third signer for all HOC bank accounts.

RESOLUTION NO: 21-95

RE: Request to Authorize the Addition of the Director of Human Resources as a Third Signer to HOC's Bank Accounts

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") has several bank accounts with various banking institutions (the "Accounts"); and

WHEREAS, HOC's Accounts currently have two (2) authorized signatories: the Acting Executive Director and the Chief Financial Officer; and

WHEREAS, a third (3) authorized signer should be added to the Accounts in order to ensure an authorized signer is always available; and

WHEREAS, the third authorized signer shall be limited to members of the Executive Staff; and

WHEREAS, the Director of Human Resources is a member of the Executive Staff; and

WHEREAS, the Accounts shall have a maximum of three (3) authorized signers at any point in time.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Acting Executive Director is authorized to add the Director of Human Resources as an authorized signer to the Accounts, provided that the Accounts shall have a maximum number of three authorized signers at any point in time, all of whom shall be members of the Executive Staff.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on October 6, 2021.

Patrice Birdsong
Special Assistant to the Commission

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Development and Finance Committee

**GEORGIAN COURT: APPROVAL OF THE FINANCING PLAN, FEASIBILITY AND PUBLIC PURPOSE;
AUTHORIZATION TO ISSUE LOANS TO HOC AT GEORGIAN COURT, LLC FOR ACQUISITION AND
CONSTRUCTION FINANCING; AUTHORIZATION TO ISSUE A COMMITMENT FOR PERMANENT
FINANCING; AND, AUTHORIZATION FOR THE BORROWER TO ACCEPT LOANS IN ACCORDANCE
WITH THE FINANCE PLAN
GEORGIAN COURT, SILVER SPRING, MD**



KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

**JENNIFER HINES ARRINGTON, ACTING DIRECTOR OF MORTGAGE FINANCE
VICTORIA DIXON, SR. MULTIFAMILY UNDERWRITER
LEN VILICIC, FINANCIAL ANALYST**

October 6, 2021

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EXECUTIVE SUMMARY

Georgian Court (the “Property”) is an existing 147-unit income restricted community in Silver Spring, MD , formerly under Section 236 of the National Housing Act. Constructed in 1975, the Property was renovated in 2001 using Low Income Housing Tax Credit (“LIHTC”) equity.

The Property is currently operating under an extended-use covenant which is set to expire on December 31, 2030, which requires the units to be restricted as follows: 29-units set aside at or below 50% of area median income (“AMI”) and also subject to a Project-Based Rental Assistance (“PBRA”) Contract; and, 118 units set aside at or below 60% of AMI.

On September 1, 2021, the Commission approved the Final Development Plan (“Development Plan”) estimated at \$72.3 million to acquire, renovate, and equip the Property with improvements to energy-efficiency, common areas, building exteriors, and in-unit upgrades of finishes and appliances in bathrooms and kitchens. Phased renovations are projected to take up to 24 months for completion by November 2023.

As part of the Development Plan, the Property will be acquired by HOC at Georgian Court, LLC (the “Borrower”), controlled by HOC MM Georgian Court, LLC (“Managing Member”). HOC will retain controlling interest of the Borrower and General Partner. The Property is expected to be awarded an allocation of 4% LIHTCs in September with Boston Financial Investment Management (“Boston Financial”) as LIHTC Syndicator.

In order to execute the Development Plan, staff proposes the following Financing Plan to include these combined sources: (a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the Multifamily Housing Development Bond Resolution (the “1996 Indenture” or “Indenture”) to fund an FHA Risk Share mortgage loan with balloon payment (“Mortgage Loan”) for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; (b) LIHTC equity; (c) a loan to bridge receipt of LIHTC equity proceeds (“Bridge Loan”); (d) deferred developer fee; (e) a subordinate loan from the seller entity (“Seller Loan”); and, (f) available property cash. Closing is expected to occur in November 2021. Stabilization of the Property is expected to occur by January 2024 with conversion to permanent debt to occur by August 2024. Staff will return to the Commission with a Bond Authorizing Resolution request.



EXECUTIVE SUMMARY

Date	Res.	Description of Commission Resolutions
May 2, 2018	18-29	Approval to (i) a Preliminary Development to renovate Shady Grove Apartments, Georgian Court, and Stewartown Homes properties using 1,050,000 from the Opportunity Housing Reserve Fund (“OHRF”) or PNC Real Estate Line of Credit (“RELOC”), to be repaid upon refinance or re-syndication of the properties, (ii) withdrawal of excess earnings (Excess Yield) of up to \$650,000, generated from refunding prior series of bonds issued in the Multifamily Housing Development Bond Resolution (the “1996 Indenture” or the “Indenture”) to fund upfront capital expenditures in the form of a capital contribution or loan to Georgian Court.
July 11, 2018	18-52	Withdrawal of \$10,910,561 from the RELOC to prepay existing mortgages of Georgian Court (\$2,666,306), Shady Grove (\$4,597,448), Stewartown (\$1,817,646), and The Willows (\$1,829,161) until repaid upon refinancing or re-syndication of the properties.
July 10, 2019	19-77	Approval to (i) withdraw Excess Yield from the 1996 Indenture to make a capital contribution to Georgian Court for capital improvements, repairs, and replacements with a total cost estimate of \$713,000, and (ii) for such work to be managed by the third-party property manager, Edgewood Management, for a fee estimated to be 3.5% of the work or \$25,000.
June 9, 2021 & July 7, 2021 (Amendment)	21-57A 21-57B 21-67	Approval to (i) select Hamel Builders Inc. as General Contractor (“GC”) for renovation of Georgian Court, (ii) begin negotiations of the GC contract; (iii) hold 24 units vacant to facilitate renovations; (iv) fund additional predevelopment work of \$500,000 from the RELOC; (v) ratified formation of the Borrower and Managing Member entities for the transaction.
July 7, 2021	21-70	Approval of Boston Financial as LIHTC syndicator for the transaction and authorization for the Executive Director to negotiate and execute a Letter of Intent as well as negotiate an Operating Agreement.
September 1, 2021	21-86	Approval of (i) the Final Development Plan, (ii) negotiation and execution of an Operating Agreement with a tax credit investor affiliate of Boston Financial (“Investor”) for admission of the Investor as a non-managing member holding 99.99% interest, with execution of related documents, (iii) approval for negotiation and execution of a Purchase and Sale Agreement, (iv) transfer of the Property from Georgian Court Silver Spring Limited Partnership (“Seller”) to the Borrower, with execution of related documents; (v) approval to accept a subordinate Seller Loan of up to the purchase price; (vi) negotiation and execution of a GC contract not to exceed \$13.6 million; (vii) execution of an Early Start Agreement with the GC not to exceed \$941,330, to be paid from transactions sources or existing replacement reserves; and (viii) authorization for the Acting Executive Director, Kayrine Brown, or her designee, to execute any and all documents to effectuate the actions contemplated.

EXECUTIVE SUMMARY

Staff has completed its underwriting and with the support of the Development and Finance Committee, recommends the following actions to the Commission:

- 1) Approval of the Georgian Court Financing Plan totaling approximately \$72.5 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the 1996 Indenture to fund a Mortgage Loan for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) deferred developer fee; e) subordinate Seller Loan; and, f) available property cash.
- 2) Approval of the feasibility and public purpose for the Property and the allocation of up to \$29,300,000 in volume cap for the transaction.
- 3) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount up to \$29,300,000 with a balloon payment at or before year 25.
- 4) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to each assume 50% of the risk for the transaction.
- 5) Approval for net sales proceeds, approximately \$9.7 million, to the Seller to be funded to the OHRF on an unrestricted basis.
- 6) Approval for HOC to provide a Bridge Loan of approximately \$3.5 million to the Borrower during construction when needed, to bridge the receipt of LIHTC equity proceeds for repayment, with a maximum term of up to five years from closing, to be funded from the OHRF.
- 7) Approval to release available cash held by the Seller of (a) approximately \$975,000 of replacement reserves to repay outstandings plus interest of approximately \$922,000 on the RELOC with remaining funds to be deposited to the OHRF; and (b) approximately \$613,593 of operating cash and \$27,765 mortgage escrow to be deposited to HOC's General Fund Operating Reserve.
- 8) Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan.

EXECUTIVE SUMMARY

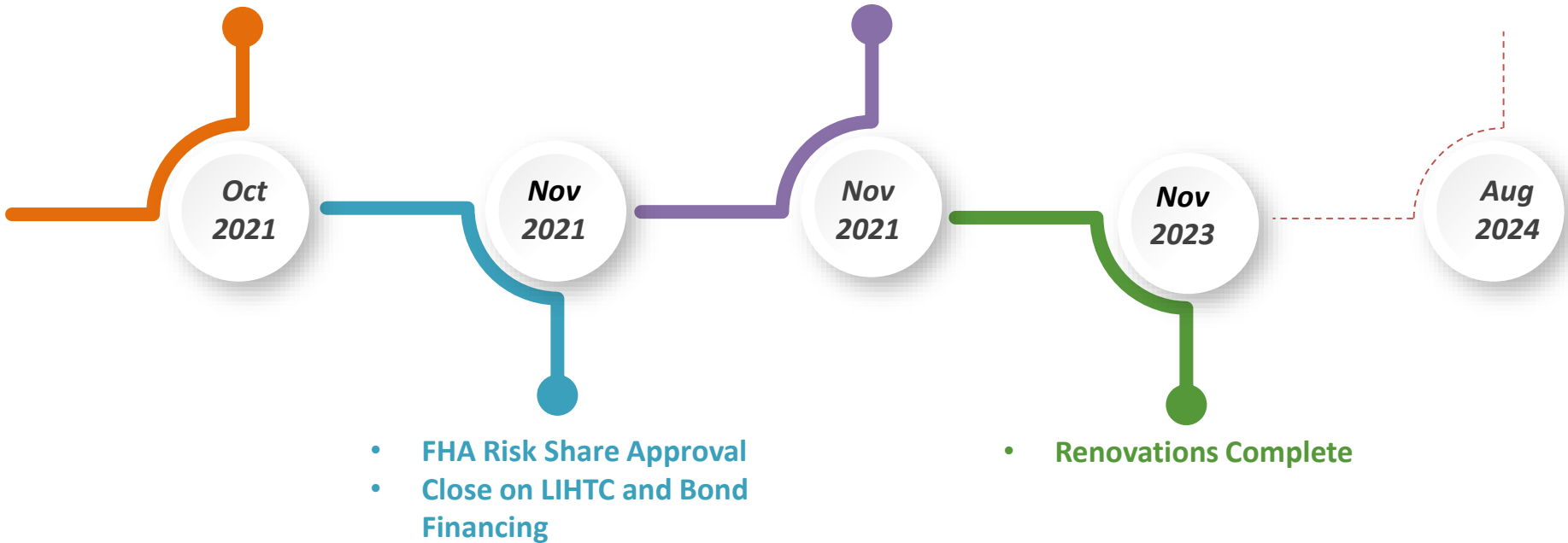
Borrower	HOC at Georgian Court, LLC	
Units/Affordability	147 Units 100% Affordable	
	29	≤ 50% AMI
	118	≤ 60% AMI
	1	Non-Revenue
Stabilized Net Operating Income (estimated)	\$1,024,303 (FY 2024)	
Bond Issuance (up to)(tax-exempt and taxable)	\$30,050,000 1996 Multifamily Housing Development Bond Resolution	
Tax-Exempt Bonds / Volume Cap (up to)	\$29,300,000	
Taxable Bond Reserve (up to)	\$750,000	
First Mortgage (up to)	\$29,300,000 FHA Risk Share Mortgage	
Permanent Mortgage Interest Rate (estimated)	3.67%	
Mortgage Insurance	FHA Risk Share - 50% HOC / 50% FHA	
Permanent Loan Amortization / Term (up to)	35 Years / 38 Years	
Debt Service Coverage Ratio	1.15	
County Participation (estimated)	Real Estate Tax Exemption	

FINANCING SCHEDULE

- Commission Approval
- Submit FHA Risk Share Application

- Begin Renovations (24 months)

- *Outside date for Permanent Conversion*



TRANSACTION HIGHLIGHTS

Public Purpose	All 147 units of the Properties will be income restricted, of which 29 units for those households earning 50% of AMI or below and 118 units for those with incomes at 60% AMI or below. In addition, renovations will create eight (8) new UFAS units. Additional details on Property Overview slides.	
County Interest	Acquisition and renovation of the Property will preserve quality, affordable housing for families in the County. The Property also will continue to benefit from a real estate tax exemption from the County for the 147 units (100%).	
Volume Cap Allocation	Up to \$29.3 million in HOC volume cap will be required for tax-exempt bond financing to meet the 50% test. See page 14 for HOC's Volume Cap Need/Uses matrix.	
Bond Financing	Up to \$30.05 million will be issued under the 1996 Indenture. Proceeds from a combination of short-term and long-term tax-exempt private activity bonds that will fund a \$29.3 million Mortgage Loan for the construction and permanent loans phases of the Property with a term of up to 38 years, and taxable bonds will fund an Indenture bond reserve. Upon conversion to permanent, the Mortgage Loan will begin a 35-year amortization schedule and will be repaid from property revenues. A 25-year balloon payment option may be pursued.	
Credit Enhancement	The Mortgage Loan will be enhanced with FHA Risk Share mortgage insurance. HOC will assume 50% of the risk for the transaction and FHA 50%.	
Construction Bridge Loan	Based upon review of the Developer Draw Schedule, an estimated \$3.5 million of bridge financing will be needed during the construction.	
LIHTC Equity	Approximately \$23 million – The tax-credit equity will be paid in stages: 1) loan closing (10%); 2) construction completion (6%); 3) cost certification (63%); 4) stabilized occupancy and permanent mortgage conversion (8%); and, 5) issuance of the final 8609s (13%). The property is located within a Qualified Census Tract ("QCT"), which qualifies for a 30% basis boost under the LIHTC program.	
Developer Fee	The developer's fee will be approximately \$4.7 million.	
Development Team	Owner/Developer:	HOC at Georgian Court, LLC / HOC
	General Contractor:	Hamel Builders, Inc.
	Architect:	Karl Riedel Architecture, P.C.
	Property Management:	Edgewood Management Corporation
	Construction Management:	Owner Rep Consulting
	LIHTC Syndicator:	Boston Financial Investment Management

PROPERTY OVERVIEW

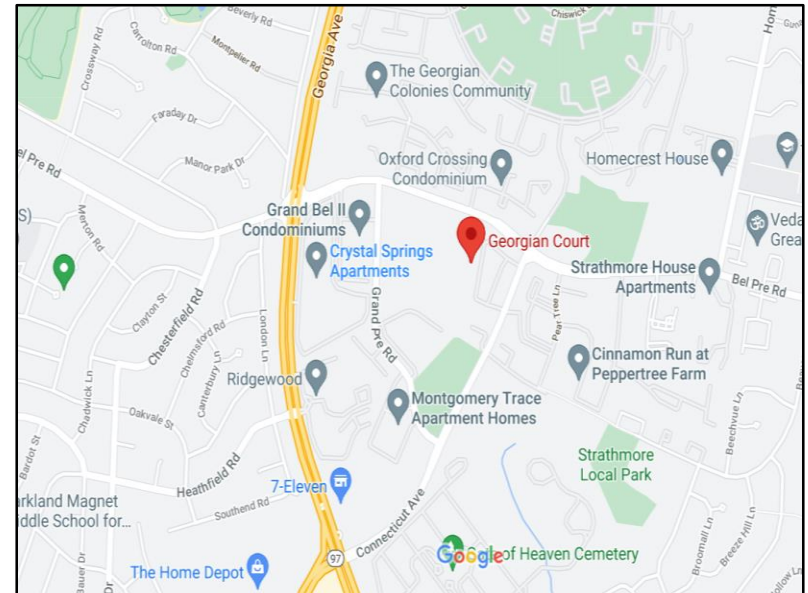


Amenities Located three (3) miles from the Glenmont Metro Station, the community includes a community room with public kitchen, common area laundry facilities, and a playground. Neighborhood amenities, which include Aspen Hill Shopping Center, a grocery anchored community mall (Giant) and various retailers, services and restaurants nearby, including ALDI, CVS Pharmacy, Home Depot, with nearby local parks, North Gate and Aquarius.

Planned Renovation Constructed in 1975 and previously renovated in 2001, the property consists of 11 three-story and one (1) four-story garden-style buildings. Proposed renovations will modernize unit interiors, update common area amenities and building mechanical systems, and improve site conditions, to include: (a) upgrading kitchens to open concept with installation of new appliances, cabinetry, countertops, fixtures, flooring, painting and lighting; bathrooms renovations with new bath/shower surrounds; and new HVAC; (b) creation of eight new UFAS units with roll-in showers, (c) new flooring in common area stair wells and hallways; (d) exterior improvements will include installation of new entrance canopies, replacing roofing and siding, improved lighting, parking lot re-striping; (e) a new playground; and (f) removal of asbestos-containing materials.

Property Name	Georgian Court
Location	3600 Bel Pre Rd, Silver Spring, MD 20906
Property Manager	Edgewood Management Corporation
Total Units	147
Unit Mix	49 units – 1BR/1BA 98 units – 2BR/1BA

100% restricted – 29 units that are under a Project-Based Rental Assistance Contract, set to expires 12/31/2036, are set aside for households earning 50% of AMI or below; and 118 units are set aside for households earning 60% AMI or below.



PUBLIC PURPOSE

A review of the transaction has been completed and determined to meet the needs of the community to preserve affordable housing, provide significant public purpose, and support the allocation of available volume cap for the tax credits.

- Georgian Court is an existing property held in HOC’s portfolio, which restricts 29 units for households earning 50% of the AMI or below (these units are also subject to a PBRA Contract), and 118 units for households earning 60% of the AMI or below. The Property is operating under an Extended-use Covenant with Maryland Community Development Administration (“CDA”), which is set to expire on December 31, 2030. With the subject transaction, restrictions for all 147 units will be preserved an additional 21 years in furtherance of HOC’s mission, and eight (8) units will be renovated to meet Uniform Federal Accessibility Standards.
- Georgian Court is proximate to several neighborhood amenities, including grocery stores, various retailers and services, and is within three (3) miles of the Glenmont Metro Station, offering connectivity to employment opportunities.
- With respect to the Property’s PBRA units, HUD’s Operating Cost Adjustment Factors (“OCAF”) policy permits a mark-up of the existing rental rate to achieve market rents, due to a renovation; however, the tenant paid portion remains limited to 30% of gross income.
- Per the Commission’s approval of the Final Development Plan on September 1, 2021, rents for all existing tenants will not be maximized, but will receive an increase of 5% when residents take occupancy of newly renovated units, and an additional 5% increase for the subsequent year. For returning over-income tenants, rents will increase by 10% in the first year and 5% for the following year. Below is a comparison of proposed average rents versus market rents, demonstrating continued public purpose for tenants.

Unit Size	# Units	Utility Allowance	Proposed Average Rents (FY2024)*	Market Rents (2021)	Proposed vs Market (variance)	Max LIHTC Permitted (2021)
1 BR / 1 BA	49	\$121	\$1,108	\$1,625	(\$517)	\$1,256
2 BR / 1 BA	98	\$157	\$1,212	\$1,900	(\$688)	\$1,543

*excludes utility allowances.

STABILIZED PRO FORMA

Stabilized Proforma	(FY 2024)	Per Unit
Gross Residential Revenue	\$ 2,102,417	\$ 14,302
Vacancy, Concessions, Bad Debt	\$ (107,198)	\$ (729)
Effective Gross Income (EGI)	\$1,995,219	\$ 13,573
Operating Expenses	\$ 919,466	\$ 6,255
Replacement Reserves	\$ 51,450	\$ 350
Net Operating Income (NOI)	\$1,024,303	\$ 6,968
Debt Service	\$ 890,223	\$ 6,056
Cash Flow Before Distributions	\$ 134,080	\$ 912
Debt Service Coverage Ratio (DSCR)	1.15	

- To facilitate renovations, vacancy at the Property of up to 24 units at a time will be held, in order to create one vacant building.
- Stabilized Vacancy, Bad Debt, and Concessions are underwritten at 5.10%.
- Post-renovation, the Property is expected to reach 95% occupancy by January 2024. Rent and expense annual growth rates are projected at 2% and 3%, respectively.

- Initial replacement reserves will be established at \$1,500 per unit from capital sources. Stabilized annual replacement reserves contribution of \$350/unit.
- The Property is projected to benefit from continuing real estate tax exemption from the State and Montgomery County.
- Current debt sizing of \$17,280,000 is based on an estimated interest rate of 3.67% (including Mortgage Insurance Premium (“MIP”) of 25 basis points, HOC Loan Management Fee (“LMF”) of 0.25% on the original mortgage amount, and a 0.38% cushion). Subject to interest rate movements, staff anticipates that the Property will support a permanent loan of up to approximately \$18.5 million with a DSCR of 1.15:1.00.

FINANCING PLAN

The Georgian Court transaction contemplates: a) Issuance of bonds up to \$30,050,000; b) LIHTC equity; c) Bridge Loan; d) County Loan; and e) subordinate Seller Loan.

- (a) The subject Mortgage Loan and Indenture Bond Reserve will be funded by way of issuing a combination of short-term and long-term tax-exempt private activity bonds and taxable bond proceeds, of no more than \$30,050,000. The short-term bonds will be retired, prior to the Mortgage Loan's conversion to permanent, via LIHTC equity contributions. Volume cap of up to \$29,300,000 will be allocated from the State for closing of the Mortgage Loan. Current sizing of a \$17.3 million permanent Mortgage Loan at conversion is based on an estimated interest rate of 3.67%, including MIP, LMF, and cushion for interest rate movements.
- (b) The transaction, as presented, requires approximately \$29 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately \$22.7 million in tax credit equity, which will be contributed in stages, primarily at cost certification and at receipt of the IRS Form 8609s. The developer fee will be paid from LIHTC equity contributions. A Bridge Loan of approximately \$3.5 million will be needed to bridge the receipt of LIHTC equity. The Bridge Loan is proposed to be funded from the OHRF using net sale proceeds to HOC, estimated at approximately \$9.7 million, on a revolving basis if applicable.
- (c) The Property was appraised at \$33 million 'as is'. The Seller Loan from HOC will represent contributed land equity into the transaction. Proceeds will be used to payoff the existing \$1.4 million loan from the County, intercompany payables, predevelopment costs, and fund the Bridge Loan, with remaining excess proceeds deposited to the OHRF on an unrestricted basis.
- (d) Property Cash of \$476,350 represents residual receipts, subject to HUD approval to release.

SOURCES	AMOUNT	PER UNIT
Long Term Bonds / Mortgage Loan (a)	\$ 17,280,000	\$ 117,551
Short Term Bonds / Mortgage Loan (a)	\$ 11,704,597	\$ 79,623
LIHTC Proceeds / Bridge (b)	\$ 22,700,733	\$ 154,427
Seller Loan / Land Equity (c)	\$ 19,335,877	\$ 131,537
GP Equity	\$ 100	\$ 1
Deferred Developer Fee	\$ 1,000,000	\$ 6,803
Property Cash (d)	\$ 476,350	\$ 3,240
Total Sources	\$ 72,497,657	\$ 493,181

USES	AMOUNT	PER UNIT
Acquisition Cost	\$ 33,000,000	\$ 224,490
Construction Cost	\$ 14,853,519	\$ 101,044
Fees Related to Construction	\$ 1,815,663	\$ 12,351
Relocation Costs	\$ 449,000	\$ 3,054
Financing & Legal Costs	\$ 14,170,646	\$ 96,399
Construction Interest	\$ 2,431,083	\$ 16,538
Development Fees	\$ 4,626,676	\$ 31,474
Initial Replacement Reserves	\$ 220,500	\$ 1,500
Operating Reserves	\$ 930,570	\$ 6,330
Total Uses	\$ 72,497,657	\$ 493,181

The stabilized proforma heretofore discussed, illustrates that the transaction generates sufficient net operating revenue to pay operating expenses and debt service to meet the base FHA Risk Share underwriting DSCR of 1.15:1.00. Furthermore, the total sources of funds are sufficient to meet all the projected uses of the Financing Plan; therefore, the transaction is determined to be feasible.

VOLUME CAP NEED/USES (\$'000)

Year	2020	Projected 2021
Balance Carried Forward	\$0	\$13,125
Annual Bond Cap Allocation	\$38,791	\$40,638
	2.3%	4.8%
Special Allocation / Adjustment		63,700
TOTAL BOND CAP AVAILABLE	\$38,791	\$117,464
HOC PROGRAMS		
Single Family	\$0	\$0
Bauer Park	\$25,665	
Stewartown		\$16,145
Willow Manor Properties*		\$45,402
Georgian Court*		\$29,300
Shady Grove*		\$30,750
TOTAL HOC PROGRAMS	\$25,665	\$121,597
PRIVATE DEVELOPERS		
TOTAL PRIVATE ACTIVITY	\$0	\$0
TOTAL BOND CAP REMAINING (SHORTFALL)	\$13,125	(\$4,133)

*Estimates for transactions not yet closed

- HOC carried over \$13.1 million of CY2020 volume cap and received a \$40.6 million allocation of volume cap in CY2021.
- Staff meets with Maryland’s Community Development Administration (“CDA”) annually to review its annual volume cap needs, and last met on March 25, 2021.
- In April 2021, HOC was awarded a Special Allocation of \$63.7 million of volume cap from the Department of Housing and Community Development (“DHCD”) 2021 allocation, bringing HOC’s total bond cap for CY2021 to approximately \$117.5 million.
- The projected volume cap usage for CY2021 is approximately \$121.6 million (all for HOC programs; no private deals), which exceeds estimated available bond cap for the year.
 - Stewartown closed in June 2021, leaving approximately \$101.32 million available.
 - The Willows, Georgian Court and Shady Grove transactions will likely close together, and require approximately \$105.45 million in volume cap, leaving a shortfall of approximately \$4.13 million.
- HOC has notified CDA of the need for additional cap and has requested an advance of up to \$5 million of HOC’s 2022 volume cap allocation to complete the 2021 transactions. CDA has indicated that HOC’s additional needs will be met for the year.
- HOC may also, if needed, request additional bond cap from the Maryland Department of Commerce, the state agency responsible for the allocation of bond cap.

ISSUES FOR CONSIDERATION

Will the Commission approve staff's recommendation, which is supported by the Development and Finance Committee, of the following actions:

1. Approval of the Georgian Court Financing Plan, totaling approximately \$72.5 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the 1996 Indenture to fund a Mortgage Loan for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) deferred developer fee; e) subordinate Seller Loan; and, f) available property cash;
2. Approval of the feasibility and public purpose for the Property and the allocation of up to \$29,300,000 in volume cap for the transaction;
3. Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to \$29,300,000 with a balloon payment at or before year 25;
4. Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to each assume 50% of the risk for the transaction;
5. Approval for net sales proceeds, approximately \$9.7 million, to the Seller to be funded to the OHRF on an unrestricted basis;
6. Approval for HOC to provide a Bridge Loan of approximately \$3.5 million to the Borrower during construction when needed, to bridge the receipt of LIHTC equity proceeds for repayment, with a maximum term of up to five years from closing, to be funded from the OHRF;
7. Approval to release available cash held by the Seller of (a) approximately \$975,000 of replacement reserves to repay outstandings plus interest of approximately \$922,000 on the RELOC with remaining funds to be deposited to the OHRF; and (b) approximately \$613,593 of operating cash and \$27,765 mortgage escrow to be deposited to HOC's General Fund Operating Reserve; and
8. Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan?

TIME FRAME

For formal action at the October 6, 2021 meeting of the Commission.

FISCAL/BUDGET IMPACT

- Closing of the subject transaction is expected to occur in November 2021. The Commission will earn Development and Commitment Fees, Mortgage Insurance Premium, and Loan Management Fee income. Based on current underwriting, staff projects income collected for the transaction will be (\$322,563) lower than budgeted for the Agency's fiscal year, due to incorporation of a deferred developer fee in order to realize higher LIHTC equity.
- The anticipated negative impact on revenue to HOC's Operating Budget will be monitored during the fiscal year to determine if it can be absorbed within other variances to both revenue and expenses that may occur. If the impact cannot be fully absorbed, HOC's budget will be amended to draw funds from the General Fund Operating Reserve to address the shortfall.
- Costs of issuance are expected to be a maximum of \$249,143 and will be paid from sources of the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends that the Commission:

- 1) Approve the Georgian Court Financing Plan, totaling approximately \$72.5 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the 1996 Indenture to fund a Mortgage Loan for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) deferred developer fee; e) subordinate Seller Loan; and, f) available property cash.
- 2) Approve the feasibility and public purpose for the Property and the allocation of up to \$29,300,000 in volume cap for the transaction.
- 3) Authorize the issuance of a Financing Commitment for a Mortgage Loan in an amount of up to \$29,300,000 with a balloon payment at or before year 25.
- 4) Approve credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to each assume 50% of the risk for the transaction.
- 5) Approve that Seller net sales proceeds of approximately \$9.7 million are to be funded to the OHRF on an unrestricted basis.
- 6) Approve a Bridge Loan of approximately \$3.5 million to the Borrower during construction when needed, to bridge the receipt of LIHTC equity proceeds for repayment, with a maximum term of up to 5 years from closing, to be funded from the OHRF.
- 7) Approve the release of available cash held by the Seller of (a) approximately \$975,000 of replacement reserves to repay outstandings plus interest of approximately \$922,000 on the RELOC with remaining funds to be deposited to the OHRF; and (b) approximately \$613,593 of operating cash and \$27,765 mortgage escrow to be deposited to HOC's General Fund Operating Reserve.
- 8) Approve the Borrower's acceptance of the proposed Mortgage Loan and Bridge Loan.

RESOLUTION No.: 21-96

RE: Approval of the Financing Plan, Feasibility and Public Purpose for Georgian Court; Authorization to Issue Loans to HOC at Georgian Court, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for up to \$29.3 Million Mortgage Loan; 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, as further provided in that certain Memorandum of Understanding by and between the Commission and Montgomery County, Maryland, dated June 29, 2018, the Commission is authorized to issue its notes and bonds from time to time to fulfill its corporate purposes, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing of multifamily rental housing properties which provide a public purpose; and

WHEREAS, Georgian Court (the “Property”) is an existing 147-unit income-restricted residential community located at 3600 Bel Pre Rd, Silver Spring, Maryland owned by Georgian Court Silver Spring Limited Partnership (“Seller”); and

WHEREAS, between May 2, 2018 and July 7, 2021, the Commission has approved several actions in preparation for the resyndication, rehabilitation, and recapitalization of the Property (the “Development Plan”) and committed a number of its own funding sources to execute the Development Plan; and

WHEREAS, the Property currently holds available cash of approximately (a) \$476,350 of residual receipts (“Property Cash”), and (b) a total of approximately \$1,616,358 held in various other accounts, including (i) replacement reserves (\$975,000), (ii) operating cash (\$613,593), and (iii) mortgage escrow (\$27,765) (together “Other Available Cash”); and

WHEREAS, the Property will be acquired by a single purpose entity known as HOC at Georgian Court, LLC (“Borrower”), which will be controlled by HOC MM Georgian Court, LLC (“Managing Member”) whose sole member is HOC; and,

WHEREAS, the Borrower proposes for the Property to serve households with incomes at or below 60% of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area Median Income (“AMI”), with 29 units set aside for those earning at or below 50% of AMI and the remaining 118 units for those earning at or below 60% of AMI, to enjoy rent protection without impairing the LIHTC equity for the development (“Public Purpose”); and

WHEREAS, on July 7, 2021, the Commission approved the selection of Boston Financial Investment Management as the Low Income Housing Tax Credit (“LIHTC”) syndicator and authorized the Executive Director to begin negotiating and execute a Letter of Intent as well as negotiate an Operating Agreement to admit an associated LIHTC investor as a non-managing member of the Borrower, with HOC remaining in control of the Borrower as the sole member of the Managing Member entity; and

WHEREAS, on September 1, 2021, the Commission approved the final development plan totaling \$72.3 million for the Property as an income-restricted community, which included (1) negotiation and execution of an Operating Agreement for admission of an affiliate of the LIHTC syndicator as investor, (2) negotiation and execution of a Purchase and Sale Agreement; (3) Seller's acceptance of all or some of the purchase price for sale of the Property to be provided in the form of a subordinate note ("Seller Note"), and approval for Seller to accept a subordinate loan in an amount up to the purchase price; (4) authorization to negotiate and execute a contract with Hamel Builders, Inc. as General Contractor ("GC") for the renovations in an amount up to \$13.6 million, (4) execution of an Early Start Agreement with the GC not to exceed \$941,330; and, (5) authorization for the Acting Executive Director or her designee, to execute any and all documents to effectuate the actions contemplated (the "Final Development Plan"); and

WHEREAS, staff explored a variety of options for the estimated \$72.5 million acquisition, rehabilitation and permanent financing for the Property, and determined to use a number of sources including: (1) the issuance of private activity, short- and long-term, tax-exempt bonds in an amount up to \$29,300,000 to fund a mortgage loan for costs of acquisition, rehabilitation, and equipping the Property, which will be credit enhanced by FHA Risk Share Mortgage Insurance ("Mortgage Loan" or "Permanent Loan"); (2) the issuance of taxable bonds in an amount up to \$750,000 to fund a bond reserve required under the indenture; (3) LIHTC equity estimated at \$22.7 million; (4) bridge funding during acquisition/construction by way of draws of approximately \$3.5 million from the OHRF, to be repaid from the receipt of LIHTC equity ("Bridge Loan"); (5) a subordinate Seller Loan of approximately \$19.3 million; (6) deferred developer fee; and (7) available Property Cash of approximately \$476,350 from residual receipts (collectively, the "Financing Plan"); and

WHEREAS, Commission and the Borrower have applied for a Letter of Reservation for 4% LIHTC from the Maryland Department of Housing and Community Development, which will enable the Borrower to raise approximately \$22.7 million in equity to pay part of its acquisition and development costs; and

WHEREAS, the transaction will require an allocation of a portion of the Commission's tax-exempt volume cap in an amount not to exceed \$29.3 million; and

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 147 units at or below 60% of the AMI, the Property will provide a significant public purpose, supporting an allocation of tax-exempt volume cap ("Feasibility and Public Purpose").

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Financing Plan and Feasibility and Public Purpose, is hereby approved and that the staff is hereby authorized to proceed with the review and processing of the necessary financing applications and other documentation.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the allocation of tax-exempt volume cap in an amount not to exceed \$29,300,000 for the issuance of short- and 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 38 years to fund development of the Property, which will be subject to conversion to a Permanent Loan phase and balloon payment option at or before year 25.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the issuance of a commitment for the Mortgage Loan in an amount up to \$29,300,000, 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 50% of the risk while HUD shall assume 50% for the transaction.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, authorizes funding of a Bridge Loan of approximately \$3.5 million at 0% interest by way of draws from the OHRF, which shall be drawn when needed to bridge the receipt of LIHTC equity and shall be outstanding for no more than five years from the closing date.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Seller, as its general partner, that the Seller is authorized to release net sales proceeds from sale of the Property after repayment of existing debt and intercompany payables, and closing costs, to be funded to the OHRF on an unrestricted basis.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Seller, as its general partner, that the Seller is authorized to release Other Available Cash as follows: (a) funds of the replacement reserves to repay outstanding plus interest of approximately \$922,000 on the RELOC with remaining funds to be deposited to the OHRF, and (b) funds from operating cash and mortgage escrow to be deposited to HOC’s General Operating Reserve.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Managing Member, acting for itself and on behalf of Borrower accepts the Mortgage Loan, Permanent Loan, and Bridge Loan for the financing closing, which may occur separate and apart from the LIHTC equity closing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Managing Member, acting for itself and on behalf of Borrower, that the Acting Executive Director of HOC, or a duly appointed designee of the Acting Executive Director of HOC, is hereby 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 Acting Executive Director’s judgment, to carry out the Financing Plan and the transaction and actions contemplated herein.

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 October 6, 2021.

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Patrice M. Birdsong
Special Assistant to the Commission

**SHADY GROVE: APPROVAL OF THE FINANCING PLAN, FEASIBILITY AND PUBLIC PURPOSE;
AUTHORIZATION TO ISSUE LOANS TO HOC AT SHADY GROVE, LLC FOR ACQUISITION AND
CONSTRUCTION FINANCING; AUTHORIZATION TO ISSUE A COMMITMENT FOR PERMANENT
FINANCING; AND, AUTHORIZATION FOR THE BORROWER TO ACCEPT LOANS IN ACCORDANCE
WITH THE FINANCE PLAN**

SHADY GROVE, DERWOOD, MD



KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

**JENNIFER HINES ARRINGTON, ACTING DIRECTOR OF MORTGAGE FINANCE
VICTORIA DIXON, SR. MULTIFAMILY UNDERWRITER
LEN VILICIC, FINANCIAL ANALYST**

October 6, 2021

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EXECUTIVE SUMMARY

Shady Grove Apartments (the “Property” or “Shady Grove”) is an existing 144-unit income restricted community in Derwood, MD owned by Shady Grove Apartments Limited Partnership (“Seller”), an entity controlled by HOC.

Constructed in 1980 and renovated in 1998 using Low Income Housing Tax Credit (“LIHTC”), the property is currently operating under an extended-use covenant which is set to expire on December 31, 2028. In addition, 100% of units are subject to a Project-Based Rental Assistance (“PBRA”) contract with all units restricted for households at or below 50% of area median income (“AMI”).

On September 1, 2021, the Commission approved the Final Development Plan (“Development Plan”) estimated at \$60.7 million to acquire, renovate, and equip the Property with improvements to energy-efficiency, common areas, building exteriors and in-unit upgrades of finishes and appliances in bathrooms and kitchens. Phased renovations are projected to take up to 24 months for completion by November 2023.

As part of the Development Plan, the Property will be acquired by HOC at Shady Grove, LLC (the “Borrower”), controlled by HOC MM Shady Grove, LLC (“Managing Member”). HOC will retain controlling interest of the Borrower and General Partner. The Property is expected to be awarded an allocation of 4% LIHTC in October 2021, with Boston Financial Investment Management (“Boston Financial”) as LIHTC Syndicator.

In order to execute the Development Plan, staff proposes the following Financing Plan to include these combined sources: (a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the Multifamily Housing Development Bond Resolution (the “1996 Indenture” or “Indenture”) to fund an FHA Risk Share mortgage loan with balloon payment (“Mortgage Loan”) for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture (“Indenture Bond Reserve”); (b) LIHTC equity; (c) a loan to bridge receipt of LIHTC equity proceeds (“Bridge Loan”); (d) a subordinate loan from the seller entity (“Seller Loan”); and (e) deferred developer fee. Closing is expected to occur in November 2021. Stabilization of the Property is expected to occur by March 2024 with conversion to permanent debt to occur by July 2024. Staff will return to the Commission with a Bond Authorizing Resolution request.



EXECUTIVE SUMMARY

Date	Res.	Description of Commission Resolutions
May 2, 2018	18-29	Approval of a Preliminary Development to renovate Shady Grove Apartments, Georgian Court, and Stewartown Homes properties using \$1,050,000 from the Opportunity Housing Reserve Fund (“OHRF”) or PNC Real Estate Line of Credit (“RELOC”), to be repaid upon refinance or re-syndication of the properties.
July 11, 2018	18-52	Withdrawal of \$10,910,561 from the RELOC to prepay existing mortgages of Georgian Court (\$2,666,306), Shady Grove (\$4,597,448), Stewartown (\$1,817,646), and The Willows (\$1,829,161) until repaid upon refinancing or re-syndication of the properties.
June 9, 2021 & July 7, 2021 (Amendment)	21-58A 21-58B 21-67	Approval to (i) select Hamel Builders Inc. as General Contractor (“GC”) for renovation of Shady Grove, (ii) begin negotiations of the GC contract; (iii) hold 24 units vacant to facilitate renovations; (iv) fund additional predevelopment work of \$485,000 from the RELOC; (v) ratified formation of the Borrower and Managing Member entities for the transaction.
July 7, 2021	21-71	Approval of Boston Financial as LIHTC syndicator for the transaction and authorization for the Executive Director to negotiate and execute a Letter of Intent as well as negotiate an Operating Agreement.
September 1, 2021	21-86	Approval of (i) the Final Development Plan, (ii) negotiation and execution of an Operating Agreement with a tax credit investor affiliate of Boston Financial (“Investor”) for admission of the Investor as a non-managing member holding 99.99% interest, with execution of related documents, (iii) approval for negotiation and execution of a Purchase and Sale Agreement, (iv) transfer of the Property from Georgian Court Silver Spring Limited Partnership (“Seller”) to the Borrower, with execution of related documents; (v) approval to accept a subordinate Seller Loan of up the purchase price; (vi) negotiation and execution of a GC contract not to exceed \$13.2 million; (vii) execution of an Early Start Agreement with the GC not to exceed \$941,330, to be paid from transactions sources or existing replacement reserves; and (viii) authorization for the Acting Executive Director, Kayrine Brown, or her designee, to execute any and all documents to effectuate the actions contemplated.

EXECUTIVE SUMMARY

Staff has completed its underwriting and with the support of the Development and Finance Committee, recommends the following actions of the Commission:

- 1) Approval of the Shady Grove Financing Plan totaling approximately \$61 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the 1996 Indenture to fund an FHA Risk Share mortgage loan with balloon payment (“Mortgage Loan”) for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) subordinate Seller Loan; and e) deferred developer fee.
- 2) Approval of the feasibility and public purpose for the Property setting aside 100% of units for households earning at or below 50% AMI, and the allocation of up to \$30,750,000 in volume cap for the transaction, as subject to available volume cap.
- 3) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount up to \$30,750,000 with a balloon payment at or before year 25.
- 4) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to each assume 50% of the risk for the transaction.
- 5) Approval for net sales proceeds, approximately \$18.1 million, to the Seller to be funded to the OHRF on an unrestricted basis.
- 6) Approval for HOC to provide a Bridge Loan of approximately \$13.6 million to the Borrower during construction to bridge the receipt of LIHTC equity proceeds for repayment with a maximum term of up to five years from closing to be funded from the OHRF.
- 7) Approval to release available cash held by the Seller of (a) approximately \$1,252,965 of replacement reserves to repay outstandings plus interest of approximately \$922,088 on the RELOC with remaining funds to be deposited to the OHRF; and (b) approximately \$542,019 of operating cash and \$33,810 mortgage escrow to be deposited to HOC’s General Fund Operating Reserve.
- 8) Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan.

EXECUTIVE SUMMARY

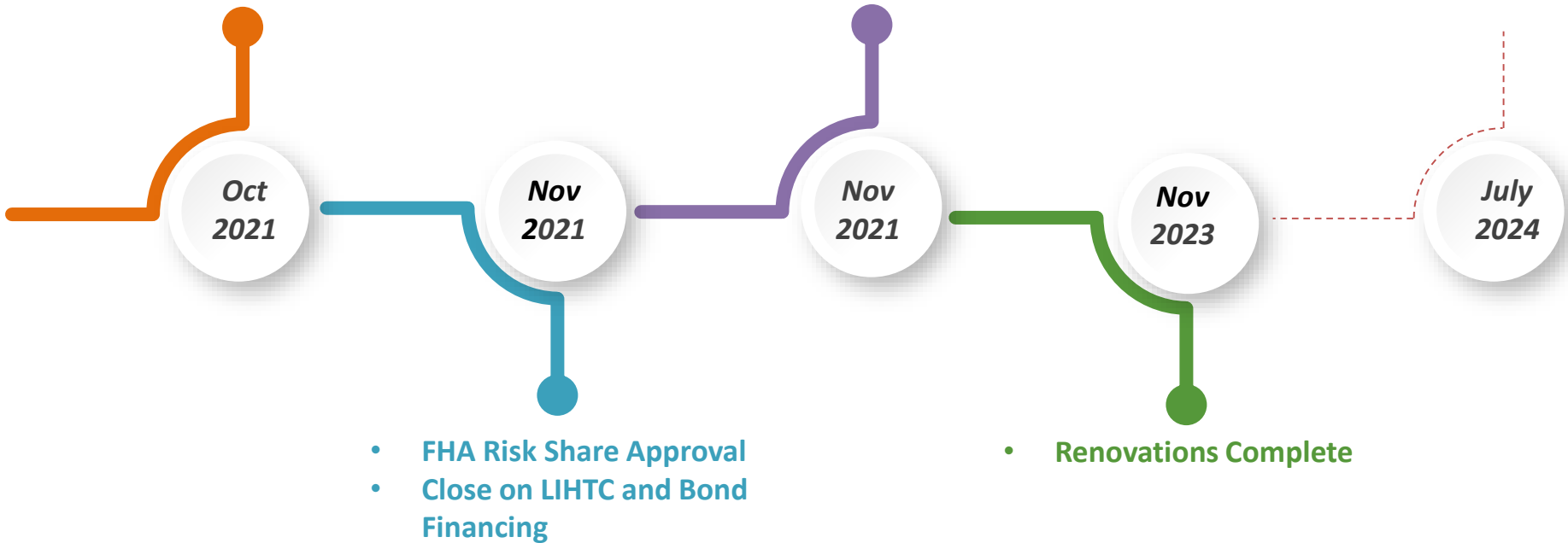
Borrower	HOC at Shady Grove, LLC	
Units/Affordability	144 Units 100% Project Based Rental Assistance	
	144	≤ 50% AMI
Stabilized Net Operating Income (estimated)	\$1,702,650 (FY 2024)	
Bond Issuance (tax-exempt and taxable) (up to)	\$32,050,000 1996 Multifamily Housing Development Bond Resolution	
Tax-Exempt Bonds / Volume Cap (up to)	\$30,750,000	
Taxable Bond Reserve (up to)	\$1,300,000	
First Mortgage (up to)	\$30,750,000 FHA Risk Share Mortgage	
Permanent Mortgage Interest Rate (estimated)	3.67%	
Mortgage Insurance	FHA Risk Share - 50% HOC / 50% FHA	
Permanent Loan Amortization / Term (up to)	35 Years / 38 Years	
Debt Service Coverage Ratio	1.15	
County Participation (estimated)	Real Estate Tax Exemption	

FINANCING SCHEDULE

- Commission Approval
- Submit FHA Risk Share Application

- Begin Renovations (24 months)

- *Outside date for Permanent Conversion*



TRANSACTION HIGHLIGHTS

Public Purpose	All 144 units of the Properties will be restricted for those households with incomes at 50% AMI or below, including 141 households with project-based Section 8 rental assistance. In addition, renovations will create eight (8) new UFAS units. Additional details on Property Overview slides.
County Interest	Acquisition and renovation of the Property will preserve quality, affordable housing for families in the County. The Property also will continue to benefit from a real estate tax exemption from the County for the 144 units (100%).
Volume Cap Allocation	Up to \$30,750,000 in HOC volume cap will be required for tax-exempt bond financing to meet the 50% test. See page 14 for HOC's Volume Cap Need/Uses matrix.
Bond Financing	Up to \$32,050,000 will be issued under the 1996 Indenture. Proceeds from tax-exempt private activity bonds will fund a Mortgage Loan for the renovation and permanent loan phases of the Property with a term of up to 38 years. Upon conversion the permanent Mortgage Loan will begin a 35-year amortization schedule and will be repaid from property revenues. A 25-year balloon payment option may be pursued.
Credit Enhancement	The Mortgage Loan will be enhanced with FHA Risk Share mortgage insurance. HOC will assume 50% of the risk for the transaction and FHA 50%.
Construction Bridge Loan	Based upon review of the Developer Draw Schedule, an estimated \$13.6 million of bridge financing will be needed during the construction.
LIHTC Equity	Approximately \$19.3 million – The tax-credit equity will be paid in stages: 1) loan closing (10%); 2) construction completion (73%); 3) cost certification, stabilized occupancy and permanent mortgage conversion (16%); and, 5) issuance of the final 8609s (1%).
Developer Fee	The developer's fee will be approximately \$4.6 million.
Development Team	<p>Owner/Developer: HOC at Shady Grove, LLC / HOC</p> <p>General Contractor: Hamel Builders Inc.</p> <p>Architect: Bennett Frank McCarthy</p> <p>Property Management: Edgewood Management Company</p> <p>Construction Management: JDC Construction</p> <p>LIHTC Syndicator: Boston Financial Investment Management</p>

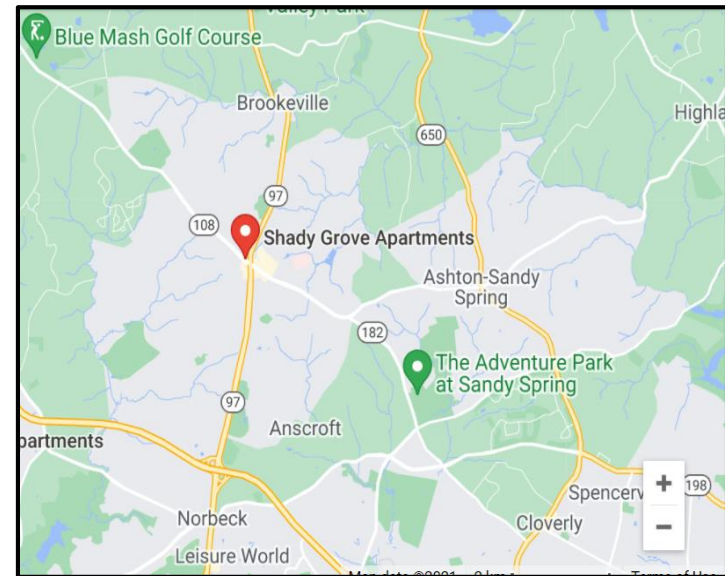
PROPERTY OVERVIEW



Property Name	Shady Grove Apartments
Location	16125 Crabbs Branch Way, Derwood, MD 20855
Property Manager	Edgewood Management Company
Total Units	144
Unit Mix	45 units – 1BR/1BA 83 units – 2BR/1BA 16 units – 3 BR/1.5 BA
	100% restricted for households earning up to 50% AMI (all units covered under a Project-Based Rental Assistance contract).

Amenities The community includes a business/computer center, clubhouse, central laundry, and a playground. Neighborhood amenities include grocery anchored 270 Shopping Center (MOM’s Organic) and King Farm Village Center (Safeway), Nordstrom Rack, Home Depot, CVS Pharmacy, and various retailers, services, and restaurants, adjacent Rock Creek Park, with the Shady Grove Metro Station (Red Line) two blocks away.

Planned Renovation Constructed in 1980 and previously renovated in 2001, the property consists of five three-story garden-style buildings. Proposed renovations will modernize unit interiors, update common area amenities and building mechanical systems, and improve site conditions, to include: (a) upgrading kitchens to open concept with installation of new appliances, cabinetry, countertops, fixtures, flooring, painting and lighting; bathrooms renovations with new bath/shower surrounds; and new HVAC; (b) create eight (8) new Uniform Federal Accessibility Standards (UFAS) units, (c) new flooring in common area stair wells and hallways; (d) exterior improvements will include installation of new entrance canopies, replacing roofing and siding, improved lighting, parking lot re-striping; (e) a new playground; and (f) removal of asbestos-containing materials and installation of radon mitigation systems.



PUBLIC PURPOSE

A review of the transaction has been completed and determined to meet the needs of the community to preserve affordable housing, provide significant public purpose, and support the allocation of available volume cap for the tax credits.

- Shady Grove is an existing property held in HOC’s portfolio and operating under an extended-use covenant, which is set to expire on December 31, 2028. With the subject transaction, restrictions for all 144 units will be preserved an additional 23 years in furtherance of HOC’s mission, and eight (8) units will be renovated to meet Uniform Federal Accessibility Standards.
- Residents at Shady Grove benefit from the Property’s location, which is proximate to several neighborhood amenities, including grocery stores, various retailers and services, and is within two (2) blocks of the Shady Grove Metro Station, offering easy connectivity to employment opportunities.
- Below is a comparison of proposed rents versus market rents, along with maximum LIHTC permitted rents. The proposed rents have been approved by HUD for 2021 and are subject to Project Based Rental Assistance. HUD’s Operating Cost Adjustment Factors (“OCAF”) policy permits a mark-up of the existing rental rate to achieve market rents, due to a renovation. However, no such rental increase is contemplated at this time.

Unit Size	# Units	Utility Allowances	Proposed Rents (FY2024)*	Market Rents (2021)	Proposed vs Market (variance)	Max LIHTC Permitted*
1 BR / 1 BA	45	\$76	\$1,475	\$1,625	(\$150)	\$1,133
2 BR / 1 BA	83	\$89	\$1,715	\$1,900	(\$185)	\$1,362
3BR / 1.5 BA	16	\$118	\$2,060	\$2,150	(\$90)	\$1,559

*Excludes Utility Allowance. Higher rental rates permitted under PBRA.

STABILIZED PRO FORMA

Stabilized Proforma	(FY 2024)	Per Unit
Gross Residential Revenue	\$ 2,913,204	\$ 20,231
Vacancy, Concessions, Bad Debt	\$ (146,160)	\$ (1,015)
Effective Gross Income (EGI)	\$ 2,767,044	\$ 19,216
Operating Expenses	\$ 1,013,994	\$ 7,042
Replacement Reserves	\$ 50,400	\$ 350
Net Operating Income (NOI)	\$ 1,702,650	\$ 11,824
Debt Service	\$ 1,481,064	\$ 10,285
Cash Flow Before Distributions	\$ 221,586	\$ 1,539
Debt Service Coverage Ratio (DSCR)	1.15	

- To facilitate renovations, vacancy at the Property of up to 24 units at a time has been approved by the Commission.
- Stabilized Vacancy, concessions, and bad debt are underwritten at 5.02%.
- Post-renovation, the Property is expected to reach 95% occupancy by March 2024. Rent and expense annual growth rates are projected at 2% and 3%, respectively.
- Initial replacement reserves will be established at \$1,500 per unit from capital sources. Stabilized annual replacement reserves contribution of \$350/unit.

- The Property is projected to benefit from continuing real estate tax exemption from the State and Montgomery County.
- Current sizing of \$28,730,000 is based on an estimated interest rate of 3.67% (including Mortgage Insurance Premium (“MIP”) of 25 basis points, HOC Loan Management Fee (“LMF”) of 0.25% on the original mortgage amount, and a 0.38% cushion). Subject to interest rate movements, staff anticipates that the Property will support a permanent loan of approximately \$30.3 million with a DSCR of 1.15:1.00.

FINANCING PLAN

The Shady Grove transaction contemplates: a) Issuance of bonds of up to \$32 million; b) LIHTC equity; c) Bridge Loan; d) subordinate Seller Loan; and, e) deferred developer fee.

(a) The subject Mortgage Loan and Indenture Bond Reserve will be funded by way of issuing tax-exempt private activity bonds and taxable bonds in an approximate amount of no more than \$32 million. Private activity, tax-exempt, volume cap of up to \$30.75 million will be allocated from the State for closing of the Mortgage Loan. Current sizing of a \$28.7 million Mortgage Loan is based on an estimated interest rate of 3.67%, including MIP, LMF, and cushion for interest rate movements.

(b) The transaction, as presented, requires approximately \$28.6 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately \$19.3 million in tax credit equity, which will be contributed in stages, primarily at construction completion. The developer fee will be paid from LIHTC equity contributions. A bridge loan of approximately \$13.6 million will be needed to bridge the receipt of LIHTC equity, and will be funded from the OHRF using net sale proceeds to HOC.

(c) The Property was appraised at \$33.2 million ‘as is’. The Seller Loan from HOC will represent contributed land equity into the transaction. Proceeds will be used to payoff the existing \$3.5 million of intercompany payables, remaining \$262,000 County Loan, and fund the Bridge Loan, with remaining excess proceeds deposited to the OHRF on an unrestricted basis.

The stabilized proforma heretofore discussed, illustrates that the transaction generates sufficient net operating revenue to pay operating expenses and debt service to meet the base FHA Risk Share underwriting DSCR of 1.15:1.00.

Furthermore, the total sources of funds are sufficient to meet all the projected uses of the Financing Plan; therefore, the transaction is determined to be feasible.

SOURCES	AMOUNT	PER UNIT
Bonds / Mortgage Loan (a)	\$ 28,730,000	\$ 199,514
LIHTC Proceeds / Bridge (b)	\$ 19,263,786	\$ 133,776
Seller Loan / Land Equity (c)	\$ 11,169,223	\$ 77,564
GP Equity	\$ 100	\$ 1
Deferred Developer Fee	\$ 2,000,000	\$ 13,889
Property Cash	\$ -	\$ -
Total Sources	\$ 61,163,109	\$ 424,744
USES	AMOUNT	PER UNIT
Acquisition Cost	\$ 33,200,000	\$ 230,556
Construction Cost	\$ 14,439,205	\$ 100,272
Fees Related to Construction	\$ 1,381,680	\$ 9,595
Relocation Costs	\$ 400,600	\$ 2,782
Financing & Legal Costs	\$ 3,090,913	\$ 21,465
Construction Interest	\$ 2,530,958	\$ 17,576
Development Fees	\$ 4,630,774	\$ 32,158
Initial Replacement Reserves	\$ 216,000	\$ 1,500
Operating Reserves	\$ 1,272,979	\$ 8,840
Total Uses	\$ 61,163,109	\$ 424,744

VOLUME CAP NEED/USES (\$'000)

Year	2020	Projected 2021
Balance Carried Forward	\$0	\$13,125
Annual Bond Cap Allocation	\$38,791	\$40,638
	2.3%	4.8%
Special Allocation / Adjustment		63,700
TOTAL BOND CAP AVAILABLE	\$38,791	\$117,464
HOC PROGRAMS		
Single Family	\$0	\$0
Bauer Park	\$25,665	
Stewartown		\$16,145
Willow Manor Properties*		\$45,402
Georgian Court*		\$29,300
Shady Grove*		\$30,750
TOTAL HOC PROGRAMS	\$25,665	\$121,597
PRIVATE DEVELOPERS		
TOTAL PRIVATE ACTIVITY	\$0	\$0
TOTAL BOND CAP REMAINING (SHORTFALL)	\$13,125	(\$4,133)

*Estimates for transactions not yet closed

- HOC carried over \$13.1 million of CY2020 volume cap and received a \$40.6 million allocation of volume cap in CY2021.
- Staff meets with Maryland’s Community Development Administration (“CDA”) annually to review its annual volume cap needs, and last met on March 25, 2021.
- In April 2021, HOC was awarded a Special Allocation of \$63.7 million of volume cap from the Department of Housing and Community Development’s (“DHCD”) 2021 allocation, bringing HOC’s total bond cap for CY2021 to approximately \$117.5 million.
- The projected volume cap usage for CY2021 is approximately \$121.6 million (all for HOC programs; no private deals), which exceeds estimated available bond cap for the year.
 - Stewartown closed in June 2021, leaving approximately \$101.32 million available.
 - The Willows, Georgian Court and Shady Grove transactions will likely close together, and require approximately \$105.45 million in volume cap, leaving a shortfall of approximately \$4.13 million in cap.
- HOC has notified CDA of the need for additional cap and has requested an advance of up to \$5 million of HOC’s 2022 volume cap allocation to complete the 2021 transactions. CDA has indicated that HOC’s additional needs will be met for the year.
- HOC may also, if needed, request additional bond cap from the Maryland Department of Commerce, the state agency responsible for the allocation of bond cap.

ISSUES FOR CONSIDERATION

Will the Commission approve staff's recommendation, which is supported by the Development and Finance Committee, of the following actions:

1. Approval of the Shady Grove Financing Plan totaling approximately \$61 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the 1996 Indenture to fund an FHA Risk Share mortgage loan with balloon payment for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) subordinate Seller Loan; and e) deferred developer fee;
2. Approval of the feasibility and public purpose for the Property setting aside 100% of units for households earning at or below 50% AMI, and the allocation of up to \$30,750,000 in volume cap for the transaction, as subject to available volume cap;
3. Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount up to \$30,750,000 with a balloon payment at or before year 25;
4. Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 50% and 50% of the risk for the transaction;
5. Approval for net sales proceeds, approximately \$18.1 million, to the Seller to be funded to the OHRF on an unrestricted basis;
6. Approval for HOC to provide a Bridge Loan of approximately \$13.6 million to the Borrower during construction when needed to bridge the receipt of LIHTC equity proceeds for repayment with a maximum term of up to five years from closing to be funded from the OHRF;
7. Approval to release available cash held by the Seller of (a) approximately \$1,252,965 of replacement reserves to repay outstandings plus interest of approximately \$922,088 on the RELOC with remaining funds to be deposited to the OHRF, and (b) approximately \$542,019 of operating cash and \$33,810 mortgage escrow to be deposited to HOC's General Fund Operating Reserve; and,
8. Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan?

TIME FRAME

For formal action at the October 6, 2021 meeting of the Commission.

FISCAL/BUDGET IMPACT

- Closing of the subject transaction is expected to occur in November 2021. The Commission will earn Development and Commitment Fees, Mortgage Insurance Premium, and Loan Management Fee income. Based on current underwriting, staff projects income collected for the transaction will be (\$730,162) lower than budgeted for the Agency's fiscal year, due to incorporation of a deferred developer fee in order to realize higher LIHTC equity.
- The anticipated negative impact on revenue to HOC's Operating Budget will be monitored during the fiscal year to determine if it can be absorbed within other variances to both revenue and expenses that may occur. If the impact cannot be fully absorbed, HOC's budget will be amended to draw funds from the General Fund Operating Reserve to address the shortfall.
- Costs of issuance are expected to be a maximum of \$412,500 and will be paid from sources of the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends that the Commission:

- 1) Approve the Shady Grove Financing Plan totaling approximately \$61 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the 1996 Indenture to fund an FHA Risk Share mortgage loan with balloon payment for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) subordinate Seller Loan; and e) deferred developer fee.
- 2) Approve the feasibility and public purpose for the Property setting aside 100% of units for households earning at or below 50% AMI, and the allocation of up to \$30,750,000 in volume cap for the transaction, as subject to available volume cap.
- 3) Authorize the HOC to issue a Financing Commitment for a Mortgage Loan in an amount up to \$30,750,000 with a balloon payment at or before year 25.
- 4) Approve credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to each assume 50% of the risk for the transaction.
- 5) Approve that Seller net sales proceeds, approximately \$18.1 million, are to be funded to the OHRF on an unrestricted basis.
- 6) Approve a Bridge Loan of approximately \$13.6 million to the Borrower during construction to bridge the receipt of LIHTC equity proceeds for repayment with a maximum term of up to five years from closing to be funded from the OHRF.
- 7) Approve the release of available cash held by the Seller of (a) approximately \$1,252,965 of replacement reserves to repay outstandings plus interest of approximately \$922,088 on the RELOC with remaining funds to be deposited to the OHRF, and (b) approximately \$542,019 of operating cash and \$33,810 mortgage escrow to be deposited to HOC's General Fund Operating Reserve.
- 8) Approve the Borrower's acceptance the proposed Mortgage Loan and Bridge Loan.

RESOLUTION No.: 21-97

RE: Approval of the Financing Plan, Feasibility and Public Purpose for Shady Grove Apartments; Authorization to Issue Loans to HOC at Shady Grove, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for up to \$30.8 Million Mortgage Loan; 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, as further provided in that certain Memorandum of Understanding by and between the Commission and Montgomery County, Maryland, dated June 29, 2018, the Commission is authorized to issue its notes and bonds from time to time to fulfill its corporate purposes, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing of multifamily rental housing properties, which provide a public purpose; and

WHEREAS, Shady Grove (the “Property”) is an existing 144-unit income-restricted residential community located at 16125 Crabbs Branch Way, Derwood, Maryland owned by Shady Grove Apartments Limited Partnership (“Seller”); and

WHEREAS, between May 2, 2018 and July 7, 2021, the Commission has approved to retire existing debt, and pay predevelopment, capital improvements, repairs, replacements, and closing costs for the transaction, funded from proceeds of the Opportunity Housing Reserve Fund (“OHRF”) (in the amount of \$350,000) and PNC Real Estate Line of Credit (“PNC RELOC”) (in the amount of \$5,082,448), which is to be repaid from closing of the transaction (the “Development Plan”); and

WHEREAS, the Property currently holds available cash of approximately \$1,828,794 in various accounts, including (i) replacement reserves (\$1,252,965), (ii) operating cash (\$542,019), and (iii) mortgage escrow (\$33,810) (together “Available Property Cash”); and

WHEREAS, the Property will be acquired by a single purpose entity known as HOC at Shady Grove, LLC (“Borrower”), which will be controlled by HOC MM Shady Grove, LLC (“Managing Member”) an entity whose sole member is HOC; and

WHEREAS, the Borrower proposes for all units at the Property to serve households with incomes at or below 50% of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area Median Income (“AMI”), to enjoy rent protection without impairing the LIHTC equity for the development (“Public Purpose”); and

WHEREAS, on July 7, 2021, the Commission approved the selection of Boston Financial Investment Management as the Low Income Housing Tax Credit (“LIHTC”) syndicator and authorized the Executive Director to begin negotiating and execute a Letter of Intent as well as negotiate an Operating Agreement to admit an associated LIHTC investor as a non-managing member of the Borrower, with HOC remaining in control of the Borrower as the sole member of the Managing Member entity; and

WHEREAS, on September 1, 2021, the Commission approved the final development plan totaling \$60.7 million for the Property as an income-restricted community, which included (1) negotiation and execution of an Operating Agreement for admission of an affiliate of the LIHTC syndicator as investor, (2) negotiation and execution of a Purchase and Sale Agreement; (3) approval for Seller to accept a subordinate loan, in an amount up to the purchase price (“Seller Note”); (4) authorization to negotiate and execute a contract with Hamel Builders, Inc. as General Contractor (“GC”) for the renovations in an amount up to \$13.2 million, (4) execution of an Early Start Agreement with the GC not to exceed \$941,330; and, (5) authorization for the Acting Executive Director, or her designee, to execute any and all documents to effectuate the actions contemplated (the “Final Development Plan”); and

WHEREAS, staff explored a variety of options for the estimated \$61 million acquisition, rehabilitation and permanent financing for the Property, and determined to use a number of sources including (1) the issuance of private activity, short- and long-term, tax-exempt bonds in an amount up to \$30,750,000 to fund a mortgage loan for costs of acquisition, rehabilitation, and equipping the Property, which will be credit enhanced by FHA Risk Share Mortgage Insurance (“Mortgage Loan” or “Permanent Loan”); (2) the issuance of taxable bonds in an amount up to \$1,300,000 to fund a bond reserve required under the indenture; (3) LIHTC equity estimated at \$19.3 million; (4) bridge funding during acquisition/ construction by way of draws of approximately \$13.6 million from the OHRF to be repaid from the receipt of LIHTC equity (“Bridge Loan”); a subordinate Seller Loan of approximately \$11.2 million; and (5) deferred developer fee (collectively, the “Financing Plan”); and

WHEREAS, Commission and the Borrower have applied for a Letter of Reservation for 4% LIHTC from the Maryland Department of Housing and Community Development, which will enable the Borrower to raise approximately \$19.3 million in equity to pay a portion of its acquisition and development costs; and

WHEREAS, the transaction will require an allocation of a portion of the Commission’s tax-exempt volume cap in an amount not to exceed \$30.8 million; and

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 144 units at or below 50% of the AMI, the Property will provide significant public purpose supporting an allocation of tax-exempt volume cap (“Feasibility and Public Purpose”).

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Financing Plan and Feasibility and Public Purpose, is hereby approved and that the staff is hereby authorized to proceed with the review and processing of the necessary financing applications and other documentation.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the allocation of tax-exempt volume cap in an amount not to exceed \$30,750,000 for the issuance of short- and long-term bonds to finance the transaction, which shall be subject to available volume cap, 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 38 years to fund development of the Property, which will be subject to conversion to a Permanent Loan phase and balloon payment option at or before year 25.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the issuance of a commitment for the Mortgage Loan in an amount up to \$30,750,000, 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 50% of the risk while HUD shall assume 50% for the transaction.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, authorizes funding of a Bridge Loan of approximately \$13.6 million at 0% interest by way of draws from the OHRF, which shall be drawn when needed to bridge the receipt of LIHTC equity and shall be outstanding for no more than five (5) years from the closing date.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Seller, as its general partner, that the Seller is authorized to release net sales proceeds from sale of the Property after repayment of existing debt and intercompany payables, and closing costs, to be funded to the OHRF on an unrestricted basis.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Seller, as its general partner, that the Seller is authorized to release Available Property Cash as follows: (a) funds of the replacement reserves to repay outstandings plus interest of approximately \$922,000 on the RELOC with remaining funds to be deposited to the OHRF, and (b) funds from operating cash and mortgage escrow to be deposited to HOC’s General Operating Reserve.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Managing Member, acting for itself and on behalf of Borrower accepts the Mortgage Loan, Permanent Loan, and Bridge Loan for the financing closing, which may occur separate and apart from the LIHTC equity closing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Managing Member, acting for itself and on behalf of Borrower, that the Acting Executive Director of HOC, or a duly appointed designee of the Acting Executive Director of HOC, is hereby 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 Acting Executive Director’s judgment, to carry out the Financing Plan and the transaction and actions contemplated herein.

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 October 6, 2021.

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Patrice M. Birdsong
Special Assistant to the Commission

**APPROVAL OF A BOND AUTHORIZING RESOLUTION AMENDING AND RESTATING
IN ITS ENTIRETY THE BOND AUTHORIZING RESOLUTION FOR WILLOW MANOR
PROPERTIES TO INCORPORATE THE APPROVAL OF THE ISSUANCE OF BONDS TO
PROVIDE FINANCING FOR GEORGIAN COURT AND SHADY GROVE APARTMENTS**

October 6, 2021

- On September 1, 2021, the Housing Opportunities Commission of Montgomery County (the “Commission”) approved the Financing Plan, Feasibility and Public Purpose for the Willow Manor Properties (hereinafter the “Willows”) and adopted Resolution 21-84B, which authorized the issuance of 2021 Series C Multifamily Housing Development Bonds (the “2021 C Bonds”) under the 1996 Indenture in a total aggregate principal amount not to exceed \$55 million for the purpose of financing a mortgage loan to be insured under the FHA Risk-Sharing Program for the acquisition, rehabilitation and equipping of the Willows.
- On October 6, 2021, the Commission approved the Financing Plans, Feasibility and Public Purpose (among other approvals) for both Georgian Court and Shady Grove Apartments. The Financing Plan for Georgian Court totals approximately \$72.5 million, allocates up to \$29.3 million in volume cap and authorizes the issuance of a mortgage loan in an amount up to \$29.3 million. The Financing Plan for Shady Grove totals approximately \$61 million, allocates up to \$30.75 million in volume cap, and authorizes the issuance of a mortgage loan in an amount up to \$30.75 million.
- Staff recommends with the support of the Development and Finance Committee to approve a Bond Authorizing Resolution for the Georgian Court and Shady Grove transactions. However, given that all three (3) transactions are trending simultaneously, it is recommended that the Commission-approved Bond Authorizing Resolution for the Willows be amended and restated in order to include the Georgian Court and Shady Grove transactions, thus achieving efficiency and economy of scale for the financings. Combining the three (3) transactions creates a savings of approximately \$250,000 for the Commission.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Kayrine V. Brown, Acting Executive Director

FROM: Staff: Jennifer H. Arrington Division: Mortgage Finance Ext. 9760
Victoria Dixon Mortgage Finance Ext. 8981

RE: Approval of a Bond Authorizing Resolution Amending and Restating in its Entirety the Bond Authorizing Resolution for Willow Manor Properties to Incorporate the Approval of the Issuance of Bonds to Provide Financing for Georgian Court and Shady Grove Apartments

DATE: October 6, 2021

STATUS: Committee Report: Deliberation X

OVERALL GOAL & OBJECTIVE:

To obtain approval of a Bond Authorizing Resolution that amends and restates the Bond Authorizing Resolution for the issuance of 2021 Multifamily Housing Development Bonds (“MHDB”) under the MHDB Resolution (the “1996 Indenture” or “Indenture”) for the Willow Manor Properties in order to incorporate the approval of the issuance of additional bonds to provide financing for Georgian Court and Shady Grove Apartments, under a single Bond Authorizing Resolution.

BACKGROUND:

On September 1, 2021, the Housing Opportunities Commission of Montgomery County (the “Commission”) approved the Financing Plan, Feasibility and Public Purpose for the Willow Manor Properties (hereinafter the “Willows”) and adopted Resolution 21-84B, which authorized the issuance of 2021 Series C Multifamily Housing Development Bonds under the 1996 Indenture in a total aggregate principal amount not to exceed \$55 million for the purpose of financing a mortgage loan to be insured under the FHA Risk-Sharing Program for the acquisition, rehabilitation and equipping of the Willows.

On October 6, 2021, the Commission approved the Financing Plan for both Georgian Court and Shady Grove Apartments. The Financing Plans for Georgian Court and Shady Grove include: (a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the 1996 Indenture to fund an FHA Risk Share mortgage loan with balloon payment for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; (b) LIHTC equity; (c) a loan to bridge receipt of LIHTC equity proceeds; (d) deferred developer fee; (e) a subordinate loan from the seller entity; and, (f) for Georgian Court, solely, available property cash. The Commission simultaneously approved the Feasibility and Public Purpose for each transaction, as well.

The Financing Plan for Georgian Court totals approximately \$72.5 million, allocates up to \$29.3 million in volume cap and authorizes the issuance of a mortgage loan in an amount up to \$29.3 million. The Financing Plan for Shady Grove totals approximately \$61 million, allocates up to \$30.75 million in volume cap, and authorizes the issuance of a mortgage loan in an amount up to \$30.75 million. HOC will assume 50% of the risk of the permanent financings for each property, required by FHA for loans structured with a balloon payment.

Staff requests the Commission’s approval of a Bond Authorizing Resolution for the Georgian Court and Shady Grove transactions. However, given that all three (3) transactions are trending simultaneously toward bond issuance and closing, staff also requests Commission approval to amend and restate the previously-approved Bond Authorizing Resolution for the Willows in order to combine the Georgian Court and Shady Grove transactions a single Bond Authorizing Resolution for the issuance of the tax-exempt and taxable bonds, thus achieving efficiency and economy of scale for the entire bond issuance. Combining the three (3) transactions under a single Bond Authorizing Resolution and issuance creates a savings of approximately \$250,000 for the Commission.

Borrower	HOC at Willow Manor, LLC		HOC at Georgian Court, LLC		HOC at Shady Grove, LLC	
Units/Affordability	286 Units 100% Age-Restricted & Affordable		147 Units 100% Affordable		144 Units 100% PBRA	
	57	≤ 40% AMI	29	≤ 50% AMI	144	≤ 50% AMI
	20	≤ 50% AMI	118	≤ 60% AMI		
	189	≤ 60% AMI	1	Quarters		
	20	≤ 80% AMI				
Stabilized Net Operating Income (estimated)	\$2,620,791 (CY 2024)		\$1,024,303 (FY 2024)		\$1,702,650 (FY 2024)	
1996 Indenture Bond Issuance (tax-exempt and taxable) (up to)	\$55,000,000		\$30,050,000		\$32,050,000	
Tax-Exempt Bonds / Volume Cap (up to)	\$48,000,000		\$29,300,000		\$30,750,000	
Taxable Bonds (up to)	\$7,000,000		\$750,000		\$1,300,000	
FHA Risk Share Mortgage (up to)	\$55,000,000		\$29,300,000		\$30,750,000	
Permanent Mortgage Interest Rate (estimated)	3.651%		3.67%		3.67%	
Mortgage Insurance	50% HOC / 50% FHA ¹		50% HOC / 50% FHA		50% HOC / 50% FHA	
Permanent Loan Amortization / Term (up to)	40 Years / 43 Years		35 Years / 38 Years		35 Years / 38 Years	
Debt Service Coverage Ratio	1.15		1.15		1.15	
County Participation (estimated)	HIF Loan and Real Estate Tax Exemption		Real Estate Tax Exemption		Real Estate Tax Exemption	

Therefore, staff recommends approval of a Bond Authorizing Resolution that amends and restates in its entirety the Bond Authorizing Resolution for the Willow Manor Properties (which approved the issuance and delivery of tax-exempt private activity bonds and taxable bonds in an amount not to exceed \$55 million) in order to incorporate the approval of the issuance of additional tax-exempt private activity bonds and taxable bonds in an amount of up to \$62.1 million, which will provide financing for Georgian Court and Shady Grove Apartments. Combined the amended and restated Bond Authorizing Resolution will authorize the issuance of a total aggregate principal amount not to exceed \$117.1 million.

¹ Willow Manors’ Finance Plan Approval on September 1, 2021: 25% Risk to HOC and 75% Risk to FHA. A 50%-50% shared risk is required for balloon loan structures.

Bond Issuance Schedule

Target Date	Event
October 21	Submit FHA Risk Share Application
November 2	Complete Bond due diligence, receive Moody's rating
November 4	Electronic Distribution of Preliminary Official Statement
November 4	Receive FHA Firm Approval
November 15	Pre-pricing call, distribute final draft Bond Purchase Agreement
November 16	Retail order period
November 17	Institutional order period, distribute final structure and numbers
November 18	Sign Bond Purchase Agreement
November 19	Comments due on Bond closing documents
November 22	Print and mail Official Statement
November 22	Final Bond closing documents to HOC for signature
November 23	HOC executes Bond closing documents, final cash flow and yield calculations, etc.
November 26	Pre-closing
November 29	Close Bond Issue

Summary of Bond Authorizing Resolution

The Bond Authorizing Resolution prepared by the Commission's Bond Counsel, Kutak Rock LLP, outlines key elements of the transaction, which the Commission must authorize to enable the financing to proceed. The Willow Manor Properties' Bond Authorizing Resolution (Resolution 21-84B), will be amended and restated in its entirety to incorporate the approval of the issuance of bonds to provide financing for Georgian Court and Shady Grove, as well. A summary of the main approvals is outlined below:

1. Issuance of tax-exempt and taxable bonds in an amount not to exceed 117,100,000, in one or more series as applicable (the "Bonds"), in order to use the proceeds, thereof, to (i) finance a mortgage loan in the name of the Borrower to be insured under the FHA Risk Sharing Program to fund the acquisition, renovation, and permanent finance of the Property, and (ii) the required 1996 Indenture bond reserves.
2. Execution and delivery of a Series Indenture, certain tax-related documents, a Disclosure Agreement and any and all related documents.
3. Approving the preparation, execution and distribution of preliminary and final offering documents relating to the financing.
4. Authorizing the execution of any other documents necessary for the issuance of the Bonds and the accomplishment of the Financing Plan described herein.
5. Authorizing the Chairman, Vice Chairman or Chairman Pro Tem and Executive Director or other authorized representative to proceed with the issuance and delivery of the Bonds.
6. Authorizing the Executive Director or other authorized representative to establish the terms relating to the Bonds and to make ongoing determinations relating thereto.
7. Selection of the Underwriters, Financial Advisor and Bond Counsel.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve a Bond Authorizing Resolution for the issuance of up to \$117.1 million of tax-exempt and taxable bonds that amends and restates the Bond Authorizing Resolution for the issuance of 2021 Multifamily Housing Development Bonds under the 1996 Indenture for the Willow Manor Properties in order to incorporate the approval of the issuance of additional bonds to provide financing for Georgian Court and Shady Grove Apartments, under a single Bond Authorizing Resolution?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Kutak Rock, Bond Counsel
Caine Mitter & Associates Incorporated, Financial Advisor

FISCAL/BUDGET IMPACT:

There is no impact on the Commission's operating budget. Proceeds generated from the sale of the Bonds will support the cost of issuance.

TIMEFRAME:

For formal action at the October 6, 2021 meeting of the Commission.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve a Bond Authorizing Resolution for the issuance of up to \$117.1 million of tax-exempt and taxable bonds that amends and restates the Bond Authorizing Resolution for the issuance of 2021 Multifamily Housing Development Bonds under the 1996 Indenture for the Willow Manor Properties in order to incorporate the approval of the issuance of additional bonds to provide the financing for Georgian Court and Shady Grove Apartments, under a single Bond Authorizing Resolution.

RESOLUTION: 2021-98

Re: Approval of a Bond Authorizing Resolution Amending and Restating in its entirety the Bond Authorizing Resolution for Willow Manor Properties to Incorporate the Approval of the Issuance of Bonds to Provide Financing for Georgian Court and Shady Grove Apartments

A RESOLUTION AMENDING AND RESTATING, IN ITS ENTIRETY, THE RESOLUTION 2021-84B OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY ADOPTED BY THE COMMISSION ON SEPTEMBER 1, 2021; AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2021 SERIES C (THE "2021 C BONDS"), IN A TOTAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$117,100,000 FOR THE PURPOSE OF FINANCING SEPARATE MORTGAGE LOANS TO BE INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION, REHABILITATION AND EQUIPPING OF (I) THE WILLOW MANOR PROPERTIES, THREE MULTIFAMILY RESIDENTIAL RENTAL PROJECTS FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY HOC AT WILLOW MANOR, LLC; (II) GEORGIAN COURT, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY HOC AT GEORGIAN COURT, LLC; AND (III) SHADY GROVE APARTMENTS, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY HOC AT SHADY GROVE, LLC; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, CERTAIN TAX 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 2021 C BONDS AND THE ACCOMPLISHMENT OF THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND ACTING EXECUTIVE DIRECTOR, EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE SALE OF THE 2021 C BONDS TO BOFA SECURITIES, INC. AND PNC CAPITAL MARKETS LLC, AS CO-SENIOR MANAGERS, AND TO EXECUTE AND DELIVER ONE OR MORE CONTRACTS OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE ACTING EXECUTIVE DIRECTOR, EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2021 C BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2021 C BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”) is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the “Act”), and authorized by the Act and pursuant to the Memorandum of Understanding between the Commission and Montgomery County, Maryland, effective as of June 29, 2018, 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 and/or taxable Multifamily Housing Development Bonds, in such series as shall be designated pursuant to the Series Indenture (as defined herein) (the “2021 C Bonds”) pursuant to the Trust Indenture and one or more series indentures executed and delivered in connection therewith (the “Series Indenture”), (i) to make moneys available for the acquisition, rehabilitation and equipping of the Willow Manor Properties, consisting of three projects to be financed as a single scattered-site development, to be owned and operated by HOC at Willow Manor, LLC, the managing member of which is controlled

by the Commission, (ii) to make moneys available for the acquisition, rehabilitation and equipping of Georgian Court consisting of a project to be owned and operated by HOC at Georgian Court, LLC, the managing member of which is controlled by the Commission, (iii) to make moneys available for the acquisition, rehabilitation and equipping of the Shady Grove Apartments (collectively with the Willow Manor Properties and Georgian Court, the “Developments”), consisting of a project to be owned and operated by HOC at Shady Grove, LLC, the managing member of which is controlled by the Commission, (iv) if necessary, to make a deposit to the Reserve Fund pursuant to the Trust Indenture and the Series Indenture, and (v) to fund the costs of issuance of the 2021 C Bonds in the amount set forth in the Series Indenture and the Tax Documents (as defined herein), all in accordance with the financing plans approved by the Commission in connection with the Willow Manor Properties on September 1, 2021 and in connection with Georgian Court and Shady Grove Apartments on October 6, 2021 (collectively the “Financing Plan”); and

WHEREAS, in connection with the issuance of the 2021 C 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 Contracts of Purchase, the Tax Documents, the Disclosure Agreement and certain other documents relating to the sale of the 2021 C Bonds, and the financing of the Developments; and

WHEREAS, in order to finance Georgian Court and Shady Grove Apartments with the proceeds of the 2021 C Bonds to [maximize the economic benefits to the Developments], the Commission has determined to amend and restate Resolution 2021-84B in its entirety in order to authorize the issuance of the 2021 C Bonds to provide financing for the Willow Manor Properties, Georgia Court and Shady Grove;

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

1. ***Amendment and Restatement.*** This Resolution amends, restates and supersedes, in its entirety, Resolution 2021-84B adopted by the Commission on September 1, 2021. All references made to Resolution 2021-84B in the official records of the Commission shall be deemed to refer to this Resolution.

2. ***2021 C Bonds.*** The 2021 C Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$117,100,000 to carry out the purposes under the Program as described above. The 2021 C Bonds shall be designated as set forth in the recitals hereto, or such additional series or subseries designations as approved by the Acting Executive Director or the Executive Director, as applicable, in consultation with the Financial Advisor and Bond Counsel to the Commission. The 2021 C 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 respective Mortgage Loans made to finance the Willow Manor Properties, Georgian Court and Shady Grove (collectively, the “2021 Mortgage Loan”). [Notwithstanding the authority contained in this Section or elsewhere in this Resolution, 2021 C Bond financing for Shady Grove shall be conditioned upon receipt by the

Commission of a sufficient allocation of volume cap from the State of Maryland as required under the Internal Revenue Code.]

3. **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.

4. **Series Indenture.** The Chairman, the Vice Chairman, or the Chairman Pro Tem, and the Acting Executive Director or the Executive Director, as applicable, of the Commission or any authorized designee of the Acting Executive Director or the Executive Director, as applicable, 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 Representative”), is hereby authorized and directed to affix the seal of the Commission to the Series Indenture and to attest the same.

5. **Tax Documents.** The Chairman, the Vice Chairman, the Chairman Pro Tem and the Acting Executive Director or the Executive Director, as applicable, 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 Documents”) restricting the application of the proceeds of any tax-exempt 2021 C Bonds and the use and occupancy of the Developments in such forms as shall be prepared by Bond Counsel and approved by the Chairman, the Vice Chairman, the Chairman Pro Tem or the Acting Executive Director or the Executive Director, as applicable, the execution of the Tax Documents being conclusive evidence of such approval and of the approval of the Commission. The Chairman, the Vice Chairman, the Chairman Pro Tem or Acting Executive Director or the Executive Director, as applicable, 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 tax-exempt 2021 C Bonds as prepared by Bond Counsel.

6. **Disclosure Agreement.** The Commission hereby authorizes and approves the execution and delivery of a continuing disclosure agreement (the “Disclosure Agreement”) related to the 2021 C Bonds, in such form as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Acting Executive Director or the Executive Director, as applicable, 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.

7. **2021 C Mortgage Loan; Real Estate Documents.** The Commission hereby authorizes and approves the financing of the 2021 C Mortgage Loan for each Development with the proceeds of the 2021 C 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 each 2021 C Mortgage Loan in an amount not greater than 50% of the outstanding principal balance of each 2021 C 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 Developments, in its capacity as issuer of the 2021 C Bonds and in its capacity as the owner of a membership interest in the managing member of each of HOC at Willow Manor, LLC, HOC at Georgian Court, LLC and HOC at Shady Grove, LLC..

8. **Offering Documents.** The Commission hereby authorizes and approves the preparation and distribution of preliminary offering documents of the Commission and the preparation, execution and distribution of a final offering documents (collectively, the “Offering Documents”), each relating to the 2021 C Bonds, in such forms as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Acting Executive Director or the Executive Director, as applicable, 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.

9. **Sale of 2021 C Bonds.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Acting Executive Director or the Executive Director, as applicable, or other Authorized Representative of the Commission is authorized to proceed with the sale of the 2021 C 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 Acting Executive Director or the Executive Director, as applicable, or other Authorized Representative of the Commission.

10. **Contracts of Purchase.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Acting Executive Director or the Executive Director, as applicable, or other Authorized Representative of the Commission is authorized to execute one or more contracts of purchase and/or any other form of purchase agreement (the “Contracts of Purchase”) in connection with the issuance, purchase and sale of the 2021 C Bonds.

11. **Terms; Ongoing Determinations.** The Acting Executive Director or the Executive Director, as applicable, 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, series designations and other terms, and to approve the interest rates on the 2021 C Bonds, all of the foregoing to be specified in the Series Indenture. The Acting Executive Director or the Executive Director, as applicable, 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 2021 C 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 2021 C Bonds and the 2021 C 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 each 2021 C Mortgage Loan and the refunding and redemption other Bonds, if applicable, and the Acting Executive Director or the Executive Director, as applicable, 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.

12. ***Other Action.*** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Acting Executive Director or the Executive Director, as applicable, 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 2021 C Bonds and the accomplishment of the Financing Plan.

13. ***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 2021 C Bonds.

14. ***No Personal Liability.*** No stipulation, obligation or agreement herein contained or contained in the 2021 C Bonds, the Series Indenture, the Contracts of Purchase, the Tax 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 2021 C Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

15. ***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 2021 C 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.

16. ***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.

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

RESOLUTION: 2021-98

Page 7 of 7 pages

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a meeting conducted on _____, 2021.

Patrice Birdsong
Special Assistant to the Commission

**THE UPTON II: APPROVAL TO REMOVE CAP OF \$6.5MM AND RESTORE THE
MAXIMUM BRIDGE LOAN OF \$12MM APPROVED FROM DRAWS ON THE
PNC BANK, N.A. REAL ESTATE LINE OF CREDIT (“RELOC”) FOR THE UPTON II
FINANCING**

October 6, 2021

- On January 9, 2019 and February 6, 2019, via Resolutions 19-09 and 19-15, the Commission approved the Financing Plan for the Upton II, which included, among other sources, Bridge funding during construction by way of draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit (“PNC RELOC”);
- The authorization approved taxable draws on the PNC RELOC totaling up to \$12,000,000 to bridge the acquisition and construction financing for the Upton II until such time as sufficient Low Income Housing Tax Credit (“LIHTC”) equity contributions are received.
- Due to a need for a bifurcated closing of the Construction and LIHTC equity funding sources, the Bridge Note included a provision specifying a balance cap of \$6,500,000 assuming the need for the bridge funding would be reduced once the LIHTC equity closed.
- The \$6.5 million cap was deemed sufficient at the time based on estimates for construction draw timing and the projected LIHTC pay-in schedule.
- The LIHTC equity closed on November 19, 2019, with a larger LIHTC equity contribution, but a slower LIHTC pay-in schedule than what was projected.
- Staff requests the Bridge Note be amended to remove the \$6.5 million cap restoring the full \$12 million authorization to bridge construction draws until the LIHTC equity is contributed to the Project.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Kayrine V. Brown, Acting Executive Director

FROM:	Staff: Zach Marks	Division: Real Estate	Ext. 9531
	Marcus Ervin	Division: Real Estate	Ext. 9752
	Jay Shepherd	Division: Real Estate	Ext. 9437

RE: Upton II: Approval to Remove Cap of \$6.5 million and Restore the Maximum Bridge Loan of \$12 million Approved from Draws on the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) for the Upton II Financing

DATE: October 6, 2021

STATUS: Committee Report Deliberation X

OVERALL GOAL & OBJECTIVE:

To remove the cap on the maximum balance outstanding of \$6.5 million from Bridge Loan Funding for the Upton II as a condition of the approved overall draw amount of \$12 million as described and approved in Resolutions 19-09(2).

BACKGROUND:

Upton II (the “Property”) is a 150-unit, age-restricted, apartment community, which is under construction in Rockville Town Center, Rockville, Maryland, as part of a larger master development. The master development sponsored by Duball (“Master Developer”), is entitled for 400 apartments (including Upton II), retail, and public parking. HOC and Victory Housing, Inc. (“VHI”), through a single purpose entity called HOC at Upton II, LLC (the “Owner” or “Borrower”), will own and operate HOC at the Upton II.

Initial Construction Financing

The **construction financing** for Upton II was closed in two (2) distinct phases i.) the tax-exempt financed senior construction loan in March of 2019 and ii.) the investment of Low Income Housing Tax Credit Equity (“LIHTC”) equity proceeds in November of 2019. Typically, all construction financing sources would close at the same time; however, due to the terms of the acquisition and development agreement for the construction, closing for the funding lender needed to occur in March, 2019, eight (8) months before the LIHTC lender, Wells Fargo was in a position to close.

For the **senior construction loan closing**, the Commission approved Resolutions 19-09, 19-09(2) and 19-15, which approved the Financing Plan for the Property. The financing plan included the following combined sources:

- a) Privately placed tax-exempt loan to fund construction, which will be repaid by a FHA Risk Share permanent loan;
- b) Bridge funding during construction by way of draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit;
- c) LIHTC equity based on the current syndicator term sheet at the time;

- d) Subordinate County Loan; and
- e) Acquisition loan from HOC (“HOC Loan”); and
- f) Deferred Developer Fees.

Timing of Funding Issue & Resolution

Due to the bifurcated closing timeline, Resolution 19-09(2), which was approved on February 6, 2019 authorized taxable draws on the PNC RELOC totaling up to \$12,000,000 to bridge the acquisition and construction financing for the Upton II until such time as sufficient LIHTC equity contributions are received. The Bridge Loan Promissory Note and Loan Agreement (“Bridge Note”) for \$12,000,000 was executed on February 28, 2019. It included a provision specifying a balance cap of \$6,500,000 assuming the need for the bridge funding would be reduced once the LIHTC equity closed. The \$6.5 million cap on the Bridge Note was deemed sufficient at the time based on estimates for construction draw timing and the projected LIHTC pay-in schedule. Despite the \$6.5 million cap on the maximum outstanding balance, the RELOC has always carried, and continues to carry, a \$12 million obligation.

By the time the Equity Contribution closed in November 19, 2019, the difference between the Term Sheet and the Final Equity Schedule increased the total LIHTC equity proceeds to the deal by more than \$3 million, but delayed the overall receipt of equity thereby creating a temporary shortfall in available proceeds during construction, before the preponderance of the Equity Contribution arrived at Stabilized Occupancy (approximately five (5) months after achieving certificates of occupancy and construction completion).

Upton II LIHTC Funding Schedule at Each of Two Closing Phases

Milestone	Source Name	Financing Source	At Partnership Closing (a)	At 50% Construction Completion (b)	At Certificate of Occupancy (x)	At 1.15 DSCR for 90 Consecutive Days, Permanent Loan Close/ Conversion (d)	Receipt of IRS Form(s) 8609 (t)	Total
Construction Funding	Equity – Federal LIHTC	Wells Fargo Bank	\$1,160,393	\$2,035,610	\$2,371,500	\$5,786,428	\$250,000	\$11,603,931
LIHTC Closing	Equity – Federal LIHTC	Wells Fargo Bank	\$1,467,276	\$1,202,188	\$344,700	\$11,408,392	\$250,000	\$14,672,556
Difference in Pay-in Amounts			\$306,883	(\$833,422)	(\$2,026,800)			
Additional Bridge Needed Because of Change in Timing of Pay-in					(\$2,553,339)			

At the time of the November 2019 LIHTC closing, the \$6.5 million cap on maximum balance outstanding was too low. As currently projected, the maximum balance outstanding will be approximately \$9.0 million, occurring just before stabilization and the release of the remaining Equity Contribution that will fully repay the RELOC. To date, the \$6.5 million cap on maximum balance outstanding has been respected. Construction is expected to be complete by January 2022, and stabilization is expected to occur in June 2022.

Upon construction completion and subsequent stabilized occupancy, staff will return to the Commission to request approval of a Final Permanent Finance Plan, including the issuance of refunding bonds to retire the outstanding construction debt with M&T Bank.

ISSUES FOR CONSIDERATION:

Will the Commission accept staff's recommendation, which is supported by the Development and Finance Committee, to approve an amendment of the Bridge Note for the Upton II, thereby removing the balance cap on the Bridge Loan Funding approved by Resolution 19-09(2) to allow for up to \$12 million to be drawn from the PNC Bank, N.A. Real Estate Line of Credit?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
HOC at the Upton II, LLC
PNC Bank, N.A.

BUDGET IMPACT:

No impact to the Commission's FY 2022 operating budget. Interest on the PNC RELOC will be borne by the project's Development Budget.

TIMEFRAME:

For formal action at the Commission meeting on October 6, 2021.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:

Staff recommends that Commission approve an amendment of the Bridge Note for the Upton II that removes the balance cap on the Bridge Loan Funding approved by Resolution 19-09(2) to allow for up to \$12 million to be drawn from the PNC Bank, N.A. Real Estate Line of Credit as needed to bridge LIHTC equity receipts for the transaction.

RESOLUTION No.: 21-99

RE: Upton II: Approval to Remove Cap Of \$6.5MM and Restore the Maximum Bridge Loan of \$12MM Approved from Draws on the PNC Bank, N.A. Real Estate Line of Credit for the Upton II Financing

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") is a public body corporate and political entity 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; and

WHEREAS, Upton II is a planned development in Rockville that is entitled by Duball (the "Master Developer") under current zoning and planning requirements for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. will own and operate a condominium unit containing 150 apartments, which will be a mixed-income, age restricted community (the "Property") and the remaining 250 units will be controlled by the Master Developer or its affiliates; and

WHEREAS, HOC is the sole managing member of HOC MM Upton II, LLC (the "Managing Member"), which in turn is the managing member of HOC at The Upton II, LLC ("Borrower"); and

WHEREAS, on February 6, 2019, the Commission approved Resolution 19-09(2), which authorized taxable draws on the PNC Bank, N.A. Real Estate Line of Credit ("PNC RELOC") totaling up to \$12,000,000 to bridge the acquisition and construction financing for the Upton II until such time as sufficient Low Income Housing Tax Credit ("LIHTC") equity contributions are received; and

WHEREAS, the Bridge Loan Promissory Note and Loan Agreement ("Bridge Note") for \$12,000,000 was executed on February 28, 2019 and included a provision specifying a balance cap of \$6,500,000, assuming the need for the bridge funding would be reduced once the LIHTC equity closed; and

WHEREAS, at the time of the November 2019 LIHTC closing, the \$6.5 million balance cap was too low and, as currently projected, the maximum balance outstanding will be approximately \$9.0 million, occurring just before stabilization and the release of the remaining equity contribution that will fully repay the RELOC.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the Bridge Note to remove the balance cap of \$6.5 million

and allow for up to \$12 million to be drawn from the PNC RELOC as needed to bridge LIHTC equity receipts for the transaction.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that it authorizes the funds be loaned to the Borrower with interest to accrue and be paid at a rate sufficient to pay the interest cost of the PNC RELOC, and shall remain outstanding for a term of up to 42 months from the Property's first draw and repaid from proceeds of LIHTC equity.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that the Managing Member and Borrower approve amending the Bridge Note as described in this resolution.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that the Acting Executive Director of HOC, or her authorized designee, is hereby authorized, without any further action on their respective parts, to execute such documents and to take any and all other actions, in each case as necessary and proper, in the Acting Executive Director's judgement, to carry out the actions contemplated herein.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 6, 2021.

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Patrice Birdsong
Special Assistant to the Commission

Deliberation and/or Action

**4527 AVONDALE STREET: AUTHORIZATION FOR THE ACTING
EXECUTIVE DIRECTOR TO ENTER INTO A NON-BINDING LETTER OF
INTENT FOR THE DISPOSITION OF 4527 AVONDALE TO THE
NATIONAL CENTER FOR CHILDREN AND FAMILIES
BETHESDA, MD**



KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

**ZACHARY MARKS, CHIEF REAL ESTATE OFFICER
KATHRYN HOLLISTER, SENIOR FINANCIAL ANALYST**

October 6, 2021

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Property Background

On October 24, 2014, HOC received a right of first refusal (“ROFR”) package regarding the \$6.9MM purchase of 25-units located in four (4) two-story rental properties in downtown Bethesda (“Avondale Street Properties”).

4500-4510 Avondale



Existing rents at these properties range from \$900 to \$1,700 per month. This is exceedingly affordable for the area; thus, preservation of these units was critical – particularly being in the Central Business District and proximate to public transportation including the Bethesda Metro Station.

Property Background

Staff first presented this opportunity to the Commission on December 17, 2014. At that time, the Commission approved the exercising of HOC's Right of First Refusal ("ROFR") contingent on financial feasibility; authorized a draw in the amount of \$6.9MM



from the PNC Bank, N.A. Real Estate Line of Credit ("PNC RELOC"), the purchase price of the 25-units as established by the contract entered into by the seller and the prospective buyer; and approved a draw of \$15,500 from the Opportunity Housing Reserve Fund ("OHRF") for due diligence related to the acquisition.

HOC closed on the Avondale Street Properties on April 14, 2015, using funds drawn PNC RELOC. Three (3) of four (4) properties sit on the eastern end and southern side of Avondale Street ("East End"). Those three (3) properties are adjacent to HOC's Waverly House and are zoned Commercial Residential (CR 1.5). The fourth property – 4527 Avondale – is on the north side, near the west end, of Avondale Street.

The East End buildings each have seven (7) units ranging in rent from \$900-\$1,425 and are efficiencies and one-bedroom units. The four (4) units at 4527 Avondale range in rent from \$1,600-\$1,700 and are 1,000-SF, two-bedroom units. Unlike the East End properties, 4527 Avondale is zoned CRN 0.75, for much lower density development.

There is one (1) current vacancy at 4527 Avondale and two (2) vacancies at the East End Properties.

Executive Summary

Bethesda-based National Center for Children and Families (“NCCF”) recently made HOC aware of its interest to expand its housing and services along Avondale Street. NCCF owns 4519 and 4523 Avondale Street (“4519 & 4523 Avondale”), which are adjacent to HOC’s 4527 Avondale Street (“4527 Avondale”). NCCF’s properties are leased to families making less than 50% Area Median Income (“AMI”). HOC and DHCA have recently received a ROFR submission for 4531 Avondale Street (“4531 Avondale”), which is also adjacent to 4527 Avondale.

NCCF initiated discussions with DHCA to fund the acquisition of both 4527 Avondale and 4531 Avondale (as well as for DHCA to trigger its ROFR option on 4531 Avondale). DHCA similarly led and funded the acquisition of 4519 & 4523 Avondale on behalf of NCCF in 2015. To validate NCCF’s request to HOC, Staff recommends HOC enter into a non-binding Letter of Intent (“LOI”) with NCCF to sell its 4527 Avondale property.



As HOC acquired

4527 Avondale at a bulk price for four (4) total properties, value to 4527 Avondale can be assigned in various ways ranging from a per unit purchase price allocation of \$1.104MM and the price at which 4531 Avondale is under contract: \$1.225MM.

While the net operating income from 4527 Avondale has been sufficient to cover its pro rata share of the acquisition interest carry, the Commission could consider including the \$78,688 in total pro rata interest. Given DHCA would be funding NCCF’s acquisition of 4527 Avondale, staff does not recommend requiring an earnest money deposit.

ROFR Fulfillment

In exercising its ROFR, HOC acquired 4527 Avondale to preserve the four (4) naturally occurring affordable housing units present then and now. The units at 4527 Avondale rent at near-MPDU levels. Rents at 4531 Avondale are similar.

NCCF seeks to add these two (2) properties to expand its spectrum of affordable housing options in the downtown Bethesda neighborhood where it is already established. The primary plan would be to simply duplicate the success at 4519 and 4523 by adding eight (8) affordable rental homes through comprehensive renovation.



NCCF has also indicated it may explore a cooperative living model integrated with affordable home ownership through adaptive renovation to create a continuum of service along Avondale Street. Either way, there would be a deepening of affordability at these locations.

NCCF's use would require the permanent relocation of existing residents at 4527 Avondale and 4531 Avondale. Both DHCA and HOC could work with the buyer to ensure existing families are presented acceptable options for relocation. Given the small number of total households involved and HOC's extensive holdings in downtown Bethesda, HOC staff is confident existing households can be provided satisfactory permanent relocation housing.

One of four units at 4527 Avondale is currently vacant, and there are two vacancies within East End properties. So, the existing residents of 4527 Avondale may have options to remain on Avondale Street in similar housing.

Buyer Profile: NCCF

NCCF has been providing housing to low-income families, many who would otherwise be at risk of homelessness, since 1915. NCCF's current headquarters has been located in Bethesda since 1931. For more than a century, NCCF has evolved from an owner and operator of orphanages to a responsive and flexible community institution which changes to meet the needs of the diverse children, youth, and families it serves.



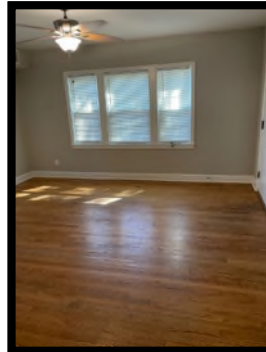
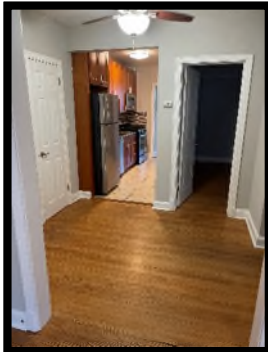
Currently, NCCF's residential programs serve homeless families, victims of domestic violence, and children and adolescents who have been removed from their families due to abuse and neglect and/or behavioral challenges. A nationally accredited organization, NCCF now propels more than 4,000 children, youth, and families annually into an improved quality of life through a wide continuum of 24 local programs: emergency shelters and transitional housing, therapeutic residential care, foster care and adoption, teen parent services, and community-based prevention services, while relying on community education and training, volunteerism, and advocacy.

NCCF has been working specifically with Montgomery County for more than 40 years. In that capacity, NCCF and Montgomery County have collaborated to address emergency family and permanent housing needs and ensure access to the resources that build family self-sufficiency. NCCF's most recent housing development endeavor was at 7906 Flower Avenue, which was the preservation of a vacant 10-unit rental property acquired by DHCA and transferred to NCCF. Four of the units receive HHS rental assistance as these units serve domestic violence victims. Four additional units are being provided to families with incomes between 30% and 50% of the area median income. The adaptive renovation of the 10-unit property ultimately yielded eight units to achieve modern code compliance. The acquisition and renovation was fully funded by the Montgomery County Housing Initiative Fund ("HIF").

Buyer Profile: Recent Acq./Renov.

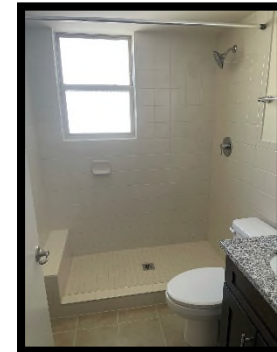
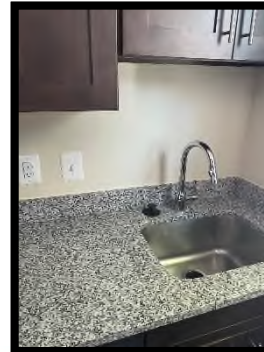
Avondale Street

2015



Flower Avenue

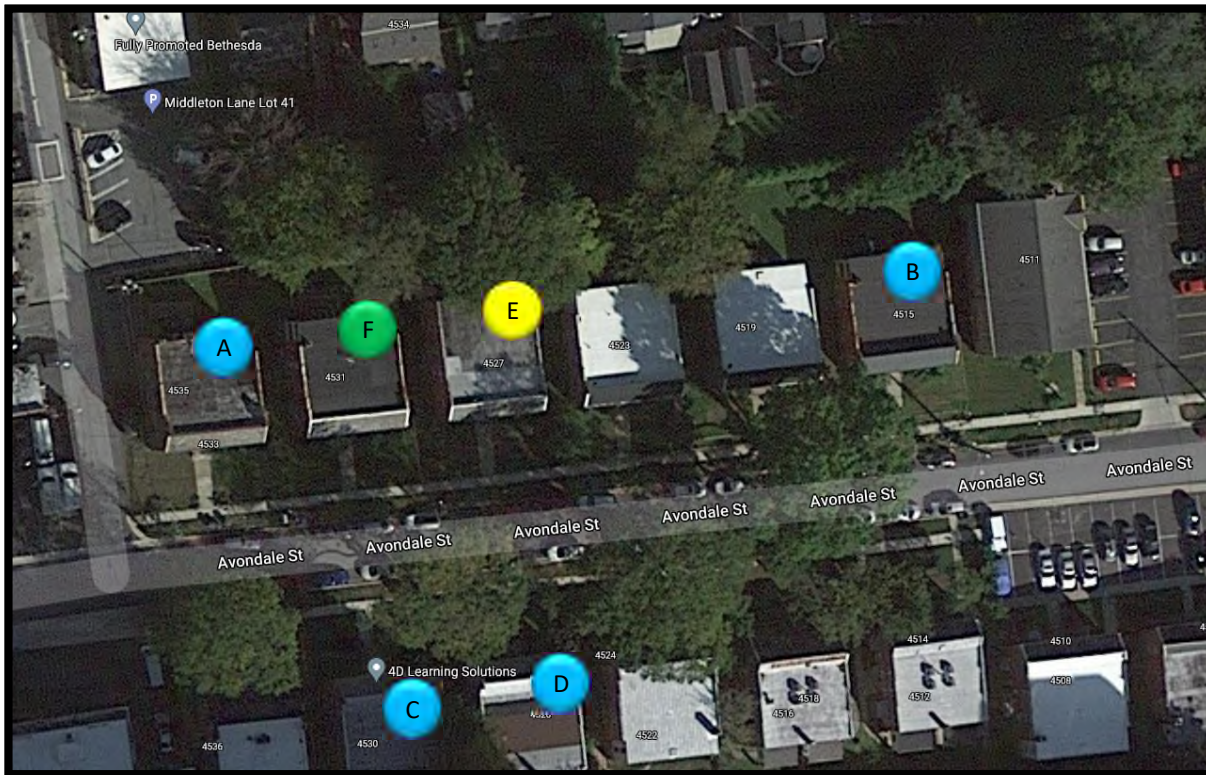
2019



Sale Price Valuation

Based on a pro rata allocation (by units per building) of the \$6.9MM purchase price matched by HOC, the valuation ascribed to 4527 Avondale would be \$1,104,000*. Other recent sales of similar buildings along Avondale Street suggest a \$1.2MM valuation to be appropriate for the north side of the street.

Values for the south side fetch a premium as they are zoned Commercial Residential (“CR”) rather than Commercial Residential Neighborhood (“CRN”) and are in the Height Incentive Area, which allows for an MPDU bonus height and density.



Recent Avondale Street Sales

A 4535 Avondale (Four Units):
Sold for **\$1.14MM** on
6/3/2020.

B 4515 Avondale (Four Units):
Sold for **\$1.30MM** on
10/23/2020.

C 4530 Avondale (Four Units):
Sold for **\$1.60MM** on
10/17/2017.

D 4526 Avondale (Four Units):
Sold for **\$1.60MM** on
10/17/2017.

E 4527 Avondale (Four Units):
Subject property.

F 4531 Avondale (Four Units):
Under contract for
\$1.225MM by private buyer;
subject to BOFR review

*HOC has also paid ~\$491,800 in interest on the RELOC since the acquisition of Avondale Apartments. On a pro rata basis, 4527's portion of this interest expense is \$78,688.

Timing of DHCA ROFR Exercise on 4531

Just as in its 2015 and 2019 transactions, NCCF is entirely reliant on the support of DHCA to acquire and renovate 4527 Avondale and 4531 Avondale. DHCA ultimately arrived at its decision within the past week to fund the acquisition of 4527 Avondale from HOC, exercise its ROFR on 4531 Avondale, provide funding for the acquisition of 4531, and provide funding for necessary renovation to both buildings.

It is possible there was a late shift in sentiment from DHCA, which came as the result of the County's unexpected receipt on September 24, 2021, of \$7,310,978 in American Rescue Plan grant money targeting the prevention and

ending of homelessness. However, it may simply be that DHCA needed six weeks to be satisfied that the transaction made sense. The ROFR packet for 4531 Avondale was received on August 13, 2021. Under the Montgomery County Code, Section 53A-4, the ROFR must be exercised within 60 days of receipt of the ROFR packet. So, DHCA must trigger by October 13, 2021.

DHCA made clear that it could not responsibly exercise its ROFR on 4531 Avondale without an indication of interest from the Commission in transferring 4527 Avondale. To meet that timing, staff is adding this request for a non-binding LOI as a deliberation item for action by the Commission.



Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission authorize:

1. The Acting Executive Director to enter into a non-binding letter of intent (“LOI”) with the National Center for Children and Families (“NCCF”) for the sale of HOC’s 4527 Avondale to NCCF for a purchase price ranging between \$1,104,000 and \$1,225,000; requiring no earnest money deposit; and with a closing date on or before the date 4531 Avondale closes?
2. Staff to fill in the Commission's approved purchase price in the resolution?

BUDGET & FISCAL IMPACT

The disposition of 4527 Avondale would reduce cash flow and asset management fees to the Agency in the approximate amount of \$30,063 per year. However, the property is currently financed by the PNC RELOC, an interim source, and permanent sources of financing would come with higher debt service payments and result in reduced, perhaps negative, cash flow. The proceeds from the sale of 4527 Avondale would be used to reduce the \$7,037,704 draw against the PNC RELOC for the original acquisition of the Avondale Street Properties by a range of \$1,104,000 and \$1,225,000 which would increase HOC’s borrowing capacity by said amount and eliminate interest carry costs pro rata of approximately \$5,411 to \$5,886 per year.

TIME FRAME

For formal action at the October 6, 2021, meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends to the Commission authorize the Acting Executive Director to enter into an LOI with NCCF for the sale of HOC’s 4527 Avondale to NCCF for a purchase price ranging between \$1,104,000 and \$1,225,000; requiring no earnest money deposit; and with a closing date on or before the date 4531 Avondale closes. Staff recommends that the Commission authorize staff to fill in the Commission's approved purchase price in the resolution.

RESOLUTION No.: 21-100

RE: Authorization to for the Acting Executive Director Enter into a Non-Binding Letter of Intent for the Disposition of 4527 Avondale Street, Bethesda

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly created, organized, and existing under the laws of the State of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, to carry out and effectuate the purpose of providing affordable housing; and

WHEREAS, the Commission acquired four (4) rental apartment buildings consisting of 25-units located at 4500-02, 4504-06, 4508-10 and 4527 Avondale Street, Bethesda, MD 20814 (“Avondale Apartments”) in 2015 under the County’s Right of First Refusal Ordinance (“ROFR”); and

WHEREAS, the Commission wishes to sell 4527 Avondale Street (“4527 Avondale”) to the National Centers for Children and Families (“NCCF”), a Bethesda-based nonprofit dedicated to providing housing to low-income families, many who would otherwise be at risk of homelessness; and

WHEREAS, NCCF wishes to purchase 4527 Avondale for the purpose of providing housing options to households earning at or below 50% AMI in support of the needs of the diverse children, youth, and families it serves; and

WHEREAS, NCCF owns two (2) neighboring rental apartment buildings at 4519 and 4523 Avondale Street, which they use to similar purposes; and

WHEREAS, current rents at 4527 Avondale are unrestricted, but priced at levels similar to the limits of the County’s Moderately Priced Dwelling Unit program; and

WHEREAS, NCCF’s proposed use would deepen the affordability at 4527 Avondale and connect future residents of the units at 4527 Avondale to NCCF’s various supportive services programs; and

WHEREAS, the adjacency of 4527 Avondale to NCCF’s rental apartment buildings at 4519 and 4523 Avondale allows for more expedient operations and economic deployment of services; and

WHEREAS, staff recommends that the Commission authorize the Acting Executive Director to enter into a non-binding letter of intent (“LOI”) with NCCF for the purchase and sale of 4527 Avondale for _____, requiring no earnest money deposit, and with an outside closing date of one year from the execution of the LOI.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby authorizes the Acting Executive Director to enter into a non-binding LOI with NCCF for the purchase and sale of 4527 Avondale for a purchase price of _____, requiring no earnest money deposit, and with an outside closing date of one year from the execution of the LOI.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 6, 2021.

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Patrice M. Birdsong
Special Assistant to the Commission

Closing Statement

Written Statement for Closing a Meeting (“Closing Statement”)

Date: October 6, 2021

A. Pursuant to Section 3-305(b) and (d) of the General Provisions Article of the Annotated Code of Maryland, I move to adjourn this open session to a closed session only:

- 3. “To consider the acquisition of real property for a public purpose and matters directly related thereto;” and
- 13. “To comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.”

B. For each provision checked above, the topic to be discussed and the reason for discussing that topic in closed session is provided below.

Statutory Citation	Topic	Reason for closed-session discussion
§3-305(b)(3)	The possible acquisition of real property (a single-family home) located in Gaithersburg, Maryland via a purchase and sale agreement.	The meeting must be closed to the public in order to protect HOC’s bargaining power. Public discussion of this matter could result in less favorable pricing and/or HOC not being able to acquire the property.
§3-305(b)(13)	The confidential commercial and financial terms of HOC’s potential purchase of the above referenced acquisition, and the confidential commercial and financial information of HOC’s development partner that concern its potential acquisition and financing of the above referenced property.	Section 4-335 of the Maryland Public Information Act prevents disclosure of confidential commercial or financial information obtained from a third-party. The meeting must be closed to the public in order to protect confidential commercial and financial information provided to HOC from its financial partners. The meeting must also be closed in order to protect the confidential commercial and financial information provided to HOC from its private development partner concerning its assets, liabilities, and ability to purchase real property. All such information to be discussed is customarily and actually treated as private by HOC’s financial partners and its development partner, and has been provided to HOC under an assurance of privacy.

C. This statement is made by Roy Priest, Chair.

D. Recorded vote to close the meeting:

- Date: October 6, 2021 Time: _____ Location: Zoom (LiveStream on YouTube)
- Motion to close meeting made by: _____
- Motion seconded by: _____
- Commissioners in favor: _____
- Commissioners opposed: _____
- Commissioners abstaining: _____
- Commissioners absent: _____

Officer’s Signature: _____

Adjourn

Closed Session