



DEVELOPMENT AND FINANCE COMMITTEE

**February 24, 2023
10:00 a.m.**

YouTube Link: <https://youtu.be/6fVYMfOli4k>

Approval of Minutes:

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Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

January 27, 2023

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Development and Finance Committee was conducted via a hybrid model on January 27, 2023, with some participating by online platform/teleconference, and others participating in-person at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:04 a.m., available for viewing [here](#). Those in attendance were:

Present

Jackie Simon, Chair – Development and Finance Committee
Richard Y. Nelson, Jr. – Commissioner
Jeffrey Merkowitz – Commissioner

Also Attending

Chelsea Andrews, Executive Director
Aisha Memon, General Counsel
Zachary Marks
Gio Kavaladze

Kayrine Brown, Deputy Executive Director
Paige Gentry, Deputy General Counsel
Marcus Ervin

Attending via Zoom

Fred Swan
Timothy Goetzinger
John Broullires
Terri Fowler

Monte Stanford
John Wilhoit
Ellen Goff
Jay Shepherd

IT Support

Irma Rodriques
Aries Cruz
Genio Etienne

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

Commissioner Simon opened the meeting with a welcome and introduction of the Commissioners participating on the Committee.

APPROVAL OF MINUTES

The minutes of the December 16, 2022, Development and Finance Committee open session meeting was approved upon a motion by Commissioner Nelson and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

DISCUSSION ITEMS

1. Wheaton Gateway: Approval to Select Lerch Early & Brewer, Chtd. as Land Use Counsel for the Wheaton Gateway Development

Chelsea Andrews, Executive Director, provided an overview and introduction of Marcus Ervin, Director of Real Estate, who provided the presentation requesting recommendation to the full Commission approval to select Lerch Early & Brewer as Land Use Counsel for the Wheaton Gateway Development.

A motion was made by Commissioner Nelson, and seconded by Commissioner Merkowitz, to recommend to the full Commission for approval. Affirmative votes were cast by Commissioners Simon, Nelson and Merkowitz.

Commissioner Simon read the Written Closing Statement and made a motion to adopt the statement and close the meeting. Commissioner Nelson seconded the motion, with Commissioners Simon, Nelson, and Merkowitz voting in approval.

Based upon this report and there being no further business to come before this session of the Development and Finance Committee, the Committee adjourned the open session at 10:10 a.m. and reconvened in closed session at 10:20 a.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Development and Finance Committee closed session held on January 27, 2022 at approximately 10:20 a.m. via a hybrid model (a combination of participation by online platform and in-person), with moderator functions occurring at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(3) to discuss the potential acquisition of multifamily property, and Section 3-305(b)(13) to discuss the confidential commercial and financial terms of a potential commercial lease at an HOC controlled property.

The meeting was closed and the closing statement dated January 27, 2023 was adopted on a motion made by Jackie Simon, seconded by Richard Nelson, with Commissioners Jackie Simon, Richard Y. Nelson, and Jeffrey Merkowitz voting in favor of the motion. The following persons were present: Jackie Simon, Richard Y. Nelson, Jeffrey Merkowitz, Chelsea Andrews,

Kayrine Brown, Aisha Memon, Zachary Marks, Marcus Ervin, Paige Gentry, Gio Kaviladze, Jocelyn Koon, Patrice Birdsong, and John Wilhoit.

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

1. **Topic:** The potential acquisition/purchase of multifamily property located in Silver Spring, Maryland (pursuant to Section 3-305(b)(3)).
 - a. **Action Taken:** No action taken.

2. **Topic:** The confidential commercial and financial terms of a potential commercial lease at an HOC-controlled property (pursuant to Section 3-305(b)(13)).
 - a. **Action Taken:** No action taken.

The closed session was adjourned at 11:05 a.m. with a motion made by Commissioner Richard Y. Nelson, Jr., and seconded by Commissioner Jeffrey Merkowitz. Affirmative votes cast by Commissioners Jackie Simon, Richard Y. Nelson, Jr., and Jeffrey Merkowitz.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/pmb

Discussion Items

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Chelsea J. Andrews, Executive Director

FROM: Division: Real Estate
Staff: Zachary Marks, Chief Real Estate Officer Ext. 9613
Marcus Ervin, Director of Development Ext. 9752
Jay Shepherd, Housing Acquisition Manager Ext. 9437

RE: **Residences on the Lane:** Approval to Reinstate and Extend the Maturity Date of the Bridge Loan to Upton II (Residences on the Lane)

DATE: February 24, 2023

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To extend the maturity date of the \$12 million Bridge Loan Note for the Residences on The Lane Development.

BACKGROUND:

Residences on The Lane (formerly known as Upton II) (“ROTL”) is a 150-unit, age-restricted apartment community, which completed construction in 2022 in Rockville Town Center, Rockville, Maryland, as part of a larger master development. The Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”) and its partner Victory Housing, Inc. own and operate ROTL through a single-purpose entity called HOC at Upton II, LLC (the “Borrower”). ROTL is part of a larger 400-unit master development that also includes retail and public parking.

Initial Construction Financing

The construction financing for ROTL was closed in two (2) distinct phases: (i) the construction loan financing, including a tax-exempt financed senior construction loan, a County HIF Loan, an acquisition loan from HOC, and a bridge loan note from HOC, closed in February and March of 2019 and (ii) the Low Income Housing Tax Credit Equity (“LIHTC”) investor closed on its equity investment 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 construction lender needed to occur in March of 2019, eight (8) months before the LIHTC investor was prepared to close.

As part of the construction loan closing, the Commission approved Resolutions 19-09, 19-09(2), and 19-15, which approved the Financing Plan for ROTL. The financing plan included a bridge loan note of up to \$12,000,000 made by the Commission to the Borrower during construction, funded through draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit (“RELOC”). The Commission and the Borrower entered into that certain Bridge Loan Promissory Note and Loan Agreement, as amended by that certain First Amendment to Bridge Loan Promissory Note and Loan Agreement dated November 8, 2021 (collectively, the “Bridge Loan Note”). The intent of the Bridge Loan Note was to bridge the

acquisition and construction financing for ROTL until such times as sufficient LIHTC equity installments were received. Accordingly, the maturity date of the Bridge Loan Note was the earlier of (i) August 28, 2022 (forty-two months after February 28, 2019), (ii) the payment in full of all LIHTC equity contributions, or (iii) the acceleration of the Bridge Loan Note pursuant to its terms.

Timing of Funding Issue & Resolution

At the time of the LIHTC equity closing on November 19, 2019, the outside maturity date of the Bridge Loan Note (August 28, 2022), was deemed sufficient based on estimates for construction draw timing and the projected LIHTC pay-in schedule. Due to delays in construction and lease-up, however, ROTL is not expected to meet all terms of the LIHTC penultimate installment until the second quarter of 2023. Thus, the Bridge Loan Note needs to be reinstated and the maturity date extended.

To ensure that the Bridge Loan Note does not mature prior to the final LIHTC equity installment, HOC staff propose that the maturity date of the Bridge Loan Note be amended to the earlier of (i) the date that the LIHTC equity investor has contributed all LIHTC equity installments to the Borrower, and (ii) the acceleration of the Bridge Loan Note pursuant to its terms.

ISSUES FOR CONSIDERATION:

Will the Development and Finance Committee join staff’s recommendation that the Commission approve the reinstatement of and an amendment to the Bridge Loan Note for the Residences that extends the maturity date of the Bridge Loan Note?

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 2023 operating budget. Interest on the PNC RELOC is borne by ROTL’s development budget.

TIMEFRAME:

For discussion by the Development and Finance Committee on February 24, 2023 and formal action by the Commission at its meeting on March 8, 2023.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:

Staff recommends that Development and Finance Committee join staff’s recommendation that the Commission approve the reinstatement of and an amendment to the Bridge Loan Note for the Residences that extends the maturity date of the Bridge Loan Note.