

REVISED EXPANDED AGENDA

January 14, 2015

4:00 p.m.	I. <u>CONSENT ITEMS</u>	
Page 4 16 18	<ul style="list-style-type: none"> A. Approval of Minutes of December 4, 2014 B. Ratification of Action taken In Executive Session on December 17, 2014: Approval to Execute a Purchase and Sale Contract for the Acquisition of the Avondale Street Properties Pursuant to the County’s Right of First Refusal Law with Funding from the PNC Bank, N.A. Real Estate Line of Credit and Authorization of Other Related Actions C. Authorization to Purchase Laptops from CDW Corporation 	
	II. <u>INFORMATION EXCHANGE</u>	
Page 22 25	<ul style="list-style-type: none"> A. Report of the Executive Director B. Calendar and Follow-up Action C. Correspondence and Printed Matter D. Commissioner Exchange E. Resident Advisory Board F. Community Forum G. Status Report 	
4:15 p.m.	III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>	
Page 29 30 45 51 55 60 90 99 106 112	<ul style="list-style-type: none"> A. Budget, Finance and Audit Committee – <i>Com. Roman, Piñero</i> <ul style="list-style-type: none"> 1. Acceptance of First Quarter FY ’15 Budget to Actual Statements 2. Approval of FY ’15 First Quarter Budget Amendment 3. Approval of CY ’14 Third Quarter Budget Amendment 4. Approval of the FY ’16 County Operating Budget MARC Reduction B. Development and Finance Committee – <i>Com. Lindstrom, Chair</i> <ul style="list-style-type: none"> 1. Approval of Final Development Plans for Arcola Towers and Waverly House, Each Approved for Disposition under the Rental Assistance Demonstration (RAD) Program 2. Approval to Purchase Unit Located at 617 Olney Sandy Spring Road, Adjacent to Sandy Spring Meadow Apartments Pursuant to Lease Purchase Option Agreement 3. Approval of Final Development Plan for 10 Horizon Court, Derwood, Maryland for Use and Operation by Jubilee Association of Maryland 4. Authorization to Extend the Current Bond Underwriters’ Contracts for Two Years C. Legislative and Regulatory Committee – <i>Com. Banks, Chair</i> <ul style="list-style-type: none"> 1. Authorization to Implement Voucher Payment Standards Based on HUD FY ’15 Published Fair Market Rents 	
4:25 p.m.	IV. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>	
	V. <u>*FUTURE ACTION ITEMS</u>	
4:30 p.m.	VI. <u>INFORMATION EXCHANGE (continued)</u>	
	<ul style="list-style-type: none"> A. Community Forum 	
4:35 p.m.	VII. <u>NEW BUSINESS</u>	

4:40 p.m.	VIII. <u>EXECUTIVE SESSION FINDINGS</u>	
4:45 p.m.	<u>ADJOURN</u>	
4:50 p.m.	<u>EXECUTIVE SESSION</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.

Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

December 3, 2014
14-11

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, December 3, 2014 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:16 p.m. Those in attendance were:

Present

Roberto Piñero, Chair
Sally Roman, Vice Chair
Jackie Simon
Margaret McFarland
Pamela Lindstrom

Not Present

Jean Banks, Chair Pro Tem
Mynor Herrera

Also Attending

Stacy Spann, Executive Director
Gail Willison
Kayrine Brown
Isabel Flores
Jay Shepherd
Ellen Goff
Gail Gunod-Green
Bobbie DaCosta
Rita Harris
Dean Tyree
Scott Ellinwood
Gina Smith
Zachary Marks
Marsha Smith
Ethan Cohen
Diana Bird
Elsie Weinstein
Lynn Hayes
Silvia Zaldivar
Paulette Dudley

Kelly McLaughlin, General Counsel
Scott Ewart
Terri Fowler
Zachary Marks
Ken Tecler, Staff Attorney
Wilson Choi
Richard Hanks
Christopher Donald
Jim Atwell
Clarence Landers
Fred Swan
Stephanie Semones
Charnita Robinson
Bill Anderson
Saundra Boujai
Patrick Mattingly
Jennifer Arrington
Vivian Benjamin
Dennis James
Tim Bess

Also Attending Cont'd

Tonjua Julius
John Cooley
Gail Gunod-Green
Patricia Oliver
Rita Grotsky
Carolyn Bugnot
Diane Thomas
Michelle Wright
Terri Fowler
Charlotte Mbouma
Cheryll Lynch
Pratixa Khona

John Vass
April Long
Cesar Lopez
Melissa Burger
Philip James
Valerie McGhee
Charnita Robinson
Jerry Doye
Seynabou Sima
Wilber Campos
Karen Wang
Linh Pham

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

IT Support

Dominique Laws
Karlos Taylor
Nick Monaco

Guest

Kathleen Flanagan, RAB
Philip Quiet, RAB
Luel Hayes, Citizen

Prior to the convening of the Commission meeting, Chair Pinero opened the meeting at 4:16 p.m. acknowledging the 2014 Longevity Service Award recipients and introducing Patrick Mattingly, Human Resources Director, who presented the Service Awards to the following staff members:

30 Years of Service

Kenneth Thomas
Silvia Zaldivar
Vivian Benjamin

25 Years of Service

Dennis James
Paul Byrne
Paulette Dudley
Tim Bess
Tonjua Julius
William "Bill" Anderson

20 Years of Service

John Cooley
Karen Wang
Linh Pham
Mary Ellison

15 Years of Service

Alexander Zegarra
Gail Gunod-Green
Hieu Nguyen
Isabel Flores
John Vass
Rita Grotsky
Scott Ewart

10 Years of Service

April Long
Carolyn Bugnot
Cesar Lopez
Christopher Smith
Diane Thomas
Melissa Burger
Michelle Wright
Nancy Davachi
Philip James
Ruth Vu Murray
Scott Ellinwood
Terri Fowler
Tim Beckett
Valerie McGhee

5 Years of Service

Bhupendra Patel
Cesar Basilis
Charlotte Mbouma
Charnita Robinson
Cheryll Lynch
Dominique Laws
George Mireku-Baabu
Jerry Doye
Kenneth Barr, Jr.
Pratixa Khona
Seynabou Sima
Wilber Campos

Immediately following the longevity recognition and awards ceremony, the Commissioners took a brief recess. At 4:34 p.m., Chair Piñero reconvened the monthly meeting of the Housing Opportunities Commission.

The Consent Calendar was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom, Simon and McFarland. Commissioners Banks and Herrera were necessarily absent and did not participate in the vote.

I. CONSENT ITEMS

A. Approval of Minutes

- **Approval of Minutes of Regular Meeting of November 5, 2014** – The minutes were approved as submitted.

II. INFORMATION EXCHANGE

- A. Report of the Executive Director** – Mr. Spann reported that it has been a busy fall and updated on the closing of RAD 6 properties.
- B. Commissioner Exchange** – Commissioner Simon reported on meeting she attended regarding the loss of FHA Financing.
- C. Resident Advisory Board** – Kathleen Flanagan, Parliamentary, updated on meeting with Fred Swan, Resident Services Director, regarding the Commission's approval of training for the officers in Robert's Rules of Order and wanted to thank the Board and urged if the training could start soon it would be most helpful.
- D. Community Forum** – Luel Hayes, Citizen-7728 Woodmont Avenue, Bethesda, Maryland 20814, applied for HOC Housing but has been unable to qualify due to identify theft by his half brother. Commissioner Piñero explained the policy of

background checks and that he could coordinate with HHS. Mr. Spann also explained and suggested that Mr. Hayes meet with Gina Smith, Chief Operating Officer and Fred Swan, Resident Services Director. Commissioner Simon suggested that he also contact Legal Aide.

E. **Status Report** – None

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

A. **Development and Finance Committee – Commissioner Lindstrom, Chair**

1. **Approval to Amend to Prior Authorization to Bridge Contract for Playground Installation at RAD 6 Properties.**

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Jay Shepherd, Senior Financial Analyst, requested the Board’s authorization to bridge contract for playground installation at RAD 6 Properties.

The following resolution was adopted upon a motion by Commissioner Lindstrom and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom, McFarland and Simon. Commissioners Banks and Herrera were necessarily absent and did not participate in the vote.

RESOLUTION: 14-112

RE: Approval to Amend Prior Authorization to Bridge Contract for Playground Installation at RAD 6 Properties.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”), receives funding from the Montgomery County Capital Improvements Program (“CIP”) as funds allocated to HOC for use at its public housing and deeply subsidized properties; and

WHEREAS, on August 6, 2014 the Commission authorized to execute a contract with Triple J Construction for \$588,630 for the removal of existing and installation of new playgrounds at Towne Centre Place, KenGar, Sandy Spring Meadow, Parkway Woods, and Washington Square (“Playground Sites”); and

WHEREAS, HOC has identified an alternate contract under the National Joint Powers Alliance (“NJPA”) authority that is more suitable and cost effective for installing the playgrounds at the RAD 6 properties; and

WHEREAS, PlayPower LT Farmington, Inc. is an equipment manufacturer and general contractor under the National Joint Powers Alliance program providing HOC with a full suite of equipment options that are cost effective and compliant with County funding guidelines; and

WHEREAS, the Commission desires to amend the prior authorization to execute a contract with Triple J Construction and instead bridge the NJPA contract with PlayPower LT Farmington, Inc. for the removal of existing and installation of new playgrounds at the Playground Sites; and

WHEREAS, the Commission solicited and received a bid priced at \$526,184, in the aggregate, for the removal and installation of eight (8) playgrounds at the Playground Sites from PlayPower LT Farmington, Inc.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to execute a contract with PlayPower LT Farmington, Inc. for \$526,184, for the removal of existing and installation of new playgrounds at Towne Centre Place, KenGar, Sandy Spring Meadow, Parkway Woods, and Washington Square.

2. Authorization to Submit Applications under Part Two of the Rental Assistance Demonstration Program on Behalf of the Owners of Bauer Park Apartments, Stewartown Homes, Town Center Apartments, and The Willows Apartments and for Executive Director to Execute All Documents Related Thereto

Kayrine Brown, Director of Mortgage Finance/Real Estate Development and Zachary Marks, Assistant Director of New Development, requested the Boards authorization to submit applications under Part Two of the Rental Assistance Demonstration Program on behalf of the owners and for the Executive Director to execute all documents.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom, McFarland and Simon. Commissioners Banks and Herrera were necessarily absent and did not participate in the vote.

RESOLUTION: 14-113

RE: Authorization to Submit Applications under Part Two of the Rental Assistance Demonstration Program on Behalf of the Owners of Bauer Park Apartments, Stewartown Homes, Town Center Apartments, and The Willows Apartments and for Executive Director to Execute All Documents Related Thereto

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

WHEREAS, Bauer Park Apartments, Stewartown Homes, Town Center Apartments, and The Willows Apartments (together, the “RAP 4”) are affordable rental housing communities in Montgomery County, Maryland; and

WHEREAS, HOC is the sole general partner in both MV Affordable Housing Associates Limited Partnership (the “Stewartown Owner”) and The Willows of Gaithersburg Associates Limited Partnership (the “Willows Owner”), the ownership entities for Stewartown Homes and The Willows Apartments, respectively; and

WHEREAS, HOC is the property manager for Bauer Park Apartments and Town Center Apartments, which are owned by Banor Housing, Inc. (the “Bauer Owner”) and Town Center Apartments, Inc. (“Town Center Owner”), respectively ; and

WHEREAS, the original construction of the RAP 4 was funded by and operations of the RAP 4 continues to be subsidized by low-interest loans, interest reduction payments, and rental assistance contracts (together, the “Original Subsidy”) that will mature and expire within the next few years; and

WHEREAS, the Original Subsidy cannot be renewed; and

WHEREAS, the RAP 4 have significant physical plant needs for which, upon expiration of the Original Subsidy, they will not have sufficient net operating income to raise the necessary capital to fund the required renovation; and

WHEREAS, Part Two of the Rental Assistance Demonstration (“RAD”) program offered by the United States Department of Housing and Urban Development (“HUD”) allows for the conversion of properties originally funded with HUD-issued Section 236 loans and Rental Assistance Payment (“RAP”) contracts to Project-Based Section 8 rental assistance; and

WHEREAS, the RAP 4 qualify to participate in Part Two of the RAD program, and through successful conversion could secure new subsidy sufficient to raise the necessary capital to fund the required renovation of these communities; and

WHEREAS, to participate in Part Two of the RAD program, applications to HUD must be submitted on behalf of the individual RAP 4 owners prior to January 1, 2015; and

WHEREAS, HOC has great familiarity with these properties, experience participating in the RAD program, and the resources necessary to pursue conversion of the RAP 4 via Part Two of the RAD program; and

WHEREAS, on November 3, 2014, Bauer Owner and Town Center Owner each voted to authorize HOC to submit an application to HUD under Part Two of the RAD program on their respective behalves.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its capacity as general partner for and on behalf of Stewartown Owner and Willows Owner, authorizes the Executive Director to submit applications under Part Two of the Rental Assistance Demonstration program on behalf of Bauer Park Owner, Stewartown Owner, Town Center Owner, and Willows Owner.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and as property manager of Bauer Park Apartments and Town Center Apartments, authorizes the Executive Director to submit applications under Part Two of the Rental Assistance Demonstration program on behalf of Bauer Owner and Town Center Owner.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Bauer Owner, Town Center Owner, Stewartown Owner and Willows Owner, authorizes and directs the Executive Director, without further action on their respective parts, to execute and take any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

IV. ITEMS REQUIRING DELIBERATION and/or ACTION

- A. Authorization for RAD 6 Development Corporation (“Corporation”), VPC One Corporation and VPC Two Corporation to Accept the Financing, Development and Relocation Plans Previously Approved by the Commission for Ken-Gar, Sandy Spring, Seneca Ridge, Towne Centre Place and Washington Square (“RAD 6 Development”) and Emory Grove (collectively, the “RAD Conversion Plan”) and Authorization for the Execution of all Related Transaction Documents for the RAD Conversion Plan, including Housing Assistance Payments Contracts**

Kelly McLaughlin, General Counsel, gave a presentation.

The following resolution was adopted upon a motion by Commissioner Simon and seconded by Vice Chair Roman. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom, and Simon. Commissioner McFarland abstained from the vote. Commissioners Banks and Herrera were necessarily absent and did not participate in the vote.

RESOLUTION: 14-114

RE: Authorization for RAD 6 Development Corporation (“Corporation”), VPC One Corporation and VPC Two Corporation to Accept the Financing, Development and Relocation Plans Previously Approved by the Commission for Ken-Gar, Sandy Spring, Seneca Ridge,

Towne Centre Place and Washington Square (“RAD 6 Development”) and Emory Grove (collectively, the “RAD Conversion Plan”) and Authorization for the Execution of all Related Transaction Documents for the RAD Conversion Plan, including Housing Assistance Payments Contracts

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

WHEREAS, the US Department of Housing and Urban Development’s (HUD’s) Rental Assistance Demonstration program (the “RAD Program”) presents the Commission with an opportunity to convert its multifamily public housing assets to projects that will receive Project-based Section 8 rental subsidies, which will allow HOC to provide for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of these public housing projects; and

WHEREAS, on July 30, 2013, the Commission approved participation in the RAD Program and authorized evaluation of a portfolio disposition of its entire public housing program in multifamily and senior developments; and

WHEREAS, on December 18, 2013 and March 26, 2014, HUD awarded Commitments for a Housing Assistance Payment contracts (each a “CHAP”) for Seneca Ridge, Parkway Woods & Ken-Gar, Sandy Spring Meadow & Towne Centre Place Olney, and Washington Square (collectively, the “RAD 6 Development”); and

WHEREAS, on March 26, 2014, HUD awarded a CHAP for Emory Grove Village (together with the RAD 6 Development, the “RAD Properties”); and

WHEREAS, on August 6, the Commission approved a final development plan and a final financing plan for the RAD 6 Development (together, the “RAD Development and Financing Plan”); and

WHEREAS, on November 5, 2014, the Commission approved a plan for the relocation of tenants and the disposition or transfer of rental assistance for Washington Square and Emory Grove Village pursuant to the RAD program, as well as the related funding (together, the “RAD Relocation and Disposition Plan”, and together with the RAD Development and Financing Plan, the “RAD Conversion Plan”); and

WHEREAS, on November 26, 2014, HUD awarded three (3) RAD Conversion Commitments (“RCCs”) covering the conversion of the HOC RAD Properties under the RAD program; and

WHEREAS, the RAD Conversion Plan and the RCCs provide for the conversion of public housing operating subsidy at the HOC RAD Properties to Section 8 rental assistance and will require the execution of a PBRA Housing Assistance Payments Contract on the RAD 6 Development and two PBV Housing Assistance Payments Contracts on the HOC RAD Property owned by VPC One Corporation and VPC Two Corporation, respectively (collectively, the “HAP Contracts”); and

WHEREAS, the Commission is the sole member of each of RAD 6 Development Corporation, VPC One Corporation and VPC Two Corporation; and

WHEREAS, RAD 6 Development Corporation, VPC One Corporation and VPC Two Corporation wish to accept and approve of the RAD Conversion Plan, including the respective HAP Contracts, in order to consummate the conversion and disposition of the HOC RAD Properties under the RAD program.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, approves the RAD Conversion Plan for the HOC RAD Properties and authorizes the Executive Director to execute all documents required for the consummation of the RAD Conversion Plan, including but not limited to the HAP Contracts, loan documents, disposition documents and other closing documents.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of VPC One Corporation and VPC Two Corporation, approves the RAD Conversion Plan for the HOC RAD Properties and authorizes the Executive Director to execute all documents required for the consummation of the RAD Conversion Plan, including but not limited to the HAP Contracts, disposition documents and other closing documents.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, VPC One Corporation and VPC Two Corporation, authorizes and directs the Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all documents related thereto.

V. FUTURE ACTION ITEMS

None

VI. INFORMATION EXCHANGE (CONT'D)

None

VII. NEW BUSINESS

A. Approval to Waive the Procurement Policy for the Commission and RAD 6 Development Corporation's Selection of a Replacement General Contractor for the RAD 6 Rehabilitation Project

RESOLUTION: 14-115

RE: Approval to Waive the Procurement Policy for the Commission and RAD 6 Development Corporation's Selection of a Replacement General Contractor for the RAD 6 Rehabilitation Project

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

WHEREAS, on August 6, 2014, the Commission approved the Final Development and Financing Plans, which described the development of, financing of, and projected operations after the conversion and renovation of the six Public Housing properties: Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge (also known as Middlebrook Square), Towne Centre Place, and Washington Square (together, the "RAD 6"); and

WHEREAS, as part of that approval, Foulger-Pratt Contracting, Inc., was selected to provide general contracting services associated with the comprehensive scope of rehabilitation outlined in the Final Development and Financing Plans; and

WHEREAS, the Commission is the sole member of RAD 6 Development Corporation, a Maryland non-stock corporation created for the purpose of acquiring, owning, rehabilitating and operating the RAD 6; and

WHEREAS, on November 5, 2014, the Commission authorized HOC's Executive Director to execute construction contracts with Foulger-Pratt Contracting, Inc. ("FPC") on behalf of RAD 6 Development Corporation in preparation for the December 18, 2014 projected closing on the financing and the conversion of the RAD 6 under the Rental Assistance Demonstration (RAD) program; and

WHEREAS, on November 21, 2014, the Chief Executive Officer of FPC informed HOC that it would be rethinking movement forward as the general contractor for the rehabilitation of the RAD 6 due to its strategic shift away from providing third party general contracting services for organizations in which FPC had no other development partnerships; and

WHEREAS, HOC has a projected development and financial closing date for the conversion and renovation of the RAD 6 of December 18, 2014; and

WHEREAS, among others, some requirements of the development and financial closing for the conversion and renovation of the RAD 6 include completed, executed contracts with a HUD-approved general contractor; and

WHEREAS, HOC may suffer a significant, negative financial event should the development and financial closing not occur on or shortly after the projected date of December 18, 2014; and

WHEREAS, procuring a new general contractor in accordance with HOC's existing procurement procedures would result in a delay of closing well past the projected date of December 18, 2014; and

WHEREAS, the Commission has, from time to time, waived its standard procurement procedures where the duration of such procedures would have resulted in significant negative financial risk to the Commission and the pursuit of its mission; and

WHEREAS, Hamel Builders, Inc. is well known to the Commission, has been recently qualified as a general contractor for a similar HOC renovation project, and has the capacity to enter into general contracting agreements with the necessary speed to meet HOC's projected closing date of December 18, 2014, but at an aggregate value of approximately \$838,000 higher than that approved by the Commission on November 5, 2014.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation:

1. Waives its standard procurement procedures in selecting Hamel Builders, Inc., as the general contractor for the renovation of the RAD 6 properties as part of the conversion of those properties via the Rental Assistance Demonstration program.
2. Approves a revised contract price for the renovation of the 268 units comprising the RAD 6 development in an amount not to exceed \$16,080,000 or \$60,000 per unit.
3. Authorizes and directs HOC's Executive Director, without further action on their respective parts, to execute general contracting contracts with Hamel Builders, Inc., for a contract amount not to exceed \$16,080,000 or \$60,000 per unit for the renovation of the RAD 6 properties.

4. Authorizes and directs HOC's Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions contemplated herein, including but not limited to the execution of any and all other documents related thereto.

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

The meeting adjourned at 5:20 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

**RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION
ON DECEMBER 17, 2014:
APPROVAL TO EXECUTE A PURCHASE AND SALE CONTRACT FOR
THE ACQUISITION OF THE AVONDALE STREET PROPERTIES
PURSUANT TO THE COUNTY’S RIGHT OF FIRST REFUSAL LAW WITH
FUNDING FROM THE PNC BANK, N.A. REAL ESTATE LINE OF CREDIT
AND AUTHORIZATION OF OTHER RELATED ACTIONS**

JANUARY 14, 2015

- At a closed Executive Session on December 17, 2014, the Commission approved the exercise of the Commission’s right of first refusal under Chapter 53A of the Montgomery County Code and the execution of a Purchase and Sale Agreement (“Purchase Agreement”) for the acquisition of 25 units located at 4500-02, 4504-06, 4508-10, and 4527 Avondale Street in Bethesda (the “Property”).
- At the December 17, 2014 Executive Session, the Commission also approved financing the acquisition of the Property and related costs from the PNC Real Estate Revolving Line of Credit and the Opportunity Housing Revolving Fund.
- The Commission also approved the creation of an affiliate entity to acquire and operate the Property at the December 17 Executive Session.
- The Executive Director executed the Purchase Agreement with J. Saah Holdings LLC for the acquisition of the Property on December 22, 2014.
- The Commission wishes to ratify and affirm, in an open meeting, the action undertaken at the December 17, 2014 Executive Session and the Purchase Agreement.

RESOLUTION:

RE: Ratification of Approval to Execute a Purchase and Sale Contract for the Acquisition of the Avondale Street Properties Pursuant to the County’s Right of First Refusal Law with Funding from the PNC Bank, N.A. Real Estate Line of Credit and Authorization of Other Related Actions

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

WHEREAS, at an Executive Session duly called and held on December 17, 2014, with a quorum being present, the Commission duly adopted Resolution 14-116 (“Approval Resolution”), which authorized the Executive Director to (a) exercise the Commission’s right of first refusal under Chapter 53A of the Montgomery County Code and execute a Purchase and Sale Agreement (“Purchase Agreement”) for the acquisition of 25 units located at 4500-02, 4504-06, 4508-10, and 4527 Avondale Street in Bethesda (the “Property”), (b) finance the acquisition of the Property and related costs, and (c) create an affiliate entity to acquire and operate the Property; and

WHEREAS, on December 22, 2014, the Commission entered into the Purchase Agreement with J. Saah Holdings LLC; and

WHEREAS, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission in adopting the Approval Resolution and the execution of the Purchase Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby ratifies the Approval Resolution and the Purchase Agreement.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting of the Commission on January 14, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

Authorization to Purchase Laptops from CDW Corporation

January 14, 2015

- HOC annually purchases personal computers (PCs) and laptops as replacements to outdated computers. Outdated computers are those that have been in use for four or more years.
- HOC Procurement Policy requires Commission approval of all purchases over \$200,000.
- The total cost for this purchase of laptops, bags and docking stations from CDW Corporation is \$217,280.
- HOC will utilize the National IPA Technology Solutions contract for the pricing of laptops, bags and docking stations.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Scott Ewart, Chief Information Officer IT&FS Ext. 9050

RE: Authorization to Purchase Laptops from CDW Corporation

DATE: January 14, 2015

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

The purchase of new laptops to replace outdated computers during fiscal year 2015. Outdated computers are all staff computers that have been in use for four or more years.

BACKGROUND:

Annually, HOC purchases new computers and laptops to replace outdated equipment. This expense is funded through Capital replacements as part of the Information Technology budget.

Utilizing the National IPA Technology Solutions contract (#130733), HOC will acquire 160 new laptops to replace outdated computers. These laptops will provide faster equipment and greater mobility to HOC staff.

ISSUES FOR CONSIDERATION:

HOC replaces outdated computers annually to ensure the highest level of technology to its employees. If equipment is not refreshed on a regular basis, employee production and client services to our residents could be negatively affected.

BUDGET IMPACT:

A funding source for technology replacements is completed during the HOC budget cycle annually.

TIME FRAME:

For Commission action on January 14, 2015.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends the Commission authorize the purchase of laptops from CDW Corporation.

RESOLUTION NO.

**RE: Authorization to Purchase Laptops from
CDW Corporation**

WHEREAS, HOC annually purchases personal computers (PCs) and laptops as replacements to outdated computers; and

WHEREAS, HOC Procurement Policy requires Commission approval of all purchases over \$200,000; and

WHEREAS, the total cost for this purchase of laptops, bags and docking stations from CDW Corporation via the National IPA Technology Solutions contract is \$217,280.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission authorizes the purchase of laptops from CDW Corporation.

Patrice Birdsong
Special Assistant to the Commission

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Information Exchange



Report of the Executive Director
Stacy L. Spann
January 14, 2015

Real Estate

RAD 6 Closing

On December 24th, HOC received all required documents executed by the Assistant Secretary of HUD and broke escrow on the bond proceeds funding the comprehensive renovation of six now-former multifamily Public Housing communities. Ken Gar, Parkway Woods, Towne Centre Place, Sandy Spring Meadow, Washington Square, and Seneca Ridge (jointly, the "RAD 6") comprise 268 units owned by HOC for decades. Within the Public Housing program, these properties were annually underfunded. With an average age of more than 30 years, the deferred capital need is substantial. Conversion via the Rental Assistance Demonstration ("RAD") program allowed HOC to issue tax exempt bonds, funding a single mortgage sufficient to deliver a full recapitalization of these properties. In total, more than \$15MM in hard costs alone will be spent on these three communities so that they may endure for further decades. As part of the conversion, HOC transferred the rental assistance for 22% of the units to other HOC-owned, newly renovated homes located in for-sale, market-rate communities throughout the County. For our existing and future residents of the RAD 6, their homes will be energy efficient, modern, and free of the stigma of Public Housing. The seventh community, Emory Grove, is expected to convert in January of 2015. Arcola Towers and Waverly House, whose conversion will yield almost \$20MM in hard cost reinvestment, are expected to convert in May.

Woodfield Commons

On December 17, 2014, HOC received word that Woodfield Commons, an 84-unit multifamily community to be built in Damascus in partnership with Conifer, was awarded an allotment of competitive 9% Low Income Housing Tax Credits. Sale of these credits will generate much-needed capital to construct the high-quality, high-density garden community within Damascus' Town Center. Approximately 90% of the units will be held as affordable at rents ranging from 30% of the Area Median Income ("AMI") to 60% of AMI. The proposed project has been warmly received by both Councilmember Craig Rice and the County's Department of Planning with its units available to a broad

mix of incomes and its delivering relatively high-density rental product near to the core shopping, services, and transportation for the Damascus area. With the award in hand, the Conifer-HOC team will begin the design and development process with a target construction start date in the first quarter of Calendar Year 2016.

Paddington Square Closing

On December 18, 2014, Paddington Square successfully closed on a \$20.7 million permanent mortgage issued by Love Funding Corporation and insured by FHA's Section 223(f) program. The mortgage has a loan term of 35 years, amortizing for 35 years, with a fixed interest rate of 3.60%. Under these terms and including the mortgage insurance premium, Paddington is expected to achieve a Debt Service Coverage Ratio (DSCR) of 1.40 exceeding the DSCR target of 1.176. Since the acquisition in 2004 and the substantial renovation between 2005 and 2011, a total of \$28 million was invested to reposition the property, which dedicates 40% of its units (or 67 of its 165 units) for households earning 60% or less of the Area Median Income. Post renovation, Paddington struggled to stabilize making it difficult to secure permanent financing. By 2013, the property's average occupancy improved to 90%, and today's current occupancy is 95%. Proceeds from the \$20.7 million loan funded the repayment of \$20 million in debt from various sources including HOC's PNC Bank Line of Credit, HOC's OHRF, HOC's County Revolving Fund, and DHCA's Housing Initiative Fund. The return of these funds will allow HOC to continue to invest in its mission of providing affordable housing to Montgomery County.

Swap Extension

In December 2014, HOC entered into two interest rate swap transactions in connection with the financing of Chevy Chase Lake Apartments, Spring Garden Apartments, and The Barclay Apartments. The interest rate swap transactions were executed to hedge interest rate risk for the underlying floating rate bonds, by fixing the mortgage interest rate for each property. Each swap agreement provided HOC with the option to terminate at par after 10 years with the first termination date of January 1, 2015.

Given the current plans to redevelop the Chevy Chase Lake Apartments site, HOC has elected to exercise its option to terminate a portion of the swap associated with that property. The remaining transactions were financed in whole (Spring Garden) or in part (Barclay) from the syndication of low income housing tax credits (LIHTC); both have approximately five years remaining on the initial 15-year compliance period for the LIHTCs. At the same time, given the present value of the swaps compared to today, HOC

elected to sell a portion of the optionality back to Bank of America Merrill Lynch (BAML) to be coterminous with the expiration of the LIHTC initial 15-year period. In exchange for keeping the swaps outstanding for another five years, BAML has agreed to pay the Commission \$1.9 million after expenses. Funds were wired to HOC on December 23, 2014 and are available to fund public purpose initiatives of the Commission.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

January 2015

1	New Year's Day Holiday (<i>HOC Closed</i>)	
5	Agenda Formulation (<i>Piñero, Banks</i>)	1:00 p.m.
6	Planning Committee Meeting (<i>Roman, Lindstrom</i>)	11:00 a.m.
14	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
15	Joint Meeting with Planning Board (<i>All</i>)(<i>M-NCPPC, 8787 Georgia Ave., Silver Spring, MD</i>)	6:00 p.m.
19	Martin Luther King, Jr. Holiday (<i>HOC Closed</i>)	
20	Legislative and Regulatory Committee (<i>Banks, Roman, Simon</i>)	2:00 p.m.
23	Executive Session (<i>All</i>)	11:30 a.m.
23	Development and Finance Committee (<i>Lindstrom, Simon, McFarland</i>)	1:30 p.m.
26	Agenda Formulation (<i>Piñero, Banks</i>)	1:00 p.m.
26	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.

February 2015

4	HOC Annual Meeting (<i>All</i>) (<i>HOC Annual Meeting Reception, 3:00 p.m. – Atrium</i>)	4:00 p.m.
10	Planning Committee Meeting (<i>Roman, Lindstrom</i>)	2:00 p.m.
16	Presidents' Day (<i>HOC Closed</i>)	
17	Budget, Finance and Audit Committee (<i>Roman, Piñero</i>)	10:00 a.m.
20	Executive Session	11:30 a.m.
20	Development and Finance Committee Meeting (<i>Lindstrom, Simon, McFarland</i>)	1:30 p.m.
23	Agenda Formulation (<i>Piñero, Roman</i>)	1:00 p.m.
23	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.

March 2015

4	HOC Annual Meeting (<i>All</i>)	4:00 p.m.
16	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
20	Executive Session (<i>All</i>)	11:30 a.m.
20	Development and Finance Committee Meeting (<i>Lindstrom, Simon, McFarland</i>)	1:30 p.m.
23	Agenda Formulation (<i>Piñero, Roman</i>)	1:00 p.m.
24	Legislative and Regulatory Committee Meeting (<i>Banks, Roman, Simon</i>)	2:00 p.m.
31	Banor Board Meeting (<i>Roman</i>)	7:30 p.m.

April 2015

1	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
15	Town Center Board Meeting (<i>Simon</i>)	2:00 p.m.
17	Executive Session (<i>All</i>)	11:30 a.m.
17	Development and Finance Committee Meeting (<i>Lindstrom, McFarland, Simon</i>)	1:30 p.m.
20	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.

21	Planning Committee Meeting (<i>Roman, Lindstrom</i>)	2:00 p.m.
23	Budget, Finance and Audit Committee Meeting (<i>Roman, Piñero</i>)	1:00 p.m.
27	Agenda Formulation (<i>Piñero, Lindstrom</i>)	1:00 p.m.

May 2015

6	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
12	Legislative and Regulatory Committee Meeting (<i>Banks, Roman, Simon</i>)	2:00 p.m.
15	Executive Session (<i>All</i>)	11:30 a.m.
15	Development and Finance Committee Meeting (<i>Lindstrom, McFarland, Simon</i>)	1:30 p.m.
18	Agenda Formulation (<i>Piñero, Lindstrom</i>)	1:00 p.m.
18	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
19	Budget, Finance and Audit Committee Meeting (<i>Roman, Piñero</i>)	10:00 a.m.

June 2015

3	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
15	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
16	Planning Committee (<i>Roman, Lindstrom</i>)	2:00 p.m.
19	Executive Session (<i>All</i>)	11:30 a.m.
19	Development and Finance Committee Meeting (<i>Lindstrom, McFarland, Simon</i>)	1:30 p.m.
22	Agenda Formulation (<i>Piñero, Lindstrom</i>)	1:00 p.m.

Activities of Interest

Hearing Board

TBD	Joint Meeting with Commission on People with Disabilities
01/15/2015	Joint Meeting with the Planning Board
TBD	Property Tour III

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-286	1st Qtr. CY'15	Rationale for HOC Managed Properties vs. Contract Managed (Kator, Commission Mtg., Jan. 11, 2012)	BD	Status Report
TD-14-03 TD-14-06	Dec. 11, 2014	Status of HOC Reorganization Property Assessment Tool	SS	Worksession (reschedule)
TD-14-04	Dec. 4, 2014	Annual Evaluation of the HUBs – what things are working and what needs improvement	GS/BD	Worksession
TD-14-05	Jan. 2015	HOC Academy	GS	
TD-14-07	Dec. 2014	Procurement Policy	KM	Worksession

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

ACCEPTANCE OF FIRST QUARTER FY'15 BUDGET TO ACTUAL STATEMENTS

January 14, 2015

- **The Agency ended the first quarter with a net cash deficit of \$515,170 which was \$637,989 less than anticipated.**
- **The General Fund experienced higher than anticipated income and savings in expenses for the first quarter.**
- **At the end of the first quarter, many of unrestricted properties in the Opportunity Housing Fund exceeded budget expectations.**
- **The Public Housing Program ended the quarter with a surplus as a result of higher than anticipated subsidy and savings in expenses. The surplus will be restricted to the program.**
- **The Housing Choice Voucher (HCV) Program had a smaller than anticipated administrative deficit through September 30, 2014 due to slightly higher administrative fees and savings in expenses.**

DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the first quarter of FY'15 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 how other governmental organizations present their budgets. 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 revenue and 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 Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'15 First Quarter Capital Budget to Actual Comparison.

The Agency ended the first quarter with a net cash deficit of \$515,170. This deficit resulted in a first quarter budget to actual positive variance of \$637,989. The primary contributors to this positive variance were higher income and lower than anticipated expenses in the General Fund (see General Fund) as well as savings in administrative costs in the Housing Choice Voucher Program which reduced the projected deficit in the program administration (see Public Fund). These positive variances were partially offset by lower income in the Opportunity Housing portfolio (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 quarter with a deficit of \$1,726,976, which resulted in a positive variance of \$672,328. As of September 30, 2014, income in the General Fund was \$200,896 more than budget. The primary contributors to the positive income variance were the receipt of a deferred development fee from Forest Oak Towers and an Incentive Management Fee from Barclay One LP. In addition, the spread earned in the General Fund from outstanding property debt on the Line of Credit (LOC) was higher than anticipated as a result of a delay in the anticipated final closing for Paddington Square Apartments. The excess interest payments are reflected as revenue in the General Fund.

Expenses in the General Fund were \$471,432 lower than budget at quarter-end. The positive variance was primarily the result of savings in administrative salaries and benefits as well as maintenance contract expenses. A portion of these savings are the result of timing issues and

staff does not anticipate the full savings to be realized at year end.

The Multifamily Bond Fund and Single Family Bond Fund are budgeted to balance each year. Both income (the bond draw downs that finance the operating costs for these funds) and expenses are in line with the budget.

The Opportunity Housing Fund

Attachment B is a chart of the Development Corporation properties. This chart divides the properties into two groups.

- The first group includes properties that we budgeted to provide unrestricted net cash flow toward the Agency’s FY’15 Operating Budget. This group ended the quarter with cash flow of \$2,581,919 or \$1,564,603 more than projected. It should be noted that we can only recognize revenue up to the amount budgeted for each property. The majority of the properties in this portfolio exceeded budgeted income; however, when we exclude the extra income earned on properties exceeding their budgets, the quarter’s recognizable cash flow is \$836,871 or \$180,445 below budget.

Unrestricted Development Corporations

	(3 Months) Budget	(3 Months) Actual	Variance	(3 Months) Adjusted
Alexander House	\$419,892	\$388,212	(\$31,680)	\$388,212
The Barclay	\$38,335	\$27,384	(\$10,951)	\$27,384
Chevy Chase Lake	\$61,792	\$67,140	\$5,348 ⁽¹⁾	\$61,792
Glenmont Westerly	\$102,435	\$115,925	\$13,490 ⁽¹⁾	\$102,435
Magruder's Discovery	\$118,726	\$126,236	\$7,510 ⁽¹⁾	\$118,726
The Metropolitan	\$548,023	\$610,544	\$62,521 ⁽¹⁾	\$548,023
Montgomery Arms	\$115,624	\$67,794	(\$47,830)	\$67,794
TPM - 59 MPDUs	\$28,056	\$39,787	\$11,731 ⁽¹⁾	\$28,056
Paddington Square	\$162,659	\$319,718	\$157,059 ⁽¹⁾	\$162,659
TPM - Pomander Court	\$34,259	\$35,990	\$1,731 ⁽¹⁾	\$34,259
Pooks Hill High-Rise	\$143,506	\$95,415	(\$48,091)	\$95,415
Scattered Site One Dev. Corp.	\$35,004	\$37,633	\$2,629 ⁽¹⁾	\$35,004
Scattered Site Two Dev. Corp.	(\$2,053)	(\$11,448)	(\$9,395)	(\$11,448)
Sligo Development Corp.	\$10,967	\$4,265	(\$6,702)	\$4,265
TPM - Timberlawn	\$177,615	\$151,819	(\$25,796)	\$151,819
VPC One Dev. Corp.	(\$549,988)	\$330,997	\$880,985 ⁽¹⁾	(\$549,988)
VPC Two Dev. Corp.	(\$427,536)	\$174,508	\$602,044 ⁽¹⁾	(\$427,536)
Subtotal	\$1,017,316	\$2,581,919	\$1,564,603	\$836,871
Recognizable Cash Flow				(\$180,445)

Notes:

(1) - Properties exceeding budgeted cash flow.

- The negative cash flow variance at **Alexander House** was primarily the result of offering concessions due to increased competition in the Silver Spring submarket. As a result of the concessions, occupancy was maintained within one percent of the budget. **The Barclay** has a negative variance of \$10,951 driven by higher than projected vacancy loss at the property. **The Metropolitan** exceeded cash flow projections for the quarter by \$62,521 as a result of higher than anticipated non-dwelling rent due to a County reimbursement for office space coupled with savings in utilities. **Montgomery Arms** experienced lower gross rent potential and higher vacancies coupled with higher than anticipated maintenance costs which resulted in a negative cash flow variance of \$47,830 through quarter-end. **Paddington Square Apartments** cash flow exceeded budget by \$157,059 largely due to a delay in the refinancing resulting in lower debt service expense. **Pooks Hill High-Rise** had a negative cash flow variance of \$48,091 for the quarter mainly due to 19 concessions given to residents moving in during May/June to rent 20 of the 23 vacant apartments. Both **VPC One Corporation** and **VPC Two Corporation** exceeded budget projections as a result of a delay in the borrowing for renovations. The savings in debt service payments was partially offset by the higher vacancies experienced at both properties. It should be noted that the negative adjusted cash flow reflected in the chart above is the result of timing and both properties are expected to generate positive cash flow for FY'15.
- The second group consists of properties whose cash flow will not be used for the Agency's FY'15 Operating Budget. Cash flow from this group of Development Corporation properties was \$81,055 more than budgeted. The primary contributor to the positive variance was **MetroPointe**. The quarterly deficit was lower than projected by \$62,015 driven primarily from an approved rate change from the Washington Suburban Sanitary Commission (WSSC) that resulted in a refund of payments from prior years and a credit to the current year utility costs.

Attachment C is a chart of the Opportunity Housing properties. This chart divides the properties into two groups.

- The first group consists of properties whose unrestricted net cash flow will be used for the Agency's FY'15 Operating Budget. This group ended the quarter with cash flow of \$489,488 or \$48,467 greater than budget. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter's recognizable cash flow for this group is \$391,415 or \$49,606 below budget.

Unrestricted Opportunity Housing Properties

	(3 Months)	(3 Months)		(3 Months)
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Adjusted</u>
64 MPDUs	\$18,207	\$10,288	(\$7,919)	\$10,288
Chelsea Towers	(\$33,699)	(\$28,992)	\$4,707 ⁽¹⁾	(\$33,699)
Fairfax Court	\$29,401	\$21,689	(\$7,712)	\$21,689
Greenhills Apartments	\$72,033	\$69,615	(\$2,418)	\$69,615
Holiday Park	(\$64,603)	(\$76,833)	(\$12,230)	(\$76,833)
Jubilee Falling Creek	\$64	(\$1,219)	(\$1,283)	(\$1,219)
Jubilee Hermitage	(\$335)	\$1,974	\$2,309 ⁽¹⁾	(\$335)
Jubilee Woodedge	(\$1,478)	\$3,494	\$4,972 ⁽¹⁾	(\$1,478)
McHome	\$14,799	\$6,450	(\$8,349) ⁽¹⁾	\$6,450
McKendree	(\$1,702)	\$7,490	\$9,192 ⁽¹⁾	(\$1,702)
MHLP II	\$0	(\$251)	(\$251)	(\$251)
MHLP III	\$0	(\$3,177)	(\$3,177)	(\$3,177)
MHLP VII	\$25,803	\$40,132	\$14,329 ⁽¹⁾	\$25,803
MHLP VIII	\$37,806	\$59,856	\$22,050 ⁽¹⁾	\$37,806
MPDU 2007 Phase II	\$3,522	\$3,963	\$441 ⁽¹⁾	\$3,522
Pooks Hill Mid-Rise	\$70,839	\$66,152	(\$4,687)	\$66,152
Southbridge	\$55,847	\$95,920	\$40,073 ⁽¹⁾	\$55,847
Strathmore Court	\$214,517	\$212,937	(\$1,580)	\$212,937
Subtotal	\$441,021	\$489,488	\$48,467	\$391,415
		Recognizable Cash Flow		(\$49,606)

Notes:

(1) - Properties exceeding budgeted cash flow.

- Three properties within this group, **Chelsea Towers**, **Holiday Park**, and **Jubilee Falling Creek**, are showing year-to-date deficits as a result of timing that is not anticipated for year-end. Cash flow for **64 MPDUs** was \$7,919 less than budget primarily as a result of lower gross rent potential coupled with higher vacancies. The shortfall in revenue was partially offset by savings in administrative expenses, maintenance expenses and bad debt expense. **Fairfax Court** experienced lower than anticipated cash flow for the quarter largely as a result of higher utility costs and unanticipated repairs of ceiling fans in the laundry room. **Holiday Park** ended the quarter with a negative cash flow variance of \$12,230 primarily due to higher vacancies coupled with the erroneous exclusion of the budget for solid waste tax. Cash flow for **McHome** was \$8,349 below budget primarily as a result of higher vacancies and maintenance costs. **MHLP II** and **MHLP III** both have units remaining to be sold. Although the units are vacant, the Agency still has to pay Home Owner Association (HOA) fees and minimal utility costs at both properties. Both **MHLP VII** and **MHLP VII** are exceeding budgeted cash flow for the quarter as a result of savings in administrative, maintenance and bad debt expenses. **Pooks Hill Mid-Rise** had a negative cash flow variance of \$4,687 through the quarter driven by higher concessions and vacancy loss than

projected. The shortfall in income was partially offset by savings in administrative, utility, and maintenance costs. Cash flow for **Southbridge** was \$40,073 more than anticipated as a result of income received to reimburse the property for costs incurred during Hurricane Irene.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'15 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 \$152,712 higher than budget for the quarter. **The Ambassador** had a positive cash flow variance of \$50,674 mainly due to higher gross rents and savings in administrative and maintenance expenses which were partially offset by higher vacancies. Cash flow for **Brooke Park** was \$8,561 lower than anticipated as a result of higher maintenance costs coupled with the payment of taxes that were not accounted for in the budget process. Cash flow for **Diamond Square** ended the quarter \$39,088 above budget which was driven by lower vacancies coupled with savings in administrative, utility and maintenance expenses. Both the **NCI** and **NSP Units** are exceeding budget as a result of lower vacancies coupled with savings in maintenance expenses. It should be noted that these property groups have individual budgets for each unit that include a standard annual amount for maintenance related expenses. Any cash flow at year-end resulting from savings in expenses and/or additional earned income is restricted to the respective property's Operating Reserves. Cash flow for **Paint Branch** was \$21,283 more than budget primarily due to the receipt of prior year rent as a result of a rent adjustment for one unit. Cash flow for **State Rental Combined** was \$17,752 below budget mainly due to higher vacancies which were partially offset by savings in administrative and utility expenses. **Westwood Towers** had a positive variance of \$25,925. Lower gross rent potential coupled with higher than projected vacancy loss was more than offset by savings in administrative, utility and maintenance expenses.

The Public Fund (Attachment D)

- The Public Housing Rental Program ended the quarter with a surplus of \$538,290 which resulted in a positive variance of \$778,308 when compared to the projected deficit of \$240,018. Income was \$710,530 more than budget primarily as a result of the continued subsidy received for the scattered sites that converted to VPC One Corporation and VPC Two Corporation. A portion of the subsidy was received as an Asset Repositioning Fee (ARF) and will be used to reimburse the Agency for the start-up costs related to the Section 18 scattered site disposition that was funded by the Opportunity Housing Reserve Fund (OHRF). In addition, expenses were \$67,778 below budget as a result of savings in utilities and maintenance expenses. Any cash surplus at year-end will be restricted to the program for future operational needs.
- The Housing Choice Voucher Program (HCVP) ended the quarter with a surplus of \$909,959 which resulted in a positive variance of \$1,923,929 when compared to the projected deficit of \$1,013,970. The surplus was comprised of Housing Assistance Payments (HAP) revenue that exceeded HAP expenses by \$926,439 and an administrative deficit of \$16,480. The HAP surplus will be restricted for future HAP payments. The administrative deficit was

\$195,712 less than projected due to higher than anticipated revenue of \$55,567 and savings in administrative expenses of \$140,145. The higher revenue was the result of a higher proration factor of 79% compared to the budgeted proration factor of 75%. The savings in expenses were primarily due to savings in administrative salaries and benefits, and management fee expenses which are now based on utilization.

Tax Credit Partnerships

The Tax Credit Partnerships have a calendar year end. Quarterly Budget to Actual Statements are reported to the Budget, Finance, and Audit Committee.

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'15. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets are timing issues. As capital projects are long-term, it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

The Ambassador exceeded its capital budget as a result of required repairs to the garage. The overage will be covered by property reserves. In anticipation of the plans for renovating **Greenhills Apartments**, the property did not budget for capital improvements. There are sufficient reserves to cover the expenses incurred for HVAC equipment, appliances and flooring. Finally, the **VPC** properties have nominal capital expenditures that will be covered by established Replacement Reserves.

Resolution No.

**Re: Acceptance of First Quarter FY'15
Budget to Actual Statements**

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

WHEREAS, the Commission reviewed the First Quarter FY'15 Budget to Actual Statements during its January 14, 2015 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the First Quarter FY'15 Budget to Actual Statements.

Patrice Birdsong
Special Assistant to the Commission

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FY 15 First Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(3 Months) Budget	(3 Months) Actual	Variance
General Fund			
General Fund	(\$2,399,304)	(\$1,726,976)	\$672,328
Administration of Multifamily and Single Family Fund			
Multifamily Fund	(\$5,726)	\$13,407	\$19,133
Single Family Fund	\$351,948	\$401,143	\$49,196
Excess Bond Fund Cash Flow	(\$346,222)	(\$414,550)	(\$68,329)
Opportunity Housing Fund			
Opportunity Housing Properties	\$441,021	\$391,415	(\$49,606)
Development Corporation Property Income	\$1,017,316	\$836,871	(\$180,445)
OHRF			
OHRF Balance	(\$301,546)	(\$91,817)	\$209,729
Excess Cash Flow Restricted	\$0	\$0	\$0
Draw from existing funds	\$301,546	\$91,817	(\$209,729)
Net -OHRF	\$0	\$0	\$0
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	(\$940,967)	(\$498,690)	\$442,277
Public Fund			
Public Housing Rental (1)	(\$240,018)	\$538,290	\$778,308
Housing Choice Voucher Program HAP (2)	(\$801,778)	\$926,439	\$1,728,217
Housing Choice Voucher Program Admin (3)	(\$212,192)	(\$16,480)	\$195,712
Total -Public Fund	(\$1,253,988)	\$1,448,249	\$2,702,237
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	\$240,018	(\$538,290)	(\$778,308)
(2) Draw from / Restrict to HCV Program Cash Reserves	\$801,778	(\$926,439)	(\$1,728,217)
(3) Draw from / Restrict to HCV Program Excess Admin Fee	\$0	\$0	\$0
Total -Public Fund Reserves	\$1,041,796	(\$1,464,729)	(\$2,506,525)
SUBTOTAL - Public Funds	(\$212,192)	(\$16,480)	\$195,712
TOTAL - All Funds	(\$1,153,159)	(\$515,170)	\$637,989

FY 15 First Quarter Capital Budget to Actual Comparison

	Capital Expenses		Variance
	(12 Months) Budget	(3 Months) Actual	
General Fund			
East Deer Park	\$81,000	\$5,287	\$75,713
Kensington Office	\$393,300	\$144,219	\$249,081
Information Technology	\$1,298,000	\$43,269	\$1,254,731
Opportunity Housing Fund	\$3,266,867	\$819,436	\$2,447,431
TOTAL - All Funds	\$5,039,167	\$1,012,211	\$4,026,956

FY 15 First Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(3 Months)	Variance		(3 Months)	Variance
	<u>Budget</u>	<u>Income</u>	<u>Expense</u>	<u>Actual</u>	
Properties with unrestricted cash flow for FY14 operating budget					
Alexander House	\$419,892	(\$39,364)	\$7,684	\$388,212	(\$31,680)
The Barclay	\$38,335	(\$17,342)	\$6,391	\$27,384	(\$10,951)
Chevy Chase Lake	\$61,792	(\$28,167)	\$33,515	\$67,140	\$5,348
Glenmont Westerly	\$102,435	(\$12,276)	\$25,767	\$115,925	\$13,490
Magruder's Discovery	\$118,726	(\$32,141)	\$39,651	\$126,236	\$7,510
The Metropolitan	\$548,023	\$18,340	\$44,181	\$610,544	\$62,521
Montgomery Arms	\$115,624	(\$36,481)	(\$11,350)	\$67,794	(\$47,830)
TPM - 59 MPDUs	\$28,056	\$6,247	\$5,484	\$39,787	\$11,731
Paddington Square Apartments	\$162,659	(\$11,745)	\$168,804	\$319,718	\$157,059
TPM - Pomander Court	\$34,259	(\$3,039)	\$4,770	\$35,990	\$1,731
Pooks Hill High-Rise	\$143,506	(\$44,742)	(\$3,349)	\$95,415	(\$48,091)
Scattered Site One Dev. Corp.	\$35,004	(\$91,253)	\$93,882	\$37,633	\$2,629
Scattered Site Two Dev. Corp.	(\$2,053)	(\$10,126)	\$731	(\$11,448)	(\$9,395)
Sligo Development Corp.	\$10,967	(\$9,343)	\$2,641	\$4,265	(\$6,702)
TPM - Timberlawn	\$177,615	(\$12,914)	(\$12,883)	\$151,819	(\$25,796)
VPC One Dev. Corp.	(\$549,988)	(\$381,075)	\$1,262,060	\$330,997	\$880,985
VPC Two Dev. Corp.	(\$427,536)	(\$351,595)	\$953,639	\$174,508	\$602,044
Subtotal	\$1,017,316	(\$1,057,016)	\$2,621,618	\$2,581,919	\$1,564,603
Properties with restricted cash flow (external and internal)					
Glenmont Crossing	\$70,531	(\$3,512)	\$12,296	\$79,315	\$8,784
MetroPointe	(\$105,352)	\$13,799	\$48,215	(\$43,337)	\$62,015
Oaks at Four Corners	\$10,269	(\$6,420)	\$16,676	\$20,525	\$10,256
Subtotal	(\$24,552)	\$3,867	\$77,187	\$56,503	\$81,055
TOTAL ALL PROPERTIES	\$992,764	(\$1,053,149)	\$2,698,805	\$2,638,422	\$1,645,658

FY 15 First Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(3 Months) <u>Budget</u>	Variance <u>Income</u>	<u>Expense</u>	(3 Months) <u>Actual</u>	<u>Variance</u>
Properties with unrestricted cash flow for FY14 operating budget					
64 MPDUs	\$18,207	(\$30,518)	\$22,599	\$10,288	(\$7,919)
Chelsea Towers	(\$33,699)	\$357	\$4,351	(\$28,992)	\$4,707
Fairfax Court	\$29,401	(\$686)	(\$7,026)	\$21,689	(\$7,712)
Greenhills Apartments	\$72,033	(\$9,239)	\$6,822	\$69,615	(\$2,418)
Holiday Park	(\$64,603)	(\$6,136)	(\$6,094)	(\$76,833)	(\$12,230)
Jubilee Falling Creek	\$64	\$141	(\$1,424)	(\$1,219)	(\$1,283)
Jubilee Hermitage	(\$335)	(\$169)	\$2,478	\$1,974	\$2,309
Jubilee Woodedge	(\$1,478)	(\$6)	\$4,978	\$3,494	\$4,972
McHome	\$14,799	(\$7,275)	(\$1,073)	\$6,450	(\$8,349)
McKendree	(\$1,702)	(\$3,820)	\$13,011	\$7,490	\$9,192
MHLP II	\$0	\$1	(\$251)	(\$251)	(\$251)
MHLP III	\$0	\$407	(\$3,584)	(\$3,177)	(\$3,177)
MHLP VII	\$25,803	(\$9,076)	\$23,405	\$40,132	\$14,329
MHLP VIII	\$37,806	\$1,244	\$20,805	\$59,856	\$22,050
MPDU 2007 Phase II	\$3,522	(\$409)	\$849	\$3,963	\$441
Pooks Hill Mid-Rise	\$70,839	(\$19,429)	\$14,742	\$66,152	(\$4,687)
Southbridge	\$55,847	\$30,868	\$9,205	\$95,920	\$40,073
Strathmore Court	\$214,517	(\$21,489)	\$19,909	\$212,937	(\$1,580)
Subtotal	\$441,021	(\$75,234)	\$123,702	\$489,488	\$48,467
Properties with restricted cash flow (external and internal)					
The Ambassador	(\$15,844)	\$21,561	\$29,112	\$34,830	\$50,674
Brooke Park	\$4,960	(\$773)	(\$7,788)	(\$3,601)	(\$8,561)
Brookside Glen (The Glen)	\$60,088	(\$9,723)	\$16,578	\$66,943	\$6,855
CDBG Units	(\$3,696)	\$3,497	\$943	\$743	\$4,439
Dale Drive	\$9,540	(\$56)	(\$227)	\$9,257	(\$283)
Diamond Square	\$40,279	\$5,157	\$33,931	\$79,367	\$39,088
NCI Units	(\$17,597)	\$10,999	\$9,346	\$2,748	\$20,345
NSP Units	(\$7,997)	\$7,691	\$3,008	\$2,702	\$10,699
Paint Branch	(\$12,326)	\$16,794	\$4,489	\$8,957	\$21,283
State Rental Combined	\$25,380	(\$21,360)	\$3,608	\$7,628	(\$17,752)
Westwood Tower	\$96,450	(\$51,113)	\$77,038	\$122,375	\$25,925
Subtotal	\$179,237	(\$17,326)	\$170,038	\$331,949	\$152,712
TOTAL ALL PROPERTIES	\$620,258	(\$92,560)	\$293,740	\$821,437	\$201,179

FY 15 First Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(3 Months) <u>Budget</u>	(3 Months) <u>Actual</u>	<u>Variance</u>
Public Housing Rental			
Revenue	\$1,622,358	\$2,332,888	\$710,530
Expenses	\$1,862,376	\$1,794,598	\$67,778
Net Income	(\$240,018)	\$538,290	\$778,308
Housing Choice Voucher Program			
HAP revenue	\$20,359,614	\$21,510,526	\$1,150,912
HAP payments	\$21,161,392	\$20,584,087	\$577,305
Net HAP	(\$801,778)	\$926,439	\$1,728,217
Admin.fees & other inc.	\$1,505,566	\$1,561,133	\$55,567
Admin. Expense	\$1,717,758	\$1,577,613	\$140,145
Net Administrative	(\$212,192)	(\$16,480)	\$195,712
Net Income	(\$1,013,970)	\$909,959	\$1,923,929

FY 15 First Quarter Operating Budget to Actual Comparison
For Public Housing Rental Programs - Net Cash Flow

	(3 Months)	Variance		(3 Months)	Variance
	<u>Budget</u>	<u>Income</u>	<u>Expense</u>	<u>Actual</u>	
Elizabeth House	(\$31,338)	(\$2,043)	\$34,430	\$1,049	\$32,387
Holly Hall	(\$23,806)	\$6,414	\$38,831	\$21,439	\$45,245
Arcola Towers	(\$23,215)	\$3,257	\$34,174	\$14,217	\$37,432
Waverly House	(\$7,201)	\$8,912	\$14,363	\$16,074	\$23,275
Seneca Ridge	(\$1,357)	(\$9,631)	(\$2,180)	(\$13,168)	(\$11,811)
Emory Grove / Washington Square	(\$99,856)	\$41,756	\$102,653	\$44,553	\$144,409
Towne Centre Place / Sandy Spring Meadow	(\$31,859)	(\$14,305)	\$46,088	(\$76)	\$31,783
Ken Gar / Parkway Woods	(\$18,889)	(\$958)	\$29,712	\$9,864	\$28,753
Scattered Sites Central	\$0	\$115,533	(\$52,444)	\$63,089	\$63,089
Scattered Sites East	\$0	\$116,837	(\$20,515)	\$96,322	\$96,322
Scattered Sites Gaithersburg	\$0	\$183,350	(\$54,842)	\$128,508	\$128,508
Scattered Sites North	\$0	\$134,072	(\$63,484)	\$70,588	\$70,588
Scattered Sites West	\$0	\$125,908	(\$37,970)	\$87,938	\$87,938
Resident Services	(\$2,497)	\$1,428	(\$1,040)	(\$2,110)	\$387
TOTAL ALL PROPERTIES	(\$240,018)	\$710,530	\$67,776	\$538,287	\$778,305

FY 15 First Quarter Operating Budget to Actual Comparison
For Capital Improvements

	(12 Months) <u>Budget</u>	(3 Months) <u>Actual</u>	<u>Variance</u>
General Fund			
East Deer Park	\$81,000	\$5,287	\$75,713
Kensington Office	\$393,300	\$144,219	\$249,081
Information Technology	\$1,298,000	\$43,269	\$1,254,731
Subtotal	\$1,772,300	\$192,775	\$1,579,525
Opportunity Housing			
The Ambassador	\$12,636	\$52,071	(\$39,435)
Alexander House	\$232,440	\$125,714	\$106,726
The Barclay	\$28,412	\$3,645	\$24,767
Brooke Park	\$0	\$0	\$0
Brookside Glen (The Glen)	\$78,424	\$14,045	\$64,379
CDBG Units	\$0	\$0	\$0
Chelsea Towers	\$13,600	\$2,640	\$10,960
Chevy Chase Lake	\$64,250	\$0	\$64,250
Dale Drive	\$2,412	\$1,571	\$841
Diamond Square	\$157,670	\$34,972	\$122,698
Fairfax Court	\$25,650	\$2,761	\$22,889
Glenmont Crossing	\$62,536	\$24,373	\$38,163
Glenmont Westerly	\$48,285	\$16,138	\$32,147
Greenhills Apartments	\$0	\$11,436	(\$11,436)
Holiday Park	\$40,200	\$2,722	\$37,478
Jubilee Falling Creek	\$500	\$0	\$500
Jubilee Hermitage	\$2,900	\$1,651	\$1,249
Jubilee Woodedge	\$2,625	\$0	\$2,625
Magruder's Discovery	\$66,100	\$2,887	\$63,213
McHome	\$80,201	\$16,921	\$63,280
McKendree	\$15,424	\$0	\$15,424
MetroPointe	\$33,700	\$9,687	\$24,013
The Metropolitan	\$232,443	\$55,449	\$176,994
Montgomery Arms	\$186,771	\$5,792	\$180,979
MHLP VII	\$18,635	\$2,020	\$16,615
MHLP VIII	\$27,897	\$4,176	\$23,721
MPDU 2007 Phase II	\$11,000	\$0	\$11,000
64 MPDUs	\$158,841	\$1,092	\$157,749
TPM - 59 MPDUs	\$60,147	\$6,832	\$53,315
Oaks at Four Corners	\$231,643	\$74,183	\$157,460
NCI Units	\$0	\$0	\$0
NSP Units	\$0	\$0	\$0
Paddington Square Apartments	\$79,693	\$18,007	\$61,686
Paint Branch	\$24,240	\$0	\$24,240
TPM - Pomander Court	\$28,160	\$4,200	\$23,960
Pooks Hill High-Rise	\$365,800	\$87,307	\$278,493
Pooks Hill Mid-Rise	\$107,500	\$37,620	\$69,880
Scattered Site One Dev. Corp.	\$100,248	\$49,227	\$51,021
Scattered Site Two Dev. Corp.	\$43,393	\$12,427	\$30,966
Southbridge	\$3,448	\$305	\$3,143
Sligo Development Corp.	\$80,710	\$9,526	\$71,184
State Rental Combined	\$72,471	\$29,575	\$42,896
Strathmore Court	\$208,802	\$8,745	\$200,057
TPM - Timberlawn	\$27,640	\$16,207	\$11,433
VPC One Dev. Corp.	\$0	\$23,337	(\$23,337)
VPC Two Dev. Corp.	\$0	\$3,529	(\$3,529)
Westwood Tower	\$229,420	\$46,646	\$182,774
Subtotal	\$3,266,867	\$819,436	\$2,447,431
TOTAL	\$5,039,167	\$1,012,211	\$4,026,956

APPROVAL OF FY'15 FIRST QUARTER BUDGET AMENDMENT

January 14, 2015

- **The net effect of the FY'15 First Quarter Budget Amendment is a balanced budget.**
- **Total operating budget for the Agency has increased from \$246.9 million to \$247.0 million.**
- **Total capital budget for the Agency has increased from \$93.1 million to \$94.1 million.**
- **Personnel Complement remains unchanged.**
- **No policy changes are reflected in the budget amendment.**

FSS program in improving the personal and financial outcomes of participants through employment, training and education, and other services. Only Housing Choice Voucher Program (HCVP) participants are eligible to participate in this study. HOC will receive total funding of \$60,000 to cover the costs of the five-year study. Both income and expenses in the General Fund will increase by \$22,964 to reflect the source and use of the funds to pay for the estimated FY'15 costs of the study.

- **Public Fund:**

- **Merging of Supportive Housing Grants:** As a part of the reorganization in Resident Services, staff requested and received approval from HUD to merge the grants for McKinney X with Shelter Plus Care, and to merge the grants for McKinney XII with Shelter Plus Care New Neighbors (SPC-NN) I and SPC-NN II. This change will serve to simplify and streamline the administration of the Supportive Housing Grants. As a result of this merger and reorganization, various Resident Services' staff members have been reallocated across the various grants they support.

Although the total amount of the grants and staff costs have not changed, the reallocation of staff has resulted in a reduction of costs on some of the grants that were originally dependent upon prior funds (reserves) to cover the projected FY'15 costs. A portion of the costs has shifted to a grant that is funded using a fee structure as opposed to a cost-reimbursement structure. The fee grant typically generated income that exceeded its direct cost. This income was previously restricted in the FY'15 Adopted Budget. A portion of this income is now covering the additional cost allocated to the grant. As such, the restricted funds that are reflected as an expense in the budget are reduced. Similarly, the draw from reserves, reflected as income, on the grants that were depending on reserves is reduced due to the reduction in allocated costs to these grants. Both income and expenses in the Public Fund will decrease by \$48,452 to reflect the changes resulting from the merger of the grants and reallocation of Resident Services' staff.

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

- **Capital Improvements:**

- **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 \$973,595 for eight properties be rolled forward and included in the FY'15 Budget. This work will be funded from property replacement reserves and the Opportunity Housing Fund Property Reserve.

- State Rental Combined - \$25,195
- TPM 59 MPDUs - \$17,251
- Scattered Site One Dev. Corp. - \$22,743
- Scattered Site Two Dev. Corp. - \$23,670
- Brookside Glen (The Glen) - \$38,127
- The Metropolitan - \$33,605
- Pooks Hill High-Rise - \$640,000
- Strathmore Court - \$173,004

BUDGET IMPACT:

The net effect of the FY'15 First Quarter Budget Amendment maintains a balanced budget. The total FY'15 Operating Budget for HOC increased from \$246,892,327 to \$247,000,589. This is an increase of \$108,262. The total FY'15 Capital Budget for HOC has increased from \$93,131,261 to \$94,104,856. This is an increase of \$973,595. Approval by the Commission of any budget amendments will revise the FY'15 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

The FY'15 First Quarter Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the December 11, 2014 meeting. Action is requested at the January 14, 2015 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve the proposed amendments to the FY'15 Budget.

Resolution No.

**Re: Approval of FY'15 First
Quarter Budget Amendment**

WHEREAS, the Housing Opportunities Commission adopted a budget for FY'15 on June 4, 2014; and

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

WHEREAS, the Commission has reviewed several proposed budget amendments to the FY'15 Budget; and

WHEREAS, the net affect of the FY'15 First Quarter Budget Amendment is a balanced budget.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'15 Operating Budget by increasing total revenues and expenses for the Agency from \$246.9 million to \$247.0 million.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY'15 Capital Budget by increasing revenues and expenses for the Agency from \$93.1 million to \$94.1 million.

Patrice Birdsong
Special Assistant to the Commission

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FY 2015 Adopted Operating Budget First Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	First Quarter Budget Amendment
General Fund									
General Fund	\$20,775,463	\$21,848,524	(\$1,073,061)	\$156,714	\$156,714	\$20,932,177	\$22,005,238	(\$1,073,061)	
Multi-Family & Single Family Bond Funds									
Multi-Family Fund	\$24,572,602	\$24,572,602	\$0	\$0	\$0	\$24,572,602	\$24,572,602	\$0	
Single Family Fund	\$15,054,282	\$15,054,282	\$0	\$0	\$0	\$15,054,282	\$15,054,282	\$0	
Opportunity Housing Fund									
Opportunity Housing Reserve Fund (OHRF)	\$2,374,918	\$1,080,920	\$1,293,998	\$0	\$0	\$2,374,918	\$1,080,920	\$1,293,998	
Restricted to OHRF	\$0	\$1,293,998	(\$1,293,998)	\$0	\$0	\$0	\$1,293,998	(\$1,293,998)	
Opportunity Housing & Development Corps	\$72,129,210	\$70,623,955	\$1,505,255	\$0	\$0	\$72,129,210	\$70,623,955	\$1,505,255	
Public Fund									
Public Housing Fund	\$4,372,371	\$4,702,800	(\$330,429)	\$0	\$0	\$4,372,371	\$4,702,800	(\$330,429)	
County Contributions towards Public Housing	\$370,000	\$0	\$370,000	\$0	\$0	\$370,000	\$0	\$370,000	
Restrict to Public Housing Reserves	\$0	\$39,571	(\$39,571)	\$0	\$0	\$0	\$39,571	(\$39,571)	
Housing Choice Voucher Program	\$91,825,856	\$93,126,764	(\$1,300,908)	\$0	\$0	\$91,825,856	\$93,126,764	(\$1,300,908)	
County Contributions towards HCV Administration	\$868,714	\$0	\$868,714	\$0	\$0	\$868,714	\$0	\$868,714	
Federal, State and Other County Grants	\$14,548,911	\$14,548,911	\$0	(\$48,452)	(\$48,452)	\$14,500,459	\$14,500,459	\$0	
TOTAL - ALL FUNDS	\$246,892,327	\$246,892,327	\$0	\$108,262	\$108,262	\$247,000,589	\$247,000,589	\$0	

FY 2015 Adopted Capital Budget First Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	First Quarter Budget Amendment
Capital Improvements									
East Deer Park	\$81,000	\$81,000	\$0	\$0	\$0	\$81,000	\$81,000	\$0	
Kensington Office	\$393,300	\$393,300	\$0	\$0	\$0	\$393,300	\$393,300	\$0	
Information Technology	\$1,298,000	\$1,298,000	\$0	\$0	\$0	\$1,298,000	\$1,298,000	\$0	
Opportunity Housing Properties	\$3,266,867	\$3,266,867	\$0	\$973,595	\$973,595	\$4,240,462	\$4,240,462	\$0	
Public Housing Properties	\$2,223,530	\$2,223,530	\$0	\$0	\$0	\$2,223,530	\$2,223,530	\$0	
Capital Development Projects									
Timberlawn / Pomander Court	\$17,983,720	\$17,983,720	\$0	\$0	\$0	\$17,983,720	\$17,983,720	\$0	
Greenhills Apartments	\$19,650,240	\$19,650,240	\$0	\$0	\$0	\$19,650,240	\$19,650,240	\$0	
Rental Assistance Demonstration (RAD) Properties	\$15,219,626	\$15,219,626	\$0	\$0	\$0	\$15,219,626	\$15,219,626	\$0	
Arcola Towers	\$16,414,648	\$16,414,648	\$0	\$0	\$0	\$16,414,648	\$16,414,648	\$0	
Waverly House	\$16,100,330	\$16,100,330	\$0	\$0	\$0	\$16,100,330	\$16,100,330	\$0	
Chevy Chase Lake	\$500,000	\$500,000	\$0	\$0	\$0	\$500,000	\$500,000	\$0	
TOTAL - ALL FUNDS	\$93,131,261	\$93,131,261	\$0	\$973,595	\$973,595	\$94,104,856	\$94,104,856	\$0	

Footnotes - explanation of changes

- GF I Add funding for RAD Relocation Costs - \$133,750
- GF I Add funding for Manpower Demonstration Research Corporation (MDRC) Program - \$22,964
- GF E Add expenses for RAD Relocation Costs - \$133,750
- GF E Add expenses for Manpower Demonstration Research Corporation (MDRC) Program - \$22,964

- PF I Merger of Supportive Housing Grants - (\$48,452)
- PF E Merger of Supportive Housing Grants - (\$48,452)

Capital Improvements

- OH E Add roll over budgets from FY 2014 - \$915,196
 - State Rental Combined - \$25,195
 - TPM - 59 MPDUs - \$17,251
 - Scattered Site One Dev Corp - \$22,743
 - Scattered Site Two Dev Corp - \$23,670
- Brookside Glen (The Glen) - \$38,127
- The Metropolitan - \$33,605
- Pooks Hill Highrise - \$640,000
- Strathmore Court - \$173,004

APPROVAL OF CY'14 THIRD QUARTER BUDGET AMENDMENT

January 14, 2015

- **The CY'14 Tax Credit Budget for Tanglewood / Sligo Hills LP was adopted on October 8, 2013 and later ratified at the November 6, 2013 Commission meeting.**
- **As a result of the Resident Services' reorganization and cost reallocation, many counselors that were previously charged to the County Contract are now directly charged to the properties they support.**
- **In order to minimize the impact of this change on properties that may not have sufficient funds to cover the cost, a transfer of funds from the County Contract to the property was planned.**
- **The CY'14 Third Quarter Budget Amendment reflects the impact of the change and increases both income expenses for Tanglewood / Sligo Hills LP by \$45,081.**

TIME FRAME:

The CY'14 Third Quarter Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the December 11, 2014 meeting. Action is requested at the January 14, 2015 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve the proposed amendment to the CY'14 Budget for Tanglewood / Sligo Hills LP.

Resolution No.

**Re: Approval of CY'14 Third
Quarter Budget Amendment**

WHEREAS, the Housing Opportunities Commission ratified the CY'14 Budget for Tanglewood / Sligo Hills LP on November 6, 2013; and

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

WHEREAS, the Commission has reviewed the proposed budget amendment to the CY'14 Budget for Tanglewood / Sligo Hills LP which increases both income and expenses by \$45,081.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the CY'14 Budget for Tanglewood / Sligo Hills LP.

Patrice Birdsong
Special Assistant to the Commission

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APPROVAL OF THE FY'16 COUNTY OPERATING BUDGET MARC REDUCTION

January 14, 2015

- The County Executive formally requested that HOC submit a FY'16 County Operating Budget MARC Reduction of three percent or \$197,982 in order to maintain a balanced County budget.
- On November 7, 2014, HOC submitted a base budget or Maximum Agency Request Ceiling (MARC) of \$6,599,390 for FY'16 equal to the approved FY'15 MARC of \$6,376,480 plus an adjustment for salary, health and retirement benefits of \$222,910.
- Staff will inform the County that reductions equal to the \$197,982 request will be identified during the development of HOC's FY'16 Operating Budget Amendment with details provided to the County at a later date.

ISSUES FOR CONSIDERATION:**HOC – FY'16 Operating Budget:**

HOC's FY'16 Operating Budget Amendment is still in the early stages of development. Due to the magnitude of the proposed reduction, it is the intention of staff to work through identifying appropriate components to make up the reduction during the budget process. The recommendations will be discussed with Commission members at the April Budget, Finance and Audit Committee meeting. Final recommendations will be included in the budget that will be presented for amendment at the June Commission meeting.

Staff will inform the County that reductions equal to the \$197,982 request will be identified during the development of HOC's FY'16 Operating Budget Amendment with details provided to the County at a later date.

BUDGET IMPACT:

The County's Operating Grant is the primary funding source for the Agency's Resident Services and Housing Resource Service Divisions.

TIME FRAME:

The proposed strategy for the FY'16 County Operating Budget MARC Reduction will be discussed with the Commission at the January 14, 2015 meeting. Action is requested at the January 14, 2015 meeting in order to meet the revised submission deadline of January 15, 2015 with details provided to the County at a later date.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve the proposed FY'16 County Operating Budget MARC Reduction at the January 14, 2015 meeting in order to meet the revised submission deadline of January 15, 2015.

RESOLUTION NO:

RE: Approval of the FY'16
County Operating Budget
MARC Reduction

WHEREAS, the Housing Opportunities Commission of Montgomery County has to submit a County Operating Budget MARC Reduction for FY'16; and

WHEREAS, the County has requested HOC submit a proposed MARC Reduction for three percent of the County's FY'16 contribution to HOC or \$197,982 for FY'16.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves the submission of the FY'16 County Operating Budget MARC Reduction totaling \$197,982 with details provided to the County at a later date.

Patrice Birdsong
Special Assistant to the Commission

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Development and Finance Committee

ARCOLA TOWERS & WAVERLY HOUSE

SILVER SPRING & BETHESDA



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
JAY SHEPHERD
ZACHARY MARKS

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Arcola Towers and Waverly House are two (2) Public Housing-assisted age-restricted developments approved for participation in the Rental Assistance Demonstration (“RAD”) program, which converts Public Housing rental assistance to Project-Based Section 8 rental assistance. A requirement of conversion is the satisfaction of all building physical needs. This packet outlines the development plan for the required comprehensive renovation.

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Executive Summary

The Preliminary Development Plan, as approved by the Commission on May 7, 2014, laid out two very similar plans for comprehensive renovation of Arcola Towers and Waverly House. Via the RAD program, the two properties would convert from Public Housing subsidy to Project-based Section 8 subsidy. This conversion would allow for the financing of renovations using the proceeds from HOC-issued tax-exempt bonds and equity from the sale of 4% Low Income Housing Tax Credits (“LIHTC”).

Staff further updated the Commission on August 6, 2014, at which time the architects and general contractors for the renovation projects were selected. At the time, staff projected a closing date of March 2015. However, in preparing the LIHTC applications for the two projects (and in preliminary conversations with potential LIHTC investors), two issues became apparent:

- The acquisition values of the two properties were substantial.
- The abnormally low payment standards for the post-conversion RAD rental assistance added challenges to ensuring the acquisition values could be used to the benefit of the transactions.

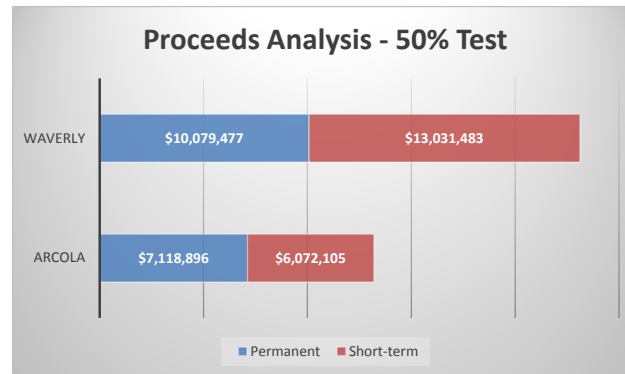
There were two chief obstacles to the use of the acquisition values:

- Pro forma senior loan proceeds fell well short of the required 50% loan-to-cost threshold required of 4% LIHTC transactions.
- The size of the seller notes generated by the large acquisition values raised concerns as to the projects’ ability to reasonably pay off the notes with the project period.

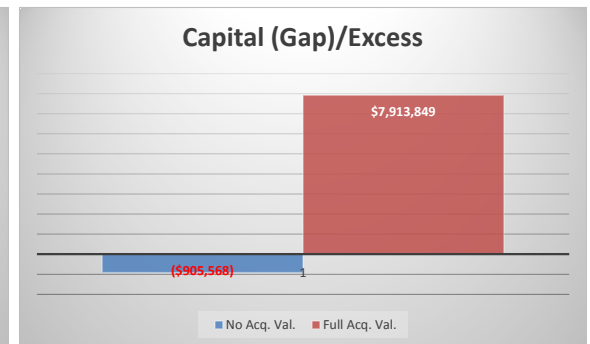
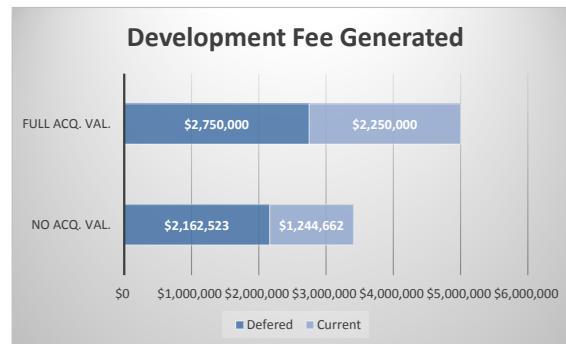
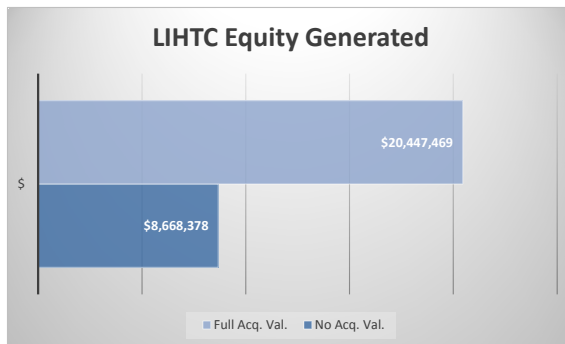
Staff has now gained comfort through conversations with investors, internal and external counsel, and consultants, that it has found a viable deal structure.

Executive Summary

To be able to execute this structure, the Commission will have to commit to an issuance of approximately \$19.1MM in short-term bonds in addition to an issuance of approximately \$17.2MM in long-term bonds. This additional interest serves the purpose of meeting the 50% loan-to-cost threshold for both projects:



Funding for the construction period will come solely from the short- and long-term mortgage proceeds. Upon completion of construction, the LIHTC equity will fund the take-out of the short-term bonds. Creating this structure whereby both transactions can claim acquisition credits delivers vital funding to both these projects and future RAD transactions:



Executive Summary

While the issuance of \$19.1MM in short-term bonds would tap HOC's total bond capitalization, it would only represent a decrease of about 13.1%. Additionally, HOC would earn its 2% origination fee on both the short- and long-term proceeds and, of course, see approximately \$8MM in sale proceeds generated for use on future RAD projects.

Year	2009	2010	2011	2012	2013	2014	Projecting 2015	Projecting 2016
Balance Carried Forward	\$21,144	\$50,544	\$15,241	\$48,567	\$63,184	\$89,812	\$108,741	\$86,077
Special Allocation ¹			\$20,000					
Annual Bond Cap Allocation	\$29,400	\$30,297	\$32,726	\$32,618	\$33,228	\$35,429	\$36,138	\$36,861
	6%	3%	8%	-0.33%	2%	7%	2%	2%
TOTAL BOND CAP AVAILABLE	\$50,544	\$80,841	\$67,967	\$81,184	\$96,412	\$125,241	\$144,879	\$122,938

HOC PROGRAMS								
Single Family ²	\$0	\$1,850	\$19,400	\$18,000	\$6,600	\$0	\$0	\$0
Arcola Tower ³							\$13,191	
Waverly House ³							\$23,111	
Ambassador Apartment ⁴								\$10,820
TOTAL HOC PROGRAMS	\$0	\$1,850	\$19,400	\$18,000	\$6,600	\$0	\$36,302	\$10,820

PRIVATE DEVELOPERS								
Silver Spring - The Galaxy ⁵		\$38,450						
Silver Spring - The Argent ⁶		\$25,300						
Gaithersburg - Olde Towne ⁷							\$22,500	
Germantown - Churchill II ⁸						\$16,500		
TOTAL PRIVATE ACTIVITY	\$0	\$63,750	\$0	\$0	\$0	\$16,500	\$22,500	\$0
TOTAL BOND CAP REMAINING	\$50,544	\$15,241	\$48,567	\$63,184	\$89,812	\$108,741	\$86,077	\$112,118

There is easy precedent to this sort of an action. The Churchill II project shown in the chart above uses a short-term bond structure for an approximately equal amount for which HOC earned simply a fee.

Project Summary – Arcola Towers

Project Name	Arcola Towers	Units	141	Closing Date	May-15
Location	Silver Spring, MD	Average Unit Size (SF)	521	Stabilization Date	Jul-16
Product Type	High Rise	Occupancy (a/o 11/31/14)	92.91%	Recapitalization Strategy	Rehab
Year Built (Renovated)	1972	Total Sqft	139,472	Funding Strategy	4% LIHTC/Bonds

Development Updates

- Upon approval of this request, the design team will begin construction drawings for the full renovation plan. This is a five-month process and is likely the driver for determining a closing date.
- Staff is meeting with residents every 45 days to provide new information and to continue to answer questions. RAD TV is also playing on a dedicated monitor in the common area.
- Staff is currently working to create adequate vacancy of at least 12 units. By doing so, the development team can consolidate vacant units to one floor, close the floor to residents, renovate vacant units, and upon completion relocate an occupied floor into the newly renovated units. This in turn creates a newly vacant floor so that the process can repeat until the renovation is completed. At present, 10 units are vacant.



- FHA Risk-Share Mortgage, \$150K fee to HOC.
- Debt proceeds of \$7.1MM (@ 1.2x DCR) and 4% LIHTC equity of \$7.3MM.
- Development fee of \$2.5MM, with \$1.0MM paid current.
- Capitalized equity at closing: \$0.8MM.
- Capitalized equity to be reserved for financing of new construction RAD deals.

Transaction Rationale – Arcola Towers

Benefits to Mission

- Arcola Towers serves some of the Commission’s most vulnerable residents. The RAD conversion process will allow HOC to reinvigorate the property with much needed updates to the physical plant and expanded capacity for senior oriented programming.
- This comprehensive renovation will address the property’s capital need backlog and dramatically reduce operating expenses particularly in maintenance and utility expenses.
- The renovated property will see more thoughtful activation of the common area amenities. Of particular note at Arcola are the functional kitchen and café space, as well as significant additional indoor and outdoor communal space.
- Recapitalization of the property will generate additional funds for use on future RAD transactions.

Location

- Arcola Towers is located just south of Kemp Mill Shopping Center, which has an assortment of medical services located there, and is five minutes east of downtown Wheaton.
- It also abuts Sligo Creek Park which boasts walking trails, places to sit, and beautiful scenery.

Transportation

- The site itself sits on a major bus route, #8 Ride-On Bus, which is right out the front door.

Future Development

- At some point in the future after the initial renovation is complete, the Commission has the option to explore additional development on an undeveloped portion of the site. The current timeline does not allow for this expansion but that opportunity may be pursued post conversion.

Renovation: Resident Management

Elderly and disabled individuals present a host of needs and issues attributable to increased age and consequent health conditions which can be exacerbated by the magnitude of the renovation work, cultural and language barriers, and social isolation. These issues demand a level of management to help minimize negative impacts associated with the significant renovation.

The proposed Resident Management Plan will focus on needs assessment, early involvement, crisis response measures, and on-going information to link residents with the goals of the project. Tenant management and obstacle prevention will be the approaches to service delivery. While doing work on the building, occupants are sometimes relocated for short or long periods of time to allow for construction in their apartments to take place.

HOC will provide Arcola Towers' residents several options to facilitate the work that include:

1. Renovate and replace vacant units by moving residents into those units permanently;
2. Providing hospitality suites on the floor undergoing renovation to provide residents a place to go during the day;

3. Allowing residents to permanently relocate prior to commencing renovation;
4. Assisting residents with temporary relocation while their unit is renovated.



Sources & Uses - Arcola

	Preliminary Plan (PP)	PP (Net of Acq.)	Revised (R)	R (Net of Acq.)
USES	Total	Total	Total	Total
Acquisition Costs	11,799,700		13,166,377	
Rehab / Construction	7,568,728	7,568,728	9,567,066	9,567,066
Commitment / Development Fees to HOC	2,120,850	2,120,850	2,642,378	2,642,378
Fees / Misc. Expenses	<u>1,904,800</u>	<u>1,904,800</u>	<u>2,635,480</u>	<u>2,635,480</u>
TOTAL	\$23,394,078	\$11,594,378	\$28,011,301	\$14,844,924
SOURCES	Total		Total	
Bond Financing	7,588,296	\$82,229/unit	7,118,896	\$105,283/unit*
Tax Credit Equity	5,538,965		7,327,511	
Capital Fund Program Funds	100,000		100,000	
Deferred Developer Fee	0		1,500,000	
HOC Seller Note	<u>10,166,817</u>		<u>11,964,893</u>	
TOTAL	\$23,394,078		\$28,011,301	

*Increase from construction costs about \$14,172/unit.

Funds To HOC	Preliminary Plan	Revised
Commitment / Development Fees	\$2,120,850	\$2,642,378
Capitalized Asset Equity	<u>\$1,133,183</u>	<u>\$790,107</u>
TOTAL	\$3,254,033	\$3,432,485

Construction Budget & Scope - Arcola

<i>Division</i>	<i>Division Name</i>	<i>TOTAL</i>	<i>TOTAL (/unit)</i>
1	General requirements	591,868	4,198
2	Site work	383,986	2,723
3	Concrete	122,531	869
4	Masonry	25,000	177
5	Metals	107,246	761
6	Wood and plastic	269,628	1,912
7	Thermal and moisture	61,150	434
8	Doors and windows	768,105	5,448
9	Finishes	1,247,141	8,845
10	Specialties	67,472	479
11	Equipment	199,274	1,413
12	Furnishings	386,454	2,741
13	Special construction	-	-
14	Conveying systems	75,000	532
15	Mechanical	2,100,350	14,896
16	Electrical	1,049,900	7,446
17	Bonds and insurance	163,407	1,159
18	Miscellaneous	-	-
19	Design/inflation contingency	731,500	5,188
	TOTAL HARD COSTS	8,350,010	59,220
	Permits	172,901	1,226
	GC Fee	160,370	1,137
	Overhead	400,926	2,843
	TOTAL CONSTRUCTION COST	9,084,207	64,427



Exterior Renewal

- The scope of work includes minor brick repointing, lintel cleaning, repair and replacement as needed and a complete wash down of the façade, which will give the building a clean look and an improved visual impact on the neighborhood.

Upgrading Finishes

- The project design includes upgrading of unit flooring, countertops and cabinetry as well as the replacement of outdated appliances with new, EnergyStar™ rated appliances and includes low-flow plumbing fixtures.
- Inadequate and outdated lighting in both units and common areas will be replaced, elevator cab finishes will be updated and flooring in all common areas will be updated.

Construction Budget & Scope - Arcola

Scope of Proposed Common Area Work

- New ASHRAE 15 Ventilation system including all louvers, fans, sensors, controls, etc. for the mechanical room.
- The 3,000A main electrical distribution system consisting of the switchboard and switches will all be replaced.
- All of the existing lighting, both interior and exterior, will be replaced with new “Energy Star” rated fixtures. All exit lights to be replaced with LED lights. Occupancy sensors to be installed in common areas, corridors and stairwells to reduce energy usage.
- Electrical distribution panels will be replaced because they are original.
- Installation of a cogeneration system, also known as Combined Heat & Power (CHP) which simultaneously produces both electricity and useable heat from one fuel source.
- The cooling tower, associated open loop piping and valves, chiller, and the roof exhaust fans will all be replaced with new, more efficient equipment.
- The existing corridor ventilation duct riser and grills will be replaced with a new, DX Gas fired 100% Outside Air corridor ventilation unit with reheat.
- Laundry room will be reconfigured to allow for proper use of fully-accessible washer / dryers.
- The reception desk at the entrance to the building will be replaced.
- The existing aluminum storefronts located at the vestibule will be replaced with insulated double paned storefronts.
- The existing sliding glass balcony doors will be replaced with new, aluminum balcony doors.
- Ceilings in the first floor common areas and offices at the one story portion will be replaced with 2x2 grid acoustical panel ceiling.
- All corridors and stairwells to be painted after work is complete with a low VOC, low-sheen paint.
- Installation of identification and directional signage throughout the building at the proper height.
- Installation of toilet and bath accessories for each public toilet.
- Interior elevator cab modernization.
- NFPA 13 sprinkler system.
- New hot water heater booster pump.
- Next generation of Fiber Network upgrades.

Unit Mix & Rent Supplementation

Typically, when Public Housing units are disposed of, a pro rata portion of capital funding to a Public Housing Authority (“PHA”) is extinguished and Rental Housing Factor (“RHF”) funds are generated as a one-time source for acquisition and development of new Public Housing units. HOC is using the RAD program to exit Public Housing entirely. However, RHF use is limited to Public Housing.

Property	Unit Type	# of Units	SF	RAD Rent	Supplement	Total Rent
Arcola Towers	1 Bedroom	59	480	\$727	\$183	\$910
Arcola Towers	1 Bedroom	82	550	\$727	\$183	\$910
Waverly House	1 Bedroom	156	560	\$716	\$183	\$899
Waverly House	2 Bedroom	2	750	\$811	\$183	\$994

HUD, anticipating this would be the case for many housing authorities, created Demolition or Disposition Transition Funding (“DDTF”) as an alternative to RHF that can be used as a source in RAD conversions. Not only can DDTF be used as a capital source over five years, it can also be used as a rent supplement to boost ongoing rents in the post-conversion HAP contract. While units disposed of through the RAD program do not generate DDTF, units disposed through the Section 18 process do. In Federal Fiscal Year (“FFY”) 2014, approximately 596 of HOC’s 669 scattered site Public Housing units were disposed of and will generate DDTF. Staff proposes that it be used as shown above. Supporting calculations are below:

FY2013 Capital Funding (Approximate)	FY2014 Capital Funding (Estimated)	Percentage Disposed by FY2014	DDTF Generated	Total Units at AT & WH	Rent Supplement (/mo.)
\$1,700,000	\$1,700,000	39%	\$655,000	299	\$183

The DDTF generated by the FFY2014 dispositions will show up in and must be implemented in FFY2015. As Arcola Towers and Waverly House are the only RAD conversions scheduled for FFY2015, it is included in the financing for those projects.

Pro Forma Stabilized Operations - Arcola

Pre-Dev Plan		Revised	
Revenue		Revenue	
Gross Potential Rent	\$1,230,084	Gross Potential Rent	\$1,256,460
Vacancy & Bad Debt (@5%)	(\$61,504)	Vacancy & Bad Debt (@6%)	(\$93,027)
Other Income	\$35,057	Other Income	\$43,163
DDTF Rental Supplement	\$308,880	DDTF Rental Supplement	\$293,545
Total Net Revenue	\$1,512,517	Total Net Revenue	\$1,500,141
Operating Expenses	(\$815,079)	Operating Expenses	(\$869,092)
Replacement Reserves	(\$42,300)	Replacement Reserves	(\$42,300)
Net Operating Income	\$655,138	Net Operating Income	\$588,749

Financing Update – Arcola Towers

Debt		Equity	
Max Mortgage Amount	\$7,118,896	LIHTC Equity Amount	\$7,327,511
Term	30	Eligible Basis	\$21,474,708
Interest Rate	5.00%	Applicable Credit Rate	3.25%
MIP	0.50%	Credit Pricing	\$1.05
Debt Coverage Ratio	1.20		
NOI	\$588,749		
Debt Service	\$458,589		

Impacts			
Reserves:		Fees to HOC:	
Annual Deposit:	\$300/Unit ¹	Development Fees	\$2,500,000
Initial Deposit:	\$300/Unit	Finance Fees	<u>142,378</u>
		<i>Total Fees</i>	\$2,642,378

¹ 20 Year capital reserve schedule being developed with an anticipated increase to the annual deposit reserves.

Project Summary – Waverly House

Project Name	Waverly House	Units	158	Closing Date	May-15
Location	Bethesda, MD	Average Unit Size (SF)	562	Stabilization Date	Jul-16
Product Type	High Rise	Occupancy (a/o 11/31/14)	99.37%	Recapitalization Strategy	Rehab
Year Built (Renovated)	1978	Total Sqft	124,410	Funding Strategy	4% LIHTC

Development Updates

- Upon approval of this request, the design team will begin construction drawings for the full renovation plan. This is a five-month process and is likely the driver for determining a closing date.
- Staff is meeting with residents every 45 days to provide residents with new information and to continue to answer questions. RAD TV is also playing on a dedicated monitor in the common area.
- Staff is currently working to create adequate vacancy of at least 12 units. By doing so, the development team can consolidate vacant units to one floor, close the floor to residents, renovate vacant units, and upon completion relocate an occupied floor into the newly renovated units. This in turn creates a newly vacant floor **so that the process can repeat until renovation is completed**. At present, 1 unit is vacant.



- FHA Risk-Share Mortgage, \$200K fee to HOC.
- Debt proceeds of \$10.1MM (@ 1.2x DCR) and 4% LIHTC equity of \$13.1MM.
- Development fee of \$2.5MM, with \$1.25MM paid current.
- Cash equity at closing: \$7.1MM.
- Cash equity to be reserved for financing of new construction RAD deals.

Transaction Rationale – Waverly House

Benefits to Mission

- Waverly House serves some of the Commission's most vulnerable residents. The RAD conversion process will allow HOC to reinvigorate the property with much needed updates to the physical plant and expanded capacity for senior oriented programming.
- This comprehensive renovation will address the property's capital need backlog and dramatically reduce operating expenses particularly in maintenance and utility expenses.
- The renovated property will see more thoughtful activation of the common area amenities. Of particular note at Waverly House are the significant common area space and shared balconies on each floor.
- Recapitalization of the property will generate additional funds for use on future RAD transactions.

Location

- Waverly is located in downtown Bethesda on East West Highway.
- Bethesda Row is a 10-minute walk away.

Transportation

- The site itself sits on a major bus route, #J2 Ride-On Bus, which is right out the front door.
- The entrance to the Red Line metro is only 5 minutes away.

Renovation: Resident Management

Elderly and disabled individuals present a host of needs and issues attributable to increased age and consequent health conditions which can be exacerbated by the magnitude of the renovation work, cultural and language barriers, and social isolation. These issues demand a level of management to help minimize negative impacts associated with the significant renovation.

The proposed Resident Management Plan will focus on needs assessment, early involvement, crisis response measures, and on-going information to link residents with the goals of the project. Tenant management and obstacle prevention will be the approaches to service delivery. While doing work on the building, occupants are sometimes relocated for short or long periods of time to allow for construction in their apartments to take place.

HOC will provide Waverly House residents several options to facilitate the work that include:

1. Renovate and replace vacant units by moving residents into those units permanently;
2. Providing hospitality suites on the floor undergoing renovation to provide residents a place to go during the day;

3. Allowing residents to permanently relocate prior to the renovation commencing;
4. Assisting residents with temporary relocation while their unit is renovated.



Development Plan Summary - Waverly

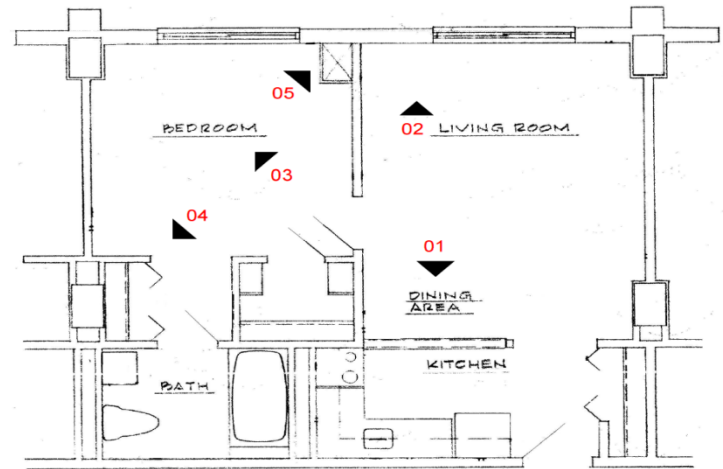
	Preliminary Plan (PP)	PP (Net of Acq.)	Revised (R)	R (Net of Acq.)
USES	Total	Total	Total	Total
Acquisition Costs	11,173,300		32,247,925	
Rehab / Construction	8,465,163	8,465,163	10,357,178	10,357,178
Commitment / Development Fees to HOC	2,232,769	2,232,769	2,701,590	2,701,590
Fees / Misc. Expenses	<u>2,298,100</u>	<u>2,298,100</u>	<u>3,273,999</u>	<u>3,273,999</u>
TOTAL	\$24,044,038	\$12,870,738	\$48,580,692	\$16,332,767
SOURCES	Total		Total	
Bond Financing	8,750,300	\$81,460/unit	10,079,477	\$103,372/unit*
Tax Credit Equity	5,584,262		13,119,958	
Capital Fund Program Funds	100,000		100,000	
Deferred Development Fee	0		1,250,000	
HOC Seller Note	<u>9,580,966</u>		<u>24,031,258</u>	
TOTAL	\$24,015,527		\$48,580,692	

*Increase from construction costs about \$11,974/unit.

Funds To HOC	Preliminary Plan	Revised
Commitment / Development Fees	\$2,232,769	\$2,701,590
Capitalized Asset Equity	<u>\$1,119,034</u>	<u>\$7,123,742</u>
TOTAL	\$3,351,803	\$9,825,332

Construction Budget & Scope - Waverly

Division	Division Name	TOTAL	TOTAL (/unit)
1	General requirements	504,137	3,191
2	Site work	280,018	1,772
3	Concrete	19,545	124
4	Masonry	-	-
5	Metals	116,364	736
6	Wood and plastic	1,239,518	7,845
7	Thermal and moisture	107,864	683
8	Doors and windows	433,527	2,744
9	Finishes	1,882,580	11,915
10	Specialties	180,664	1,143
11	Equipment	-	-
12	Furnishings	271,237	1,717
13	Special construction	232,180	1,469
14	Conveying systems	118,182	748
15	Mechanical	2,110,327	13,357
16	Electrical	1,192,033	7,545
17	Bonds and insurance	152,141	963
18	Miscellaneous	-	-
19	Design/inflation contingency	818,404	5,180
	TOTAL HARD COSTS	9,658,722	61,131
			-
	PERMITS	158,256	
2.00%	OVERHEAD	180,049	1,140
4.00%	GC FEE	360,098	2,279
	TOTAL CONSTRUCTION COST	10,357,124	64,550



Exterior Renewal

- The scope of work includes minor brick repointing, lintel cleaning, repair and replacement, canopy reconstruction, aluminum windows, and parking repaving and restriping, which will give the property a clean look and an improved visual impact on the neighborhood.

Interior Overhaul

- The project design includes upgrades to core building systems, public and common areas, and resident units.
- Unit upgrades include flooring, countertops and cabinetry as well as the replacement of outdated appliances with new, EnergyStar™ rated appliances.
- Inadequate and outdated lighting in both units and common areas will be replaced, elevator cab finishes will be updated and flooring in all common areas will be updated.

Construction Budget & Scope - Waverly

Scope of Proposed Common Area Work

Public and Common Use Areas

1. Provide new finishes in common areas. Roof: ***Work included under other funding source***
 - A. Laundry: New VCT flooring over existing and paint walls & ceiling
 - B. Community Room: New vinyl plank flooring over existing, touch up paint where needed.
 - C. Kitchen: Replace VCT flooring, touch up paint where needed.
 - D. Computer Lab and Game room: Paint walls, ceiling & trim.
 - E. Entry Vestibule: New flooring, Paint walls, ceiling & trim.
 - F. Corridors/ Elevator Lobby: Replace carpet/VCT, Paint walls, ceiling & trim (alternate colors)
2. Replace vinyl privacy fence at rear property line
3. Elevator modernization- 2 elevators
4. Alterations
 - A. Make public restrooms accessible (UFAS & ADA compliant)
 - B. Front desk/ lobby reconfiguration (ADA/UFAS compliant)
 - C. Corridors/ Elevator Lobby:
 - D. Mail Room: Make accessibility improvements. (USPS current)
5. Electrical
 - A. Replace light fixtures in laundry room, common areas w/ Energy Star fixtures
 - B. Provide occupancy sensors.
 - C. Replace electrical outlets and switches (including new GFCI as required).
 - D. Replace existing lamps with energy saving T8s in all stairwell & Corridor fixtures.
 - E. Provide additional lighting in all corridors (at new tray ceiling)
 - F. Provide occupancy sensors in corridors.
 - G. Provide wall sconce fixture at each unit entry
 - H. Replace all exit signs with LED type.
 - I. Next generation of Fiber Network upgrades.
6. HVAC
 - A. Replace HVAC system/ Cooling Tower with new high-efficiency system
 - B. Replace Fire Pump
 - C. Lower domestic hot water temperature set-points

Unit Mix & Rent Supplementation

Typically, when Public Housing units are disposed of, a pro rata portion of capital funding to a Public Housing Authority (“PHA”) is extinguished and Rental Housing Factor (“RHF”) funds are generated as a one-time source for acquisition and development of new Public Housing units. HOC is using the RAD program to exit Public Housing entirely. However, RHF use is limited to Public Housing.

Property	Unit Type	# of Units	SF	RAD Rent	Supplement	Total Rent
Arcola Towers	1 Bedroom	59	480	\$727	\$183	\$910
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Waverly House	2 Bedroom	2	750	\$811	\$183	\$994

HUD, anticipating this would be the case for many housing authorities, created Demolition or Disposition Transition Funding (“DDTF”) as an alternative to RHF that can be used as a source in RAD conversions. Not only can DDTF be used as a capital source over five years, it can also be used as a rent supplement to boost ongoing rents in the post-conversion HAP contract. While units disposed of through the RAD program do not generate DDTF, units disposed through the Section 18 process do. In Federal Fiscal Year (“FFY”) 2014, approximately 596 of HOC’s 669 scattered site Public Housing units were disposed of and will generate DDTF. Staff proposes that it be used as shown above. Supporting calculations are below:

FY2013 Capital Funding (Approximate)	FY2014 Capital Funding (Estimated)	Percentage Disposed by FY2014	DDTF Generated	Total Units at AT & WH	Rent Supplement (/mo.)
\$1,700,000	\$1,700,000	39%	\$655,000	299	\$183

The DDTF generated by the FFY2014 dispositions will show up in and must be implemented in FFY2015. As Arcola Towers and Waverly House are the only RAD conversions scheduled for FFY2015, it is included in the financing for those projects.

Pro Forma Stabilized Operations - Waverly

Pre-Dev Plan		Revised	
Revenue		Revenue	
Gross Potential Rent	\$1,359,816	Gross Potential Rent	\$1,410,522
Vacancy & Bad Debt (@5%)	(\$67,991)	Vacancy & Bad Debt (@6%)	(\$104,478)
Other Income	\$38,755	Other Income	\$82,082
DDTF Rental Supplement	\$346,120	DDTF Rental Supplement	\$330,786
Total Net Revenue	\$1,676,700	Total Net Revenue	\$1,718,911
Operating Expenses	(\$873,841)	Operating Expenses	(\$837,915)
Replacement Reserves	(\$47,400)	Replacement Reserves	(\$47,400)
Net Operating Income	\$755,460	Net Operating Income	\$833,596

Financing Update – Waverly House

Debt		Equity	
Max Mortgage Amount	\$10,079,477	LIHTC Equity Amount	\$13,119,958
Term	30	Eligible Basis	\$38,450,608
Interest Rate	5.00%	Applicable Credit Rate	3.25%
MIP	0.50%	Credit Pricing	\$1.05
Debt Coverage Ratio	1.20		
NOI	\$833,596		
Debt Service	\$649,306		

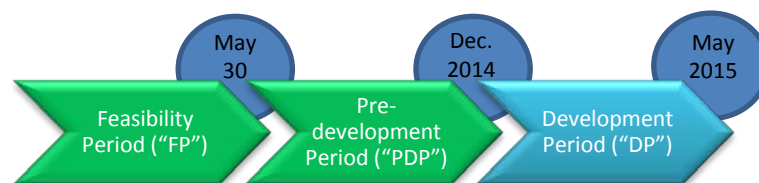
Impacts			
Reserves:		Fees to HOC:	
Annual Deposit:	\$300/Unit ¹	Development Fees	\$2,500,00
Initial Deposit:	\$300/Unit	Finance Fees	<u>201,590</u>
		<i>Total Fees</i>	\$2,701,590

¹ 20 Year capital reserve schedule being developed with an anticipated increase to the annual deposit reserves.

Projected Development Spending

Arcola Towers

Development Cost Schedule					
<i>Cost Element</i>	<i>FY2014</i>	<i>FY2015</i>	<i>Jan/Feb</i>	<i>Mar/Apr</i>	<i>May/Jun</i>
Architecture	\$10,000	\$177,435	\$53,231	\$79,846	\$44,359
MEP Design	\$0	\$161,000	\$48,300	\$72,450	\$40,250
Engineering (PCA)	\$7,368	\$0	\$0	\$0	\$0
Environmental Phase I	\$1,950	\$0	\$0	\$0	\$0
Survey	\$1,500	\$0	\$0	\$0	\$0
Appraisal	\$2,750	\$0	\$0	\$0	\$0
Market Study	\$6,000	\$0	\$0	\$0	\$0
RAD Consultant	\$16,920	\$67,680	\$0	\$21,150	\$46,530
Legal	\$0	\$80,000	\$0	\$20,000	\$60,000
Contingency	\$0	\$19,745	\$0	\$1,974	\$17,770
LIHTC Application Fee	\$0	\$7,500	\$2,500	\$5,000	\$0
Total	\$46,488	\$513,360	\$104,031	\$200,420	\$208,909
Funding Schedule					
<i>Funding Source</i>	<i>FY2014</i>	<i>FY2015</i>	<i>Jan/Feb</i>	<i>Mar/Apr</i>	<i>May/Jun</i>
Capital Fund Program	\$46,488	\$53,512	\$0	\$53,512	\$0
OHRF	\$0	\$459,848	\$104,031	\$146,908	\$208,909
Total	\$46,488	\$513,360	\$104,031	\$200,420	\$208,909



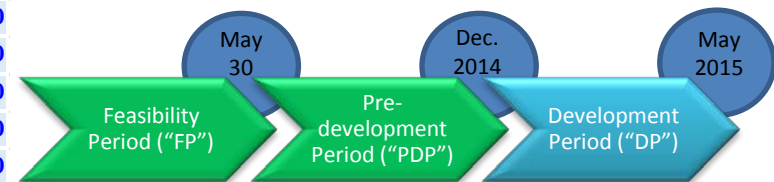
Total development period funding required: \$459,848.

All OHRF funds reimbursed at close of finance (projected for May 2015).

Projected Development Spending

Waverly House

Development Cost Schedule					
Cost Element	FY2014	FY2015	Jan/Feb	Mar/Apr	May/Jun
Architecture	\$36,000	\$219,000	\$65,700	\$98,550	\$54,750
MEP Design	\$0	\$66,000	\$19,800	\$29,700	\$16,500
Engineering (PCA)	\$7,368	\$0	\$0	\$0	\$0
Environmental Phase I	\$1,950	\$0	\$0	\$0	\$0
Survey	\$1,500	\$0	\$0	\$0	\$0
Appraisal	\$2,750	\$0	\$0	\$0	\$0
Market Study	\$6,000	\$0	\$0	\$0	\$0
RAD Consultant	\$18,960	\$75,840	\$0	\$23,700	\$52,140
Legal	\$0	\$80,000	\$0	\$20,000	\$60,000
Contingency	\$0	\$17,934	\$0	\$1,793	\$16,140
LIHTC Application Fee	\$0	\$7,500	\$0	\$2,500	\$5,000
Total	\$74,528	\$466,274	\$85,500	\$176,243	\$204,530
Funding Schedule					
Funding Source	FY2014	FY2015	Jan/Feb	Mar/Apr	May/Jun
Capital Fund Program	\$74,528	\$25,472	\$0	\$25,472	\$0
OHRF	\$0	\$440,802	\$85,500	\$150,771	\$204,530
Total	\$74,528	\$466,274	\$85,500	\$176,243	\$204,530



Total development period funding required: \$440,802.

All OHRF funds reimbursed at close of finance (projected for May 2015).

Design & Development Team

Architecture & Engineering

Arcola

Selected through RFP #1916, Miner Feinstein Architects has been approved by the Commission as the architect for the rehabilitation of Arcola Towers. The contractual scope includes design and construction administration.

Waverly

Selected through RFP #1916, Architecture by Design (an MDOT-approved MBE) has been approved by the Commission as the architect for the rehabilitation of Waverly House. The contractual scope includes design and construction administration.

General Contracting

Arcola

Selected through RFP #1915, Harkins Builders has been approved by the Commission as the general contractor for the rehabilitation of Arcola Towers.

Waverly

Selected through RFP #1915, Whiting-Turner has been approved by the Commission as the general contractor for the rehabilitation of Waverly House.

Financing

Selected through RFP #1883, Morrison Avenue Capital Partners (“MACP”) is authorized to provide regulatory, statutory, and financial consulting in conjunction with the conversion of HOC’s Public Housing communities via the RAD program. HOC has already issued task orders (\$600/unit) for regulatory and statutory issues related to conversion. Staff is proposing issuing two additional task orders for assistance with structuring the financing for Arcola Towers and Waverly House. In particular, MACP would coordinate with potential (and the eventual) LIHTC equity investors to ensure that the projects are able to claim acquisition credits. Cost of task orders #12 and #13 is 1% of the eventual equity raised for each project, paid only if projects close.

Commission Request & Next Steps

Issues for Consideration

Does the Commission wish to accept the recommendation of the Development and Finance Committee, which met on December 18, 2015, for approval of the following?

1. Approval of the Development Plan for Arcola Towers, including \$459,848 in development period expenditures.
2. Approval to fund development period expenditures out of the Opportunity Housing Reserve Fund (“OHRF”).
3. Approval of the Development Plan for Waverly House, including \$440,802 in development period expenditures.
4. Approval to fund development period expenditures out of the Opportunity Housing Reserve Fund (“OHRF”).

LIHTC Timing

The following depicts the project timeline through anticipated closing in June 2015.



Resolutions of support from Montgomery County Council received in July 2014.

Commission Request & Next Steps

Timing of Approval

For action at the January 14, 2015, Commission meeting.

Budget Impact

There is no impact on the agency's operating budget.

Staff Recommendation and Commission Action Needed

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

1. The final Development Plan for Arcola Towers, including \$459,848 in development period expenditures.
2. Funding of the development period expenditures from the Opportunity Housing Reserve Fund ("OHRF").
3. The final Development Plan for Waverly House, including \$440,802 in development period expenditures.
4. Funding of the development period expenditures from the Opportunity Housing Reserve Fund ("OHRF").

RESOLUTION:

RE: Approval of Final Development Plans for Arcola Towers and Waverly House, Each Approved for Disposition under the Rental Assistance Demonstration (RAD) Program

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”) faces growing challenges in its aging multifamily Public Housing structures – most prominently, functional obsolescence and pervasive systems issues as a result of age and constrained federal capital support; and

WHEREAS, HUD’s Rental Assistance Demonstration program (the “RAD Program”) presents the Commission with an opportunity to convert its multifamily Public Housing assets to Project-based Section 8 subsidy providing for their acquisition, construction, rehabilitation and permanent financing; and

WHEREAS, on July 30, 2013, the Commission approved participation in the RAD Program and authorized evaluation of a portfolio disposition of its remaining Public Housing assets; and

WHEREAS, on November 6, 2013, the Commission approved performance of feasibility analyses for each property in the Public Housing inventory of the Commission to determine the ultimate scope of work to be conducted in the redevelopment of these properties; and

WHEREAS, Capital Fund Program funds may be utilized to pay for feasibility studies and RAD Program related fees; and

WHEREAS, on December 18, 2013, HUD awarded a Commitment to Enter a Housing Assistance Payment contract (“CHAP”) to both Arcola Towers and Waverly House; and

WHEREAS, on May 7, 2014, the Commission approved preliminary development plans for the rehabilitation, with tenants in place, of Arcola Towers and Waverly House; and

WHEREAS, on August 6, 2014, the Commission approved the selection of either or both Harkins Builders and Whiting-Turner as the general contractor(s) for the rehabilitation of Arcola Towers and/or Waverly House; and

WHEREAS, the Commission has prepared final development plans for each of the Properties that will meet the Properties’ immediate and long-term physical needs.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the final development plan for Arcola Towers, including approximately \$459,848 in development period expenditures, is hereby approved; and

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County approves funding development period expenditures for Arcola Towers out of the Opportunity Housing Reserve Fund (“OHRF”); and

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the final development plan for Waverly House, including approximately \$440,802 in development period expenditures, is hereby approved; and

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County approves funding development period expenditures for Waverly House out of the OHRF.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on January 14, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

ACQUISITION & DEVELOPMENT OPPORTUNITY

617 OLNEY SANDY SPRING RD, SANDY SPRING MD 20860



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
JAY SHEPHERD

Executive Summary

Sandy Spring Meadow is a 55-unit community consisting of 25 townhouses and 30 single-family homes. Originally constructed in 1980, the property will be converted under HUD's Rental Assistance Demonstration (RAD) program.

In May 2014, the Commission approved HOC to enter into a lease-to-purchase option for a property located at 617 Olney Sandy Spring Road (lot P338), immediately adjacent to Sandy Spring Meadow and asked to investigate additional assemblage opportunities.

Staff entered into a purchase agreement with lease occupancy provisions in July 2014. Subsequently, HOC staff held meetings with Maryland-National Capital Park and Planning staff to advance both HOC investment interests and identify ways to work together to meet the goals of the Sandy Spring Rural Village Master Plan.

On September 4, 2014, the Planning Board Public Hearing recommended rezoning parcel P338 from R200 to R60, consistent with HOC goals for the property. After two work sessions in October, the final recommendation of the Planning Board was transmitted to the County Executive and County Council. On January 20, 2015, HOC will again represent its interest to the County Council at Public Hearing for final plan adoption by April 2015.

Staff are also looking at adjacent parcels where HOC's development expertise, patient capital, and long-term investment horizon could make a significant impact on the area while simultaneously helping the County implement the vision of the community in the master plan process.

Staff is herein requesting approval to purchase 617 Olney Sandy Spring Road (lot P338).

With the acquisition, HOC will create new mixed-income housing, increase connectivity to and around existing Sandy Spring Meadow property, foster long-term relationships with County agencies, and enhance the economic viability of the area. On an interim basis, the property can be used for short-term occupancy or construction team workspaces during the RAD 6 renovations.

Final Development Plan

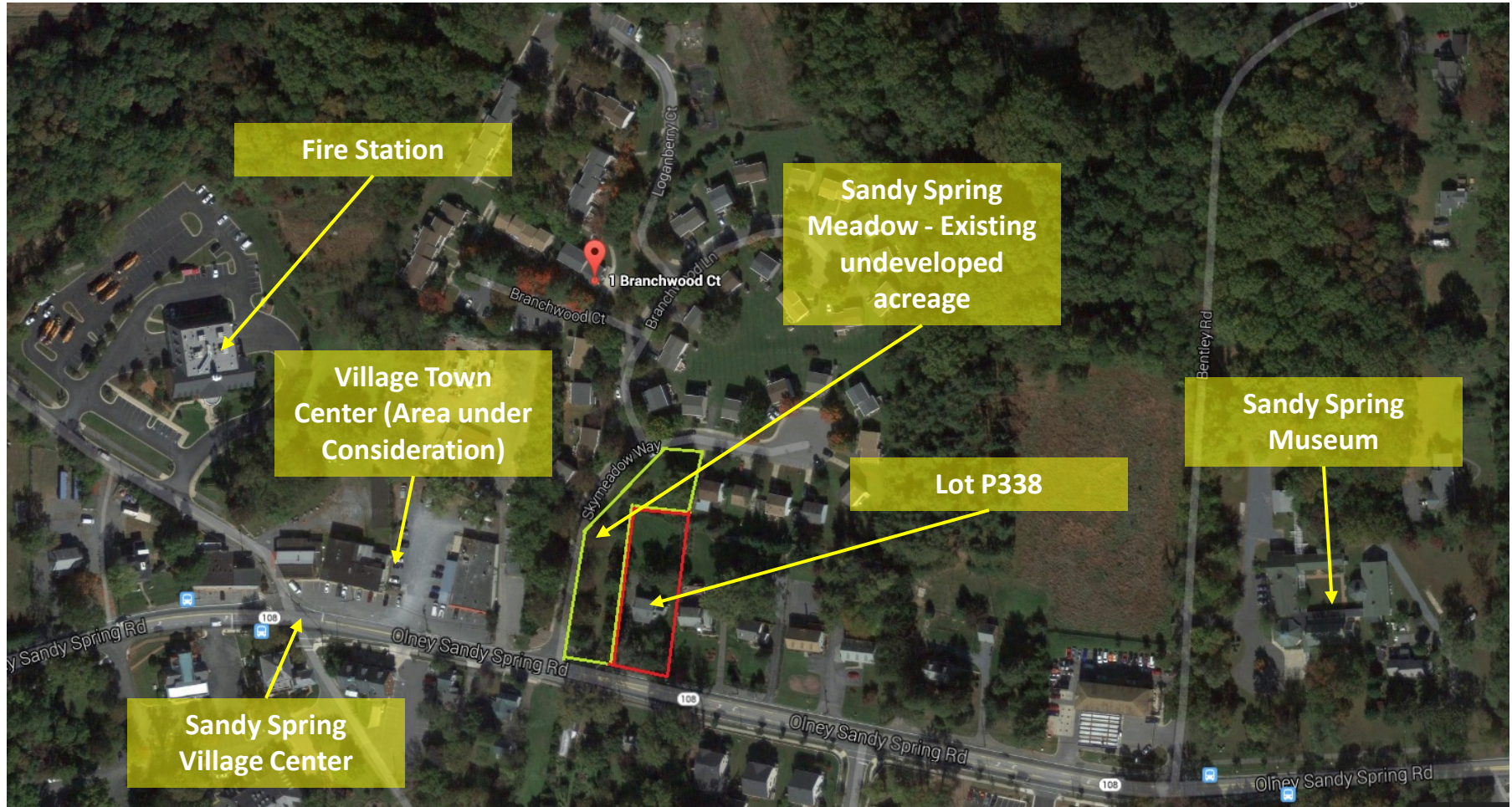
Sources and Uses & Due Diligence Summary

Sources	Amount	Per Unit
OHRF	\$528,321	\$88,054
Total Sources	\$528,321	\$88,054
Uses	Amount	Per Unit
Purchase Price	\$490,000	\$81,666
Acquisition and Closing Costs (see breakdown below)	\$28,321	\$4,721
Initial Deposit Reserve	\$10,000	\$1,667
Total Uses	\$528,321	\$88,054

DUE DILIGENCE -Acquisition and Closing Costs	Cost	Outcome
Rent (6.5 mos. x \$2,300/mo.)	\$14,950	Secured site control.
Phase I and LBP Test	\$3,799	Clean Phase I; LBP present.
Appraisal(s) (2)	\$750	Average \$465,000 (\$440,000 and \$490,000)
Inspection (Home, Termite and Radon)	\$768	Low radon reading, boiler needs maintenance, and negative for all other issues. Structure has new roof.
ALTA/ACSM Survey	\$3,000	No expected issues.
Projected Closing Costs	\$5,054	Title services and title insurance, recording and transfer fees, etc.
Total Due Diligence	\$28,321	

Site Plan Development - Existing

Acquiring Lot P338 adds 20,983 SF to existing undeveloped acreage providing enough acreage to construct five to six new homes. HOC is developing concepts for the Village Town Center Area in conjunction with the potential acquisition of Lot P338.



Site Plan Development - Proposed

Acquiring Lot P338 adds 20,983 SF to existing undeveloped acreage providing enough acreage to construct five to six new homes. HOC is developing concepts for the Village Town Center Area in conjunction with the potential acquisition of Lot P338.



Sample perspective from Skymeadow Drive



Branchwood Lane

Existing house on 617 Olney Sandy Spring Road (Lot P338)

Five (5) Potential New Residential Units

Lot P338 will be rezoned from R200 to R60 to match R60 in Sandy Spring Meadow.

Route 108 and Skymeadow Intersection (Entrance to Sandy Spring Meadow)

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the acquisition and the funding for that purchase with the source of funds to be the Opportunity Housing Reserve Fund reimbursed excess proceeds from the RAD 6 transaction?

BUDGET IMPACT

There is no adverse impact for the current Agency operating budget.

TIME FRAME

For action by resolution at the January 14, 2015 meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee for the following:

1. Approval to purchase the property located at 617 Olney Sandy Spring Road with the source of funds the excess proceeds from the RAD 6 transaction.
2. Approval to draw up to \$535,000 from the unrestricted monies in the Opportunity Housing Reserve Fund as interim financing in the event that acquisition can occur prior to the closing of the RAD 6 transaction.

RESOLUTION

RE: Approval to Purchase Unit Located at 617 Olney Sandy Spring Road, Adjacent to Sandy Spring Meadow Apartments Pursuant to Lease Purchase Option Agreement

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

WHEREAS, HOC, from time to time, acquires land in pursuit of new housing development; and

WHEREAS, Jaime E. Vasquez et al (“Seller”) has offered for fee-simple sale the 20,908-square foot site improved with the 1,566 square foot single-family house it owns at 617 Olney Sandy Spring Road, Sandy Spring, MD (the “Property”); and

WHEREAS, the Property is adjacent to Sandy Spring Meadow Apartments, which is owned by RAD 6 Development Corporation, an HOC affiliate entity, and with the acquisition of the Property, HOC has the opportunity to create new mixed-income housing, increase connectivity to and around the existing Sandy Spring Meadow property, foster long-term relationships with Montgomery County agencies, and enhance the economic viability of the area; and

WHEREAS, on June 4, 2014, the Commission authorized the Executive Director to execute a lease with an option to purchase the Property and also approved related funding; and

WHEREAS, on July 8, 2014, HOC entered into an agreement with the Seller for a six-month lease of the Property with an option to purchase the Property (“Contract”), which provides for a rental rate of \$2,300 per month and a purchase price of \$490,000, subject to an appraisal, to be paid at closing per the terms of the Contract; and

WHEREAS, HOC’s staff has performed all appropriate due diligence on the Property and recommends exercising its option to purchase the Property for \$490,000; and

WHEREAS, the financing for the acquisition and rehabilitation of Sandy Spring Meadow and other properties by RAD 6 Development Corporation (“RAD 6 Transaction”) has now concluded and HOC may use net proceeds from the RAD 6 Transaction to complete the purchase of the Property; and

WHEREAS, in connection with its acquisition of the Property, HOC desires to create an affiliate entity which will be controlled by HOC, to be known by a name approved by the Maryland Department of Assessment and Taxation, which will acquire the Property.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the Executive Director to exercise the option to purchase 617 Olney Sandy Spring Road and approves an allocation of up to \$535,000 of net proceeds from the RAD 6 Transaction.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the Executive Director to form an affiliate entity for the purpose of acquiring and owning the Property.

BE IT FURTHER 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 other actions necessary and proper to carry out the transactions contemplated herein including, but not limited to, the execution of any and all documents related thereto.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 14, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

FINAL DEVELOPMENT PLAN

10 HORIZON COURT, DERWOOD, MD 20860



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
JAY SHEPHERD

January 14

Executive Summary

At its December 2013 meeting, the Commission authorized the Executive Director, in partnership with Jubilee Association of Maryland, Inc., to accept a grant award of up to \$835,000 from the Maryland Department of Health and Mental Hygiene (DHMH) to acquire two additional homes for adults with developmental disabilities.

On February 5, 2014, HOC approved the purchase of a single-family home located at 10 Horizon Court in Derwood for use and operation by Jubilee Association of Maryland, Inc. (Jubilee).

The home requires renovation to house three low-income, developmentally disabled adults and one live-in Jubilee staff member.

On October 9, 2014, an Invitation For Bid, IFB #1940 General Contractor for Visit-Ability Standards at 10 Horizon Ct. Rockville, MD, for the complete renovation of 10 Horizon Court was released by HOC's Procurement Office.

The IFB was sent to all entities under the "renovation" and "general contractor" categories of the bidders' list and posted on Montgomery County's Central Vendor Registration System. Two (2) proposals were received by the bid deadline of October 31, 2014.

In accordance with the selection criteria outlined in IFB #1940, staff reviewed the proposals received by the deadline and recommended for contract, Boulevard Contractors Corporation ("BCC"), located at 10451 Mill Run Circle, Suite 1005, Owings Mills, MD 21117, a Maryland MFD #12-247.

Permanent funding for the renovation will be provided from the DHMH Grant and matching Montgomery County Department of Housing and Community Affairs funds.

To complete the renovation as provided in the contract, interim funding is necessary until the DHMH Grant and County loan funds are received.

Staff hereby recommends the approval of a temporary bridge loan of approximately \$150,000 from the County Revolving Opportunity Housing Development Fund (OHDF) to cover the renovation, permit fees and construction administration expenses related to the Final Development Plan for 10 Horizon Court, located in Derwood Maryland. The OHDF will be repaid from the DHMH Grant and matching Montgomery County Department of Housing and Community Affairs funds.

Final Development Plan

Sources and Uses Summary

FY14 AWARD BUDGET AND PROJECTED USES

	Total Budget	10 Horizon Court	Balance Remaining
SOURCES			
DHMH Grant (Balance from FY10 Award)	\$249,253	\$249,253	\$0
DHMH FY14 Grant	835,000	167,222	667,778
Matching Funds - DHCA	278,305	157,547	120,758
Total Sources	\$1,362,558	\$574,022	\$788,536
USES			
Purchase Price	\$1,033,458	\$420,000	\$613,458
Eligible Closing/Settlement Costs	1,500	700	\$800
<i>DHMH Ineligible Closing/Settlement Costs</i>	8,000	3,722	\$4,278
<i>Total Acquisition & Closing Costs</i>	<i>\$1,042,958</i>	<i>\$424,422</i>	<i>\$618,536</i>
Renovation			
Construction & Permits	\$250,000	\$119,800	\$130,200
Contingency	30,000	15,000	15,000
Site Work	10,000	Incl.	10,000
Permits and Permit Application	1,600	800	800
Initial Deposit Replacement Reserves	4,000	2,000	2,000
Architect & Engineering	24,000	12,000	12,000
<i>Total Renovation</i>	<i>\$319,600</i>	<i>\$149,600</i>	<i>\$170,000</i>
Total Uses	\$1,362,558	\$574,022	\$788,536

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission wish to accept the recommendation of the Development and Finance Committee to approve the final development plan and an interim loan for the renovation of 10 Horizon Court in concert with Jubilee Association of Maryland?

The interim loan is proposed from the County's Revolving Opportunity Housing Development Fund (OHDF) and will be reimbursed from the DHMH Grant and matching funds Montgomery County Department of Housing and Community Affairs.

BUDGET IMPACT

There is no impact on the agency's operating budget. The loan from the OHDF is interest free.

TIME FRAME

For action by resolution at the January 14, 2015 Commission meeting.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission approve the final development plan and interim loan of approximately \$150,000 from the County Revolving Opportunity Housing Development Fund to cover the renovation, permit fees and construction administration expenses related to the Final Development Plan for 10 Horizon Court, located in Derwood Maryland.

The OHDF will be repaid from the DHMH Grant and County loan in approximately 180 days.

The unobligated balance in the OHDF as of December 15, 2014 is \$188,190.

RESOLUTION:

RE:

Approval of Final Development Plan for 10 Horizon Court, Derwood, Maryland for Use and Operation by Jubilee Association of Maryland

WHEREAS, at its December 2013 meeting, the Commission authorized the Executive Director, in partnership with Jubilee Association of Maryland, Inc. (“Jubilee”) to accept a grant award of up to \$835,000 from the Maryland Department of Health and Mental Hygiene (“DHMH Grant”) to acquire two additional homes for adults with developmental disabilities; and

WHEREAS, the Commission’s role would be to supervise and manage renovations and serve as the owner/landlord of the properties and Jubilee would be the social service provider and operator for the occupants of the properties; and

WHEREAS, on February 5, 2014, HOC approved the purchase of a single-family home located at 10 Horizon Court in Derwood (the “Property”) for use and operation by Jubilee; and

WHEREAS, the Property requires renovation to house three low-income, developmentally disabled adults and one live-in Jubilee staff member; and

WHEREAS, on October 9, 2014, an Invitation For Bid (IFB) #1940 for a General Contractor for Visit-Ability Standards at 10 Horizon Ct. Rockville, MD for the complete renovation of the Property was released by HOC’s Procurement Office; and

WHEREAS, in accordance with the selection criteria outlined in IFB #1940, staff reviewed the proposals received by the deadline and recommended a contract award to Boulevard Contractors Corporation; and

WHEREAS, permanent funding for the renovation will be provided from the DHMH Grant and matching Montgomery County Department of Housing and Community Affairs (DHCA) funds; and

WHEREAS, to complete the renovation as provided in the construction contract, interim funding in an amount not to exceed \$150,000 is necessary until the DHMH Grant and DHCA funds are received.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County approves a temporary bridge loan not to exceed \$150,000 from the County Revolving Opportunity Housing Development Fund (OHDF) to cover the renovation, permit fees and construction administration expenses related to the final development plan for 10 Horizon Court, located in Derwood Maryland, to be repaid from the DHMH Grant and matching Montgomery County Department of Housing and Community Affairs funds upon receipt thereof.

BE IT FURTHER 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 other actions necessary and proper to carry out the transactions contemplated herein including, but not limited to, the execution of any and all documents related thereto.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 14, 2015.

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Patrice Birdsong
Special Assistant to the Commission

AUTHORIZATION TO EXTEND THE CURRENT BOND UNDERWRITERS' CONTRACTS FOR TWO YEARS

January 14, 2015

- The Commission continues to pursue financing activities in the financial markets to raise capital for the development, preservation, or rehabilitation of affordable housing in Montgomery County, thereby allowing it to meet its affordable housing goals and mission.
- On January 12, 2011, the Commission adopted a resolution authorizing the formation of its bond underwriting team to consist of Bank of America Merrill Lynch (BAML), formerly Merrill Lynch & Co. as senior manager, and M&T Securities, Inc., JP Morgan Chase, Morgan Stanley, RBC Capital Markets, LLC, PNC Capital Markets, LLC as co-managers.
- BAML as senior manager, structures and markets HOC's bonds to individuals and institutional investors through direct sales and/or a syndicate or selling group of investment banking firms. The co-managers provide the appropriate services necessary for the issuance and sales of bonds.
- The Commission awarded new contracts, each for an initial four-year term, expiring on January 29, 2015, in accordance with the procurement policy. The policy also provides for two additional two-year extensions for a maximum contract term of eight years. If approved, this would be the first of two permitted extensions.
- Staff is satisfied with the services provided by the Commission's bond underwriting team. With the anticipated financing activities in 2015, staff recommends that the Commission accept the recommendation of the Development & Finance Committee, which met on December 18, 2014, to extend each contract with Bank of America Merrill Lynch, Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase for two years, through January 29, 2017.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Division: Mortgage Finance
Staff: Kayrine V. Brown, Chief Investment & Real Estate Officer Ext. 9589

RE: Authorization to Extend the Current Bond Underwriters' Contracts for Two Years

DATE: January 14, 2015

STATUS: Committee Report Deliberation X

OVERALL GOAL & OBJECTIVE:

Continued access to the financial markets to raise capital to fund the affordable housing initiatives of the Housing Opportunities Commission of Montgomery County.

BACKGROUND:

On January 12, 2011, the Commission approved the following members of its bond underwriting team:

Firm	Role
Bank of America Merrill Lynch	Senior Manger
Morgan Stanley	Co-Manager
RBC Capital Markets, LLC	Co-Manager
M&T Securities, Inc.	Co-Manager
PNC Capital Markets, LLC	Co-Manager
J.P. Morgan Chase	Co-Manager

As Senior Manager, Bank of America Merrill Lynch (BAML) markets HOC bonds to individuals and institutional investors through direct sales and/or a syndicate or selling group of investment banking firms. As co-managers, the other members of the bond team provide the appropriate services necessary for the issuance and sales of bonds issued by HOC including marketing to investors, assisting in obtaining credit enhancement, structuring bond issues, and providing other services that enable the Commission to improve its financing programs.

The current contracts with the bond underwriting team were awarded on January 29, 2011 for an initial term of four years, expiring on January 28, 2015. Pursuant to the HOC's procurement policy, the contracts may be extended for two additional two-year terms for a total maximum contract term of eight years. This is the first of two possible extensions.

The underwriting team consistently provides high quality investment banking services to HOC on its financing transactions. Given the current HOC Real Estate pipeline, it is reasonable to expect that many

of HOC's upcoming transactions in the next two years will be financed by the issuance of bonds. Therefore, staff concludes that the pool of underwriters is stable and adequate to continue to support HOC bond programs.

Although Bank of America Merrill Lynch has been designated the Senior Managing Underwriter, the contract provides for any of the co-managers to act as Co-Senior Manager, if the volume of issuance activity warrants. Staff will be reviewing the current structure to determine if it is beneficial for other qualified teams to assume the role of Senior or Co-Senior Manager.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the recommendation of the Development and Finance Committee to extend the current contracts with Bank of America Merrill Lynch, Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase, each for two years?

For the four-year contract period, HOC issued \$216.96 million of new or refunding bonds using the investment banking team. It paid \$1,164,379 in fees to the team and selling group, which represents approximately 0.54% of the total bonds issued and is consistent with the original agreements.

Staff is satisfied with the performance of the team. Given the anticipated bond issuance activity in 2015, the current team possesses the breadth and depth of experience to represent the Commission on upcoming transactions.

PRINCIPALS:

Housing Opportunities Commission
Bank of America Merrill Lynch
Morgan Stanley
RBC Capital Markets, LLC
M&T Securities, Inc.
PNC Capital Markets, LLC
J.P. Morgan Chase

BUDGET IMPACT:

There is no impact on the HOC Operating Budget. Underwriters' fees are included in the bond issuance budget (Cost of Issuance) and are funded through the bond indentures or from financing proceeds. For the past four years of the initial contract, BAML has been paid \$697,288 for its role as senior manager and from selling bonds. The Co-Managers earned a combined total of \$383,472.

TIME FRAME:

For action at the January 14, 2015 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Development & Finance Committee to extend the bond underwriters' contracts for two years, allowing Bank of America Merrill Lynch, Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase for two years to continue to provide bond underwriting services to the Commission through January 29, 2017.

RESOLUTION NO.:

**RE: Authorization to Extend the
Current Bond Underwriters'
Contracts for Two Years**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission"), a public body corporate and politic duly created, organized and existing under the laws of the state of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland (the "Act"), to carry out and effectuate the purpose of providing affordable housing; 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, in support of the Program, in January 2011, Bank of America Merrill Lynch, Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase were selected as members of the Commission's bond underwriting team to provide services that enable the structuring and sale of bonds to individual and institutional investors, thereby facilitating access to the capital markets and as such allows the Commission to meet its affordable housing goals; and

WHEREAS, the existing procurement policy allow for the selection of investment banking firms to serve as underwriters for an initial four-year term plus two additional two-year extensions for a maximum contract term of eight years; and

WHEREAS, Bank of America Merrill Lynch, Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase will complete the initial four-year term of their respective contract on January 29, 2015 and continue to serve the Commission well on each of its bond issuance ensuring that the lowest borrowing rates are achieved; and

WHEREAS, staff is satisfied with the services provided by the bond underwriting team and given the anticipated financing activities, recommends extending each contract term for two years.

NOW, THEREFORE, BE IT RESOLVED, by the Housing Opportunities Commission of Montgomery County, that it approves a two-year extension of the current contract with Bank of America Merrill Lynch, as senior manager of the bond underwriting team and approves a two-year extension of the current contracts with Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase as co-managers of the bond underwriting team through January 29, 2017.

Patrice Birdsong
Special Assistant to the Commission

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Legislative and Regulatory Committee

**AUTHORIZATION TO IMPLEMENT
VOUCHER PAYMENT STANDARDS
BASED ON HUD FY 2015 FAIR MARKET RENTS**

JANUARY 14, 2015

- On October 1, 2014, HUD published its Fiscal Year 2015 Fair Market Rents (FMR) for all jurisdictions in the United States of America.

- Annually, HOC is required to implement the new FMRs and corresponding Voucher Payment Standards for the upcoming fiscal year based on a percentage of the FMRs.

- In December 2014, HUD agreed to allow HOC to use the 50th percentile FMRs, instead of the 40th percentile FMRs, to calculate Montgomery County's Voucher Payment Standards.

- Staff recommends that the Commission approve the Voucher Payment Standards for FY 2015 to be equal to 95 percent of the 50th percentile FMRs for each bedroom size for the Montgomery County jurisdiction.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Lynn Hayes Division: Housing Resources Ext. 9622
Ethan Cohen Executive Ext. 9764

RE: Authorization to Implement Voucher Payment Standards Based on HUD FY 2015 Fair Market Rents

DATE: January 14, 2015

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:

To receive Commission approval to establish and implement the below described Voucher Payment Standards used in HOC’s administration of the Housing Choice Voucher Program.

BACKGROUND:

The U.S. Department of Housing and Urban Development (HUD) publishes Fair Market Rents (FMR) annually for use in determining the Voucher Payment Standards (VPS) for the Housing Choice Voucher (HCV) Program. As of October 1, 2014, HUD published the Fiscal Year 2015 FMRs. These new rents will be used to amend the schedules HOC uses to determine the Voucher Payment Standards for the Agency’s HCV residents.

HUD is required to publish its new FMRs by October 1st of each year. HOC is required to implement the new FMRs and corresponding Voucher Payment Standards for the upcoming fiscal year based on a percentage of the FMRs. The establishment of these Voucher Payment Standards must be based upon a percentage between 90 and 110 percent of the HUD FMRs for the given fiscal year.

HUD calculated the FMRs for the Washington, DC metropolitan region using the 40th percentile of those rents surveyed. Due to the high cost of rental housing in Montgomery County, in November of 2014, HOC requested that HUD grant the Agency an exception to use the 50th percentile FMRs in HOC’s jurisdiction in order to calculate the VPS for FY 2015. In December 2014, HUD agreed to allow HOC to use the 50th percentile FMRs to calculate its jurisdiction’s Voucher Payment Standards for FY 2015.

Staff is recommending that the Commission approve the Voucher Payment Standards for FY 2015 to be equal to 95% of the 50th percentile FMRs for each bedroom size. The 50th percentile

rates will reduce some of the rent burden to clients allowing them to better locate units within the local market.

	Current 2014 VPS	2015 FMR @50th percentile	VPS 90%	VPS 95%	VPS 100%	VPS 105%	VPS 110%	Variance	% Change
Efficiency	\$1,169	\$1,260	\$1,134	\$1,197	\$1,260	\$1,323	\$1,386	28	2.40%
1 Bdrm	\$1,232	\$1,328	\$1,195	\$1,262	\$1,328	\$1,394	\$1,461	30	2.40%
2 Bdrm	\$1,461	\$1,574	\$1,417	\$1,495	\$1,574	\$1,653	\$1,731	34	2.35%
3 Bdrm	\$1,955	\$2,107	\$1,896	\$2,002	\$2,107	\$2,212	\$2,318	47	2.39%
4 Bdrm	\$2,457	\$2,646	\$2,381	\$2,514	\$2,646	\$2,778	\$2,911	57	2.31%
5 Bdrm	\$2,825	\$3,043	\$2,739	\$2,891	\$3,043	\$3,195	\$3,347	66	2.33%
6 Bdrm	\$3,194	\$3,440	\$3,096	\$3,268	\$3,440	\$3,612	\$3,784	74	2.31%

ISSUES FOR CONSIDERATION:

Does the Housing Opportunities Commission of Montgomery County wish to authorize the Executive Director to establish and implement the above described Voucher Payment Standards used in HOC’s administration of the Housing Choice Voucher Program?

PRINCIPALS:

Housing Resources Division

BUDGET IMPACT:

The expected effect on the Agency budget is minimal.

TIME FRAME:

The Legislative and Regulatory Committee reviewed this item at its meeting on December 17, 2014; for Commission action on January 14, 2015.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Legislative and Regulatory Committee to authorize the Executive Director to establish and implement the above described Voucher Payment Standards used in HOC’s administration of the Housing Choice Voucher Program.

RESOLUTION:

**RE: Authorization to Implement
Voucher Payment Standards
Based on HUD FY 2015
Fair Market Rents**

WHEREAS, annually HUD regulations require that the Housing Opportunities Commission of Montgomery County establish and implement new Voucher Payment Standards used in HOC’s administration of the Housing Choice Voucher Program; and

WHEREAS, the establishment of these Voucher Payment Standards must be based upon a percentage between 90 and 110 percent of the HUD FMRs for the given fiscal year.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to establish and implement the 95 percent Voucher Payment Standards listed below.

	Current 2014 VPS	2015 FMR @50th percentile	VPS 90%	VPS 95%	VPS 100%	VPS 105%	VPS 110%	Variance	% Change
Efficiency	\$1,169	\$1,260	\$1,134	\$1,197	\$1,260	\$1,323	\$1,386	28	2.40%
1 Bdrm	\$1,232	\$1,328	\$1,195	\$1,262	\$1,328	\$1,394	\$1,461	30	2.40%
2 Bdrm	\$1,461	\$1,574	\$1,417	\$1,495	\$1,574	\$1,653	\$1,731	34	2.35%
3 Bdrm	\$1,955	\$2,107	\$1,896	\$2,002	\$2,107	\$2,212	\$2,318	47	2.39%
4 Bdrm	\$2,457	\$2,646	\$2,381	\$2,514	\$2,646	\$2,778	\$2,911	57	2.31%
5 Bdrm	\$2,825	\$3,043	\$2,739	\$2,891	\$3,043	\$3,195	\$3,347	66	2.33%
6 Bdrm	\$3,194	\$3,440	\$3,096	\$3,268	\$3,440	\$3,612	\$3,784	74	2.31%

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on January 14, 2015.

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Patrice Birdsong
Special Assistant to the Commission

Deliberation
and/or
Action

Future Action

Information Exchange

New Business

Executive Session Findings

Adjourn

Executive Session