Housing Opportunities Commission
OF MONTGOMERY COUNTY

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

EXPANDED AGENDA

December 7, 2016

4:00 p.m.	**I. CONSENT ITEMS**		*Res. #
Page 5 14 18 21 26	A. Approval of Minutes of November 2, 2016 B. Approval of Executive Session Minutes of November 2, 2016 C. Approval of Emergency Special Session Minutes of November 6, 2016 D. Approval to Exercise the Option to Extend the Interim Mortgage Loan for Greenhills Apartments Pursuant to the Loan Agreement with BB&T Bank E. Approval of the FY 2017 Wage Adjustments and Service Increments for Unrepresented Employees		 16-81 (pg. 24) 16-82 (pg. 29)
4:05 p.m.	**II. INFORMATION EXCHANGE**		
Page 32 35	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. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**		
 Page 40 44 48 52 56 60 65	**A. Budget, Finance and Audit Committee – Com. Nelson, Chair** 1. Approval of Property Management Contract for Westwood Towers Apartments 2. Approval of Property Management Contract for Pooks Hill Court 3. Approval of Property Management Contract for Shady Grove Apartments 4. Approval of Property Management Contract for The Willows 5. Approval of Property Management Contract for Greenhills Apartments and Town Homes 6. Approval of Service Contract for Housing Quality Standards Inspections 7. Approval to Procure Customer Relations Management Software and Services		 16-83 (pg. 43) 16-84 (pg. 47) 16-85 (pg. 51) 16-86 (pg.55) 16-87 (pg. 59) 16-88 (pg. 64) 16-89 (pg. 74)
 76 112	**B. Development and Finance Committee – Com. Simon, Chair** 1. Approval of Final Financing Plan for the Alexander House Development (the "Property"); Authorization to Issue Tax-Exempt Notes of up to $76 million to Citi Community Capital and Loan such Proceeds to Alexander House Apartments Limited Partnership (the "Partnership") and Alexander House Development Corporation for Construction Financing; Authorization to Issue Commitments for up to $70 million in Permanent Financing, Including Authorization to Hedge Interest Rate Risk; Authorization for the Partnership to Accept Construction and Permanent Loans; Authorization for the Partnership to Accept Acquisition Loan; and Approval to Execute Low Income Housing Tax Credit Equity Documents 2. Approval to Form New Owner to Acquire Timberlawn Crescent and Pomander Court (the "Properties") and the Transfer thereof to New Owner; Approval of a Financing		 16-90 (pg. 100) 16-91 (pg. 104) 16-92 (pg. 110) 16-93 (pg. 125)

	Plan for Properties; and Authorization to Issue Financing Commitment Enter into Participation Agreement with the Federal Financing Bank to Fund a Permanent Loan for the Properties		
Page 128	**C. Legislative and Regulatory Committee – Com. Byrd, Chair** 1. Approval to Implement the U. S. Department of Housing and Urban Development Waiver for the Seven (7) Remaining Public Housing Units in the Housing Opportunities Commission of Montgomery County's Portfolio		16-94 (pg. 131)
4:45 p.m.	**IV. ITEMS REQUIRING DELIBERATION and/or ACTION**		
	A. None		
	V. *FUTURE ACTION ITEMS **A.** None		
5:15 p.m.	**VI. INFORMATION EXCHANGE (continued)** **A.** Community		
	VII. NEW BUSINESS		
	VIII. EXECUTIVE SESSION FINDINGS		
5:20 p.m.	**ADJOURN**		
5:20 p.m. Page 141	**DEVELOPMENT CORPORATION MEETINGS** **1. Alexander House Development Corporation** • Approval for Alexander House Development Corporation ("AHDC") to accept Construction and Permanent Loans from HOC; Approval to Make an Acquisition Loan to Alexander House Limited Partnership; Approval to Prepay all Existing Debt from BB&T Bank; and Approval to Transfer Equity to HOC's Opportunity Housing Reserve Fund		16-008AH (pg. 160)
164	**2. TPM Development Corporation** • Approval to Sell Timberlawn Crescent and Pomander Court (the "Properties") to a New Ownership Entity Formed by the Housing Opportunities Commission of Montgomery County and Approval to Retire the Debt on the Properties with the Sale Proceeds		16-005TPM (pg. 169)
172	**3. Diamond Square Development Corporation** • Approval of Property Management Contract		16-002DS (pg. 175)
177	**4. Glenmont Crossing Development Corporation** • Approval of Property Management Contract		16-002GC (pg. 180)
182	**5. Montgomery Arms Development Corporation** • Approval of Property Management Contract		16-002MA (pg. 185)
187	**6. Pooks Hill Towers Development Corporation** • Approval of Property Management Contract		16-002PK (pg. 190)
192	**7. VPC One Corporation** • Approval to Increase the Aggregate Renovation Budget by $1,500,000 for VPC One Corporation and VPC Two Corporation; Approval of the Final Financing Plan for VPC One Corporation; and Authorization to Accept a Loan from EagleBank for the Permanent Financing		16-004VP1 (pg. 208)

Page 211	**8. VPC Two Corporation** • Approval to Increase the Aggregate Renovation Budget by $1,500,000 for VPC One Corporation and VPC Two Corporation; Approval of the Final Financing Plan for VPC Two Corporation; and Authorization to Accept a Loan from EagleBank for the Permanent Financing		16-004$_{VP2}$ (pg. 212)
5:30 p.m.	**ADJOURN**		
5:35 p.m.	**EXECUTIVE SESSION**		

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
November 2, 2016

16-11

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, November 2, 2016 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:00 p.m. Those in attendance were:

Present
Sally Roman, Chair
Jackie Simon, Vice Chair
Richard Y. Nelson, Jr., Chair Pro Tem
Margaret McFarland
Christopher Hatcher
Pamela Byrd

Absent
Linda Croom

Also Attending

Stacy Spann, Executive Director
Shauna Sorrells
Fred Swan
Kayrine Brown
Patrick Mattingly
Gail Willison
Louis Chaney
Garrett Jackson
Ugonna Ibebuchi
Angela McIntosh-Davis
Natalie Kaplan
Maria Montero
Jennifer Arrington
Darcel Cox

Resident Advisory Board
Yvonne Caughman

Kelly McLaughlin, General Counsel
Nowelle Ghahhari, Deputy General Counsel
Ian Williams
Lorie Seals
Zachary Marks
Jim Atwell
Tiffany Jackson
Karlos Taylor
Lynn Hayes
Ethan Cohen
Rita Harris
Clarence Landers
Bonnie Hodge
Susan Smith

Guest
Sean Rogers, Labor Relations Administrator

IT Support
Irma Rodriguez

Commission Support
Patrice Birdsong

The meeting began with approval of the Consent Calendar. The Consent Calendar was adopted upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Simon. Affirmative votes were cast by Commissioners Roman, Simon, Nelson, McFarland, Hatcher, and Byrd. Commissioner Croom was necessarily absent and did not participate in the vote.

I. CONSENT ITEMS

A. **Approval of Minutes of October 5, 2016** - The minutes were approved as submitted
B. **Authorization to Appoint New Labor Relations Administrator**

RESOLUTION: 16–74 **RE: Authorization to Appoint Labor Relations Administrator**

WHEREAS, the Housing Opportunities Commission of Montgomery County (HOC) is required by the Collective Bargaining Law to appoint a Labor Relations Administrator (LRA) to provide for the effective implementation of the law pertaining to the selection, certification, decertification procedures, prohibited labor practices, and the selection of a mediator/fact finder; and

WHEREAS, Seymour Strongin, Esquire was appointed Labor Relations Administrator for the Housing Opportunities Commission for a term of one (1) year in October 1999; and

WHEREAS, Seymour Strongin, Esquire was reappointed as Labor Relations Administrator for the Housing Opportunities Commission for a five (5) year term commencing on December 1, 2000 and ending on November 30, 2005; and

WHEREAS, Seymour Strongin, Esquire was reappointed as Labor Relations Administrator for HOC for a five-year term commencing on August 13, 2008 and ending on August 12, 2013; and

WHEREAS, M. David Vaughn, Esquire, was appointed Labor Relations Administrator for a term of five years on September 11, 2013; and

WHEREAS, M. David Vaughn, Esquire resigned his appointment as Labor Relations Administrator on July 15, 2015; and

WHEREAS, HOC and the Municipal County Government Employees Organization (MCGEO) have completed the process of review of nominees for a new Labor Relations

Administrator; and the joint recommendation is that Sean J. Rodgers, Esquire be appointed as Labor Relations Administrator for a five-year term.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission that the following terms and conditions will govern the appointment of the Labor Relations Administrator:

1. Sean J. Rodgers, Esquire is hereby appointed as the Labor Relations Administrator for the Housing Opportunities Commission for a five-year term.

2. The term will commence on November 2, 2016 and will end November 1, 2021.

3. The LRA will be an employee of the Commission and will be paid as a contract employee on a per diem basis and will be reimbursed for necessary expenses.

4. The Executive Director will administer the contract and the LRA will report to the Executive Director.

5. The cost associated with the employment of the LRA will be shared equally with the Municipal County Government Employees Organization and the Housing Opportunities Commission.

II. <u>INFORMATION EXCHANGE</u>

A. <u>Report of the Executive Director</u> – The Executive Director had nothing new to add to his written report.

B. <u>Calendar and Follow-up Action</u>
None

C. <u>Commissioner Exchange</u>

- Commissioner Byrd reported on the NAHRO National Conference held in New Orleans, LA on October 14-16, 2016. Commissioners Croom, Hatcher and Simon also attended the conference.
- Vice Chair Simon attended one of the sessions for Housing Authority Lawyers in which she found very informative.
- Commissioner Hatcher reported that he attended the Ethic's Training Sessions for Commissioners.

D. <u>Resident Advisory Board (RAB)</u> – Ms. Yvonne Caughman, President of the Resident Advisory Board, invited the Commissioners, Executive Director and Executive Staff to attend the RAB's Thanksgiving Dinner to be held on November 21, 2016.

E. **Community Forum** – None

F. **Status Report** – **None**

III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

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

1. Authorization to Submit Fiscal Year 2018 (FY'18) County Operating Budget

Gail Willison, Chief Financial Officer, and Tiffany Jackson, Budget Officer, were the presenters.

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

RESOLUTION NO: 16-75 **RE: Authorization to Submit Fiscal Year 2018 (FY'18) County Operating Budget**

WHEREAS, the Housing Opportunities Commission (HOC) of Montgomery County wishes to submit a request for County funds for FY'18; and

WHEREAS, the County has instructed HOC to submit a base budget or "MARC" of $6,540,930 for FY'18 by November 10, 2015.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby submits a request for FY'18 County funds in the amount of $6,540,930.

2. Approval of Calendar Year 2017 (CY'17) Tax Credit Partnership Budgets

Gail Willison, Chief Financial Officer, and Tiffany Jackson, Budget Officer, were the presenters.

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

RESOLUTION NO: 16-76 **Re: Approval of Calendar Year 2017 (CY'17) Tax Credit Partnership Budgets**

WHEREAS, the Housing Opportunities Commission of Montgomery County is the General Partner who manages the business and is liable for the debts of 15 Tax Credit Partnerships; and

WHEREAS, the limited partners in these 15 Tax Credit Partnerships have contributed money and share in profits but take no part in running the business and incur no liability with respect to the partnership beyond their contributions; and

WHEREAS, the Tax Credit Partnerships are unique within the Housing Opportunities Commission's property portfolio since they are not HOC entities but managed properties and have no separate Boards; and

WHEREAS, the Housing Opportunities Commission has a financial obligation to cover all debts, has an interest in the successful performance of these partnerships and, as such, should review their performances and approve their budgets; and

WHEREAS, as the Budget, Finance and Audit Committee reviewed the CY'17 Budgets at the October 11, 2016 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves the CY'17 Operating Budgets for the 15 Tax Credit Partnerships shown on Attachment 1 of this resolution.

IV. ITEMS REQUIRING DELIBERATION and/or ACTION

A. Acceptance of HOC FY '16 Audited Financial Statements, Single Audit Report and Management Letter

Gail Willison, Chief Financial Officer, and Eugenia Pascual, Acting Controller, were the presenters.

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

RESOLUTION NO: 16-77 **RE: Acceptance of HOC FY'16 Audited Financial Statements Single Audit Report, and Management Letter**

WHEREAS, the independent auditors, CliftonLarsonAllen LLP, presented their report for FY'16 to the Commission; and

WHEREAS, at a meeting held on November 2, 2016, the Commission reviewed the HOC FY'16 Audited Financial Statements, Single Audit Report, and Management Letter.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission accepts the HOC FY'16 Audited Financial Statements, Single Audit Report, and Management Letter prepared by CliftonLarsonAllen LLP.

B. Approval to Increase the Investment in Victory Crossing as Part of the RAD Conversion of Senior Multifamily Properties and Authorization for the Executive Director to Amend the Grant Agreement to Reflect the Increased Investment

Zachary Marks, Assistant Director of New Development, was the presenter.

The following resolution was approved upon a motion by Commissioner Hatcher and seconded by Vice Chair Simon. Affirmative votes were cast by Commissioners Roman, Simon, Nelson, McFarland, Hatcher, and Byrd. Commissioner Croom was necessarily absent and did not participate in the vote.

RESOLUTION NO: 16-78 **RE: Approval to Increase the Investment in Victory Crossing as Part of the RAD Conversion of Senior Multifamily Properties and Authorization for the Executive Director to Amend the Grant Agreement to Reflect the Increased Investment**

WHEREAS, Victory Crossing (the "Property") is a planned 105-unit senior rental community that will have 91% of units income and rent restricted in conjunction with the Low Income Housing Tax Credit equity being used to finance the construction of the Property; and

WHEREAS,HOC wishes to transfer to the Property the assistance from 39 former Public Housing units converted via the Rental Assistance Demonstration ("RAD") program; and

WHEREAS, on August 5, 2015, the Commission authorized the Executive Director to enter into a grant agreement not to exceed $1,800,000 ("Grant Agreement") with Victory Housing, Inc.; and

WHEREAS, Victory Housing, Inc. would then lend $1,800,000 to the Victory Crossing community to fund its construction; and

WHEREAS, the amount of the grant agreement is the difference between the senior mortgage proceeds Victory Crossing would be able to secure without the 39 RAD units present and the amount it could secure with the 39 RAD units present; and

WHEREAS, subsequent to the August 5, 2015 approval, the Commission approved a change in the originating property of the 39 units to one with a lower voucher payment standard; and

WHEREAS, subsequent to the August 5, 2015, approval, changes occurred in the senior mortgage product and underwriting terms for Victory Crossing increasing difference between the senior mortgage proceeds Victory Crossing would be able to secure without the 39 RAD units present and the amount it could secure with the 39 RAD units present by $64,000; and

WHEREAS, costs in the amount of $82,027.93 were incurred related to the change in mortgage product made to further effect the placement of the 39 RAD units.

NOW,THEREFORE,BEIT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to execute the Grant Agreement with Victory Housing, Inc. for the placement of 39 RAD Units at Victory Crossing for an amended aggregate amount not to exceed $1,910,000.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that an increase in the funding of the grant amount from the Opportunity Housing Reserve Fund from $1,800,000 to $1,910,000 is approved.

V. <u>FUTURE ACTION ITEMS</u>
None

VI. <u>INFORMATION EXCHANGE (CONT'D)</u>
None

VII. <u>NEW BUSINESS</u>
None

VIII. <u>EXECUTIVE SESSION FINDINGS</u>
None

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 4:39 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Attachment
1-Tax Credit Partnerships Chart

TAX CREDIT COMPLIANCE PERIOD as of October 11, 2016

PROPERTIES	# of Units	INITIAL END DATE: December	Status of Limited Partner Exit	Extended Use after Compliance Period
MHLP IX -Pond Ridge	40	2013	Conducting financial review to determine legal steps with LP.	84 Years (2097)
MHLP IX -MPDU Units	76	2013	Conducting financial review to determine legal steps with LP.	84 Years (2097)
Shady Grove Apts. LP	144	2013	Under review with Morrison Avenue Capital Partners & Censeo	15 Years (2028)
The Willows of Gaithersburg Assoc. LP	195	2014	Under review with Morrison Avenue Capital Partners & Censeo	15 Years (2029)
MHLP X	75	2015	Conducting financial review to determine legal steps with LP.	15 Years (2030)
Manchester Manor Apts. LP	53	2015	Under review with Morrison Avenue Capital Partners & Censeo	15 Years (2030)
Georgian Court Silver Spring LP	147	2015	Under review with Morrison Avenue Capital Partners & Censeo	15 Years (2030)
MV Affordable Housing Assoc. LP (Stewartown)	94	2017	Under review with Morrison Avenue Capital Partners & Censeo	15 Years (2032)
Barclay One Assoc. LP	81	2020	Under review with Morrison Avenue Capital Partners & Censeo	40 Years (2060)
Spring Garden One Assoc. LP	83	2021	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2046)
Forest Oak Towers LP	175	2022	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2047)
Wheaton Metro LP (MetroPointe)	53	2023	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2048)
Hampden Lane Apts. LP (Lasko Manor)	12	2026	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2051)
Tanglewood / Sligo Hills	132	2027	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2052)
Arcola Towers LP	141	2031	Ongoing monitoring	15 Years (2046)
Waverly House LP	157	2031	Ongoing monitoring	15 Years (2046)

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Executive Session Minutes

November 2, 2016

An Executive Session of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, November 2, 2016 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:50 p.m. Those in attendance were:

Present
Sally Roman, Chair
Jackie Simon, Vice Chair
Richard Y. Nelson, Jr.
Margaret McFarland
Christopher Hatcher
Pamela Byrd

Absent
Linda Croom

Also Attending

Stacy Spann, Executive Director
Kayrine Brown
Gail Willison
Zachary Marks
Kelly McLaughlin, General Counsel
Shauna Sorrells
Jim Atwell
Nowelle Ghahhari

Commission Support
Patrice Birdsong, Spec. Asst. to Commission

According to Section 10-508(a) of the State Government Articles of the Annotated Code of the State of Maryland, this Executive Session was called to order in pursuant to subsection (3), the acquisition of real property.

A. Authorization to Assign the Purchase and Sale Agreement ("PSA") for the Acquisition of Site Located at 50 Monroe Place ("50 Monroe"), Create a New Entity and Appoint an

Initial Three Member Board of Directors ("Purchaser"), Assign the PSA to the Purchaser, and Approve a Loan to the Purchaser for the Purpose of Acquiring 50 Monroe

Zachary Marks, Asst. Director of New Development, was the presenter.

After a lengthy discussion between Commissioners and staff on the following resolution, there was no action taken. Staff was asked to investigate more on 90 Monroe and also investigate the Phase II of Duball Upton LLC with IDI.

RESOLUTION: 16-79ES	**RE:**	**Authorization to Assign the Purchase and Sale Agreement ("PSA") for the Acquisition Of Site Located at 50 Monroe Place ("50 Monroe"), Create a New Entity and Appoint an Initial Three Member Board of Directors ("Purchaser"), Assign the PSA to The Purchaser, and Approve a Loan to the Purchaser for the Purpose of Acquiring 50 Monroe**

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, codified 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, a 23,295-square foot lot at 50 Monroe Place in Rockville ("50 Monroe is zoned MXTD within the City of Rockville; and

WHEREAS, Town Center Apartments, Inc. (the "Board"), an existing, deeply affordable, age-restricted community, is located adjacent to 50 Monroe; and

WHEREAS, the Commission provides property management services and other support to Town Center Apartments; and

WHEREAS, the Board requested that the Commission help it evaluate 50 Monroe as the site of potential permanent relocation housing for Town Center Apartments residents; and

WHEREAS, the Commission wishes to support opportunities to acquire land in downtown Rockville for the potential development of an alternative relocation option for the resident of Town Center Apartments in concert with the conversion of Town Center Apartments and transfer of subsidy, and possible future development of affordable housing; and

WHEREAS, on May 5, 2016, The IDI Group Companies ("IDI") executive a Purchase and Sale Agreement with the owner of 50 Monroe, Guss Lawrence et al. (the "Seller"), for a $4.0MM purchase price (the "Purchase Price") for the land (the "PSA") and paid a $100,000) deposit (the "Initial Deposit"); and

WHEREAS, on August 5, 2016, IDI entered into an agreement with the Commission granting the Commission an option to take assignment of the PSA in exchange for the Commission's reimbursing IDI for all due diligence expenses and engaging IDI as the exclusive provider of development services related to the design and construction of a new building (the "Development") on 50 Monroe (the "Reimbursement and Assignment Agreement"); and

WHEREAS, the PSA provided for a due diligence period (the "Feasibility Period") which expires on November 2, 2016, at which time an additional deposit of $150,000 (the "Second Deposit") becomes due and which, together the Initial Deposit, becomes non-refundable if the Commission chooses to move forward with the acquisition of 50 Monroe; and

WHEREAS, should the Commission wish to move forward with the acquisition of 50 Monroe, IDI must be reimbursed for the initial Deposit, and the Second Deposit must be made by the entity taking assignment of the PSA; and

WHEREAS, the Commission wishes to permit the creation of a single-purpose entity for acquiring the 50 Monroe, as well as for constructing and operating the Development (the "Purchaser"); and

WHEREAS, the newly created Purchaser will require funding to complete the acquisition of the 50 Monroe and pay $50,000 in associated acquisition costs.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to create a single purpose entity for acquiring 50 Monroe and to appoint its initial members.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County approves the assignment of the PSA to the Purchaser and authorizes an acquisition loan, using funds from the Opportunity Housing Reserve Fund, in the amount of $4,050,000 to the Purchaser to be repaid from the Purchaser's and Development's future construction financing, and authorizes the Executive Director, without further action on the Commission's part, to execute documents related to the assignment of the PSA.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, without any further action on the Commission's part, to take all other actions necessary and proper to carry out the transaction and actions contemplated herein.

B. Discussion of Proposal to Enter Into a Nonbinding LOI with Eakin-Youngentob Associates ("EYA") for the Sale of Paddington Square Apartments Located in the Lyttonsville Master Plan

Zachary Marks, Asst. Director of New Development, was the presenter. There was discussion but no action necessary.

C. Review of Strategy to Unlock Lindsay Ford and Ambassador Sites for Redevelopment

Zachary Marks, Asst. Director of New Development, was the presenter. There was discussion but no action necessary.

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

The meeting adjourned at 6:28 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Special Executive Session Teleconference Minutes

November 6, 2016

A Special Executive Session Teleconference of the Housing Opportunities Commission of Montgomery County was conducted on Sunday, November 6, 2016 at 2:00 p.m. Those who participated on the call:

Present
Sally Roman, Chair
Jackie Simon, Vice Chair
Richard Y. Nelson, Jr., Chair Pro Tem
Christopher Hatcher

Absent
Margaret McFarland
Linda Croom
Pamela Byrd

Also Attending

Stacy Spann, Executive Director
Kayrine Brown
Gail Willison
Kelly McLaughlin, General Counsel
Zachary Marks

Commission Support
Patrice Birdsong

According to Section 10-508(a) of the State Government Articles of the Annotated Code of the State of Maryland, this Special Executive Session Teleconference was called to order in pursuant to subsection (3), the acquisition of real property.

A. Approval of an Amended Final Development and Financing Plan for the Development of the Chevy Chase Lake Multifamily Property and Ratification of Authorization to Enter Into and Operating Agreement with Cafritz Foundation LLC

Kayrine Brown, Chief Real Estate Investment Officer, was the presenter.

After a lengthy discussion between Commissioners and Staff on the following resolution, a motion was made by Vice Chair Simon and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman, Simon, Nelson and Hatcher, with Commissioners Roman and Nelson asking that the record reflect that their votes were reluctantly cast in favor of the resolution, but reflect what they believe to be in the best interest of the Commission seeing no reasonable alternative to move forward with the equity transaction without jeopardizing the financing transaction contemplated. Commissioners McFarland, Croom and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION: 16-80SS **RE: Approval of an Amended Final Development and Financing Plan for the Development of the Chevy Chase Lake Multifamily Property and Ratification of Authorization to Enter Into an Operating Agreement with Cafritz Foundation LLC**

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 construction, rehabilitation and/or financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

WHEREAS, on July 13, 2016, the Commission approved the Final Development and Finance Plan for the redevelopment of the vacant land at Chevy Chase Lake Drive, Chevy Chase, MD 20815 ("CCL Site") as a 200 unit mixed-income multifamily building with 40 affordable units and 40 workforce housing units ("Property");

WHEREAS, the Final Development and Finance Plan approved by the Commission included the admission of Cafritz Foundation LLC ("Cafritz") as a non-profit equity investor member in CCL Multifamily LLC ("Owner"), which will own the CCL Site and develop the Property and the execution of an Amended and Restated Operating Agreement for Owner ("Operating Agreement") in which the Commission would serve as the managing member of Owner and each member would receive a 50% ownership interest, make 50% of the cash capital contribution required, receive an allocation of 50% of partnership items, receive a distribution of 50% of cash and capital proceeds, and Cafritz would receive an exit payment equal to 50% of the residual value of the Property, but in no event less than a minimum 10% return; and

WHEREAS, the Commission's staff recently learned and apprised the Commission that Cafritz's Board of Directors approved the investment of equity in the Owner based on a calculation of a buyout payment to Cafritz ("Buyout Payment") that took into account a repayment of Cafritz's equity but did not take into account a repayment of the Commission's equity which results in a Buyout Payment that exceeds 50% of the residual value of the Property; and

WHEREAS, the Commission's construction loan commitment from the United Bank, which requires the execution of the Owner's Operating Agreement as a condition to closing, will expire on November 7, 2016 and would need to taken back to the United Bank's investment committee for approval in the event the construction loan is not closed on November 7, 2016; and

WHEREAS, the Commission wishes to avoid the expiration of the United Bank construction loan commitment and wishes to amend the Final Development and Finance Plan for the Property in order to facilitate a closing of the United Bank construction loan by November 7, 2016.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of CCL Multifamily LLC, that it approves an amendment to the Final Development Financing Plan for the Property and the execution of an Operating Agreement with Cafritz that reflects a Buyout Payment to Cafritz that takes into account the repayment of Cafritz's equity without taking into account a repayment of the Commission's equity and results in a Buyout Payment that exceeds 50% of the residual value of the Property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of CCL Multifamily LLC, that it hereby authorizes the Executive Director of the Commission to execute such Operating Agreement and close on the equity transaction with Cafritz.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of CCL Multifamily LLC, that the Executive Director of the Commission is hereby authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.   Based upon this report and there being no further business to come before this Emergency Special Session Teleconference of the Commission, a motion was made, seconded and unanimously adopted to adjourn.

The meeting adjourned at 2:58 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

APPROVAL TO EXERCISE THE OPTION TO EXTEND THE INTERIM MORTGAGE LOAN FOR GREENHILLS APARTMENTS PURSUANT TO THE LOAN AGREEMENT WITH BB&T BANK

DECEMBER 7, 2016

- Greenhills Apartments (the "Property") is a 78-unit apartment and townhome community located at 10560 Tralee Terrace in Damascus, Maryland, which was acquired by the Commission in 1998.

- On May 28, 2014, the Commission approved obtaining a Real Estate Line of Credit (the "RELOC"), from PNC Bank, N.A., for the purpose of providing short-term financing for certain costs of the pre-development, rehabilitation, and acquisition of multifamily properties.

- On November 14, 2014, the Commission approved a tax-exempt draw on the RELOC in the amount of $4,200,000 to retire the mortgage on the Property.

- On September 2, 2015, the Commission approved an Interim Financing Plan to accept a 12-month, fixed-rate, tax-exempt loan from BB&T in an amount not to exceed $4,500,000 (the "Loan") in order to repay the RELOC advance. The Loan matures on January 8, 2017 but maybe optionally extended for one year at a floating rate equal to 68% of 30-day LIBOR plus 98 basis points.

- HOC staff is finalizing the Development Plan for Greenhills and expects to receive approval on its Low Income Housing Tax Credit (LIHTC) application in April 2017. The Final Development Plan and a permanent Financing Plan will be developed and submitted to the Commission for approval in May 2017.

- Staff recommends extending the Loan for an additional 12 months per the terms of the Loan Agreement.

- Staff also recommends that the Commission authorize and direct the Executive Director 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 loan documents related thereto.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Division: Mortgage Finance
Staff: Jennifer Arrington/Kayrine Brown Exts. 9760/9589

RE: Approval to Exercise the Option to Extend the Interim Mortgage Loan for Greenhills Apartments Pursuant to the Loan Agreement with BB&T Bank

DATE: December 7, 2016

STATUS: Consent: __X__ Deliberation _____ Status Report ______ Future Action ____

OVERALL GOAL & OBJECTIVE:
To authorize the Housing Opportunities Commission of Montgomery County ("Commission") to extend the interim mortgage loan with BB&T Bank for Greenhills Apartments for an additional 12 months.

BACKGROUND:
Greenhills Apartments (the "Property") is a 78-unit apartment and townhome community located at 10560 Tralee Terrace in Damascus, Maryland which was acquired by the Commission in 1998.

On September 2, 2015, the Commission approved an Interim Financing Plan for the Property that included a tax-exempt loan from BB&T Bank in an amount not to exceed $4,500,000 ("Loan") in order for the Commission to repay a tax-exempt draw on the Commission's PNC Bank, N.A. Real Estate Line of Credit (RELOC). The Loan, which closed on January 8, 2016, carries a fixed tax-exempt interest rate of approximately 1.57% for 12 months and can be extended for an additional 12 months at a floating tax-exempt interest rate equal to 68% of 30-day LIBOR plus 98 basis points.

Given that staff is in the process of finalizing the Final Development Plan to renovate the property and has applied for Low Income Housing Tax Credits with the anticipation of receiving approval by the State of Maryland in April 2017, an extension of the Loan is appropriate. Staff will return to the Commission with a Final Development Plan and a permanent Financing Plan in May 2017. As a condition to extending the loan, BB&T Bank requires an opinion from Kutak Rock LLP, as bond counsel, regarding the tax-exempt status of interest payments on the Loan.

ISSUES FOR CONSIDERATION:
Does the Commission wish to extend the interim mortgage loan with BB&T Bank for Greenhills Apartments for an additional 12 months, maturing on January 8, 2018?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
BB&T Bank

BUDGET IMPACT:

Both the FY2017 and FY2018 budgets assume the low, interest-only payments from the interim loan. The property is expected to contribute to a debt service reserve in an amount equal to the difference between the actual, interest-only debt service payments and estimated principal and interest payments on a loan for the same outstanding loan amount, amortizing over 30 years at 6.5% interest. After the extension, the interim loan will change from a fixed interest rate to a variable rate. Interest rates are anticipated to increase; therefore, it is expected that the actual, interest-only payments will increase, causing the amount to be contributed to the debt service reserve to decrease.

TIME FRAME:

Action at the December 7, 2016 Commission meeting.

STAFF RECOMMENDATION and COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve extending the interim mortgage loan with BB&T Bank for Greenhills Apartments for an additional 12 months to mature on January 8, 2018. Staff will present to the Commission a Final Development Plan and permanent Financing Plan for the Property in May 2017.

RESOLUTION NO.: 16-81 **RE: Approval to Exercise the Option to Extend the Interim Mortgage Loan for Greenhills Apartments Pursuant to the Loan Agreement with BB&T Bank**

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 financing for the construction of rental housing properties which provide a public purpose; and

WHEREAS, Greenhills Apartments (the "Property") is a 78-unit apartment and townhome community located at 10560 Tralee Terrace in Damascus, Maryland which was acquired by the Housing Opportunities Commission of Montgomery County (the "Commission") in 1998; and

WHEREAS, on May 28, 2014, the Commission approved obtaining a line of credit with a limit of $90 million, the Real Estate Line of Credit (the "RELOC") from PNC Bank, N.A. (PNC), for the purpose of providing short-term financing for certain costs of the pre-development, rehabilitation, and acquisition of multifamily properties; and

WHEREAS, the Commission's financial resources were being managed to optimize use and to ensure funding is available to support its real estate initiatives; and

WHEREAS, on November 14, 2014, a tax-exempt draw on the RELOC was made in the amount of $4,200,000 to retire the mortgage on the Property; and

WHEREAS, on September 2, 2015, the Commission approved an Interim Financing Plan to accept a tax-exempt loan from BB&T Bank ("BB&T Loan") in an amount not to exceed $4,500,000 that bears interest at a fixed tax-exempt interest rate of 1.57% for 12 months and with the ability to extend at a floating tax-exempt interest rate equal to 68% of 30-day LIBOR plus 98 basis points for up to an additional 12 months; and

WHEREAS, the BB&T Loan repaid PNC for the prior draw on the RELOC benefitting Greenhills Apartments and funded related transaction costs; and

WHEREAS, HOC staff has submitted an application for Low Income Housing Tax Credits for the Property with anticipation of receiving approval by the State of Maryland in April 2017; and

WHEREAS, HOC staff will return to the Commission in May 2017 with a Final Development Plan to renovate the property and a Financing Plan to fund the renovations and repay the BB&T Loan.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby approves extending the interim mortgage loan with BB&T Bank for an additional 12 months at a floating tax-exempt interest rate equal to 68% of 30-day LIBOR plus 98 basis points , maturing on January 8, 2018.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, without further action on its part, hereby authorizes and directs the Executive Director to act as its authorized representative to execute all extension loan documents on its behalf, and to take any and all other actions necessary and proper to carry out the transaction contemplated herein including, but not limited to, the execution of any and all other documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL OF FY 2017 WAGE ADJUSTMENTS AND SERVICE INCREMENTS FOR NON-REPRESENTED MERIT SYSTEM STAFF FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2017

DECEMBER 7, 2016

- The Executive Director is seeking approval to award wage adjustments and service increments for non-represented merit system staff for the period of July 1, 2016 through June 30, 2017.

- Effective the first pay period after July 1, 2016, non-represented merit system employees shall receive a general wage adjustment equal to the greater of $700 or 1%. In addition, the Pay Grade Schedule will be increased by 1%.

- Effective the first pay day in September, non-represented merit system employees who receive a fully satisfactory Fiscal Year 2016 performance evaluation shall receive a 3.5% service increment.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Patrick Mattingly, Human Resources Director Ext. 9438
Louis J. Chaney, Labor Relations Manager Ext. 9424

RE: Approval of Fiscal Year 2017 Wage Adjustments and Service Increments for Non-represented Merit System Staff for the period of July 1, 2016 through June 30, 2017

DATE: December 7, 2016

STATUS: Consent __X__ Deliberation ______ Status Report ______ Future Action ______

OVERALL GOAL & OBJECTIVE:
To seek approval to award Fiscal Year 2017 wage adjustments and service increments for non-represented merit system staff for the period of July 1, 2016 through June 30, 2017.

BACKGROUND:
The Executive Director is seeking approval to award wage adjustments and service increments for non-represented merit system staff for the period of July 1, 2016 through June 30, 2017.

Effective the first pay period after July 1, 2016, non-represented merit system employees shall receive a general wage adjustment equal to the greater of $700 or 1%. In addition, the Pay Grade Schedule (Attachment A) will be increased by 1%.

Further, non-represented merit system employees who receive a fully satisfactory Fiscal Year 2016 performance evaluation shall receive a 3.5% service increment effective the first pay date in September 2016.

ISSUES FOR CONSIDERATION:
Does the Commission wish to approve a general wage adjustment equal to the greater of $700 or 1% and a 3.5% service increment for Fiscal Year 2017?

PRINCIPALS:
Housing Opportunities Commission (HOC)

BUDGET IMPACT:
The estimated cost for non-represented merit system staff for Fiscal Year 2017 is $500,200.

TIME FRAME:
Action is requested at the December 7, 2016 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends approval of the Fiscal Year 2017 wage adjustments and service increments for non-represented merit system staff for the period of July 1, 2016 through June 30, 2017.

RESOLUTION NO.: 16-82

RE: Approval of FY 2017 Wage Adjustments and Service Increments for Non-represented Merit System Staff for the period of July 1, 2016 through June 30, 2017

WHEREAS, the Commission wishes to award a compensation package for non-represented merit system staff for FY 2017.

NOW, THEREFORE, BE IT RESOLVED that effective the first pay period after July 1, 2016, each non-represented merit system staff member shall receive a general wage adjustment equal to the greater of $700 or 1%.

BE IT FURTHER RESOLVED that the Pay Grade Schedule will be increased by 1%.

BE IT FURTHER RESOLVED that non-represented merit system staff who receive a fully satisfactory FY 2016 performance evaluation shall receive a 3.5% service increment effective the first pay date in September 2016.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at an open meeting conducted on Wednesday, December 7, 2016.

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Patrice Birdsong
Special Assistant to the Commission

The Housing Opportunities Commission of Montgomery County

July 1, 2016

Pay Grade Schedule
Unrepresented Employees
FY 2017

Pay Grade	Minimum	Midpoint	Maximum	Longevity *
8	$28,744	$37,544	$46,343	$47,733
9	$29,879	$39,171	$48,463	$49,917
10	$31,079	$40,915	$50,751	$52,274
11	$32,333	$42,736	$53,139	$54,733
12	$33,644	$44,648	$55,651	$57,321
13	$35,031	$46,660	$58,288	$60,037
14	$36,486	$48,775	$61,064	$62,896
15	$38,010	$50,989	$63,967	$65,886
16	$39,633	$53,329	$67,024	$69,035
17	$41,431	$55,832	$70,231	$72,338
18	$43,330	$58,466	$73,602	$75,810
19	$45,374	$61,254	$77,134	$79,448
20	$47,508	$64,177	$80,846	$83,271
21	$49,761	$67,252	$84,743	$87,285
22	$52,115	$70,477	$88,838	$91,503
23	$54,596	$73,869	$93,142	$95,936
24	$57,194	$77,422	$97,649	$100,578
25	$59,922	$81,156	$102,388	$105,460
26	$62,794	$85,079	$107,365	$110,586
27	$65,779	$89,186	$112,593	$115,971
28	$68,330	$93,205	$118,079	$121,621
29	$71,835	$97,837	$123,838	$127,553
30	$75,096	$102,495	$129,894	$133,791
31	$78,517	$107,382	$136,246	$140,333
32	$82,108	$111,262	$140,415	$144,627
33	$85,877	$115,233	$144,588	$148,926
34	$89,837	$119,300	$148,762	$153,225
35	$94,001	$123,467	$152,933	$157,521
36	$98,370	$127,740	$157,110	$161,823
37	$102,951	$132,113	$161,275	$166,113

*20 Years Completed Service and at Maximum of Pay Grade

Information Exchange

Report of the Executive Director
Stacy L. Spann
December 7, 2016

HOC Provides Families Holiday Baskets

On Monday, November 21st, HOC distributed baskets to kick-off the 2016 Holiday Giving Program. The Bullis School supplied 120 baskets filled with the makings of a Thanksgiving dinner for HOC customers. In addition to baskets, HOC gave gift cards to help other families buy groceries. In total, HOC supplied over 900 families with groceries or grocery assistance for Thanksgiving. Another 1,000 families have already registered for the Holiday Giving program. This year, HOC expects to serve nearly 2,000 families throughout the holiday season.

HOC's Chevy Chase Lakes Development Project Highlighted in Recent Washington Post Article. Read more

Montgomery County Council Passes Legislation to Update Landlord –Tenant Law. Read more

HOC Academy

Ozobot Club Extends Afterschool Learning to HOC Youth at Towne Centre Place

Throughout November, Ozobot Club brings 16 children together on Wednesday evenings at Towne Centre Place in Olney. For eight fun-filled weeks, instructor Cindy Shi instructs youth in STEM concepts aided by microbots. With a broad range of curriculum guides, the tiny robots offer a range of possibilities for children of all ages. Optic sensors allow participants to use special markers to program Ozobots. The Ozobot Club has given children with no programming or coding experience the opportunity to experience hands-on STEM. The new technology has also been a treat for kids who have participated in other robotic clubs.

HOC Academy Recruits for the Fifth Cohort of Construction 101

In November, HOC Academy's Adult Education and Workforce Development program conducted rigorous recruitment efforts for the fifth offering of the Construction 101 class. Staff hosted information sessions at various HOC properties, Customer Service Centers, and the Kensington and East Deer Park offices. Staff also attended HRD briefings, Georgian Court Day, and FSS information sessions. These efforts resulted in 19 prospective participants undergoing the required background check. This cohort of students will take the construction trades a step further and spend time at Montgomery College's Gudelsky Institute to learn about other opportunities in the construction field. The next Construction 101 course will begin in January 2017.

Housing Opportunities Community Partners

CDBG Application

In early November, Community Partners made a successful presentation to the Community Development Advisory Committee (CDAC) as part of its application to the Community Development Block Grant (CDBG) program. The CDAC is comprised of volunteers appointed by the County Executive to assist in recommending grantee recipients for CDBG funds through the annual competitive public service application process. Community Partners requested $20,000 to support HOC Academy's youth STEM programming. Staff will receive notification on the status of the application in mid-March 2017 when the County Executive submits his proposed FY18 budget.

Individual Development Account Program

On Tuesday, November 22nd, Capital One Bank approved Community Partners' application for $20,000 to fund another cohort of savers in the *Saving for a Better Tomorrow* IDA program. This new cohort of 11 savers will begin in January 2017. Under this asset building program, HOC residents establish savings accounts and over the course of two years have their deposits matched at a rate of 6:1 with IDA program funds. The funds must be designated for one of the following purposes: purchasing a first home, starting a business or attending school. The match is funded through federal and non-federal dollars. The federal funds are secured by our non-profit partner Capital Area Asset Builders (CAAB). CAAB creates, monitors and reports on the special accounts used for this IDA program. This is the fifth annual grant of $20,000 from Capital One for HOC's IDA program.

Housing Resources Division

FSS Begins Career Development Webinar Series

On Tuesday, November 29th, FSS introduced its online webinar series. The six-hour series will cover strategies to create a personal brand, resume development for modern resumes as well as career management strategies. Participants must view all six webinars on-line via computer or smart phone. This is the first time FSS is offering a workshop remotely, allowing clients to learn new skills from the comfort of their own homes. HOC's IT division worked diligently with the workshop's facilitator to make this possible. In addition to the knowledge gained during the webinar series, clients will be provided with resumes and cover letters within three days of the last workshop.

Information Technology

Disaster Recovery and Continuity of Operations Plan (COOP)

The Information Technology (IT) division is in the preliminary testing phase of HOC's disaster recovery systems. It is anticipated that preliminary testing will be completed by the end of December. Once initial testing is complete, a full disaster recovery procedure will be conducted to ensure staff are able to conduct business as usual if connectivity to the main office in Kensington is lost. If connectivity to Kensington is lost, operations will re-route vital business systems through the East Deer Park office in Gaithersburg. The IT division is also in the initial stages of a continuity of operations plan to provide direction and guidelines in conjunction with disaster recovery.

Yardi Voyager Upgrade

HOC issued an RFP to solicit project management and technical services to coordinate an upgrade from Yardi Voyager 6 to Yardi Voyager 7s. Syllogistic Management was the sole submitter, and the response is under review by a cross-departmental team to ensure the scope of work and technical requirements of the RFP have been met.

LPA

LPA Finalizes Staffing for the Customer Relationship Management (CRM) System and Call Center

In early November, LPA selected three candidates for the full-time Customer Relationship Specialists (CRS) positions to staff and operate the Call Center and CRM system. The CRSs are charged with ensuring HOC customers and external stakeholders receive robust, accurate, and consistent information when calling the HOC Call Center. These staff will be tasked with developing and maintaining the content of the CRM's software's Knowledgebase, an online tool providing HOC staff and the public with robust information about HOC services, resources, and processes. The Division is preparing to onboard the staff in December and will use this time to train them on HOC policies and procedures. CRS staff will also receive field experience by staffing the current Housing Path waitlist hotline in preparation for the full CRM and Call Center system launch. The CRS staff will play an integral role in the design and user-testing process for the CRM software development.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

December 2016

7	HOC Regular Meeting (*All*)	4:00 p.m.
9	Status/Lunch Meeting w/Executive Director *(All)* – HOC Commission Lounge, 10400 Detrick Ave.	12:00 noon
16	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
19	Agenda Formulation *(Roman, Byrd)*	12:00 noon
19	Budget, Finance and Audit Committee Meeting *(Nelson, Roman, Hatcher)*	2:00 p.m.
19	Resident Advisory Board *(Croom)*	6:00 p.m.
26	Christmas Holiday Observed (HOC Offices Closed)	

January 2017

2	New Year's Holiday Observed (HOC Offices Closed)	
11	Public Hearing – Administrative Plan	3:30 p.m.
11	HOC Regular Meeting (*All*)	4:00 p.m.
16	Martin Luther King Day (HOC Offices Closed)	
17	Legislative and Regulatory Committee Meeting *(Byrd, Croom, Simon)*	4:00 p.m.
20	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
23	Agenda Formulation *(Roman, Byrd)*	12:00 noon
23	Resident Advisory Board *(Croom)*	6:00 p.m.

February 2017

1	HOC Annual Meeting Reception *(All)*	3:30 p.m.
1	HOC Annual Meeting *(All)*	4:00 p.m.
13	Agenda Formulation *(Roman, Simon)*	12:00 noon
17	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
17	Status/Lunch Meeting w/Executive Director *(All)* – Location TBD	12:00 noon
20	President's Day (HOC Offices Closed)	
21	Budget, Finance and Audit Committee Meeting *(Nelson, Roman, Hatcher)*	10:00 a.m.
27	Resident Advisory Board *(Croom)*	6:00 p.m.

March 2017

1	HOC Regular Meeting (*All*)	4:00 p.m.
15	Budget, Finance and Audit Committee Meeting *(Nelson, Roman, Hatcher)*	10:00 a.m.
17	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
21	Legislative and Regulatory Committee Meeting *(Byrd, Croom, Simon)*	4:00 p.m.
27	Agenda Formulation *(Roman, Simon)*	12:00 noon

April 2017

5	HOC Regular Meeting (*All*)	4:00 p.m.
11	Budget, Finance and Audit Committee Meeting *(Nelson, Roman, Hatcher)*	10:00 a.m.
21	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
21	Status/Lunch Meeting w/Executive Director *(All)* – Location TBD	12:00 noon
24	Agenda Formulation *(Roman, Nelson)*	12:00 noon
25	Budget, Finance and Audit Committee Meeting *(Nelson, Roman, Hatcher)*	10:00 a.m.

May 2017

3	HOC Regular Meeting (*All*)	4:00 p.m.
9	Budget, Finance and Audit Committee Meeting *(Nelson, Roman, Hatcher)*	10:00 a.m.
16	Legislative and Regulatory Committee Meeting *(Byrd, Croom, Simon)*	4:00 p.m.
19	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
22	Agenda Formulation *(Roman, Nelson)*	12:00 noon
23	Budget, Finance and Audit Committee Meeting *(Nelson, Roman, Hatcher)*	10:00 a.m.

Activities of Interest

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-14-07	Spring 2017	Procurement Policy	Willison/ McLaughlin	In Progress
TD-15-02	Winter 2017	Update Administrative Guide for Commissioners and Staff	Spann	In Progress
TD-15-03	Winter 2017	Worksession – Assisted Housing and Family Self-Sufficiency Program	Sorrells	To Be Scheduled
TD 16-02	Winter 2017	Personnel Policy	Mattingly	In Progress
TD 16-04	February 2017	Rental Policy Review with staff recommendations	All	
TD 16-05	Winter 2017	Joint Board Meeting w/Rockville Housing Enterprises and Housing Opportunities Commission	Spann/ Birdsong	

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR WESTWOOD TOWERS

December 7, 2016

- **Westwood Towers Apartments is a 212-unit high-rise apartment community in Bethesda consisting of 169 market rate and 43 affordable units.**
- **A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Westwood Towers.**
- **Responses to the RFP were received from three property management companies.**
- **Staff reviewed submitted materials and scored the three respondents in accordance with the RFP criteria.**
- **Staff determined that Avison Young is the best candidate for the management of Westwood Towers.**
- **Staff recommends that the Commission authorize the Executive Director of the Commission to execute a management contract with Avison Young for property management services at Westwood Towers.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Westwood Towers

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Avison Young for property management services at Westwood Towers.

BACKGROUND:
Westwood Towers is a 212-unit high-rise apartment community in Bethesda consisting of 169 market rate and 43 affordable units. Westwood Towers was renovated in 1996 at which time the first nine floors of the property were converted from office space to apartments. Westwood Towers is owned by Equity One and the Housing Opportunities Commission (HOC) has a master lease. As stipulated in the master lease agreement, it is HOC's intent to purchase the property in 2017.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of Westwood Towers. Staff received responses from three management companies.

Responding Company	Proposed Fee
Avison Young	$42 PUPM, increasing 2.38% at each one year renewal
Edgewood Management	$42 PUPM with an annual CPI escalation
WINN Residential	$39 PUPM

Review and scoring of responses was completed by staff from the Property Management, Finance and Compliance divisions. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Avison Young, which currently manages Westwood Towers, was considered best suited to retain management of the property. Avison Young proposed a competitive management fee and has effectively managed the property since 2002. Despite the challenges of aging building systems and competing properties with high-end finishes and amenities, the property has sustained 94% occupancy.

Edgewood Management's fee proposal was equal to that of Avison Young; therefore, not competitive enough to consider a change in management. WINN Residential is a national company, who manages only a single property in Montgomery County. WINN had previously managed The Barclay and Spring Garden for a brief period after acquiring Landex Management but declined to rebid at contract expiration.

Staff is proposing a management contract with Avison Young Management for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:
Does the Commission wish to authorize the Executive Director to execute a management contract with Avison Young for property management services at Westwood Towers?

BUDGET IMPACT:
Avison Young proposed a management fee of $42.00 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $106,848.00 for one year.

TIME FRAME:
The term of the Management Agreement for Westwood Towers was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Commission action at its meeting of December 7, 2016.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:
Staff recommends that the Commission accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute a management contract with Avison Young for property management services at Westwood Towers.

RESOLUTION NO.: 16-83 **RE: Approval of Property Management Contract for Westwood Towers**

WHEREAS, the Housing Opportunities Commission issued a Request for Proposals (RFP) for property management of Westwood Towers (Property"); and

WHEREAS, based on the criteria included in the RFP and pricing from three responding companies, a panel of staff from Property Management, Finance and Compliance scored the results and determined that Avison Young is the most qualified to manage the Property.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute a management contract with Avison Young for two years and three (3) optional one-year renewals.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County on December 7, 2016.

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Patrice Birdsong
Special Assistant to the Commission

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR POOKS HILL COURT

December 7, 2016

- **Pooks Hill Court is a 50-unit mixed income garden style apartment community in North Bethesda.**

- **A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Pooks Hill Court.**

- **Responses to the RFP were received from two property management companies.**

- **Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.**

- **Staff determined that Vantage Management is the best candidate for the management of Pooks Hill Court.**

- **Staff recommends that the Commission authorize the Executive Director of the Commission to execute a management contract with Vantage Management for property management services at Pooks Hill Court.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Pooks Hill Court

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Vantage Management for property management services at Pooks Hill Court.

BACKGROUND:
Pooks Hill Mid-Rise is a 50-unit garden style apartment community consisting of 40 market rate and 10 units affordable under the HOME program. Built in 1998, Pooks Hill Mid-Rise features an ideal location in Bethesda with easy access to main roadways and Metrorail. The property shares a swimming pool and a management office with the adjacent property, Pooks Hill Towers.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of Pooks Hill Court. Staff received responses from two management companies.

Responding Company	**Proposed Fee**
Avison Young	$41.00 PUPM for two years; $42.75/$43.50/$44.50 for renewable years
Vantage Management	$43.10 PUPM with an annual CPI escalation

Review and scoring of responses was completed by staff from the Property Management, Finance and Compliance divisions. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Staff is recommends that Vantage Management, the current management agent, retain management of Pooks Hill Court. Vantage's marketing team has significant knowledge and experience in the Bethesda sub-market. Occupancy at Pooks Hill Court has averaged 98% in the competitive North Bethesda sub-market.

HOC received one other proposal for property management services from Avison Young. Although the proposal was competitive, not to the degree that would warrant a change in management.

Staff is proposing a management contract with Vantage Management for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute a management contract with Vantage Management for property management services at Pooks Hill Court?

BUDGET IMPACT:

Vantage Management proposed a management fee of $43.10 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $25,860.00 for one year.

TIME FRAME:

The term of the Management Agreement for Pooks Hill Court was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Commission action at its meeting of December 7, 2016.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute a management contract with Vantage Management for property management services at Pooks Hill Court.

RESOLUTION NO.: 16-84 **RE: Approval of Property Management Contract for Pooks Hill Court**

WHEREAS, the Housing Opportunities Commission issued a Request for Proposals (RFP) for property management of Pooks Hill Court (Property"); and

WHEREAS, based on the criteria included in the RFP and pricing from two responding companies, a panel of staff from Property Management, Finance and Compliance scored the results and determined that Vantage Management is the most qualified to manage the Property.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute a management contract with Vantage Management for two years and three (3) optional one-year renewals.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County on December 7, 2016.

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Patrice Birdsong
Special Assistant to the Commission

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR SHADY GROVE APARTMENTS

December 7, 2016

- Shady Grove Apartments is a 144-unit garden-style apartment community, situated in Derwood, and owned by Shady Grove Apartments Limited Partnership.

- Shady Grove is 100% Section 8 and 100% Low Income Tax Credit (LIHTC), serving families earning at or below 50% of area median income. Shady Grove Limited Partnership (“Partnership”) owns Shady Grove Apartments (“Property”).

- The Commission, as the general partner for the Partnership, is authorized to act on behalf of the Partnership to engage a third party to manage the Property.

- In accordance with the HOC Procurement Policy, a Request for Proposals (RFP) was issued for the management of the Property.

- Responses to the RFP were received from two property management companies.

- Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.

- Staff determined that Edgewood Management, who currently manages Shady Grove Apartments, is best qualified to retain management of the Property.

- The Budget, Finance and Audit Committee recommends that the Commission, acting for itself and for and on behalf of the Partnership, authorize the Executive Director of the Commission to execute a management contract with Edgewood Management for property management services for Shady Grove Apartments.

M E M O R A N D U M

TO: The Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Shady Grove Apartments

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Edgewood Management for property management services at Shady Grove Apartments.

BACKGROUND:
Shady Grove Apartments is a 144-unit, garden style apartment community consisting of 44 one-bedroom units, 85 two-bedroom and 15 three-bedroom units. The community was constructed in 1980 and is proximate to shopping centers and major roadways. The property features onsite laundry facilities, playgrounds, and a community center with computer lab. Shady Grove is 100% Section 8 and Tax Credit and serves families earning at or below 50% of median income.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of Shady Grove Apartments. HOC received responses from two management companies.

Responding Company	**Proposed Fee**
Avison Young	$42 PUPM for two years; $43/$43/$44 for 43-year renewal period
Edgewood Management	$38 PUPM with an annual CPI escalation

Review and scoring of responses was completed by staff from Property Management, Finance and Compliance. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Staff recommends that Edgewood Management continue management of Shady Grove Apartments. Edgewood Management submitted the lowest bid and retains a strong management team. Shady Grove earned a 99a in this year's REAC inspection and maintained a clean compliance record. The property supports after school programs, food distribution programs and special events for youth and seniors.

Shady Grove sustained 99% occupancy in 2016. The property consistently receives Montgomery County beautification awards. Avison Young's proposed fee was notably higher.

Staff is proposing a management contract with Edgewood Management for a term of two years with three possible one-year renewals.

ISSUES FOR CONSIDERATION:

Does the Commission, acting on behalf of Shady Grove Apartments Limited Partnership as its general partner, wish to authorize the Executive Director to approve a Management Agreement with Edgewood Management for Shady Grove Apartments for a two year term?

BUDGET IMPACT:

Edgewood Management proposed a management fee of $38.00 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $65,664.00 for one year.

TIME FRAME:

The term of the Management Agreement for Shady Grove Apartments was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Commission action, on behalf of Shady Grove Apartments Limited Partnership, at its meeting of December 7, 2016.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute a management contract between Shady Grove Apartments Limited Partnership and Edgewood Management for property management services at Shady Grove Apartments.

RESOLUTION NO: 16-85 **RE: Approval of Property Management Contract for Shady Grove Apartments**

WHEREAS, the Shady Grove Apartments Limited Partnership (the "Partnership"), owns a development known as Shady Grove Apartments (the "Property"); and

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission") is the general partner of the Partnership; and

WHEREAS, the Commission, in its capacity as the general partner is authorized to engage a third party to manage the Property; and

WHEREAS, the Commission issued a Request for Proposals (RFP) for management of Shady Grove Apartments; and

WHEREAS, based on the criteria included in the RFP and pricing from two responding companies, a panel of HOC staff from Property Management, Finance and Compliance reviewed the submissions and determined that Edgewood Management is the most qualified to manage Shady Grove Apartments.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Shady Grove Apartments Limited Partnership as its general partner, that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a management contract with Edgewood Management for Shady Grove Apartments for two years and three (3) optional one-year renewals.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Shady Grove Apartments Limited Partnership as its general partner, that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed, without any further action on their respective parts, to take any and all other action necessary and proper to carry out the transaction contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Shady Grove Limited Partnership as its general partner, at its meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR THE WILLOWS

December 7, 2016

- The Willows is a 195-unit garden-style apartment community, constructed in 1975, located in Gaithersburg.

- The Willows has several levels of affordability including, Low Income Housing Tax Credit (LIHTC), Section 236 with RAP, and HOME funding. The Willows of Gaithersburg Associates Limited Partnership (“Partnership”) owns The Willows (“Property”).

- The Commission, as the general partner for the Partnership, is authorized to act on behalf of the Partnership to engage a third party to manage the Property.

- In accordance with the HOC Procurement Policy, a Request for Proposals (RFP) was issued for the management of the Property.

- Responses to the RFP were received from three property management companies.

- Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.

- Staff determined that Edgewood Management, who currently manages The Willows, is best qualified to retain management of the Property.

- The Budget, Finance and Audit Committee recommends that the Commission, acting for itself and for and on behalf of the Partnership, authorize the Executive Director of the Commission to execute a management contract with Edgewood Management for property management services for The Willows.

M E M O R A N D U M

TO: The Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for The Willows

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Edgewood Management for property management services at The Willows.

BACKGROUND:
The Willows is a 195-unit, garden style apartment community located in an established area of Gaithersburg. Consisting of 104 one-bedroom units and 91 two-bedroom units, the community is nearby shopping centers and Interstate 270. Constructed in 1975, interior renovations were completed in 1999 and the property chiller replaced in 2008. The Willows is affordable to families at or below 60% of the median income under the Low Income Housing Tax Credit program, with additional income restrictions under the HOME and Section 236.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of The Willows. HOC received responses from three management companies.

Responding Company	Proposed Fee
Avison Young	$42 PUPM for two years; $43/$43/$44 for renewal terms
Edgewood Management	$38 PUPM with an annual CPI escalation
WINN Residential	$39 PUPM

Review and scoring of responses was completed by staff from Property Management, Finance and Compliance. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Edgewood Management, which currently manages The Willows, is considered best suited to manage of the property. Edgewood Management proposed the lowest management fee and maintained compliance with multiple loan and program requirements. The property received a REAC score of 96b in 2015 and offers a robust schedule of program activities for youth and seniors in the onsite Willows Community Room.

Proposals were also received from Avison Young and WINN Management. Avison Young's proposed management fee was notably higher. WINN has limited experience in Montgomery County, currently managing only one property in the Silver Spring area.

Staff is proposing a management contract with Edgewood Management for a term of two years with three possible one-year renewals.

ISSUES FOR CONSIDERATION:

Does the Commission, acting on behalf of The Willows of Gaithersburg Associates Limited Partnership as its general partner, wish to authorize the Executive Director to approve a Management Agreement with Edgewood Management for The Willows for a two year term?

BUDGET IMPACT:

Edgewood Management proposed a management fee of $38.00 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $88,920.00 for one year.

TIME FRAME:

The term of the Management Agreement for The Willows was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Commission action, on behalf of The Willows of Gaithersburg Associates Limited Partnership, at its meeting of December 7, 2016.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute a management contract between The Willows of Gaithersburg Associates Limited Partnership and Edgewood Management for property management services at The Willows.

RESOLUTION NO.: 16-86

RE: Approval of Property Management Contract for The Willows

WHEREAS, The Willows of Gaithersburg Associates Limited Partnership (the "Partnership"), owns a development known as The Willows (the "Property"); and

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission") is the general partner of the Partnership; and

WHEREAS, the Commission, in its capacity as the general partner is authorized to engage a third party to manage the Property; and

WHEREAS, the Commission issued a Request for Proposals (RFP) for management of The Willows; and

WHEREAS, based on the criteria included in the RFP and pricing from three responding companies, a panel of HOC staff from Property Management, Finance and Compliance reviewed the submissions and determined that Edgewood Management is the most qualified to manage The Willows.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of The Willows of Gaithersburg Associates Limited Partnership as its general partner, that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a management contract with Edgewood Management for The Willows for two years and three (3) optional one-year renewals.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of The Willows of Gaithersburg Associates Limited Partnership as its general partner, that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed, without any further action on their respective parts, to take any and all other action necessary and proper to carry out the transaction contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of The Willows of Gaithersburg Associates Limited Partnership as its general partner, at its meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR GREENHILLS APARTMENTS AND TOWNHOMES

December 7, 2016

- **Greenhills Apartments and Townhomes is a 78-unit community comprised of 52 townhouses and 26 basement level apartments located in Damascus.**

- **A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Greenhills Apartments and Townhomes.**

- **Responses to the RFP were received from two property management companies.**

- **Staff reviewed submitted materials and scored the two respondents in accordance with the RFP criteria.**

- **Staff determined that Avison Young is the best candidate for the management of Greenhills Apartments and Townhomes.**

- **Staff recommends that the Commission authorize the Executive Director of the Commission to execute a management contract with Avison Young for property management services at Greenhills Apartments and Townhomes.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Greenhills Apartments and Townhomes

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Avison Young for property management services at Greenhills Apartments and Townhomes.

BACKGROUND:
Greenhills Apartments and Townhomes is a 78-unit community comprised of 52 townhouses and 26 basement level apartments. Located in Damascus, Greenhills was constructed in 1984 as a combination of townhouses and garden-style apartment homes. The property features fireplaces, deck or patio, and washer/dryer in each unit. Renovation of the property is scheduled to begin in spring of 2017.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of Greenhills Apartments and Townhomes. Staff received responses from two management companies.

Responding Company	Proposed Fee
Avison Young	$40.85 PUPM; $41.70 - $44.45 over 4-year renewal period
Edgewood Management	$42 PUPM with an annual CPI escalation

Review and scoring of responses was completed by staff from the Property Management, Finance and Compliance divisions. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Staff recommends that Avison Young, the current management agent, retain management of Greenhills Apartments and Townhomes. Avison Young submitted a competitive bid and has considerable knowledge of the northern Montgomery County submarket. Avison Young has been an active and enthusiastic partner in preparing for the renovation process, including scheduling and participating in resident meetings, developing a resident relocation plan and providing insightful recommendations to HOC's Real Estate Development team and the contractor.

Edgewood Management's proposed fee was slightly higher in the initial year than Avison Young, and a property entering into a major renovation does not lend itself well to a change in management.

Staff is proposing a management contract with Avison Young Management for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:
Does the Commission wish to authorize the Executive Director to execute a management contract with Avison Young for property management services at Greenhills Apartments and Townhomes?

BUDGET IMPACT:
Avison Young proposed a management fee of $40.85 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $38,236.00 for one year.

TIME FRAME:
The term of the Management Agreement for Greenhills Apartments and Townhomes was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Commission action at its meeting of December 7, 2016.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:
Staff recommends that the Commission accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute a management contract with Avison Young for property management services at Greenhills Apartments and Townhomes.

RESOLUTION NO.: 16-87 **RE: Approval of Property Management Contract for Greenhills Apartments and Townhomes**

WHEREAS, the Housing Opportunities Commission issued a Request for Proposals (RFP) for property management of Greenhills Apartments and Townhomes (Property"); and

WHEREAS, based on the criteria included in the RFP and pricing from two responding companies, a panel of staff from Property Management, Finance and Compliance scored the results and determined that Avison Young is the most qualified to manage the Property.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute a management contract with Avison Young for two years and three (3) optional one-year renewals.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

Approval of Service Contract for Housing Quality Standards Inspections

December 7, 2016

- The Housing Opportunities Commission solicited bids for conducting Housing Quality Standards (HQS) inspections for approximately 13,000 initial, annual and special inspections and re-inspections which defines “standard housing” and established minimum criteria necessary for the health and safety of program participants.

- HOC received responses from four inspection companies.

- HOC proposes to use the Montgomery County Housing and Building Maintenance Standards (Chapter 26, Montgomery County Code) as an alternative inspection method, which is more stringent than HQS and Uniform Physical Condition Standards (UPCS).

- Staff reviewed the bids in accordance with the IFB guidance and determined the lowest, responsive and responsible bidder.

- Staff recommends that the Commission authorize the Executive Director to execute a service contract with Quality Assurance Inspections, Inc. to perform Housing Quality Standards Inspections.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Renee Harris Division: Office of Client Services Ext. 9641

RE: Approval of Service Contract for Housing Quality Standards Inspections

DATE: December 7, 2016

STATUS: Committee Report : Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Authorization to execute a service contract with Quality Assurance Inspections, Inc. for Housing Quality Standards inspections in the Housing Choice Voucher program.

BACKGROUND:
The Housing Opportunities Commission solicited bids for conducting Housing Quality Standards (HQS) inspections estimated to be approximately thirteen thousand (13,000) initial, annual and special inspections and re-inspections which defines “standard housing” and established the minimum criteria necessary for the health and safety of program participants. The subject properties consist of single family, townhouse, multi-family, garden, mid-rise and high-rise dwelling units located throughout Montgomery County.

An Invitation for Bid (IFB) for Housing Quality Standards inspections at HOC properties was issued in accordance with HOC’s Procurement Policy. HOC received responses from four inspection companies.

Responding Company	Total Cost of Required Services
Quality Assurance Inspections, Inc. (QAI)	$354,468
NMA Inspections	$363,000
US Home Inspection Services	$416,500
Landmark Inspection Services	$355,400

The following table provides a line-by-line breakdown of the bid made by Quality Assurance Inspections, Inc.

Description	Inspection Rate	Estimated Quantity	Total Cost
Initial and Annual Inspections	$28.99	x 8,000 inspections	$231,920
Schedule and Conduct Initial Move-In Inspection	$28.99	x 1,800 inspections	$53,982
Conduct Initial Move-In Inspection (HOC Schedules)	$28.99	x 200 inspections	$5,798
Re-inspection	$19.99	x 2,500 inspections	$49,975
No Show Inspection	$13.99	x 500 inspections	$6,995
Schedule and Conduct Special/Emergency Inspection	$28.99	x 100 inspections	$2,899
Schedule and Conduct Special/Emergency Inspection (HOC Schedules)	$28.99	x 100 inspections	$2,899
Administrative/Customer Service/Scheduling/Call Center/Mailing	$0.00	x 13,000 inspections	$0.00
Grand Total			**$354,468**

HOC proposes to use the Montgomery County Housing and Building Maintenance Standards (Chapter 26, Montgomery County Code) as an alternative inspection method, which is more stringent than Housing Quality Standards (HQS) and Uniform Physical Condition Standards (UPCS). Currently, the Department of Housing and Community Affairs (DHCA) of Montgomery County enforces Housing and Building Maintenance standards in the local private rental housing market. Using Montgomery County standards allows HOC to apply a uniform inspection standard to all HOC programs/units and ensures that our units are maintained at the highest standard.

The review of responses included consideration of past and current experience performing Housing Quality Standards Inspections for Public Housing Authorities and program knowledge of key personnel. Staff considered the experience with low income residents and property owners participating in the Housing Choice Voucher program.

QAI will provide HOC with a list of qualified Inspectors prior to adding the Inspectors to the contract. HOC and QAI will partner to identify ways to improve efficiency, reduce the number of re-inspections and “No Shows”. Further, HOC will also work with QAI to ensure they are committed to providing ongoing quality inspections over quantity.

Staff recommends that Quality Assurance Inspections, Inc. perform the HQS inspections of HOC’s properties. Quality Assurance Inspections, Inc. submitted the lowest bid while still providing a concrete track record. Since 1988, the management team has provided inspection services to the U.S. Department of HUD, U.S. Department of Justice, and U.S. Department of Defense. Furthermore, Quality Assurance Inspections, Inc. has extensive experience performing inspections for housing authorities throughout the country.

Staff is proposing a service contract with Quality Assurance Inspections, Inc. for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director of the Housing Opportunities Commission to execute a service contract with Quality Assurance Inspections, Inc. for Housing Quality Standards inspections services at HOC properties?

BUDGET IMPACT:

The total cost of the proposed contract for Quality Assurance Inspections, Inc. is $354,468. The cost of HQS inspections has been included in the FY 17 Agency Budget.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the recommendation at the November 28, 2016 Committee meeting. Action is requested at the December 7, 2016 Commission Meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission to authorize the Executive Director of the Housing Opportunities Commission to execute a service contract with Quality Assurance Inspections, Inc. for Housing Quality Standards inspections services at HOC properties.

RESOLUTION NO.: 16-88

RE: Approval of Service Contract for Housing Quality Standards Inspections

WHEREAS, the Commission is required to perform Housing Quality Standards Inspections on all units annually and all new units prior to entering into a Housing Assistance Payment contract; and

WHEREAS, the Housing Opportunities Commission of Montgomery County issued an invitation for Bid for Housing Quality Standards Inspections; and

WHEREAS, based on a review of the responses and in accordance with the selection criteria, staff determined Quality Assurance Inspections, Inc. to be the lowest, responsive and responsible bidder.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to execute a contract for the term of two years, renewable for up to three additional one-year periods with Quality Assurance Inspections, Inc. for Housing Quality Standards Inspections at the price and terms stated in the bid.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO PROCURE CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SOFTWARE AND SERVICES

December 7, 2016

- The Housing Opportunities Commission seeks to develop a Call Center and Customer Relationship Management (CRM) system to improve customer service and streamline service delivery across the agency.

- HOC staff has performed a robust review of high-quality software products to support the day-to-day operations of the agency's Call Center, track customer interactions, and integrate data from HOC's current systems of record. Staff established specific requirements that were used to evaluate the list of potential software products and vendors. Staff determined Salesforce to be the most comprehensive and highest-value product to meet the agency's compatibility and functionality requirements.

- To fully leverage the technology investment, the Housing Opportunities Commission requested proposals from Salesforce's three recommended system integration vendors to develop the Salesforce CRM system to HOC's specifications. Staff determined Incapsulate LLC to provide the most customized, high-quality, and cost-effective approach to perform the system integration and develop the CRM system.

- The recommended software and system integration vendors are listed on the GSA Schedule and can be procured using a sole source strategy. The Salesforce software and Incapsulate services will be procured using two separate contracts and will each be renewed annually.

- The software and implementation service costs are included within the approved fiscal year 2017 budget.

- Staff recommends that the Executive Director be authorized to procure the Salesforce software product and system integration services from Incapsulate LLC to build the agency's call center and customer relationship management system.

M E M O R A N D U M

TO:	Housing Opportunities Commission		
VIA:	Stacy L. Spann, Executive Director		
FROM:	Staff: Shauna M. Sorrells	Division: LPA	Ext. 9461
	Natalie Kaplan	LPA	Ext. 9787
RE:	Approval to Procure Customer Relationship Management (CRM) Software and Services		
DATE:	December 7, 2016		

STATUS: Committee Report ______ Deliberation ___X___

OVERALL GOAL & OBJECTIVE:

Procurement of a Customer Relationship Management System and system integration services

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SUMMARY:

HOC seeks to implement an agency-wide Customer Relationship Management (CRM) system and Call Center. First phase deployment would include a call center with three staff (projected third quarter FY 2017). Once fully deployed, the CRM will provide (i) an online self-service portal for customers and landlords including live-agent chat; (ii) remote call center functionality that will allow HOC to respond to customers even when offices are closed due to inclement weather; (iii) targeted message delivery by way of email and text message; and (iv) potentially a mobile application (mobile app). In addition to enhancing HOC's service to customers and housing partners, the Call Center will ensure that customers receive consistent and accurate information across the agency by centralizing access points and tracking responses.

In order to achieve this objective, HOC must procure a robust, easily customizable CRM software that integrates with HOC's primary system of record, currently Yardi. The CRM software will serve as the Call Center's operational platform and enable HOC to use enterprise data for business analytics, track workflows and advance customer satisfaction. By centralizing communications and tracking workflows, the CRM system will provide business intelligence to support high-quality, need-responsive service delivery.

To fully leverage the technology investment, staff recommends that HOC also procure the services of a Systems Integrator. The Systems Integrator will design, develop, and integrate the CRM software with existing systems based on HOC's business needs and workflow processes. Additionally, the Systems Integrator will undertake a Business Process mapping process to identify opportunities to increase efficiency across the enterprise. Procuring a Systems Integrator in addition to the CRM software will allow HOC to optimize software features and build a solution tailored to HOC's needs. All vendors being considered for both CRM software and as the Systems Integrator are on the GSA Schedule and could be procured using a sole source strategy to expedite deployment.

After reviewing six potential software solutions, Salesforce was determined to be the best in class based on features and functionality. Salesforce is widely used across the federal government and a number of city wide CRM 311 solutions including Washington, D.C.; Boston, MA; and Baltimore, MD[1] providing web-based, self-service portals for residents and stakeholders. Critical to this recommendation is Salesforce's compatibility with HOC's existing infrastructure as well as possibility for future expansion.

Of Salesforce's recommended Systems Integrators, Incapsulate LLC, a reputable and experienced DC-based business, is recommended to provide HOC's CRM system integration services.

The software and implementation costs are included within the approved fiscal year 2017 budget. As the FY 18 budget is developed, ongoing maintenance and operational costs will be included.

Background

Historically, HOC's divisions have served customers independently, responding to inquiries through internally managed, sometimes paper-based processes. This reduces transparency and inhibits HOC's ability to track interdependent processes, as well as how customers and their requests move through the HOC system.

Further, customers contacting HOC for general information are sometimes routed through multiple staff before reaching the desk (or voicemail) of an appropriate contact. Information provided may not always be consistent, or worse, may even be outdated because there is no digital knowledgebase. A knowledgebase is a searchable database of answers to program questions and agency processes. Additionally, when a program coordinator responds to general questions, he or she is unavailable to serve customers who may need a deeper level of assistance in order to get or remain stably housed. The current practice is inefficient and inhibits HOC's ability to provide the highest level of service to customers.

As part of its review of CRM software alternatives, staff interviewed six vendors to determine the most viable and appropriate product to meet HOC's business needs. Additionally, staff met with regional

[1] The Baltimore Salesforce solution was recently awarded and is not yet available online.

agencies including the implementers of both the District of Columbia's and Montgomery County's 311 systems. These meetings provided valuable insight into system design, vendor selection, as well as staffing and operational capacity needs.

Software and Vendor Analysis

Software

Staff established specific requirements that were used to evaluate the list of potential software products and vendors. These criteria were:

- Integration with HOC's phone system which was updated in April 2015 (VoIP Integration: G-Unify/Fusion Compatibility)
- Scalability to meet growing business needs and potential expansion
- Internally managed Call Center
- Mobile phone view compatibility and ability to create a mobile application (app)
- Project design, analysis, support, and training with Systems Integrator support
- Unified view of customer records reflecting integration with multiple HOC databases
- Cloud Hosting capability

Of paramount importance, the CRM solution must be compatible with the agency's existing phone infrastructure - Fusion. As a result, this requirement immediately excludes Yardi RENTCafe, SugarCRM, and Oracle products from consideration. Further, SugarCRM is unable to scale to meet HOC's future needs or provide a unified customer view. Yardi RENTcafe's model, while providing seamless Yardi integration, does not allow HOC to internally staff and manage the Call Center. Yardi RENTcafe requires that all calls be routed through their helpdesk staff as an outsourced Call Center. Finally, Oracle's pricing significantly exceeds all other products, without meeting HOC's service needs.

Staff held web-based and in-person meetings with representatives from the remaining vendors, Salesforce, Zendesk, and Clio. The following table (Table 1.0: CRM Product Matrix) reflects findings from those informational meetings.

Table 1.0: CRM Product Matrix

	Salesforce	Zendesk	Clio	Yardi Rentcafe	SugarCRM	Oracle
VoIP Integration: G-Unify/Fusion Compatibility*						
Scalability to meet Business Needs						
Internally Managed Call Center						
Mobile Phone View Compatibility & App Development						
Systems Integrator Support						
Unified View of Customer (Seamless Database Integration)						
Cloud Hosting						

Clio is designed specifically to meet the needs of legal service organizations and would require significant customization to accommodate HOC's business needs and provide a unified customer view. Zendesk and Salesforce proved to be the two strongest contenders. While both systems provide strong CRM and Call Center capabilities, Zendesk's system is comparatively less customizable, and cannot easily scale. Specifically, Zendesk has limited capability to support integration with HOC's current data systems and a siloed, 3rd-party knowledgebase solution. Salesforce, in comparison to other vendors, meets every criterion outlined by HOC.

While Salesforce licenses (ongoing maintenance) are procured separately from the services of a systems integrator, systems integrators provide key insight and guidance in determining the types and quantities of licenses needed to meet the agency's business needs. Salesforce spoke with each system integrator to discuss licensing options to meet HOC's needs. Salesforce and Incapsulate worked together to provide the quote used in the license cost projections depicted in Table 2.0.

Table 2.0 Salesforce Licensing Cost Projections

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	7 Years
Sales Force Licensing Cost*	$44,210	$98,526	$108,631	$108,631	$108,631	$108,631	$108,631	**$685,889**

*License costs are prorated from the date of purchase.
*License costs (priced per user and per log-in) are expected to increase as more HOC stakeholders use the system for self-service.
*Monthly promotions offered by Salesforce may provide slight cost savings above what is depicted here.

Systems Integrator

Staff met with three vendors recommended by Salesforce for their knowledge of the software and expertise: Incapsulate, Blue City Studios, and Phase One. All three vendors are certified Salesforce integrators and have a documented history of large-scale project implementations for government agencies. The vendors' quotes showcased their unique business models and methods of structuring the requested process management, implementation and training periods.

Blue City Studios, while the lowest cost option, provided limited documentation regarding their services and failed to demonstrate a deep understanding of the complexity and hands-on support sought for this project.

Phase One, an experienced implementer in the federal government Salesforce space, provided a robust quote, front-loading all implementation and training components in a 6-month period. The quote and project design methodology showed limited flexibility or cost savings to break out project components independently. Phase One's model includes a 6-month post-implementation support period, with dedicated hands-on staff to support internal HOC system adoption and longevity. The 6-month post-implementation support includes training IT staff to perform future customizations and maintenance.

Incapsulate's quote provides a blend of the other options, with an implementation process that allows for the project to be phased over time and deployed in a customized and measured approach. This flexibility is especially important as HOC considers other system updates that may require delayed implementation of CRM features.

Incapsulate's key differentiation is their "Capsules"; custom-built technology subscriptions, billed on a yearly basis. These proprietary Capsules provide streamlined system components and continuous updates, making system management easier over the long-term. Capsule enhancements are available to subscribing clients, significantly reducing ongoing configuration and development costs (inherent in most technology development projects). Capsules cover website and mobile development and upgrades, new workflow customization through form management, and integration costs through Application Program Interface development.[2] Table 3.0: System Integration Vendor Cost Comparison represents budget estimates provided in each vendor's proposal.

[2] Application program interface (**API**) is a set of routines, protocols, and tools for building software applications. An **API** specifies how software components should interact. APIs are important to ensuring that as HOC changes or upgrades its current systems, HOC's CRM system would be able to take advantage of any updates Incapsulate has developed without incurring additional development costs.

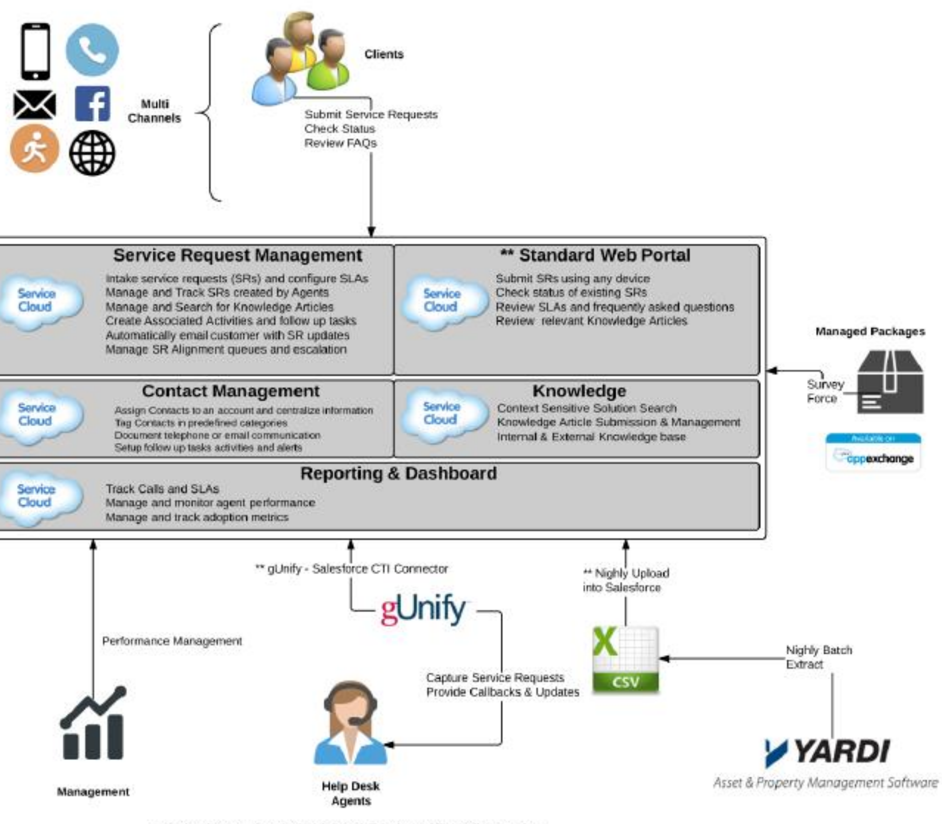
Table 3.0: System Integration Vendor Cost Comparison

System Integrators (Services)	Total Services Cost (All Phases: Years 1-3)	Ongoing Yearly Services Cost	Total 7 Year Services Project Cost
Blue City Studios	$181,700	$24,000	**$277,700**
Incapsulate	$676,775	$218,000	**$1,548,775**
Phase One Consulting Group	$1,378,442	$-	**$1,378,442**

Salesforce not only proves to be the highest-value solution for HOC's needs, but the recommended Systems Integrator, Incapsulate, comes with strong reviews from the Salesforce team and clients across the region. DC 311 used Salesforce and Incapsulate to design its well regarded 311 system. Staff spoke with the development leads at DC 311 who strongly recommended the Salesforce/Incapsulate option. Staff also met with Montgomery County's 311, who advised that if the County had not already deeply invested in Oracle for its CRM software, they too would have chosen Salesforce. In fact, they recommended against the Oracle CRM solution.

A graphic representation of Incapsulate's strategy for integrating CRM functionality with HOC's business and communication processes is provided below (Figure 1.0). Please see Attachment A for an overview of Incapsulate's estimated project schedule.

Figure 1.0: Incapsulate Phase 1: Implementation Framework



It should be noted that this packet was brought before both the Legislative and Regulatory and Development and Finance Committees for feedback and discussion.

Budget Impact:
The software development, implementation and staffing costs are included within the approved fiscal year 2017 budget. As the FY 18 budget is developed, ongoing maintenance and operational costs will be included.

The estimated 7 year cost projection for the total CRM project implementation and ongoing maintenance is listed below in Table 4.0. Ongoing costs must be provided for within HOC's budget.

Table 4.0 Total CRM Project Cost Projection

Incapsulate Services + Salesforce Licenses	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	7 Years
Development Cost	$136,775							**$136,775**
Forms (SR) Capsule	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	**$350,000**
Web Capsule		$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	**$300,000**
Integration Capsule	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	**$350,000**
Mobile Capsule			$50,000	$50,000	$50,000	$50,000	$50,000	**$250,000**
Maintenance & Support contract (20 hrs/month in FY17-18, 10 hrs/month in FY19-23)	$36,000	$36,000	$18,000	$18,000	$18,000	$18,000	$18,000	**$162,000**
Sales Force Licensing *	$44,210	$98,526	$108,631	$108,631	$108,631	$108,631	$108,631	**$685,889**
Total	**$316,985**	**$284,526**	**$326,631**	**$326,631**	**$326,631**	**$326,631**	**$326,631**	**$2,234,664**

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the request at its November 28, 2016 Committee meeting. For Commission action at its meeting on December 7, 2016.

If approved by the Commission, staff anticipates that the call center will be operational by March 31, 2017.

RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends the Commission accept the recommendation of the Budget, Finance, and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to procure the recommended Salesforce software and Incapsulate system integrator services to build a Call Center and customer relationship management system.

Attachment A: Incapsulate Phase 1 Discovery and Implementation Timeline (10 Weeks)

		1/2/17-1/6/17	1/9/17-1/13/17	1/16/17-1/20/17	1/23/17-1/27/17	1/30/17-2/3/17	2/6/17-2/10/17	2/13/17-2/17/17	2/20/17-2/24/17	2/27/17-3/3/17	3/6/17-3/10/17
Functionality	**Deliverable**	**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Week 5**	**Week 6**	**Week 7**	**Week 8**	**Week 9**	**Week 10**
Discovery	**Revised Release Schedule, Design and Roadmap for "To Be" System**										
Build Service Console	**Agent Service Console, Knowledge Base, Accounts, Contacts and Cases**										
UAT	**System Migration (DEV to UAT), Bug Fix, System Migration**										
Training	**Train-the-trainer Training**										
Rollout	**System Migration (Staging to Production)**										
****Build-Standard Web Portal**	**Standard HOC Web Portal, User Authentication, Case Submit/Check Status**										
****Integrations - Telephony (CTI)**	**Screen Pop, Call Management, Call Logging, Call Stats**										
****Integrations (Yardi)**	**API Development**										

****Optional features and deliverables**

RESOLUTION NO.: 16-89 **RE: Approval to Procure Customer Relationship Management (CRM) Software and Services**

WHEREAS, the Housing Opportunities Commission seeks to build a Call Center and Customer Relationship Management (CRM) system to improve customer service and streamline service delivery across the agency; and

WHEREAS, the Housing Opportunities Commission performed a robust review of high-quality software products to support the day-to-day operations of the agency's Call Center, track customer interactions, and integrate data from HOC's current systems of record; and

WHEREAS, staff established specific requirements that were used to evaluate the list of potential software products and vendors and determined Salesforce to be the most comprehensive and highest-value product to meet the agency's compatibility and functionality requirements; and

WHEREAS, the Housing Opportunities Commission requested proposals from Salesforce's three recommended system integration vendors to develop the Salesforce CRM system to HOC's specifications. Staff determined Incapsulate LLC to provide the most customized, high-quality, and cost-effective approach to service delivery to perform the system integration services to develop the CRM system; and

WHEREAS, the recommended software and system integration vendors are listed on the GSA Schedule and can be procured using a sole source strategy. The Salesforce software and Incapsulate services will be procured using two separate contracts and will each be renewed annually.

WHEREAS, the software and implementation service costs are included within the approved fiscal year 2017 budget.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the Executive Director to procure the Salesforce software product and system integration services from Incapsulate LLC to build a Call Center and customer relationship management system.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

Development and Finance Committee

Approval of Final Financing Plan for the Alexander House Development (the "Property");Authorization to Issue Tax-Exempt Notes of up to $76 million to Citi Community Capital and Loan such Proceeds to Alexander House Apartments Limited Partnership (the "Partnership") and Alexander House Development Corporation for Construction Financing; Authorization to Issue Commitments for up to $70 Million in Permanent Financing, Including Authorization to Hedge Interest Rate Risk; Authorization for the Partnership to Accept Construction and Permanent Loans; Authorization of Acquisition Loan for the Partnership; and Approval to Execute Low Income Housing Tax Credit Equity Documents

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
GIO KAVILADZE

December 7, 2016

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Executive Summary

Project Name	Alexander House Apts	**Current/Projected Units**	311/305	**Projected Closing Date**	December 2016
Location	Silver Spring, MD	**Average Unit Size (SF)**	728	**Projected Stabilization Date**	Fall 2018
Product Type	High Rise	**Occupancy (a/o 09/06/16)**	81%	**Recapitalization Strategy**	Rehab
Year Built	1992	**Total Building Sqft**	278,038	**Funding Strategy**	4% LIHTC/Bonds

Development Updates

1 EH III (Future)

2 EH IV (Future)

3 Alexander House Apts

Executive Summary

	EXISTING	PROPOSED	RATIONALE
Total Units	311	305	Converting first floor of the building to public use space and will recapture the lost units in EH IV.
Unit Type	•187 Market Units •124 Affordable Units ▪124 @<60% AMI	•183 Market Units •122Affordable Units ▪122 @<60% AMI	Meets Section 42 requirements associated with the use of tax-exempt financing.

Alexander House is an important element in the redevelopment of Elizabeth Square. Subject to Commission approval, the equity will be extracted and used to contribute to the funding of the affordable housing component of Elizabeth House III, upon refinancing of Alexander House.

The property will consist of two entities:

- **Alexander House Apartments Limited Partnership** - 122 affordable units to be funded with debt, HOC seller note, and Low Income Housing Tax Credit ("LIHTC") equity.

- **Alexander House Development Corporation** - 183 market rate units to be funded with debt and HOC seller note.

Executive Summary

- The Final Development Plan was approved by the Commission on 10/05/2016.
- Preliminary Financing Plan was approved by the Commission on 10/05/2016.
- Total development cost is estimated at $100MM. To finance the project, staff is in the process of securing construction financing of up to $76MM from Citi Community Capital.
- LIHTC investor will contribute approximately $15.5MM of tax credit equity.
- The remaining funding of up to $17MM will be provided by HOC as seller notes to be repaid from future property cash flows.
- The Commission will issue short term tax-exempt notes, to be placed with Citi Community Capital as the basis of construction loan in the amounts of up to $51MM for Alexander House Development Corporation and up to $25MM for Alexander House Apartments Limited Partnership.
- Upon the completion of renovation (~18 months) and property stabilization, the short-term debt financing will mature and will be repaid with FHA/FFB permanent loan based on FHA Risk Share/ Federal Financing Bank (FFB) Program (the "FHA/FFB Financing").
- The FHA/FFB Financing program currently has an insurance upon completion product, which can provide take out financing for the construction loan at project stabilization. HOC, as lender, can purchase a hedge to protect against interest risk during the anticipated three year construction and stabilization period. Estimated cost of the hedge is $2.86MM to be funded in the development budget.

Executive Summary

Staff hereby requests that the Commission accept the recommendation of the Development and Finance Committee and:

- Approve Public Purpose for **Alexander House Apartments Limited Partnership** and allocate up to $25MM in volume cap.

- Adopt a resolution authorizing the issuance of short-term tax-exempt private activity note in an amount not to exceed $25MM for **Alexander House Apartments Limited Partnership** unit renovations and issuance of short-term tax-exempt governmental note in an amount not to exceed $51MM for **Alexander House Development Corporation** unit renovations, but which in aggregate would not exceed $76 million.

- Authorize the Executive Director to accept and close on construction loan financing from Citi Community Capital.

- Authorize the issuance of conditional commitment letter(s) to **Alexander House Apartments Limited Partnership** and **Alexander House Development Corporation** to provide permanent takeout financing in an amount of up to $76MM, pursuant to the FHA/FFB Financing.

- Authorize the Executive Director to enter into an interest rate hedge agreement to protect against interest rate risk during the construction and stabilization period.

- Authorize issuance of seller note in an amount of up to $17MM to **Alexander House Apartments Limited Partnership .**

- Authorize the Executive Director to approve all related documents required to close this transaction.

Financing Plan – Schedule

December 2016
- Construction Loan Closing
- Tax Credit Equity Closing
- Commission approval to enter into interest rate hedge agreement

January 2017
- Construction Start

July 2018
- Substantial Completion

December 2018
- Stabilization
- Permanent Financing

Financing Plan – Transaction Highlights

CONSTRUCTION FINANCING

Loan Type	**AH Limited Partnership**: loan backed by short-term tax-exempt private activity note **AH Development Corporation**: loan backed by short-term tax-exempt governmental note
Max Loan Amount	Up to $76MM or an amount not exceed 80% of costs covered through the Construction Phase
Lender	Citi Community Capital
Loan Term	24 month, plus two optional 6-month extension(s)
Interest Rate	Variable rate equal to One-Month LIBOR + a spread
Amortization	Interest only, no principal amortization
Prepayment and Yield Maintenance	Prepayment of principal amount (full or partial) during the construction phase may be made without any prepayment premium
Guaranty	1) Standard Environmental Indemnity 2) Repayment guaranty – 15% of total loan amount

Financing Plan – Transaction Highlights

FHA/FFB PERMANENT FINANCING	
Max. Loan Amount	Up to $70.1MM Permanent loan amount excludes $4.5-$6.2MM short-term note to be issued to meet LIHTC 50% test
Interest Rate	40-year FFB rate at the time of hedge agreement
Loan Term	40 Years
Interest Rate Risk Hedge	HOC will purchase a hedge to protect against interest rate increases over the next three years
Credit Enhancement	FHA Risk Share Insurance HOC will assume 50% of the risk and FHA 50%, as required for FFB participation
Financing Fee	HOC to collect a 2% fee ($1.4MM) at permanent loan closing.
Equity	Approximately $15.5 million from the syndication of LIHTC with R4 Capital as the syndicator.
Volume Cap Allocation	Up to $25MM

Permanent Financing Plan – FHA/FFB Financing

- In an attempt to garner the lowest interest rate possible for the Multifamily Development, staff recommends financing the loan utilizing FHA/FFB Financing.
- To date, FHA/FFB Financing has not developed a construction/insurance of draws program. The FHA/FFB Financing does provide a product for mortgage insurance upon construction completion.
- The term of the construction loan for this project is two years. In order to mitigate the interest rate risk at stabilization, a forward swap agreement with a counterparty is proposed to hedge the interest rate risk for the permanent loan.
- Using FHA/FFB Financing could result in a 95-125 basis points savings on the permanent loan interest rate.
- Given that HOC underwrites Risk Share loans directly, HOC eliminates additional transaction costs associated with procuring a FHA MAP Lender, necessary for other FHA insured multifamily loans.

Permanent Financing Plan – FHA/FFB Financing

- FFB will purchase a 100% participation in certain mortgages insured under the FHA Risk Share Program upon completion of the construction and stabilization of the property..
- FFB publishes interest rates each business day and is the lowest available interest rate for financing a long term fixed rate mortgage loan. The interest rate for financing under the FFB Program is calculated daily using a formula based on the U.S. Treasury yield curve and includes adjustments for factors such as delay in delivery, loan amortization, anticipated prepayment and a spread for FFB.

40-Year Multifamily Mortgage Loan Rates as of November 4, 2016 (inclusive of Commission, Servicing, Trustee Fees)	
Tax-Exempt Bonds	4.50%
FHA 221(d)(4)	4.25%
FHA 223(f)	3.75%
FHA/FFB (11/23/16)	**3.29%**

- To date, the FFB program has financed mortgage loans for stabilized developments and developments involving moderate rehab. FFB is unable to commit to an interest rate more than 60 days prior to the delivery.
- FFB has expressed a willingness to commit to purchase a participation for up to three years in the future at an interest rate to be determined not more than 60 days before delivery.

Permanent Financing Plan – Interest Rate Risk Hedge

- The lowest cost financing for the Multifamily Development is achieved by using the FHA/FFB Financing program.
- The construction period is expected to be two years. If FHA/FFB Financing is used, the project financing will be exposed to interest rate risk, potentially adversely impacting economic viability.
- To mitigate interest risk, HOC proposes to purchase an interest rate hedge (similar to the CCL transaction) designed to protect against upward interest rate movement over the next two years. If approved, HOC would purchase the hedge for a fee prior to the start of construction.
- If interest rates increased, the counterparty would make payment to HOC. A payment received by HOC would be used to offset lower mortgage principal from a higher interest rate while keeping mortgage payments at level that would not impact the viability of the Multifamily Development.
- Conversely, if interest rates decreased, HOC would make a payment to the counterparty. A payment by HOC would be covered by an increase in mortgage loan principal due to the lower interest rate such that the loan payment would be at level that would not impact the viability of the Multifamily Development. The hedge will not perfectly match the interest rate risk exposure but will be designed to mitigate HOC's risk exposure.
- Currently the interest rate risk hedge is estimated to cost $2,862,501. The actual cost of the hedge may differ from this estimate and will not be known until the swap agreement is concluded.
- The cost of the hedge will be due at the time of settlement in 24 months and will be paid from financing proceeds. The hedge cost will not impact HOC’s current or future operating budgets.

Volume Cap Need/Uses ($’000s)

Year	2015	2016	Projected 2017	Projected 2018
Balance Carried Forward	$88,742	$29,012	$22,684	($28,708)
Annual Bond Cap Allocation	$35,869	$36,246	$36,608	$36,975
TOTAL BOND CAP AVAILABLE	**$124,611**	**$65,258**	**$59,292**	**$8,267**
TOTAL BOND CAP NEED	**($95,599)**	**($42,574)**	**($88,000)**	**($0)**
REMAINING BOND CAP AVAILABLE	**$29,012**	**$22,684**	**($28,708)**	**$8,267**
HOC PROGRAM NEEDS				
Single Family	$0	($19,504)	($20,000)	$0
Arcola Tower	($13,249)	($970)		
Waverly House	($22,600)			
Alexander House		($22,100)		
Greenhills			($12,200)	
Elizabeth House III			($16,000)	
Town Center Apartments			($9,400)	
Bauer Park			($11,200)	
TOTAL HOC PROGRAM NEEDS	**($35,849)**	**($42,574)**	**($68,800)**	**($0)**
PRIVATE DEVELOPER NEEDS				
Gaithersburg - Olde Towne	($25,525)			
Germantown - Churchill II				
Bethesda – Lakeview House	($34,225)			
Willow Manor at Fairland			($19,200)	
TOTAL PRIVATE DEVELOPER NEEDS	**($59,750)**	**($0)**	**($19,200)**	**($0)**

- At the end of 2015, HOC had $29MM of volume cap available.
- HOC was allocated $36.24MM of bond cap in 2016 from the State of Maryland.
- In calendar year 2016, $65.3MM of volume cap was available to fund private activity financing.
- Approximately $42.6MM million is anticipated to be used in 2016, including this Alexander House transaction, leaving $22.6 million for 2017 financing activities.
- HOC expects to have $59.3MM of volume cap available for projects in 2017 when the new allocation is made on January 1, 2017.

Public Purpose and Bond Cap Matrix

The matrix shows the basic property information for Alexander House, as well as the list of 16 other properties that were evaluated for HOC financing:

#	Name of Property (Year)
1	Waverly House (2015)
2	Arcola Towers (2015)
3	Lakeview House(2015)
4	Olde Towne Apartments (2015)
5	Churchill Senior Living Phase II (2014)
6	Galaxy Apartments (2010)
7	Victory Forest (2008)
8	Forest Oak Towers (2007)
9	Covenant Village (2006)
10	Oakfield Apartments (2005)
11	Stratford Place Apartments (Not Financed)
12	Clopper's Mill Manor (2004)
13	Charter House (No bond cap allocated)
14	Blair Park Apartments (2004)
15	Randolph Manor Apartments (2002)
16	Olney Manor Apartments (2004)

Public Purpose and Bond Cap Matrix – Summary of Qualitative Variables

Qualitative Variables were introduced with Quantitative Variables to provide support for the allocation of volume cap, should the pure numbers suggest otherwise. The project scored 32 of a maximum 36 points on 15 qualitative factors.

Factors	Score	Comments
Public Purpose	+	122 units at 60% of AMI
Fees	+	$446,648 financing fee at closing and $2.5MM development fee
Structure – Term of Affordability	+	LIHTC transaction with extended use provision for 30 years of affordability
Credit Enhancement – Risk to HOC	+	The long-term bonds will be supported by FHA mortgage insurance pursuant to the Risk Share Agreement with HOC
Readiness to Proceed	+	Development plan approved; Closing planned 12/2016
Need to Use Bond Cap	+	Volume cap supports the development of the project and generates fees for HOC.
Geography	+	Located in downtown Silver Spring, near public transit, shopping, and medical services.
Developer Experience	+	Experienced development team.
Project Design	+	Sixteen story high-rise with elevators.
Apartment Type	+	Elevator served, high-rise building.
Bedroom Mix	+	Efficiency, one bedroom and two bedroom units.
Cost per Unit	+	$329,405 per unit
Delivery Date	+	Renovations to begin in January 2017 and finish in December 2018.
HOC Ownership	+	HOC will retain managing ownership; majority ownership by limited partner investors.
Community Needs	+	High. Alexander House provides quality housing to low-income households in a safe community close to needed facilities & services. Market rents proposed below the prevailing market.

Public Purpose and Bond Cap Matrix – Summary of Quantitative Variables

The indices were first introduced in discussion of the Silver Spring Phase V development in 2002 with the expectation that the analysis would gain relevance over time as more projects are compared. By itself, an index has little meaning unless it can be measured against the results for other transactions.

Factors	Comments
Tax Exempt Savings Index	For every dollar of savings to the developer, we achieve $25.33 of public purpose.
Cap Usage Index	For every dollar of bond cap allocated, we achieve $1.86 in public purpose.
Public Purpose Index	The percentage of the total market potential that is devoted to public purpose is 37% for this transaction.
Unit Cap Cost Index	For every dollar of cost per unit, $0.56 is provided in volume cap.

Taken together, staff believes that the qualitative and the quantitative variables present adequate reason to allocate up to $25MM of bond cap to this transaction. This is due mostly to the significant public purpose relative to the market, upfront fees earned by HOC, the greater than 15-year term on affordability, and a sound project in terms of design, location and delivery schedule.

Capital Structure – Sources and Uses

SOURCES	AMOUNT
Tax-Exempt Bonds (ST)	$69,099,535
Tax Credit Equity	$15,182,810
Seller Note	$16,186,285
TOTAL SOURCES:	**$100,468,629**

USES	AMOUNT
Construction Costs	$29,454,052
Fees Related To Construction Costs	$2,772,486
Acquisition Costs	$49,970,019
Financing Fees and Charges	$6,656,410
Tax-Exempt Bonds (ST)	$5,700,000
Developer's Fees	$2,500,000
Syndication Related Costs	$180,000
Guarantees and Reserves	$3,235,662
TOTAL USES:	**$100,468,629**

EQUITY TO HOC	AMOUNT
Acquisition Costs	$49,490,451
(Less) Seller Note	($16,186,285)
(Less) All Outstanding Debt	($21,494,143)
TOTAL PROCEEDS AT CLOSING:	**$11,810,023**
(Less) Interest Rate Hedge Cost	($2,862,501)
NET PROCEEDS :	**$8,947,521**

- Citi will provide construction loan to HOC for up to $76MM or no more than 80% of construction costs.
- HOC will use the proceeds to fund a construction loan, which upon property stabilization will convert to permanent mortgage loans to Alexander House Apartments Limited Partnership and Alexander House Development Corporation.
- Upon stabilization, HOC will use FHA/FFB loan proceeds to pay off the construction loan.
- R4 Capital will provide approximately $15.5MM in equity for affordable units as the tax credit investor.
- HOC will issue seller notes to cover up to the remaining $17MM funding gap. The seller note will be repaid from the property's future net cash flows from operations.
- HOC will receive $11.8MM net equity proceeds at closing, out of which the cost of the interest rate hedge (currently estimated at $2.9MM) will be restricted and escrowed for settlement purposes at permanent closing.

Stabilized Operation – Combined Property

Stabilized Proforma	Year 1	Per Unit
Rental Income	$6,010,272	$19,706
Other Income	$373,752	$1,225
Operating Expenses	($2,031,081)	($6,659)
Vacancy / Credit Loss	($387,644)	($1,271)
Net Operating Income	**$3,965,299**	**$13,001**
Reserves	106,750	$350
Operating Cash Flow	**$3,858,549**	**$12,651**
Debt Service	$3,250,994	$10,659
Cash Flow	**$607,555**	**$1,992**

Projected Mortgage Amount at Closing	$63,399,534
Term (in years)	40
Interest Rate	3.90%
Debt Service Constant	5.13%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	4.15%
Debt Service Coverage Ratio Target (MKT/AFF)	1.19x

Current debt proceeds are sized assuming a typical FHA Risk-share FFB mortgage. The 40% of will serve residents at or below 60% of AMI such that the project can satisfy the Section 42 requirements associated with the use of tax-exempt financing.

Stabilized Operation – AH Development Corporation

Stabilized Proforma	Year 1	Per Unit
Rental Income	$4,234,488	$23,139
Other Income	$238,651	$1,304
Operating Expenses	($1,233,704)	($6,742)
Vacancy / Credit Loss	($297,641)	($1,626)
Net Operating Income	**$2,941,794**	**$16,075**
Reserves	64,050	$350
Operating Cash Flow	**$2,877,744**	**$15,725**
Debt Service	$2,398,120	$13,104
Cash Flow	**$479,624**	**$2,621**

Projected Mortgage Amount at Closing	$46,767,131
Term (in years)	40
Interest Rate	3.90%
Debt Service Constant	5.13%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	4.15%
Debt Service Coverage Ratio Target (MKT/AFF)	1.20x

Current debt proceeds are sized assuming a typical FHA Risk-share FFB mortgage. The 40% of will serve residents at or below 60% of AMI such that the project can satisfy the Section 42 requirements associated with the use of tax-exempt financing.

Stabilized Operation – AH Apartments Limited Partnership

Stabilized Proforma	Year 1	Per Unit
Rental Income	$1,775,784	$14,556
Other Income	$135,101	$1,107
Operating Expenses	($797,376)	($6,536)
Vacancy / Credit Loss	($90,003)	($738)
Net Operating Income	**$1,023,506**	**$8,389**
Reserves	42,700	$350
Operating Cash Flow	**$980,806**	**$8,039**
Debt Service	$852,874	$6,991
Cash Flow	**$127,931**	**$1,049**

Projected Mortgage Amount at Closing	$16,632,403
Term (in years)	40
Interest Rate	3.90%
Debt Service Constant	5.13%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	4.15%
Debt Service Coverage Ratio Target (MKT/AFF)	1.15x

Current debt proceeds are sized assuming a typical FHA Risk-share FFB mortgage. The 40% of will serve residents at or below 60% of AMI such that the project can satisfy the Section 42 requirements associated with the use of tax-exempt financing.

Flow of Funds – Construction Loan

- **Borrowers:** AH Apartments Limited Partnership and AH Development Corporation
- **Government Lender:** HOC
- **Funding Lender:** Citi Community Capital ("Citi")
- **Fiscal Agent**: U.S. Bank NA
- **Rebate Analyst**: Amtec

- **STEP ONE**: After the Borrower has submitted a Borrower Loan Advance requisition for the related draw, Citibank, N.A. ("CBNA" or the "Funding Lender) advances the Funding Loan Advance to the Fiscal Agent on behalf of the Governmental Lender to fund the corresponding Advance on the Funding Loan.

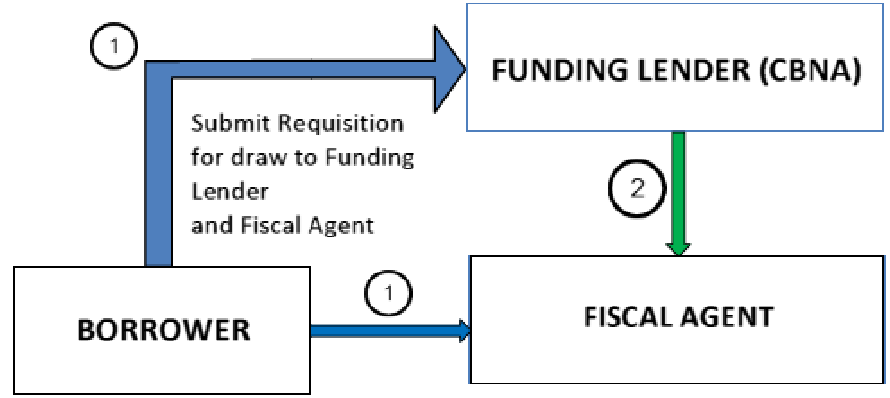
CHART I

Tax-Exempt Back-to-Back Loan

Draw-Down Funding Structure – Funding of Draws and Borrower Note and Governmental Lender Note Payments – Construction Phase (with Fiscal Agent)

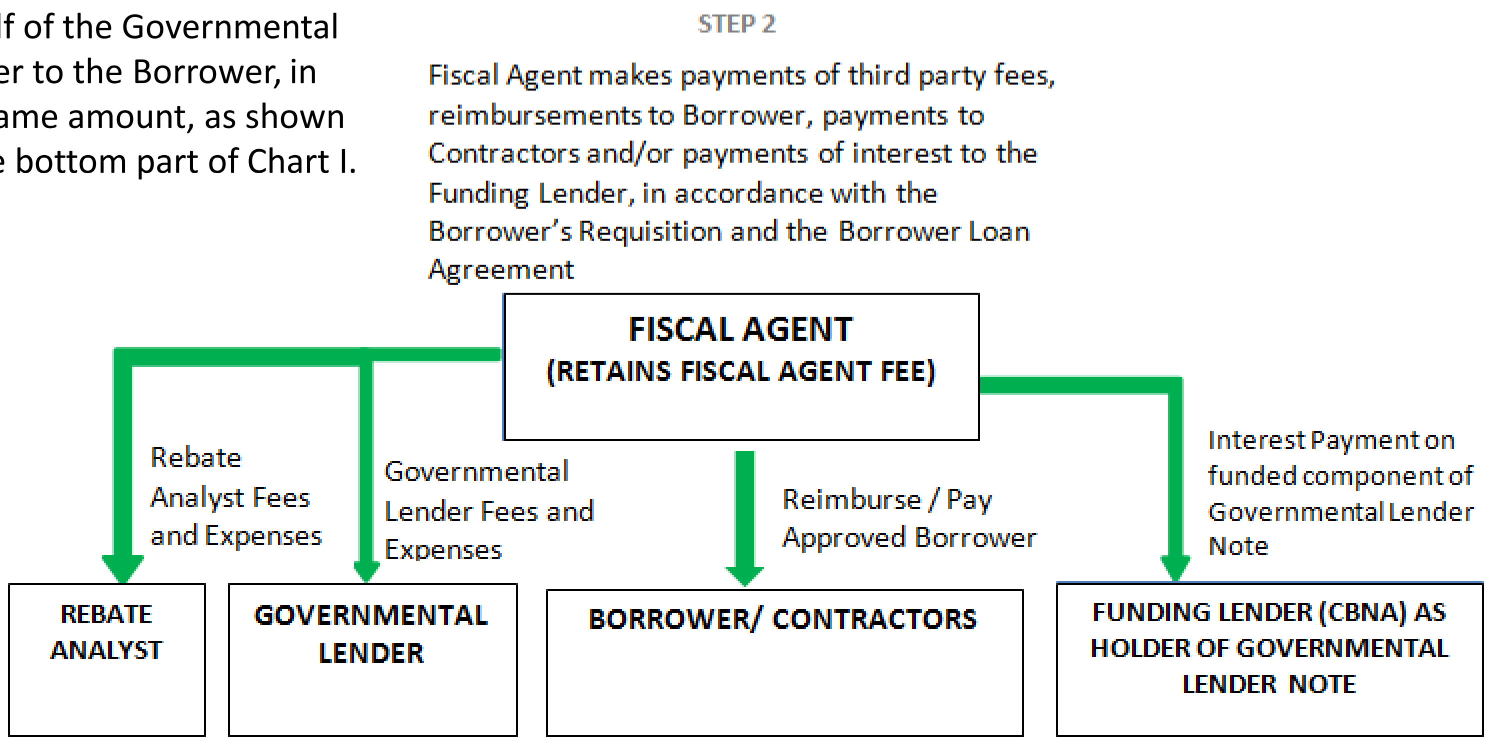
STEP 1

Funding Lender purchases installments of Governmental Lender Note under draw-down provisions of Funding Loan Agreement



Flow of Funds – Construction Loan

- **<u>STEP TWO</u>**: The Fiscal Agent makes the corresponding disbursement of the related Borrower Loan advance on behalf of the Governmental Lender to the Borrower, in the same amount, as shown in the bottom part of Chart I.



Issues for Consideration

Issues for Consideration

Does the Commission wish to accept the recommendation of the Development and Finance Committee, which met on November 18, 216, and approve the financing plan for the Alexander House Apartments Limited Partnership and Alexander House Development Corporation, which would include approving public purpose and allocating bond cap, authorizing issuance of short-term tax exempt governmental and private activity notes, authorizing issuance of seller note(s), accepting and closing construction loan financing from Citi Community Capital, issuing of conditional commitment letter(s) to provide permanent takeout financing, and entering in a interest rate hedge agreement to protect the Commission from interest rate risk during the construction period.

Fiscal / Budget Impact

There is no adverse impact on the Agency's FY 2017 and FY 2018 operating budgets. The projected development and commitment fees are anticipated to be paid as budgeted.

The Property is projected to generate Interim Income of $2.4 million and $2.9 million in FY17 and FY18, respectively. Interest payments will be capitalized in the Development Budget; therefore, Property will generate sufficient cash flow to contribute to the respective budgets as projected.

The construction loan with Citi requires a 15% construction loan guarantee while the loan is outstanding. Caine Mitter & Associates estimates the impact to HOC's borrowing capacity is $12 million. Once the loan converts to the permanent phase in two years, the guarantee is removed and so will the reduction in HOC's borrowing capacity.

Time Frame

Action at the December 7, 2016 Commission meeting.

Staff Recommendation and Commission Action Needed

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

- Approve Public Purpose for **Alexander House Apartments Limited Partnership** and allocate up to $25MM in volume cap.
- Adopt a resolution authorizing the issuance of short-term tax-exempt private activity note in an amount not to exceed $25MM for Alexander House Apartments Limited Partnership unit renovations and issuance of short-term tax-exempt governmental note in an amount not to exceed $51MM for Alexander House Development Corporation unit renovations, which in aggregate will not exceed $76 million.
- Authorize the Executive Director to accept and close on construction loan financing from Citi Community Capital.
- Authorize the issuance of conditional commitment letter(s) to Alexander House Apartments Limited Partnership and Alexander House Development Corporation to provide permanent takeout financing in an amount of up to $76MM, pursuant to the FHA/FFB Financing.
- Authorize the Executive Director to enter into an interest rate hedge agreement to protect against interest rate risk during the construction and stabilization period.
- Authorize issuance of seller note in an amount of up to $17MM to Alexander House Apartments Limited Partnership .
- Authorize the Executive Director to approve all related documents required to close this transaction.

RESOLUTION No.: 16-90 **RE:** Approval of Final Financing Plan for the Alexander House Development (the "Property");Authorization to Issue Loans to Alexander House Apartments Limited Partnership (the "Partnership") and Alexander House Development Corporation for Construction Financing; Authorization to Issue Commitments for up to $70 Million in Permanent Financing, Including Authorization to Hedge Interest Rate Risk; Authorization for the Partnership to Accept Construction and Permanent Loans; and Authorization for Partnership to Accept Acquisition Loan

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

WHEREAS, the Alexander House Apartments (the "Development") was originally constructed in 1992 at 8560 Second Avenue, near the Silver Spring Metro Station as a single sixteen-story building with 311 units, 203 parking spaces in a tri-level underground parking garage, management offices, maintenance and engineering rooms, as well as a common outdoor pool shared with Elizabeth House Apartments, the property adjacent to the north; and

WHEREAS, the Development is currently owned by Alexander House Development Corporation (the "Corporation"), a wholly-controlled corporate instrumentality of the Commission; and

WHEREAS, on October 05, 2016, the Commission approved a Development Plan (the "Development Plan") for the Development which would include the renovation of the Development and the creation of One Hundred and Eighty-Three (183) market rate units and One Hundred and Twenty-Two (122) income- and rent-restricted units (the "Tax Credit Units") ; and

WHEREAS, the Commission is the sole member of Alexander House GP LLC, a Maryland limited liability company (the "General Partner"), which will serve as the general partner of Alexander House Limited Partnership (the "Partnership"), a Maryland limited partnership indirectly controlled and managed by the Commission; and

WHEREAS, staff explored a variety of options for construction and permanent financing for the Development, and determined to use a number of sources including low-income housing tax credit (LIHTC) equity; the issuance of short-term tax-exempt Private Activity Bonds and short-term tax-exempt Governmental Bonds to fund construction loans; acquisition financing in the form of a seller take-back loan; and FHA Risk Sharing/Federal Financing Bank (FFB) Risk Sharing Program (the "FHA/FFB Risk-Share Program") (collectively, the "Financing Plan"); and

WHEREAS, as part of the Development Plan, the Commission approved the Partnership's acquisition of the Tax Credit Units in order to facilitate the use of the LIHTC equity and now wishes to approve an acquisition loan for the Tax Credit Units in an amount not to exceed $17 million, which will bear interest at 3.50% over a 40 year term (the "Acquisition Loan"); and

WHEREAS, the Commission and the Corporation wish to finance the renovation of the non-Tax Credit Units with a construction loan funded though a private placement of short-term, tax-exempt Governmental Bonds (the "Governmental Bond Loan") and finance the renovation of the Tax Credit Units with a construction loan funded though a private placement of short-term, tax-exempt Private Activity Bonds (the "Tax Credit Bond Loan", together with the Governmental Bond Loan, the "Development Construction Bond Loan"), which loans will bear interest at 1.75% over the 1-Month LIBOR, with a term not to exceed 36 months; and

WHEREAS, the Commission and Corporation wish to secure a permanent takeout loan for the Development in the form of a three year forward commitment to insure and finance the permanent loan for the non-Tax Credit Units (the "Governmental Permanent Loan") and the Tax Credit Units (the "Tax Credit Permanent Loan" and together with the Governmental Permanent Loan, the "Development Permanent Loan") in an aggregate amount of up to $70,100,000, based on a projected interest rate of 3.9%, using the FHA/FFB Risk-Share Program financing; and

WHEREAS, the FFB cannot lock in an interest rate more than 60 days before issuance of the Development Permanent Loan, but can agree to participate at a rate to be determined three years hence; and

WHEREAS, to protect the transaction from potential interest rate increases, the Commission wishes to purchase an interest rate hedge in the form of a forward starting swap to mitigate the risk of a potential rise in FFB fixed interest rates prior to the time the rate can be fixed for the Development Permanent Loan; and

WHEREAS, to protect the transaction from potential interest rate increases, the Commission wishes to purchase an interest rate hedge in the form of a forward starting swap transaction, to be evidenced by an ISDA Master Agreement, Schedule, Confirmation and Credit Support Annex ("Forward Swap"), to mitigate the risk of a potential rise in FFB fixed interest rates prior to the time the rates can be fixed for the Development Permanent Loan; and

WHEREAS, the Forward Swap will be structured with a notional amount not to exceed the estimated Development Permanent Loan amount that will amortize over 30 years but which will be subject to mandatory termination on a date certain (the "Mandatory Termination Date"), which is expected to be three (3) years from the execution of the Forward Swap, and will be subject to termination at an earlier date at the Commission's option; and

WHEREAS, the Forward Swap will be terminated at or before the closing on the Development Permanent Loan (but not later than the Mandatory Termination Date) and, depending on market conditions, either (i) the Commission shall pay the swap counterparty a termination payment from its general legally available funds, the cost of which shall be reimbursed from the permanent financing; or

(ii) the swap counterparty shall pay the Commission a termination payment, which the Commission would apply to the cost of the development, thereby reducing the Development Permanent Loan amount.

WHEREAS, Commission and the Partnership have received a Letter of Reservation/Determination for the LIHTC from the Maryland Department of Housing and Community Development which will enable the Partnership to raise approximately $15 Million in equity to pay part of its acquisition and development costs; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its capacity as the general partner of Alexander House Limited Partnership, that the Financing Plan as described herein, is hereby approved and that the staff is hereby authorized to proceed with the review and processing of the necessary financing applications and other documentation.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the issuance of the Development Construction Bond Loan, as follows:

1. Issuance of the Governmental Construction Bond Loan in an amount of up to $51,000,000 or such other amount as may be necessary to further the Development Plan, but in no event to exceed an amount which, when aggregated with the Tax Credit Construction Bond Loan, exceeds $76,000,000; and
2. Issuance of the Tax Credit Construction Bond Loan in an amount of up to $25,000,000 or such other amount as may be necessary to further the Development Plan, but in no event to exceed an amount which, when aggregated with the Governmental Construction Bond Loan, exceeds $76,000,000.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the issuance of a three year forward commitment for the Development Permanent Loan, as follows:

1. Issuance of the Governmental Permanent Loan in an amount of up to $51,000,000 or such other amount as may be necessary to further the Development Plan, but in no event to exceed an amount which, when aggregated with the Tax Credit Permanent Loan, exceeds $70,100,000; and
2. Issuance of the Tax Credit Permanent Loan in an amount of up to $19,100,000 or such other amount as may be necessary to further the Development Plan, but in no event to exceed an amount which, when aggregated with the Governmental Permanent Loan, exceeds $70,100,000

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its capacity as the general partner of Alexander House Limited Partnership, approves Alexander House Limited Partnership's acceptance of the Tax Credit Construction Bond Loan, the Tax Credit Permanent Loan, and the Acquisition Loan.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the execution of an interest rate hedge via a Forward Swap with Royal Bank of Canada (or another highly rated financial institution), to mitigate against a rise in the then-current FFB rate, with any termination payment owed by the Commission being paid from its legally available general funds, subject to agreements now or hereafter made with holders of its notes and bonds, pledging particular revenues, assets or moneys for the payment thereof and subject to agreements with governmental agencies or other parties providing funds to the Commission and restricting the uses to which such funds may be applied.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its capacity as the general partner of Alexander House Limited Partnership, that the Executive Director is hereby authorized, without any further action on their respective parts, to negotiate the terms of the Forward Swap and complete the blanks therein as necessary to complete the transaction contemplated herein.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its capacity as the general partner of Alexander House Limited Partnership, that the Executive Director is hereby authorized, without any further action on their respective parts, to execute such other documents and to take any and all other actions, in each case as necessary and proper, in the Executive Director's judgment, to carry out the Financing Plan and the transaction and action contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House Development Corporation, acting in its capacity and for and on behalf of Alexander House Limited Partnership at a regular meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

RESOLUTION: 2016-91 Re: Adoption of Authorizing Resolution for Financing of Alexander House

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, AUTHORIZING THE EXECUTION AND DELIVERY BY THE COMMISSION OF A PRIVATE ACTIVITY COMMISSION NOTE AND A GOVERNMENTAL COMMISSION NOTE, IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $76,000,000, FOR THE PURPOSE OF FINANCING THE ACQUISITION, REHABILITATION AND EQUIPPING OF ALEXANDER HOUSE APARTMENTS AND CONTRIBUTING FUNDS FOR THE REHABILITATION AND EQUIPPING OF ELIZABETH HOUSE APARTMENTS; DETERMINING THE FEASIBILITY OF THE FINANCING; AUTHORIZING THE PUBLIC PURPOSE SET-ASIDE COVENANTS; AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF THE FUNDING LOAN AGREEMENTS, THE PROJECT LOAN AGREEMENTS AND THE OTHER COMMISSION DOCUMENTS AS DESCRIBED HEREIN; AUTHORIZING ONGOING DETERMINATIONS BY THE EXECUTIVE DIRECTOR; AUTHORIZING THE EXECUTION AND DELIVERY OF ANY OTHER DOCUMENTS NECESSARY FOR THE DELIVERY OF THE COMMISSION NOTES; AUTHORIZING THE CHAIRMAN, THE VICE CHAIRMAN OR THE CHAIRMAN PRO TEM AND THE EXECUTIVE DIRECTOR OF THE COMMISSION TO PROCEED WITH THE DELIVERY OF THE COMMISSION NOTES TO CITIBANK, N.A. OR TO AN AFFILIATE THEREOF; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL; RATIFYING AND APPROVING THE ACTIONS OF THE STAFF OF THE COMMISSION IN ACCORDANCE WITH THE COMMISSION'S PROCUREMENT POLICY TO SECURE A FISCAL AGENT AND THE APPOINTMENT BY THE EXECUTIVE DIRECTOR OF A FISCAL AGENT; AND PROVIDING AN EFFECTIVE DATE.

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

WHEREAS, the Commission has previously approved the final development plan for Alexander House Apartments, which provides for (a) the sale by Alexander House Development Corporation ("AHDC") of 122 affordable residential housing units (the "Affordable Units") to a newly created limited partnership, the Alexander House Apartments Limited Partnership ("AHALP"), and the rehabilitation of those units using low-income housing tax credit equity and (b) the rehabilitation of 183 residential housing market rate units (the "Market Units") which will continue to be owned by AHDC;

WHEREAS, the Commission proposes to enter into a Funding Loan Agreement (the "Private Activity Funding Loan Agreement"), by and among the Commission, Citibank, N.A., or an affiliate thereof (the "Funding Lender") and U.S. Bank National Association as fiscal agent (the "Fiscal Agent"), under which the Funding Lender will provide a private activity loan (the "Private Activity Funding Loan") to the Commission; and

WHEREAS, the Commission will loan the proceeds of the Private Activity Funding Loan to AHALP (the "AHALP Loan") pursuant to a Project Loan Agreement (the "AHALP Project Loan Agreement"), by and between the Commission and AHALP, for the purpose of financing a portion of the costs of the acquisition, rehabilitation and equipping of the Affordable Units; and

WHEREAS, AHALP will make payments of principal and interest under the AHALP Project Loan Agreement, in amounts fully sufficient to pay the principal of, premium, if any, and interest due on the Private Activity Commission Note as the same become due and payable; and

WHEREAS, to evidence the Private Activity Funding Loan, the Commission will execute and deliver to the Funding Lender a Note (the "Private Activity Commission Note") as a private activity bond under Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), and to evidence the AHALP Loan, AHALP will execute and deliver to the Commission a Project Note (the "AHALP Project Note"); and

WHEREAS, the obligations of AHALP under the AHALP Project Loan Agreement will be secured by a lien on and security interest in the Affordable Units pursuant to a Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the "AHALP Security Instrument"), made by AHALP in favor of the Commission; and

WHEREAS, the AHALP Project Note and the AHALP Security Instrument will be endorsed and assigned, respectively, by the Commission to the Funding Lender to secure the performance by the Commission of its limited obligations under the Private Activity Commission Note; and

WHEREAS, the Commission proposes to enter into a Funding Loan Agreement (the "Governmental Funding Loan Agreement"), by and among the Commission, Citibank, N.A. (the "Funding Lender") and the Fiscal Agent, under which the Funding Lender will provide a governmental loan (the "Governmental Funding Loan") to the Commission; and

WHEREAS, the Commission will loan the proceeds of the Governmental Funding Loan to AHDC (the "AHDC Loan") pursuant to a Project Loan Agreement (the "AHDC Project Loan Agreement"), by and between the Commission and AHDC, for the purpose of financing a portion of the costs of the rehabilitation and equipping of the Market Units, the retirement of debt on the Market Units and the financing of the rehabilitation and equipping of the governmental portion of Elizabeth House, all as contemplated in the final development plan; and

WHEREAS, AHDC will make payments of principal and interest under the AHDC Project Loan Agreement, in amounts fully sufficient to pay the principal of, premium, if any, and interest due on the Governmental Commission Note as the same become due and payable; and

WHEREAS, to evidence the Governmental Funding Loan, the Commission will execute and deliver to the Funding Lender a Note (the "Governmental Commission Note") as a governmental bond under Section 103 and Section 141 of the Code, and to evidence the AHDC Loan, AHDC will execute and deliver to the Commission a Project Note (the "AHDC Project Note"); and

WHEREAS, the obligations of AHDC under the AHDC Project Loan Agreement will be secured by a lien on and security interest in the Market Units pursuant to a Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the "AHDC Security Instrument"), made by AHDC in favor of the Commission; and

WHEREAS, the AHDC Project Note and the AHDC Security Instrument will be endorsed and assigned, respectively, by the Commission to the Funding Lender to secure the performance by the Commission of its limited obligations under the Governmental Commission Note; and

WHEREAS, while it is currently anticipated that the principal amount of the Private Activity Commission Note will not exceed $25,000,000 and the principal amount of the Governmental Commission Note will not exceed $51,000,000, the final principal amounts will be determined in consideration of the development plan and may exceed such amounts, provided that the aggregate principal amount of the Private Activity Commission Note and the Governmental Commission Note together shall not exceed $76,000,000; and

WHEREAS, AHALP will covenant to rent or hold available for rent at least 40% of the Affordable Units to persons with incomes that do not exceed 60% of the Washington Metropolitan Statistical Area median income for the applicable family size (the "Public Purpose Set-Aside Covenants"); and

WHEREAS, compliance with the Public Purpose Set Aside Covenants will satisfy certain HUD and County requirements, and will cause the Affordable Units project to constitute a "qualified residential rental project" within the meaning of Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), a "qualified low-income housing project" as such phrase is utilized in Section 42(g)(1)(B) of the Code, and a "housing project for persons of eligible income" within the meaning of the Act; and

WHEREAS, the Commission has determined that the issuance of the Private Activity Commission Note, the application of the proceeds of the AHALP Project Loan to finance a portion of the costs of the acquisition, rehabilitation and equipping of the Affordable Units project, and the Public Purpose Set-Aside Covenants are feasible and will accomplish a valid public purpose for the Commission; and

WHEREAS, the documents to be executed and delivered by the Commission in connection with financing of the projects described herein (the "Projects") include the Private Activity Commission Note, the Governmental Commission Note, the Private Activity Funding Loan Agreement, the Governmental Funding Loan Agreement, the AHALP Project Loan Agreement, the AHDC Project Loan Agreement, a Land Use Restriction Agreement and a Regulatory Agreement related to the Affordable Units and tax documents related to the exclusion of interest on the Private Activity Commission Note and the Governmental Commission Note for federal income tax purposes under the Code (collectively, with all other certificates and documents to be executed by the Commission in connection with the execution and delivery of the such financing documents, the "Commission Documents").

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

1. ***The Commission Notes***. The Private Activity Commission Note and the Governmental Commission Note (collectively, the "Commission Notes") are authorized to be issued pursuant to and under the Private Activity Funding Loan Agreement and the Governmental Funding Loan Agreement, respectively (collectively, the "Funding Loan Agreements"), in an aggregate principal amount not to exceed $76,000,000. The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director or the Authorized Representative (defined below) of the Commission are authorized to establish the dates, maturities, interest payment dates, denominations, terms of redemption, registration privileges, security and other terms, and to approve the interest rate on the Commission Notes, all of the foregoing to be specified in the final Commission Notes and Funding Loan Agreements. The

Private Activity Commission Note shall be a limited obligation of the Commission, secured by and payable solely from security pledged therefor under the Private Activity Funding Loan Agreement. The Governmental Commission Note shall be a limited obligation of the Commission, secured by and payable solely from security pledged therefor under the Governmental Funding Loan Agreement.

2. ***Approval of Financing***. The Commission hereby approves the financing of the Projects pursuant to the terms and conditions set forth in the Private Activity Funding Loan Agreement, the AHALP Project Loan Agreement, the Governmental Funding Loan Agreement, the AHDC Project Loan Agreement and the other Commission Documents approved hereby and executed and delivered pursuant to this resolution and hereby finds that such financing as approved hereby is feasible.

3. ***Approval of Public Purpose Set-Aside Covenants***. The Commission hereby finds that the Public Purpose Set-Aside Covenants will accomplish a valid public purpose of the Commission under the Act, and, as such, the Commission hereby approves such Public Purpose Set-Aside Covenants.

4. ***Commission Documents***. The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director are hereby authorized and directed to execute and deliver the Commission Documents in such forms as shall be prepared and approved by the Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director, their execution and delivery of the Commission Documents being conclusive evidence of such approval and of the approval of the Commission, and the Secretary of the Commission, or any other Authorized Officer of the Commission, is hereby authorized and directed to affix the seal of the Commission to the Commission Documents and to attest the same.

5. ***Authorizing Ongoing Determinations under Commission Documents***. The Executive Director is hereby authorized to perform any act, to execute any documents, and to make any ongoing determinations as may be required to be made on behalf of the Commission from time to time pursuant to the terms of the Commission Documents, including, but not limited to, the determination of other terms to be in effect with respect to the Commission Notes, the giving or withholding of consents, and the selection and removal of purchasers of the Commission Notes and professionals.

6. ***Execution and Delivery of Commission Notes***. The Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director of the Commission or a person designated by the Executive Director to act on his behalf (the "Authorized Representative") is authorized to proceed with the delivery of the Commission Notes to the Funding Lender or to an affiliate thereof or to any other initial purchaser of the Commission Notes as shall be determined to be in the best interest of the Commission, and pursuant to the Funding Loan Agreements.

7. ***Other Action***. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director and the Authorized Representative of the Commission are hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution, the Commission Documents or relating to the execution and delivery or other disposition of the

Commission Notes and the financing and the ongoing operations of the Projects, as the case may be.

8. ***Appointment of Financial Advisor and Bond Counsel***. Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the execution and delivery of the Commission Notes.

9. ***Procurement of Fiscal Agent Services; Appointment of Fiscal Agent***. The actions of the staff of the Commission, in accordance with Section III.B. of the Commission's Procurement Policy, adopted on October 9, 1991 and as amended on December 6, 2006 and on December 7, 2011, for the procurement of an entity to provide the professional services of Fiscal Agent under the Funding Loan Agreements, the selection by the Executive Director from the proposal submissions of entities for service as Fiscal Agent under the Funding Loan Agreements, and the appointment by the Executive Director of the entity to serve as Fiscal Agent as shall be determined to be in the best interest of the Commission are hereby ratified and approved. The Executive Director is hereby authorized to execute any such documents as shall be necessary to evidence such appointment.

10. ***Volume Cap***. Private activity bond volume cap in the amount of the final principal amount of the Private Activity Commission Note will be allocated to the issuance of the Private Activity Commission Note.

11. ***No Personal Liability***. No stipulation, obligation or agreement herein contained or contained in the Commission Notes, the Commission Documents or in any other agreement or document executed on behalf of the Commission shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the Commission Notes or be subject to personal liability or accountability by reason of the execution and delivery thereof.

12. ***Action Approved and Confirmed***. All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this resolution and in the furtherance of the execution and delivery of the Commission Notes and the financing of the Projects approved hereby and the execution, delivery and performance of the Commission Documents authorized hereby are in all respects approved and confirmed.

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

14. ***Effective Date***. This resolution shall take effect immediately.

The foregoing resolution was adopted upon a motion by ________ and seconded by ______________. Affirmative votes were cast by Commissioners ___________________________. Commissioners ___________ were necessarily absent and did not participate in the vote.

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I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on December 7, 2016.

By:______________________________________
Name: Patrice Birdsong
Title: Special Assistant to the Commission

[SEAL]

RESOLUTION NO.: 16-92 **RE: Authorization to Execute Documents to Withdraw Commission as Limited Partner and to Admit the Low-Income Housing Tax Credit Investor Limited Partner for Alexander House Apartments Limited Partnership**

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

WHEREAS, the Commission approved the renovation of a building located in Silver Spring, Maryland known as Alexander House, which after renovation will consist of 305 units, 122 of which will be acquired by Alexander House Apartments Limited Partnership (the "Partnership") and will be income- and rent-restricted (the "Property"); and

WHEREAS, the Commission approved the formation of the Partnership, a Maryland limited partnership, which is governed by an agreement of limited partnership (the "Partnership Agreement") by and between Alexander House GP LLC, a Maryland limited liability company, as the general partner and the Commission as the limited partner; and

WHEREAS, the Commission approved financing the renovation though Commission-issued tax-exempt obligations and equity from the sale of 4% Low Income Housing Tax Credits (LIHTC); and

WHEREAS, on August 3, 2016, the Commission approved the selection of R4 Capital or its affiliate (the "Investor Limited Partner") as the LIHTC investor and its admission as a limited partner in the Partnership in exchange for its equity investment in the Partnership (the "Investment"); and

WHEREAS, the Investor Limited Partner's Investment is projected to be approximately $15 million; and

WHEREAS, on October 5, 2016, the Commission approved the Partnership's acquisition of the Property; and

WHEREAS, the Commission now wishes to withdraw as the limited partner of the Partnership in order to admit the Investor Limited Partner; and

WHEREAS, as part of the Investment, Investor Limited Partner shall require that the Partnership Agreement be amended and restated in its entirety to reflect the terms of the Investment (the "Amended and Restated Agreement of Limited Partnership"); and

WHEREAS, as part of the Investment, Investor Limited Partner shall require that the Commission and/or the Partnership enter into various documents relating to the renovation and/or operation of the Property (the "Syndication Documents"); and

NOW, THEREFORE, BE IT RESOLVED, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its own capacity and for and on behalf of Alexander House Apartments Limited Partnership, is hereby authorized to take all actions to facilitate the Investment in the Partnership by Investor Limited Partner by entering into any and all agreements with Investor Limited Partner, and to take any and all further actions to facilitate the Investment in the Partnership by Investor Limited Partner.

BE IT FURTHER RESOLVED, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its own capacity and for and on behalf of Alexander House Apartments Limited Partnership, hereby authorizes and directs the Executive Director to enter into, execute and deliver the following listed Syndication Documents:

1. Amended and Restated Agreement of Limited Partnership;
2. Guaranty Agreement;
3. Development Agreement; and
4. Such other document reasonably and customarily required in connection with the admission of a LIHTC investor as a limited partner.

BE IT FURTHER RESOLVED, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its own capacity and for and on behalf of Alexander House Apartments Limited Partnership, authorizes the withdrawal of the Commission as the limited partner of the Partnership.

BE IT FURTHER RESOLVED, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its own capacity and for and on behalf of Alexander House Apartments Limited Partnership, authorizes the Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to admit the Investor Limited Partner to the Partnership.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its own capacity and for and on behalf of Alexander House Apartments Limited Partnership, at a regular meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO FORM NEW OWNER TO ACQUIRE TIMBERLAWN CRESCENT AND POMANDER COURT (THE "PROPERTIES"); APPROVAL OF A FINANCING PLAN FOR THE PROPERTIES; AUTHORIZATION TO ENTER INTO A PARTICIPATION AGREEMENT WITH THE FEDERAL FINANCING BANK TO FUND A PERMANENT LOAN FOR THE PROPERTIES; AUTHORIZATION TO ISSUE FINANCING COMMITMENT; AND, AUTHORIZATION FOR EXECUTIVE DIRECTOR TO EXECUTE ALL DOCUMENTS RELATED TO THE TRANSACTION

TIMBERLAWN CRESCENT (NORTH BETHESDA)/POMANDER COURT (SILVER SPRING)

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
JENNIFER HINES ARRINGTON
UGONNA IBEBUCHI

December 7, 2016

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EXECUTIVE SUMMARY

TPM Development Corporation (“Corporation”), a wholly owned instrumentality of the Housing Opportunities Commission of Montgomery County (“HOC”), is the owns three (3) rental communities: **Timberlawn Crescent** (“Timberlawn”), a 107-unit, mixed-income apartment & townhome rental community located in North Bethesda; **Pomander Court** (“Pomander”), a 24-unit, mixed-income townhome rental community located in Silver Spring; and MPDU II (“MPDU II”), a collection of 59 scattered site units.

Timberlawn Crescent

In anticipation of a comprehensive redevelopment plan for Timberlawn and Pomander (together , the “Properties”), the then existing bond mortgage for the Corporation was retired by a draw of $7,252,687 on the PNC $90 million Real Estate Line of Credit (“PNC RELOC”) to repay the existing mortgage. Interest only payments the draw debt have been made monthly at 68.5% of the 30 day LIBOR plus 38 basis points.

Pomander Court

On May 6, 2015, the Commission approved the Final Development Plan for the renovation of the Properties and authorized a tax-exempt loan of up to $7,500,000 from the PNC RELOC to fund the renovation. The initial scope of renovation for the Properties was completed in September 2016.

On April 6, 2016, the Commission approved an Amended Development Plan (“ADP”) to include an additional scope of work at the Properties to be funded by an additional loan of approximately $358,000 from the MPDU Property Acquisition Fund. Further amendment to the ADP to convert the daycare center on site to a fitness center was approved in September 2016.

With renovation complete, staff recommends permanently financing the Properties through the Federal Housing Administration (FHA) Risk Share/ Federal Financing Bank (FFB) Program (“FHA/FFB Financing”). The FHA/FFB Financing offers favorable terms and very low interest rates that are comparable to that of Ginnie Mae Mortgage Backed Securities utilized in 221(d)(4) and 223(f) FHA financings.

As a refinancing, the Properties must meet the Risk Share program requirement of an occupancy rate of 93% or higher for 12 months prior to endorsement. Due to vacancies maintained for the purpose of renovations, the Properties do not meet this threshold. Therefore, staff recommends the transfer/sale of the Properties into a new ownership entity – a to-be-formed Limited Liability Company (LLC), wholly controlled by the Commission. An acquisition of the Properties by the new entity would no longer be subject to the occupancy threshold requirement. The MPDU II scattered sites will be retained by the Corporation and will not be encumbered by the new loan.

EXECUTIVE SUMMARY

Staff has completed its underwriting and proposes using the FHA/FFB Financing, which is a taxable mortgage loan, credit enhanced by FHA Risk Share, in an amount up to $20 million for the Properties that will repay the PNC RELOC draws used to take out the construction debt, the former mortgage, and a soft loan with Montgomery County's DHCD (permanent "Financing Plan"). The FFB Program requires that HOC assume 50% of the risk of the financing. Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and grant:

- Approval of the Financing Plan for an FFB 40-year, taxable mortgage loan, credit enhanced by FHA Risk Share, in an amount up to $20 million for Timberlawn Crescent and Pomander Court;
- Approval to form a new entity, to acquire the Properties;
- Authorization to issue a financing commitment;
- Authorization to enter into a participation agreement with FFB to fund the permanent loan; and,
- Authorization for the Executive Director to execute all documents related to the transaction.

TRANSACTION SUMMARY	POMANDER COURT		TIMBERLAWN CRESCENT	
Units/Affordability	24 Units 20% Affordable		107 Units 50% Affordable	
	5 19	≤ 60% AMI Market	53 54	≤ 30% - 60% AMI Market
Permanent Financing/Credit Enhancement	Federal Financing Bank / FHA Risk Share (50%)			
Permanent First Mortgage Amount	**$19,225,986**			
	$2,342,028		$16,883,958	
Interest Rate (est.)	4.12%		4.12%	
Permanent Loan Term/Amortization	40 years		40 years	
Debt Service Coverage Ratio	2.04		1.48	

SCHEDULE

April 2016
- Approval of Revised Development Plan (Commission)

August – September 2016
- Begin underwriting
- Engage due diligence consultants (appraiser, environmental (Phase I))
- Request zoning review
- Initial renovation scope completed

October 2016
- Prepare FHA Risk Share Application
- Review/finalize due diligence reports
- Complete underwriting

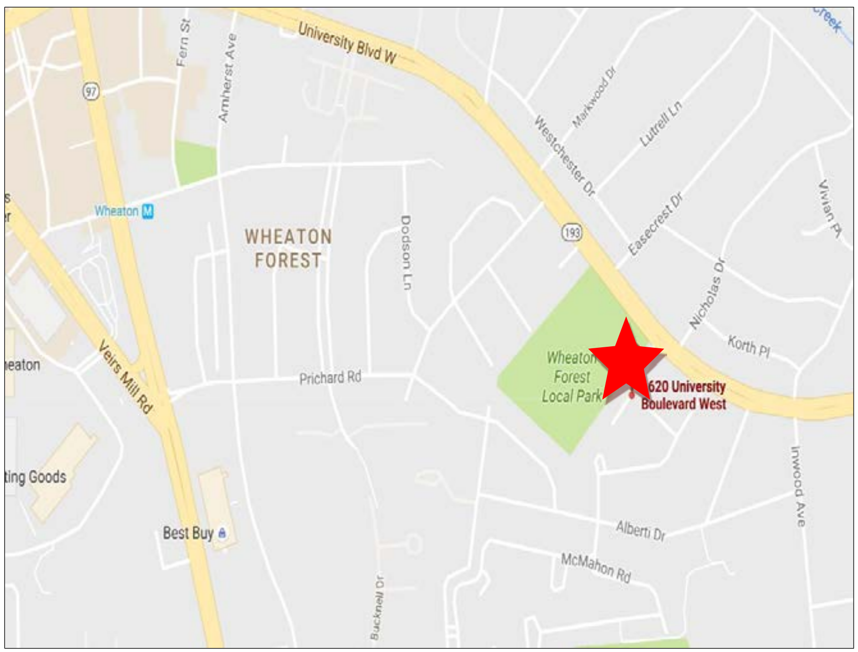
November 2016
- Approval of Financing Plan (Development & Finance Committee)
- Submit FHA Risk Share Application

December 2016
- Approval of Financing Plan (Commission)

January 2017
- Receive FFB commitment
- Formation of new ownership entity
- End of month closing

PROPERTY OVERVIEW: POMANDER COURT

Location	1620 University Blvd West, Silver Spring
Owner	TPM Development Corporation
Property Manager	Housing Opportunities Commission
Total Units	24
Unit Mix	24 - 3 BRs
Current Occupancy	75% Occupied / 83% Leased (December 1, 2016)



Public Purpose Pomander Court consists of four clusters of rental townhomes. Of the 24 rental units, five (5) are restricted to residents with incomes at or below 60% of the Area Median Income ("AMI").

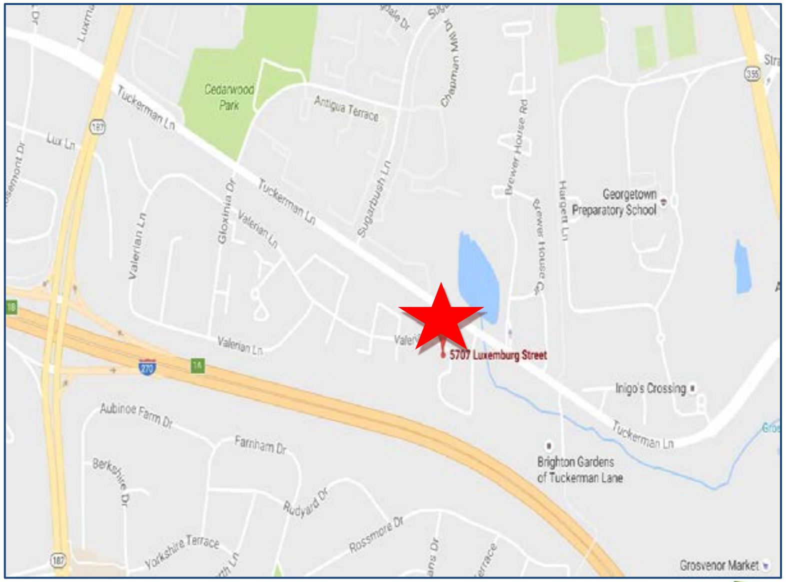
Vacancy In January 2015, leasing at the property ceased in an effort to maintain vacant units to relocate residents during renovation. With interior renovation work completed, Property Management has begun marketing vacant units and anticipates full occupancy in first quarter 2017. The property is now 83% leased, as two (2) new residents were approved in early November 2016.

Additional Renovation Scope Interior unit renovations were completed in June 2016. Remaining exterior site work is expected to be completed in December 2016.

Housing Opportunities Commission OF MONTGOMERY COUNTY

PROPERTY OVERVIEW: TIMBERLAWN CRESCENT

Location	5707 Luxemburg Street, North Bethesda
Owner	TPM Development Corporation
Property Manager	Bozzuto Management Company
Total Units	107
Current Unit Mix	8 - 1 BR (apt) 4 - 2BR/1BA (TH) 56 - 2BR/2BA (TH) 22 - 2 BR/2.5BA (TH) 17 - 3BR/2BA (TH)
Current Occupancy	83% Occupied (December 1, 2016)



Public Purpose Timberlawn Crescent consists of eight (8) apartments units and 99 townhomes. Of the 107 rental units, 53 units are restricted to residents with incomes at 30% - 60% of the Area Median Income (AMI) or lower.

Vacancy With interior renovation work completed, property management has begun marketing vacant units. Leasing efforts include targeted email advertising through the Washington Post, an email campaign to past in-house leads from comparable HOC properties, an Open House to tour newly renovated units, and rent concessions on 2BR/TH units. Full occupancy is anticipated in first quarter 2017.

Additional Renovation Scope Interior unit renovations were completed in September 2016. Remaining, exterior site work & daycare center conversion expected to be completed in June 2017.

FINANCING PLAN

- The permanent, 40-year FFB/FHA Financing is expected to be approximately $19.2 million. The existing replacement reserves will also be contributed.
- Staff requests financing authority up to $20 million.
- A newly formed entity, wholly controlled by HOC, will be formed to acquire the Properties from the Corporation for approximately $18 million. The appraisal confirms "As-Is Stabilized" values of $21.7 million and $4.8 million for Timberlawn and Pomander, respectively ($26.5 million total).
- Acquisition costs consist of repayment of renovation draws on the PNC RELOC for $14.7 million, County DHCA loans totaling $2.9 million, and an approved draw of $358,000 for additional exterior work from the HOC MPDU/Property Acquisition Fund.
- An escrow will be established at closing from loan proceeds for the additional exterior work.
- Other projected uses include due diligence costs; financing and closing costs of $1,012,460; and the establishment of replacement reserves at $1,200 per unit at closing. The Commission earns a financing fee of 2% ($384,520) on the transaction.

Sources	Amount	Per Unit
First Mortgage Loan	$19,225,986	$146,763
Total Sources	**$19,225,986**	**$146,763**

Uses	Amount	Per Unit
Acquisition Cost	$18,025,386	$137,598
Due Diligence Costs	$30,940	$236
Financing & Closing Costs	$1,012,460	$7,729
Reserves	$157,200	$1,200
Total Uses	**$19,225,986**	**$146,763**

FFB Taxable Mortgage Amount	$19,225,986
Term (in years)	40
Interest Rate (25 bps cushion + LMF Fee incl.)	3.87%
Mortgage Insurance Premium (MIP)	0.25%
Debt Service Coverage Target (Minimum)	1.20

- As of November 23, 2016, the current FFB 40-year loan rate was 3.294%. However, the loan was underwritten at 4.12% interest, which includes MIP at 0.25%, an HOC Loan Management Fee of 0.33% and a 0.25% cushion for any possible increase in the FFB rate. The transaction is projected to close in January.
- The FHA/FFB Financing provides a better interest rate than bond financing, resulting in lower total payments. See the Financing Plan Comparison on page 10.

STABILIZED PRO FORMA

Stabilized Proforma	Year 1	Per Unit
Effective Gross Income (EGI)	$2,468,056	$18,840
Operating Expenses	**$890,538**	**$6,798**
Replacement Reserves	$56,671	$433
Net Operating Income (NOI)	**$1,520,848**	**$11,610**
Debt Service	$982,102	$7,497
Cash Flow Before Distributions	**$538,745**	**$4,113**
DSCR	1.55	

- In the first stabilized year (FY2018), the Properties are expected to reach stabilization with occupancy projected at 93% and rent and expense growth rates at 2% and 3% respectively.
- Operating expenses are projected to be $6,798 per unit escalating at 3% annually.
- Expenses include management fees of 4% of Effective Gross Income ("EGI") for Timberlawn and a fixed annual fee equal to 3.5% of EGI for Pomander.
- Annual replacement reserves contributions are $420/unit.
- The Properties will benefit from a continuing Payment in Lieu of Taxes ("PILOT") agreement from Montgomery County.
- Staff anticipates that the Properties will comfortably support the proposed $19.2 million loan with a debt service coverage ratio of 1.55.

Photos from Timberlawn Crescent

FINANCING PLAN COMPARISON

INTEREST COST SAVINGS	Taxable FFB Loan	Tax-Exempt Bond Loan
Amount	$19,225,986	$19,656,636
Term	40	40
Amortization	40	40
Base Interest Rate	3.294%	4.120%
MIP	0.25%	0.25%
Loan Management Fee	0.33%	0.33%
Cushion	0.25%	0.25%
All-In Rate	**4.12%**	**4.95%**
Stabilized Operations		
Stabilized NOI	$1,520,848	$1,520,848
Annual Debt Service	$982,102	$1,129,603
DSCR	1.55	1.35
Total Interest Payments (10 years)	**$7,483,863**	**$9,275,013**
FFB Interest Savings (over 10 years) (PV)	**$1,535,125**	
FINANCING COST SAVINGS		
Cost of Issuance	$50,000	$480,650
Upfront MIP	$48,065	$48,065
Financing Fee	$384,520	$393,133
Total Costs of Financing	**$482,585**	**$921,847**
FFB Financing Cost Savings	**$439,263**	

Housing Opportunities Commission OF MONTGOMERY COUNTY

PERMANENT FINANCING PLAN: FHA/FFB FINANCING

- In an attempt to garner the lowest interest rate possible for the transaction, staff recommends financing the loan utilizing FHA/FFB Financing.

- The FHA/FFB Financing program provides the lowest cost financing the Timberlawn & Pomander transaction.

- Using FHA/FFB Financing could result in an 83 basis points savings on the permanent loan interest rate.

- The FHA/FFB Financing provides a product for mortgage insurance upon construction completion, ideal for the Timberlawn & Pomander transaction, for which renovation is complete and permanent financing is needed.

- Given that HOC underwrites Risk Share loans directly, HOC eliminates additional transaction costs associated with procuring a FHA MAP Lender, necessary for other FHA insured multifamily loans.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Issues for Consideration

Does the Commission accept the recommendation of the Development and Finance Committee, which met on November 18, 2016, and approve the Financing Plan for Timberlawn Crescent and Pomander Court? The Financing Plan includes:

- The creation of a new Limited Liability Company (LLC) as the new ownership entity for the Properties will create an acquisition and enable the development to overcome the 93%, 12-month occupancy requirement from FHA Risk Share.
- An FFB/FHA Financing will enable the new LLC to acquire and finance the properties at very low interest rates that are comparable to Ginnie Mae Mortgage Backed Securities utilized in the 221(d)(4) and 223(f) insurance programs.
- The projected, combined Net Operating Income (NOI) of $1,520,848 from the Properties will comfortably support a new permanent mortgage loan for $19.2 million and continue to provide a healthy DSCR (estimated at 1.55) for the Properties.
- The FHA/FFB Financing restores the available balance on the PNC RELOC making it possible for additional properties to be developed, acquired, or rehabilitated with funds on the PNC RELOC.

Fiscal/Budget Impact

- All draws on the RELOC and County Revolving Fund will be repaid.
- The FY2017 Budget projects debt service payments for the Properties in the amount of $340,297 and contributions to a debt service reserve in the amount of $265,599 for the Properties. The debt service reserve assumes payments equivalent to the difference between the actual, interest-only, outstanding debt payments on the RELOC and principal & interest payments on a 30-year mortgage at 6.5% interest. After the proposed FHA/FFB Financing closes, the new mortgage amount will be $4.4 million dollars more that the current debt on the RELOC and the new debt service payments on the FFB loan will be will be approximately $376,206 higher that the combined debt service and debt service reserve contribution projected for FY2017. However, the debt service reserve will no longer require a contribution, as the new loan will include principal and interest payments at a lower interest rate.
- The FY2017 Budget projects that HOC will earn a 2% financing fee from the transaction, approximately $384,520, which is still projected as part of the proposed financing.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Time Frame

Action at the December 7, 2016 Commission Meeting.

Staff Recommendation and Commission Action Needed:

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

1. Approve the formation of a new entity to acquire the Properties;
2. Approve the Financing Plan for an FFB 40-year, taxable mortgage loan, credit enhanced by FHA Risk Share, in an amount up to $20 million for Timberlawn Crescent and Pomander Court;
3. Authorize entering into a Participation Agreement with FFB to fund the permanent loan for the Properties; and
4. Authorize the issuance of a financing commitment;
5. Authorize the Executive Director to execute all documents related to the transaction.

RESOLUTION NO.: 16-93

RE: Approval to Form New Owner to Acquire Timberlawn Crescent and Pomander Court (the "Properties") and the Transfer thereof to New Owner; Approval of a Financing Plan for Properties; and Authorization to Issue Financing Commitment Enter into Participation Agreement with the Federal Financing Bank to Fund a Permanent Loan for the Properties

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

WHEREAS, Timberlawn Crescent ("Timberlawn"), a 107-unit development located in North Bethesda; and Pomander Court ("Pomander"), a 24-unit clustered townhome community located in Silver Spring (together, the "Properties"); are owned by TPM Development Corporation (the "Corporation"), a wholly controlled corporate instrumentality of the Commission; and

WHEREAS, HOC staff has developed a permanent Financing Plan for the Properties; and

WHEREAS, the Financing Plan involves the purchase of the Properties by a new ownership entity (the "New Owner"), a to-be-formed Limited Liability Company (LLC), with the sole member being the Commission, and the use of the sales proceeds to retire the debt on the Properties; and

WHEREAS, the Financial Plan's pro forma includes an initial Replacement Reserve Escrow of $1,200 per unit and annual contributions thereafter at $420 per unit to ensure proper funding levels of the replacement reserve escrow for future capital repairs or replacements; and

WHEREAS, HOC staff has determined that funding for the purchase of the Properties through Federal Housing Administration ("FHA") Risk Share/Federal Financing Bank ("FFB") (collectively "FHA/FFB Financing") will provide more favorable interest rates and lower transaction costs than a tax-exempt bond financing; and

WHEREAS, as of November 1, 2016, Pomander was 75% occupied (six (6) vacant units), Timberlawn was 83% occupied (18 vacant units), and a Marketing Plan has been implemented to lease vacant units and increase occupancy to stabilized levels (93%) during the winter; and

WHEREAS, given the Properties current occupancy rates, the Properties do not meet the FHA Risk Share 12-month trailing occupancy requirement (93%) prior to a refinancing, but do meet the requirements for an acquisition; and

WHEREAS, HOC staff has completed a review of the transaction and has determined that, given the terms of an FHA/FFB execution, the final underwriting and pro forma operating projections, the transaction is feasible; and

WHEREAS, the Commission wishes to permit the creation of the New Owner for acquiring the

Properties; and

WHEREAS, the Commission wishes to lend the New Owner the requisite funding to complete the acquisition of the Properties.

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

1. The Commission approves the formation of a New Owner, a to-be-formed Limited Liability Company, with the sole member being the Commission, for the purpose of acquiring the Properties;
2. The Commission approves the Financing Plan for a taxable, FHA Risk-Share loan in an amount not to exceed $20,000,000 (the "Permanent Loan"), to be funded by the Federal Financing Bank ("FFB") for the purpose of purchasing the Properties;
3. The Commission authorizes entering into a participation agreement with FFB to fund a permanent loan for the Properties.
4. The Commission authorizes the issuance of a financing commitment to provide a mortgage loan to the New Owner for the acquisition and permanent financing of the Properties; and,

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

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County affirms all prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance thereof, the same are hereby in all respects ratified, approved and confirmed.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that all other resolutions of the Commission or parts of resolutions, inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on December 7, 2016.

Patrice M. Birdsong
Special Assistant to the Commission

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Legislative and Regulatory Committee

APPROVAL TO IMPLEMENT THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WAIVER FOR THE SEVEN (7) REMAINING PUBLIC HOUSING UNITS IN THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY'S PORTFOLIO

December 7, 2016

- HUD has advised HOC that the best strategy to effectuate the sale of the remaining seven Turnkey III Homeownership units is to seek a waiver allowing current home dwellers to complete the purchase of their units for a nominal fee.

- Finalizing the sale of the public housing units at Tobytown is timely given that after August 2017, HOC will have converted all other former Public Housing units through RAD. However, the seven units at Tobytown will require HOC to remain subject to all regulations governing the Public Housing program.

- Prior to turning over common areas to the Homeowner Association, HOC is making capital improvements to ensure property is in good order; the Agency will also organize education and property management support to strengthen the Tobytown Homeowners Association.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Shauna M. Sorrells, Director of Legislative & Public Affairs

RE: Approval to Implement the U.S. Department of Housing and Urban Development Waiver for the Seven (7) Remaining Public Housing Units in the Housing Opportunities Commission of Montgomery County's Portfolio

DATE: December 7, 2016

STATUS: Committee Report: Deliberation __X__

OVERALL GOAL & OBJECTIVE:

Receive approval to implement a waiver from the U.S. Department of Housing and Urban Development to complete the sale of Turnkey III Public Housing homeownership units owned by HOC.

BACKGROUND:

Rationale for Finalizing Sale of Public Housing Units

By August 2017, HOC will have converted *nearly* all of its former Public Housing units to a Section 8 project-based contract under HUD's Rental Assistance Demonstration (RAD). At that time, HOC's remaining Public Housing assets would be comprised of seven (7) Turnkey III Homeownership Units and all Tobytown common areas.

The Department of Housing and Urban Development (HUD) began phasing out the Turnkey III program in 1999 and stopped accepting new developments or units. HUD funding of Turnkey III units is not at a level consistent with its Public Housing rental units and has become inconsistent. Further, HUD has shown interest in working with PHAs, and HOC specifically, to complete the homeownership transition of remaining Turnkey III units across the country.

Waiver

All seven renters are considered homebuyers and have executed a rent-to-own contract with HOC to purchase their units. HUD has advised that HOC could pursue a waiver to complete all current purchase contracts. The HUD waiver will allow HOC to finalize all homeownership sales for a nominal fee and expedite the transaction.

Given the intent of the Turnkey III program to provide homeownership to low-income households, this approach satisfies both the program and Commission's intent. Further, this proposal is consistent with HUD's seeming efforts to divest their interest in legacy programs and allow HOC to fully close out its Public Housing program. Staff does not anticipate any resident displacement and expects full take-up of the offer to purchase.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve implementation of the HUD waiver process to complete the sale of the seven Turnkey III units?

BUDGET IMPACT:

While there would be nominal financial gain from selling the seven remaining properties at Tobytown, disposing of all of HOC's Public Housing assets would allow the Agency to transfer approximately $3 million Public Housing funds to support converted RAD properties.

TIME FRAME:

- This issue was reviewed by the LRC at its meeting on November 15, 2016.
- Receive full Commission approval to pursue the sale of seven HOC owned units on December 7, 2016.
- Submit all required paperwork to HUD by January 31, 2017.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Legislative and Regulatory Committee (LRC) and authorize staff to proceed with requesting a HUD waiver to complete the sale of the seven Turnkey III units.

RESOLUTION NO.: 16-94 **RE:** Approval to Implement the U.S. Department of Housing and Urban Development Waiver for the Seven (7) Remaining Public Housing Units in the Housing Opportunities Commission of Montgomery County's Portfolio

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, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

WHEREAS, by August 2017 HOC will convert nearly all of its Public Housing units to a Section 8 project-based contract under HUD's Rental Assistance Demonstration (RAD) program; and

WHEREAS, if HOC does not complete the homeownership transactions for the remaining seven Turnkey III Homeownership Units, the agency will remain subject to federal regulations governing the Public Housing program; and

WHEREAS, remaining subject to the regulatory and statutory obligations for seven units would result in operational inefficiencies; and

WHEREAS, the original intent of the Turnkey III program was to offer homeownership to low-income households; and

WHEREAS, given the age of the development, all properties were anticipated to have transitioned to homeownership by this time; and

WHEREAS, the sale of the remaining seven HOC owned Turnkey III units satisfies both program and Commission goals; and

WHEREAS, HUD has shown interest in working with Public Housing Authorities to effectuate the complete homeownership transfer of remaining Turnkey III units nationally; and

WHEREAS, HOC is required through the Turnkey III regulations to transfer all common area property to the Tobytown Homeowners Association.

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

1. Approves the final sale of seven Turnkey III units and transfer of all common property to the Tobytown Turnkey Homeownership Community.

2. Approves HOC staff submitting a waiver request to finalize the sale of seven Turnkey III units located in the Tobytown Turkey III Homeownership Community.

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

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on December 7, 2016.

____
Patrice M. Birdsong
Special Assistant to the Commission

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Deliberation

and/or

Action

Future Action

Information Exchange

New Business

Executive Session Findings

Adjourn

Development Corporation Meetings

Alexander House Development Corporation

Approval for Alexander House Development Corporation ("AHDC") to accept Construction and Permanent Loans from HOC; Approval to Make an Acquisition Loan to Alexander House Limited Partnership; Approval to Prepay a Portion of the Existing Debt from BB&T Bank; and Approval to Transfer Equity to HOC's Opportunity Housing Reserve Fund

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
GIO KAVILADZE

December 7, 2016

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Executive Summary

Project Name	Alexander House Apts	**Current/Projected Units**	311/305	**Projected Closing Date**	December 2016
Location	Silver Spring, MD	**Average Unit Size (SF)**	728	**Projected Stabilization Date**	Fall 2018
Product Type	High Rise	**Occupancy (a/o 09/06/16)**	81%	**Recapitalization Strategy**	Rehab
Year Built	1992	**Total Building Sqft**	278,038	**Funding Strategy**	4% LIHTC/Bonds

Development Updates

1. EH III (Future)
2. EH IV (Future)
3. Alexander House Apts

Executive Summary

	EXISTING	PROPOSED	RATIONALE
Total Units	311	305	Converting first floor of the building to public use space and will recapture the lost units in EH IV.
Unit Type	•187 Market Units •124 Affordable Units ▪124 @<60% AMI	•183 Market Units •122Affordable Units ▪122 @<60% AMI	Meets Section 42 requirements associated with the use of tax-exempt financing.

Alexander House is an important element in the redevelopment of Elizabeth Square. Subject to Commission approval, the equity will be extracted and used to contribute to the funding of the affordable housing component of Elizabeth House III, upon refinancing of Alexander House.

The property will consist of two entities:

- **Alexander House Apartments Limited Partnership** - 122 affordable units to be funded with debt, HOC seller note, and Low Income Housing Tax Credit ("LIHTC") equity.

- **Alexander House Development Corporation** - 183 market rate units to be funded with debt and HOC seller note.

Executive Summary

- The Final Development Plan was approved by the Commission on 10/05/2016.
- Preliminary Financing Plan was approved by the Commission on 10/05/2016.
- Total development cost is estimated at $100MM. To finance the project, staff is in the process of securing construction financing of up to $76MM from Citi Community Capital.
- LIHTC investor will contribute approximately $15.5MM of tax credit equity.
- The remaining funding of up to $17MM will be provided by HOC as seller notes to be repaid from future property cash flows.
- The Commission will issue short term tax-exempt notes, to be placed with Citi Community Capital as the basis of construction loan in the amounts of up to $51MM for Alexander House Development Corporation and up to $25MM for Alexander House Apartments Limited Partnership, which in aggregate would not exceed $76 million.
- Upon the completion of renovation (~18 months) and property stabilization, the short-term debt financing will mature and will be repaid with FHA/FFB permanent loan based on FHA Risk Share/ Federal Financing Bank (FFB) Program (the “FHA/FFB Financing”).
- The FHA/FFB Financing program currently has an insurance upon completion product, which can provide take out financing for the construction loan at project stabilization. HOC, as lender, can purchase a hedge to protect against interest risk during the anticipated three year construction and stabilization period. Estimated cost of the hedge is $2.86MM to be funded in the development budget.

Executive Summary

Staff hereby requests that the Board accept the recommendation of the Development and Finance Committee, which met on November 18, 2016, and:

- Approve Public Purpose for **Alexander House Apartments Limited Partnership** and allocate up to $25MM in volume cap.

- Adopt a resolution authorizing the issuance of short-term tax-exempt private activity note in an amount not to exceed $25MM for **Alexander House Apartments Limited Partnership** unit renovations and issuance of short-term tax-exempt governmental note in an amount not to exceed $51MM for **Alexander House Development Corporation** unit renovations, which in aggregate will not exceed $76 million.

- Authorize the Executive Director to accept and close on construction loan financing from Citi Community Capital.

- Authorize the issuance of conditional commitment letter(s) to **Alexander House Apartments Limited Partnership** and **Alexander House Development Corporation** to provide permanent takeout financing in an amount of up to $76MM, pursuant to the FHA/FFB Financing.

- Authorize the Executive Director to enter into an interest rate hedge agreement to protect against interest rate risk during the construction and stabilization period.

- Authorize issuance of seller note in an amount of up to $17MM to **Alexander House Apartments Limited Partnership .**

- Authorize the Executive Director to approve all related documents required to close this transaction.

Financing Plan – Schedule

December 2016	• Construction Loan Closing • Tax Credit Equity Closing • Commission approval to enter into interest rate hedge agreement
January 2017	• Construction Start
July 2018	• Substantial Completion
December 2018	• Stabilization • Permanent Financing

Financing Plan – Transaction Highlights

CONSTRUCTION FINANCING

Loan Type	**AH Limited Partnership**: loan backed by short-term tax-exempt private activity note **AH Development Corporation**: loan backed by short-term tax-exempt governmental note
Max Loan Amount	Up to $76MM or an amount not exceed 80% of costs covered through the Construction Phase
Lender	Citi Community Capital
Loan Term	24 month, plus two optional 6-month extension(s)
Interest Rate	Variable rate equal to One-Month LIBOR + a spread
Amortization	Interest only, no principal amortization
Prepayment and Yield Maintenance	Prepayment of principal amount (full or partial) during the construction phase may be made without any prepayment premium
Guaranty	1) Standard Environmental Indemnity 2) Repayment guaranty – 15% of total loan amount

Financing Plan – Transaction Highlights

FHA/FFB PERMANENT FINANCING	
Max. Loan Amount	Up to $70.1MM Permanent loan amount excludes $4.5-$6.2MM short-term note to be issued to meet LIHTC 50% test
Interest Rate	40-year FFB rate at the time of hedge agreement
Loan Term	40 Years
Interest Rate Risk Hedge	HOC will purchase a hedge to protect against interest rate increases over the next three years
Credit Enhancement	FHA Risk Share Insurance HOC will assume 50% of the risk and FHA 50%, as required for FFB participation
Financing Fee	HOC to collect a 2% fee ($1.4MM) at permanent loan closing.
Equity	Approximately $15.5 million from the syndication of LIHTC with R4 Capital as the syndicator.
Volume Cap Allocation	Up to $25MM

Permanent Financing Plan – FHA/FFB Financing

- In an attempt to garner the lowest interest rate possible for the Multifamily Development, staff recommends financing the loan utilizing FHA/FFB Financing.
- To date, FHA/FFB Financing has not developed a construction/insurance of draws program. The FHA/FFB Financing does provide a product for mortgage insurance upon construction completion.
- The term of the construction loan for this project is two years. In order to mitigate the interest rate risk at stabilization, a forward swap agreement with a counterparty is proposed to hedge the interest rate risk for the permanent loan.
- Using FHA/FFB Financing could result in a 95-125 basis points savings on the permanent loan interest rate.
- Given that HOC underwrites Risk Share loans directly, HOC eliminates additional transaction costs associated with procuring a FHA MAP Lender, necessary for other FHA insured multifamily loans.

Permanent Financing Plan – FHA/FFB Financing

- FFB will purchase a 100% participation in certain mortgages insured under the FHA Risk Share Program upon completion of the construction and stabilization of the property..
- FFB publishes interest rates each business day and is the lowest available interest rate for financing a long term fixed rate mortgage loan. The interest rate for financing under the FFB Program is calculated daily using a formula based on the U.S. Treasury yield curve and includes adjustments for factors such as delay in delivery, loan amortization, anticipated prepayment and a spread for FFB.

40-Year Multifamily Mortgage Loan Rates as of November 4, 2016 (inclusive of Commission, Servicing, Trustee Fees)	
Tax-Exempt Bonds	4.50%
FHA 221(d)(4)	4.25%
FHA 223(f)	3.75%
FHA/FFB (11/23/16)	**3.29%**

- To date, the FFB program has financed mortgage loans for stabilized developments and developments involving moderate rehab. FFB is unable to commit to an interest rate more than 60 days prior to the delivery.
- FFB has expressed a willingness to commit to purchase a participation for up to three years in the future at an interest rate to be determined not more than 60 days before delivery.

Permanent Financing Plan – Interest Rate Risk Hedge

- The lowest cost financing for the Multifamily Development is achieved by using the FHA/FFB Financing program.
- The construction period is expected to be two years. If FHA/FFB Financing is used, the project financing will be exposed to interest rate risk, potentially adversely impacting economic viability.
- To mitigate interest risk, HOC proposes to purchase an interest rate hedge (similar to the CCL transaction) designed to protect against upward interest rate movement over the next two years. If approved, HOC would purchase the hedge for a fee prior to the start of construction.
- If interest rates increased, the counterparty would make payment to HOC. A payment received by HOC would be used to offset lower mortgage principal from a higher interest rate while keeping mortgage payments at level that would not impact the viability of the Multifamily Development.
- Conversely, if interest rates decreased, HOC would make a payment to the counterparty. A payment by HOC would be covered by an increase in mortgage loan principal due to the lower interest rate such that the loan payment would be at level that would not impact the viability of the Multifamily Development. The hedge will not perfectly match the interest rate risk exposure but will be designed to mitigate HOC's risk exposure.
- Currently the interest rate risk hedge is estimated to cost $2,862,501. The actual cost of the hedge may differ from this estimate and will not be known until the swap agreement is concluded.
- The cost of the hedge will be due at the time of settlement in 24 months and will be paid from financing proceeds. The hedge cost will not impact HOC's current or future operating budgets.

Volume Cap Need/Uses ($'000s)

Year	2015	2016	Projected 2017	Projected 2018
Balance Carried Forward	$88,742	$29,012	$22,684	($28,708)
Annual Bond Cap Allocation	$35,869	$36,246	$36,608	$36,975
TOTAL BOND CAP AVAILABLE	**$124,611**	**$65,258**	**$59,292**	**$8,267**
TOTAL BOND CAP NEED	**($95,599)**	**($42,574)**	**($88,000)**	**($0)**
REMAINING BOND CAP AVAILABLE	**$29,012**	**$22,684**	**($28,708)**	**$8,267**
HOC PROGRAM NEEDS				
Single Family	$0	($19,504)	($20,000)	$0
Arcola Tower	($13,249)	($970)		
Waverly House	($22,600)			
Alexander House		($22,100)		
Greenhills			($12,200)	
Elizabeth House III			($16,000)	
Town Center Apartments			($9,400)	
Bauer Park			($11,200)	
TOTAL HOC PROGRAM NEEDS	**($35,849)**	**($42,574)**	**($68,800)**	**($0)**
PRIVATE DEVELOPER NEEDS				
Gaithersburg - Olde Towne	($25,525)			
Germantown - Churchill II				
Bethesda – Lakeview House	($34,225)			
Willow Manor at Fairland			($19,200)	
TOTAL PRIVATE DEVELOPER NEEDS	**($59,750)**	**($0)**	**($19,200)**	**($0)**

- At the end of 2015, HOC had $29MM of volume cap available.
- HOC was allocated $36.24MM of bond cap in 2016 from the State of Maryland.
- In calendar year 2016, $65.3MM of volume cap was available to fund private activity financing.
- Approximately $42.6MM million is anticipated to be used in 2016, including this Alexander House transaction, leaving $22.6 million for 2017 financing activities.
- HOC expects to have $59.3MM of volume cap available for projects in 2017 when the new allocation is made on January 1, 2017.

Capital Structure – Sources and Uses

SOURCES	AMOUNT
Tax-Exempt Bonds (ST)	$69,099,535
Tax Credit Equity	$15,182,810
Seller Note	$16,186,285
TOTAL SOURCES:	**$100,468,629**

USES	AMOUNT
Construction Costs	$29,454,052
Fees Related To Construction Costs	$2,772,486
Acquisition Costs	$49,970,019
Financing Fees and Charges	$6,656,410
Tax-Exempt Bonds (ST)	$5,700,000
Developer's Fees	$2,500,000
Syndication Related Costs	$180,000
Guarantees and Reserves	$3,235,662
TOTAL USES:	**$100,468,629**

EQUITY TO HOC	AMOUNT
Acquisition Costs	$49,490,451
(Less) Seller Note	($16,186,285)
(Less) All Outstanding Debt	($21,494,143)
TOTAL PROCEEDS AT CLOSING:	**$11,810,023**
(Less) Interest Rate Hedge Cost	($2,862,501)
NET PROCEEDS :	**$8,947,521**

- Citi will provide construction loan to HOC for up to $76MM or no more than 80% of construction costs.
- HOC will use the proceeds to fund a construction loan, which upon property stabilization will convert to permanent mortgage loans to Alexander House Apartments Limited Partnership and Alexander House Development Corporation.
- Upon stabilization, HOC will use FHA/FFB loan proceeds to pay off the construction loan.
- R4 Capital will provide approximately $15.5MM in equity for affordable units as the tax credit investor.
- HOC will issue seller notes to cover up to the remaining $17MM funding gap. The seller note will be repaid from the property's future net cash flows from operations.
- HOC will receive $11.8MM net equity proceeds at closing, out of which the cost of the interest rate hedge (currently estimated at $2.9MM) will be restricted and escrowed for settlement purposes at permanent closing.

Stabilized Operation – Combined Property

Stabilized Proforma	Year 1	Per Unit
Rental Income	$6,010,272	$19,706
Other Income	$373,752	$1,225
Operating Expenses	($2,031,081)	($6,659)
Vacancy / Credit Loss	($387,644)	($1,271)
Net Operating Income	**$3,965,299**	**$13,001**
Reserves	106,750	$350
Operating Cash Flow	**$3,858,549**	**$12,651**
Debt Service	$3,250,994	$10,659
Cash Flow	**$607,555**	**$1,992**

Projected Mortgage Amount at Closing	$63,399,534
Term (in years)	40
Interest Rate	3.90%
Debt Service Constant	5.13%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	4.15%
Debt Service Coverage Ratio Target (MKT/AFF)	1.19x

Current debt proceeds are sized assuming a typical FHA Risk-share FFB mortgage. The 40% of will serve residents at or below 60% of AMI such that the project can satisfy the Section 42 requirements associated with the use of tax-exempt financing.

Flow of Funds – Construction Loan

- **Borrowers:** AH Apartments Limited Partnership and AH Development Corporation
- **Government Lender:** HOC
- **Funding Lender:** Citi Community Capital ("Citi")
- **Fiscal Agent**: U.S. Bank NA
- **Rebate Analyst**: Amtec

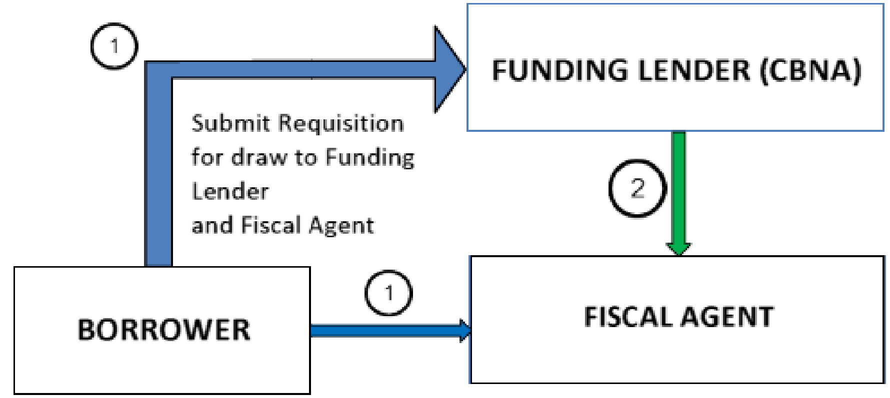
- **STEP ONE**: After the Borrower has submitted a Borrower Loan Advance requisition for the related draw, Citibank, N.A. ("CBNA" or the "Funding Lender) advances the Funding Loan Advance to the Fiscal Agent on behalf of the Governmental Lender to fund the corresponding Advance on the Funding Loan.

CHART I

Tax-Exempt Back-to-Back Loan
Draw-Down Funding Structure – Funding of Draws and Borrower Note and Governmental Lender Note Payments – Construction Phase (with Fiscal Agent)

STEP 1

Funding Lender purchases installments of Governmental Lender Note under draw-down provisions of Funding Loan Agreement

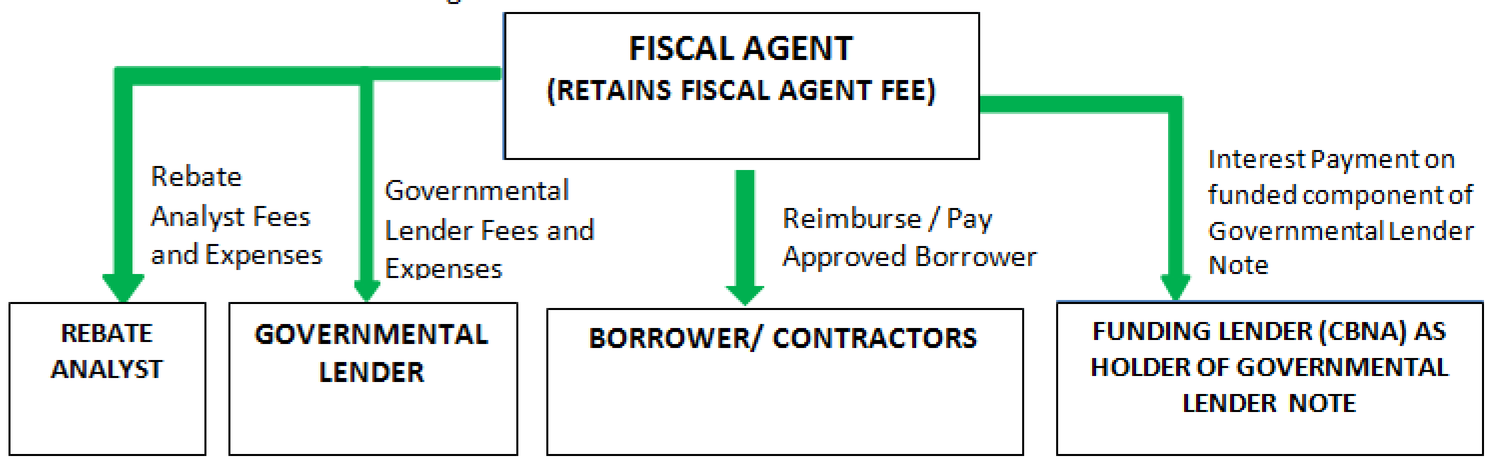


Flow of Funds – Construction Loan

- **<u>STEP TWO</u>**: The Fiscal Agent makes the corresponding disbursement of the related Borrower Loan advance on behalf of the Governmental Lender to the Borrower, in the same amount, as shown in the bottom part of Chart I.

STEP 2

Fiscal Agent makes payments of third party fees, reimbursements to Borrower, payments to Contractors and/or payments of interest to the Funding Lender, in accordance with the Borrower's Requisition and the Borrower Loan Agreement



Issues for Consideration

Issues for Consideration

Does the Board wish to accept the recommendation of the Development and Finance Committee, which met on November 18, 2016, and approve the financing plan for the Alexander House Apartments Limited Partnership and Alexander House Development Corporation, which would include approving public purpose and allocating bond cap, authorizing issuance of short-term tax exempt governmental and private activity notes, authorizing issuance of seller note(s), accepting and closing construction loan financing from Citibank, N.A., issuing of conditional commitment letter(s) to provide permanent takeout financing, and entering in a interest rate hedge agreement to protect the Commission from interest rate risk during the construction period.

Fiscal / Budget Impact

There is no adverse impact on the Agency's FY 2017 and FY 2018 operating budgets. The projected development and commitment fees are anticipated to be paid as budgeted.

The Property is projected to generate Interim Income of $2.4 million and $2.9 million in FY17 and FY18, respectively. Interest payments will be capitalized in the Development Budget; therefore, Property will generate sufficient cash flow to contribute to the respective budgets as projected.

The construction loan with Citi requires a 15% construction loan guarantee while the loan is outstanding. Caine Mitter & Associates estimates the impact to HOC's borrowing capacity is $12 million. Once the loan converts to the permanent phase in two years, the guarantee is removed and so will the reduction in HOC's borrowing capacity.

Time Frame

Action at the December 7, 2016 meeting of Alexander House Development Corporation.

Staff Recommendation and Commission Action Needed

Staff recommends that the Board accept the recommendation of the Development and Finance Committee and:

- Approve Public Purpose for **Alexander House Apartments Limited Partnership** and allocate up to $25MM in volume cap.

- Adopt a resolution authorizing the issuance of short-term tax-exempt private activity note in an amount not to exceed $25MM for **Alexander House Apartments Limited Partnership** unit renovations issuance of short-term tax-exempt governmental note in an amount not to exceed $51MM for **Alexander House Development Corporation** unit renovations, which in aggregate would not exceed $76 million.

- Authorize the Executive Director to accept and close on construction loan financing from Citi Community Capital.

- Authorize the issuance of conditional commitment letter(s) to **Alexander House Apartments Limited Partnership** and **Alexander House Development Corporation** to provide permanent takeout financing in an amount of up to $76MM, pursuant to the FHA/FFB Financing.

- Authorize the Executive Director to enter into an interest rate hedge agreement to protect against interest rate risk during the construction and stabilization period.

- Authorize issuance of seller note in an amount of up to $17MM to **Alexander House Apartments Limited Partnership .**

- Authorize the Executive Director to approve all related documents required to close this transaction.

RESOLUTION NO.: 16-008AH

RE: Approval for Alexander House Development Corporation ("AHDC") to accept Construction and Permanent Loans from HOC; Approval to Make an Acquisition Loan to Alexander House Limited Partnership; Approval to Prepay all Existing Debt; and Approval to Transfer Equity to HOC's Opportunity Housing Reserve Fund

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

WHEREAS, the Alexander House Development Corporation (the "Corporation") is a wholly-controlled corporate instrumentality of the Commission; and

WHEREAS, the Corporation owns a residential building located in Silver Spring, Maryland known as Alexander House Apartments (the "Development"); and

WHEREAS, the Development was constructed in 1992 at 8560 Second Avenue, near the Silver Spring Metro Station, as a single sixteen-story building with 311 units, 203 parking spaces in a tri-level underground parking garage, management offices, maintenance and engineering rooms, as well as a common outdoor pool shared with Elizabeth House Apartments, the property adjacent to the north; and

WHEREAS, on October 05, 2016, the Corporation and Commission approved a Development Plan (the "Development Plan") which would include the renovation of the Development and the creation of One Hundred and Eighty-Three (183) market rate units and One Hundred and Twenty-Two (122) income- and rent-restricted units (the "Tax Credit Units") ; and

WHEREAS, as part of the Development Plan approved on October 5, 2016, the Corporation approved the transfer of the Tax Credit Units to Alexander House Apartments Limited Partnership (the "Partnership") in order to facilitate the use of low-income housing tax credit equity to finance the renovations of the Development, and the Corporation now wishes to approve a seller take-back loan to the Partnership for the transfer of the Tax Credit Units in an amount not to exceed $17 million, which will bear interest at 3.50% over a 40 year term (the "Acquisition Loan"); and

WHEREAS, the Corporation and the Commission wish to finance the renovation of the non-Tax Credit Units with a construction loan funded though a private placement of short-term, tax-exempt Governmental Bonds (the "Governmental Construction Bond Loan") and finance the renovation of the Tax Credit Units with a construction loan funded though a private placement of short-term, tax-exempt Private Activity Bonds (the "Tax Credit Construction Bond Loan", together with the Governmental Construction Bond Loan, the "Development Construction Bond Loan"), which loans will bear interest at 1.75% over the 1-Month LIBOR, with a term not to exceed 36 months; and

WHEREAS, the Corporation and Commission wish to secure a permanent takeout loan for the Development in the form of a three year forward commitment to the Development to insure and finance the permanent loan for the non-Tax Credit Units (the "Governmental Permanent Loan") and the Tax Credit Units (the "Tax Credit Permanent Loan" and together with the Governmental Permanent Loan, the "Development Permanent Loan") in an aggregate amount of up to $70,100,000, based on a projected interest rate of 3.9%, using the FHA/FFB Risk-Share Program financing; and

WHEREAS, the Corporation wishes to apply some of the net proceeds from the transaction (i) to repay the existing loan from BB&T Community Holdings Co. (the "BB&T Loan"), which has a current balance of approximately $20,592,000; (ii) to repay the existing loan from Montgomery County (the "County Loan"), which has a current balance of approximately $700,000; (iii) to repay the existing loan from the County's Opportunity I-Housing Development Fund (the "OHDF Loan"), which has a current balance of approximately $202,143; and (iv) as a transfer and deposit of the remaining net proceeds, which is currently estimated to be approximately $15 Million, into the Commission's Opportunities Housing Reserve Fund for the purpose of furthering its public purpose of providing affordable housing in the County (the "Future Development Proceeds").

NOW, THEREFORE, BE IT RESOLVED by the Alexander House Development Corporation, that the Financing Plan is hereby approved and that the staff is hereby authorized to proceed with the review and processing of the necessary financing applications and other documentation.

BE IT FURTHER RESOLVED that the Alexander House Development Corporation approves acceptance of the Governmental Construction Bond Loan from the Commission in an amount of up to $51,000,000 or such other amount as may be necessary to further the Development Plan, but in no event to exceed an amount which, when aggregated with the Tax Credit Construction Bond Loan, exceeds $76,000,000.

BE IT FURTHER RESOLVED that the Alexander House Development Corporation approves acceptance of the Governmental Permanent Loan commitment from the Commission in an amount of up to $51,000,000 or such other amount as may be necessary to further the Development Plan, but in no event to exceed an amount which, when aggregated with the Tax Credit Permanent Loan, exceeds $70,100,000.

BE IT FURTHER RESOLVED that the Alexander House Development Corporation authorizes issuance of the Acquisition Loan to the Partnership.

BE IT FURTHER RESOLVED that the Alexander House Development Corporation authorizes repayment of the BB&T Loan, County Loan and OHDF Loan from the transaction proceeds.

BE IT FURTHER RESOLVED that the Alexander House Development Corporation authorizes transfer of the Future Development Proceeds portion of the transaction to the Opportunity Housing Reserve Fund of the Commission.

BE IT FURTHER RESOLVED that the Alexander House Development Corporation authorizes and directs the Executive Director of the Commission, without further action on its part, to take any and all other actions necessary and proper to carry out the consummation of the Alexander House Apartments Financing Plan and 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 duly adopted by the Board of Directors of the Alexander House Development Corporation at a regular meeting conducted on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

TPM Development Corporation

APPROVAL FOR TPM DEVELOPMENT CORPORATION ("TPM") TO SELL TIMBERLAWN CRESCENT AND POMANDER COURT ("PROPERTIES") TO A NEW OWNERSHIP ENTITY (THE "NEW OWNER") FORMED BY THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY (THE "COMMISSION"); APPROVAL TO RETIRE THE DEBT ON THE PROPERTIES WITH THE SALE PROCEEDS

TIMBERLAWN CRESCENT (NORTH BETHESDA)/POMANDER COURT (SILVER SPRING)

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
JENNIFER HINES ARRINGTON
UGONNA IBEBUCHI

December 7, 2016

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EXECUTIVE SUMMARY

TPM Development Corporation ("Corporation"), a wholly owned instrumentality of the Housing Opportunities Commission of Montgomery County ("HOC"), is the owns three (3) rental communities: **Timberlawn Crescent** ("Timberlawn"), a 107-unit, mixed-income apartment & townhome rental community located in North Bethesda; **Pomander Court** ("Pomander"), a 24-unit, mixed-income townhome rental community located in Silver Spring; and MPDU II ("MPDU II"), a collection of 59 scattered site units.

In anticipation of a comprehensive redevelopment plan for Timberlawn and Pomander (together , the "Properties"), the then existing bond mortgage for the Corporation was retired by a draw of $7,252,687 on the PNC $90 million Real Estate Line of Credit ("PNC RELOC") to repay the existing mortgage. Interest only payments the draw debt have been made monthly at 68.5% of the 30 day LIBOR plus 38 basis points.

Timberlawn Crescent

Pomander Court

On May 6, 2015, the Commission approved the Final Development Plan for the renovation of the Properties and authorized a tax-exempt loan of up to $7,500,000 from the PNC RELOC to fund the renovation. The initial scope of renovation for the Properties was completed in September 2016.

On April 6, 2016, the Commission approved an Amended Development Plan ("ADP") to include an additional scope of work at the Properties to be funded by an additional loan of approximately $358,000 from the MPDU Property Acquisition Fund. Further amendment to the ADP to convert the daycare center on site to a fitness center was approved in September 2016.

With renovation complete, staff recommends permanently financing the Properties through the Federal Housing Administration (FHA) Risk Share/ Federal Financing Bank (FFB) Program ("FHA/FFB Financing"). The FHA/FFB Financing offers favorable terms and very low interest rates that are comparable to that of Ginnie Mae Mortgage Backed Securities utilized in 221(d)(4) and 223(f) FHA financings.

As a refinancing, the Properties must meet the Risk Share program requirement of an occupancy rate of 93% or higher for 12 months prior to endorsement. Due to vacancies maintained for the purpose of renovations, the Properties do not meet this threshold. Therefore, staff recommends the transfer/sale of the Properties into a new ownership entity – a to-be-formed Limited Liability Company (LLC), wholly controlled by the Commission. An acquisition of the Properties by the new entity would no longer be subject to the occupancy threshold requirement. The MPDU II scattered sites will be retained by the Corporation and will not be encumbered by the new loan.

SOURCES AND USES

- A newly formed entity, wholly controlled by HOC, will be formed to acquire the Properties from the Corporation for approximately $18 million. The appraisal confirms "As-Is Stabilized" values of $21.7 million and $4.8 million for Timberlawn and Pomander, respectively ($26.5 million total).
- Acquisition costs consist of repayment of renovation draws on the PNC RELOC for $14.7 million, County DHCA loans totaling $2.9 million, and an approved draw of $358,000 for additional exterior work from the HOC MPDU/Property Acquisition Fund.
- Other projected uses include due diligence costs; financing and closing costs of $1,012,460; and the establishment of replacement reserves at $1,200 per unit at closing. The Commission earns a financing fee of 2% ($384,520) on the transaction.
- As of November 23, 2016, the current FFB 40-year loan rate was 3.294%. However, the loan was underwritten at 4.12% interest, which includes MIP at 0.25%, an HOC Loan Management Fee of 0.33% and a 0.25% cushion for any possible increase in the FFB rate. The transaction is projected to close in January.

Sources	Amount	Per Unit
Sale Proceeds	$18,025,386	$137,598
Total Sources	**$18,025,386**	**$137,598**

Uses (Debt Repayment)	Amount	Per Unit
Outstanding Debt (PNC RELOC)	$7,252,687	$55,364
County Loan	$2,914,699	$22,250
Construction Costs (PNC RELOC)	$7,500,000	$57,252
MPDU Property Acquisition Fund	$358,000	$2,733
Total Uses	**$18,025,386**	**$137,598**

STAFF RECOMMENDATION & CORPORATION ACTION NEEDED

Issues for Consideration

Does the Corporation approve : 1) the sale of Timberlawn Crescent and Pomander Court to a new ownership entity, wholly owned by the Commission, and 2) the use of sale proceeds to retire debt on the PNC RELOC?

Issues for consideration include:

- The acquisition of the Properties by the new ownership entity will enable the Properties to overcome the 93%, 12-month occupancy requirement for FHA Risk Share refinancings.
- The debt repayment restores the available balance on the PNC RELOC making it possible for additional properties to be developed, acquired, or rehabilitated with funds from the PNC RELOC.

Fiscal/Budget Impact

- The Corporation will no longer own Timberlawn Crescent and Pomander Court. The remaining asset, MPDU II, will be unencumbered and will no longer contribute to a debt service reserve. As a result, the cash flow to the Corporation will increase by the amount of the projected debt service reserve contribution for the remainder of FY2017, approximately $59,500.

Time Frame

Action at the December 7, 2016 Commission Meeting.

Staff Recommendation and Action Needed:

Staff recommends that the Corporation approve:

1. Approval to sell Timberlawn Crescent and Pomander Court to a new ownership entity formed by the Housing Opportunities Commission of Montgomery County;
2. Approval to retire the debt on the Properties with the sale proceeds.

RESOLUTION No.:16-005TPM **RE:** **Approval to Sell Timberlawn Crescent and Pomander Court (the "Properties") to a New Ownership Entity Formed by the Housing Opportunities Commission of Montgomery County and Approval to Retire the Debt on the Properties with the Sale Proceeds**

WHEREAS, Timberlawn Crescent, a 107-unit development located in North Bethesda and Pomander Court, a 24-unit clustered townhome community located in Silver Spring (together, the "Properties") are two properties owned by TPM Development Corporation, a wholly controlled corporate instrumentality of the Housing Opportunities Commission of Montgomery County (the "Commission"), and were determined to be in need of renovation and rehabilitation; and

WHEREAS, on July 17, 2013, the Commission and TPM approved a Preliminary Development Plan for approximately $20 million in total development costs for the refinancing and renovation of the Properties; and

WHEREAS, the Preliminary Development Plan included the funding of interim loans from the Montgomery County Moderately Priced Dwelling Unit/Property Acquisition Fund ("MPUD/PAF") for a predevelopment budget in the amount of $55,000, and the funding of immediate capital repairs at Timberlawn for $2,300,000; and

WHEREAS, on September 3, 2014, the Commission approved a tax-exempt draw on the PNC Bank, N.A. Real Estate Line of Credit (the "RELOC") in the amount of $7,252,687 and loaned the funds drawn to TPM to repay the existing bond mortgage for TPM; and

WHEREAS, on May 6, 2015, the Commission approved a Final Development Plan for approximately $20 million in total development costs for the renovation of the Properties, and authorized tax-exempt draws on the RELOC as an interim funding source for the renovation of the Properties, not to exceed $7,500,000 until implementation of the permanent Financing Plan for the Properties at the completion of the renovations; and

WHEREAS, on April 6, 2016, the Commission and TPM approved an amendment to the Final Development Plan to include an additional interim loan funded by a draw on the MPDU/PAF in an amount not to exceed $358,000, to be repaid by TPM upon the implementation of a permanent Financing Plan for the Properties; and

WHEREAS, the renovations are substantially complete, with the exception of exterior work at Timberlawn to be completed by May 2017; and

WHEREAS, HOC staff has developed a permanent Financing Plan for the Properties which involves the purchase of the Properties by a new ownership entity (the "New Owner"), a to-be-formed Limited Liability Company (LLC), with the sole member being the Commission; and

WHEREAS, under the permanent Financing Plan, the proceeds from the sale of the Properties shall be applied to all outstanding amounts drawn from the RELOC, the MPDU/PAF, and all or any capital expenditures and other financing costs incurred with respect to the Properties.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of TPM Development Corporation that:

1. It approves the sale of the Properties to the New Owner; and
2. It approves application of the proceeds from the sale of the Properties to all outstanding amounts drawn from the RELOC,the MPDU/PAF, and all or any capital expenditures and other financing costs incurred with respect to the Properties.

BE IT FURTHER RESOLVED by the Board of Directors of TPM Development Corporation that it authorizes the Executive Director of the Housing Opportunities Commission of Montgomery County as authorized agent for TPM Development Corporation, without further action on its part, to take any and all other actions necessary and proper to carry out the transaction contemplated herein including, but not limited to, the execution of any and all documents related thereto.

BE IT FURTHER RESOLVED by the Board of Directors of TPM Development Corporation that it affirms all prior acts and doings of the officials, agents and employees of the Corporation which are in conformity with the purpose and intent of this Resolution, and in furtherance thereof, the same are hereby in all respects ratified, approved and confirmed.

BE IT FURTHER RESOLVED by the Board of Directors of TPM Development Corporation that all other resolutions of the TPM Development Corporation or parts of resolutions inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Directors of TPM Development Corporation at its meeting on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

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Diamond Square Development Corporation

DIAMOND SQUARE
DEVELOPMENT CORPORATION

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR DIAMOND SQUARE APARTMENTS

December 7, 2016

- **Diamond Square Apartments is a 124-unit community consisting of 122 efficiency units and 2 one-bedroom units. Half of the property serves as a senior center operated by the City of Gaithersburg and the remainder of the property is furnished apartment homes.**

- **A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Diamond Square Apartments.**

- **Responses to the RFP were received from two property management companies.**

- **Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.**

- **Staff determined that Avison Young is the best candidate for the management of Diamond Square Apartments.**

- **Staff recommends that the Board of Directors of Diamond Square Development Corporation authorize a management contract with Avison Young for property management services at Diamond Square.**

M E M O R A N D U M

TO: Diamond Square Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Diamond Square Apartments

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Avison Young for property management services at Diamond Square Apartments

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BACKGROUND:
Diamond Square Apartments is a 124-unit community consisting of 122 efficiency units and 2 one-bedroom units. Diamond Square was constructed in 1985 as a mid-rise hotel. The property was acquired in 1990 as a joint venture between the Housing Opportunities Commission (HOC), Montgomery County and the City of Gaithersburg. Half of the property serves as a senior center operated by the City of Gaithersburg and the remainder of the property was converted to furnished apartment homes. Eighty-one units are affordable under the Maryland Partnership Rental Housing Program.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of Diamond Square Apartments. Staff received responses from two management companies.

Responding Company	**Proposed Fee**
Avison Young	$37.50 for two years; $38.88 - $40.24 over 3-year renewal period
Edgewood Management	$42 PUPM with an annual CPI escalation

Review and scoring of responses was completed by staff from the Property Management, Finance and Compliance divisions. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Staff recommends that Avison Young, which currently manages Diamond Square Apartments, retain management of the property. Avison Young submitted a competitive bid and has effectively managed the property. In the past three years, Avison Young has overseen two major capital projects at Diamond Square: EFIS and window replacement to correct water infiltration and the construction of a new heated vestibule with resident seating. Avison Young was a key contributor in the development of a revised Memo of Understanding between HOC, Montgomery County and the City of Gaithersburg, a document that outlines the responsibilities and obligations of parties with regard to operating the facility.

Edgewood Management’s proposed fee was higher than Avison Young.

Staff is proposing a management contract with Avison Young for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:

Does the Board of Directors of Diamond Square Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation’s Authorized Signatory, to execute a management contract with Avison Young for property management services at Diamond Square Apartments?

BUDGET IMPACT:

Avison Young proposed a management fee of $37.50 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $55,800.00 for one year.

TIME FRAME:

The term of the Management Agreement for Diamond Square Development Corporation was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Diamond Square Development Corporation action at its meeting of December 7, 2016.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

Staff recommends that the Board of Directors of Diamond Square Development Corporation accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation’s Authorized Signatory, to execute a management contract with Avison Young for property management services at Diamond Square Apartments.

DIAMOND SQUARE DEVELOPMENT CORPORATION

RESOLUTION NO.: 16-002$_{DS}$ **RE: Approval of Property Management Contract for Diamond Square Apartments**

WHEREAS, Diamond Square Development Corporation ("Corporation") serves as the general partner of Diamond Square Limited Partnership ("Partnership"), which owns and operates Diamond Square Apartments ("Property") located in Gaithersburg, Maryland;

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") is the limited partner of the Partnership; and

WHEREAS, the Partnership issued a Request for Proposals (RFP) for property management of Diamond Square Apartments; and

WHEREAS, based on the criteria included in the RFP and pricing from two responding companies, Avison Young ("Avison") was determined to be the most qualified to manage the Property.

NOW, THEREFORE, BE IT RESOLVED by the Diamond Square Development Corporation, acting for itself and for and on behalf of Diamond Square Limited Partnership as its general partner, that the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, is hereby authorized and directed to execute a management contract for Diamond Square Apartments for two years and three (3) optional one-year renewals.

BE IT FURTHER RESOLVED by the Diamond Square Development Corporation, acting for itself and for and on behalf of Diamond Square Limited Partnership as its general partner, that the Commission's Executive Director, as the Corporation's Secretary, is authorized and directed, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Diamond Square Development Corporation, acting for itself and for and on behalf of Diamond Square Limited Partnership as its general partner, at an annual meeting conducted on December 7, 2016.

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Secretary to the Board of Directors of the Diamond Square Development Corporation

Glenmont Crossing Development Corporation

GLENMONT CROSSING
DEVELOPMENT CORPORATION

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR GLENMONT CROSSING

December 7, 2016

- Glenmont Crossing is a mid-rise mixed-income community located in Wheaton, subdivided into two sections, Woodberry and Westerly, and consisting of both townhomes and garden-style apartments.

- A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Glenmont Crossing.

- Responses to the RFP were received from two property management companies.

- Staff reviewed submitted materials and scored the two respondents in accordance with the RFP criteria.

- Staff determined that Avison Young is the best candidate for the management of Glenmont Crossing.

- Staff recommends that the Board of Directors of Glenmont Crossing Development Corporation authorize a management contract with Avison Young for property management services at Glenmont Crossing.

M E M O R A N D U M

TO: Glenmont Crossing Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Glenmont Crossing

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Avison Young for property management services at Glenmont Crossing.

BACKGROUND:
Glenmont Crossing, located in Wheaton, is subdivided into two distinct sections: Woodberry and Westerly. Consisting of 97 townhome-style buildings, Woodberry is a mix of 21 two-bedroom terrace level units located below 76 three-bedroom townhome units. Westerly includes 102 garden-style units. The buildings of Woodberry and Westerly feature brick facades with wood framing and asphalt shingle roofs. The leasing office and model apartment is operated out of the garden-style section. Both properties incorporate market, workforce and affordable units.

A Request for Proposal (RFP) for management of Glenmont Crossing was issued in accordance with HOC's Procurement Policy. HOC received responses from two management companies.

Responding Company	**Proposed Fee**
Avison Young	$45.50 PUPM; $46.50/$47.50/$48.50/$49.50 for renewable years
Vantage Management	$42 PUPM with an annual CPI escalation

Review and scoring of responses was completed by staff from the Property Management, Finance and Compliance divisions. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Staff recommends that Avison Young continue property management services at Glenmont Crossing. HOC purchased the property in 2012 retaining Avison Young (formerly McShea) as the management agent. Avison Young successfully completed the immediate repairs required by the lender and incorporated affordability requirements over the obligatory 3-year period. Despite the intense competition from new rental properties in Wheaton, occupancy in both sections has remained steady, averaging 96% in both entities.

HOC received one other proposal from Vantage Management. An offshoot of Edgewood Management, Vantage proposed a lower initial management fee but currently manages no units in the Wheaton sub-market.

Staff is proposing a management contract with Avison Young for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:

Does the Board of Directors of Glenmont Crossing Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, to execute a management contract with Avison Young for property management services at Glenmont Crossing?

BUDGET IMPACT:

Avison Young proposed a management fee of $45.50 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $111,042.00 for one year.

TIME FRAME:

The term of the Management Agreement for Glenmont Crossing Development Corporation was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Glenmont Crossing Development Corporation action at its meeting of December 7, 2016.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

Staff recommends that the Board of Directors of Glenmont Crossing Development Corporation accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, to execute a management contract with Avison Young for property management services at Glenmont Crossing.

GLENMONT CROSSING DEVELOPMENT CORPORATION

RESOLUTION NO.: 16-002$_{GC}$ **RE: Approval of Property Management Contract for Glenmont Crossing**

WHEREAS, Glenmont Crossing Development Corporation ("Corporation") owns the development known at Glenmont Crossing ("Property"), located in Wheaton, Maryland; and

WHEREAS, the Corporation issued a Request for Proposals (RFP) for property management of Glenmont Crossing; and

WHEREAS, based on the criteria included in the RFP and pricing from two responding companies, Avison Young was determined to be the most qualified to manage the Property.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for the Glenmont Crossing Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, is hereby authorized and directed to execute a management contract for Glenmont Crossing for two years and three (3) optional one-year renewals.

BE IT FURTHER RESOLVED by the Board of Directors for the Glenmont Crossing Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, is hereby authorized and directed, without any further action on its part, to take any and all other action necessary and proper to carry out the transaction contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Glenmont Crossing Development Corporation, at a meeting conducted on December 7, 2016.

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Secretary to the Board of Directors of the Glenmont Crossing Development Corporation

Montgomery Arms Development Corporation

MONTGOMERY ARMS
DEVELOPMENT CORPORATION

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR MONTGOMERY ARMS

December 7, 2016

- **Montgomery Arms is a mid-rise mixed-income property located in downtown Silver Spring. Consisting of 129 total units, Montgomery Arms was constructed in 1941 and received historic property designation in 1990.**

- **A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Montgomery Arms.**

- **Responses to the RFP were received from three property management companies.**

- **Staff reviewed submitted materials and scored the three respondents in accordance with the RFP criteria.**

- **Staff determined that Edgewood Management is the best candidate for the management of Montgomery Arms.**

- **Staff recommends that the Board of Directors of Montgomery Arms Development Corporation authorize a management contract with Edgewood Management for property management services at Montgomery Arms.**

MEMORANDUM

TO: Montgomery Arms Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Montgomery Arms

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Edgewood Management for property management services at Montgomery Arms.

BACKGROUND:
Montgomery Arms is a garden-style mid-rise property located in downtown Silver Spring. Consisting of 129 total units, Montgomery Arms was constructed in 1941 and received historic property designation in 1990. The Montgomery Arms Development Corporation ("Corporation") purchased the property in 1992 and performed renovations, restoring many of the original art deco finishes. Montgomery Arms is a mixed income property with 74 affordable units, including 12 project-based units and 10 units funded under a McKinney grant.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of Montgomery Arms. Staff received responses from three management companies.

Responding Company	**Proposed Fee**
Avison Young	$40 PUPM, increasing 2.98% at each one year renewal
Edgewood Management	$42 PUPM with an annual CPI escalation
WINN Residential	$48.66 PUPM

Review and scoring of responses was completed by staff from the Property Management, Finance and Compliance divisions. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Edgewood Management Corporation ("Edgewood"), Montgomery Arms current management company, is be best suited to retain management of the property. Edgewood submitted a competitive bid and has a positive history with the property, including a 2016 REAC score of 95b.

Avison Young's bid was not competitive enough to justify change in management. WINN Residential is a national company, whose experience in Maryland is primarily in Baltimore, and manages only a single property in Montgomery County. WINN had previously managed The Barclay and Spring Garden for a brief period after acquiring Landex Management, but declined to rebid at contract expiration.

Staff is proposing a management contract with Edgewood Management for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:
Does the Board of Directors of Montgomery Arms Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, to execute a management contract with Edgewood Management for property management services at Montgomery Arms?

BUDGET IMPACT:
Edgewood proposed a management fee of $41.00 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $63,648.00 for one year.

TIME FRAME:
The term of the Management Agreement for Montgomery Arms Development Corporation was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Montgomery Arms Development Corporation action at its meeting of December 7, 2016.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:
Staff recommends that the Board of Directors of Montgomery Arms Development Corporation accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, to execute a management contract with Edgewood for property management services at Montgomery Arms.

MONTGOMERY ARMS DEVELOPMENT CORPORATION

RESOLUTION NO.: 16-002$_{MA}$ **RE: Approval of Property Management Contract for Montgomery Arms**

WHEREAS, Montgomery Arms Development Corporation ("Corporation") owns the development known at Montgomery Arms ("Property"), located in Silver Spring, Maryland; and

WHEREAS, the Corporation issued a Request for Proposals (RFP) for property management of Montgomery Arms; and

WHEREAS, based on the criteria included in the RFP and pricing from three responding companies, Edgewood Management Corporation ("Edgewood") was determined to be the most qualified to manage the Property.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for the Montgomery Arms Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, is hereby authorized and directed to execute a management contract for Montgomery Arms for two years and three (3) one-year renewals.

BE IT FURTHER RESOLVED by the Board of Directors for the Montgomery Arms Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, is hereby authorized and directed, without any further action on its part, to take any and all other action necessary and proper to carry out the transaction contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Montgomery Arms Development Corporation at a meeting conducted on December 7, 2016.

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Secretary to the Board of Directors of the Montgomery Arms Development Corporation

Pooks Hill Towers Development Corporation

POOKS HILL
DEVELOPMENT CORPORATION

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR POOKS HILL TOWER

December 7, 2016

- **Pooks Hill Tower is a 189-unit high-rise in northern Bethesda offering a mix of market-rate, affordable and workforce housing units.**
- **A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Pooks Hill Tower.**
- **Responses to the RFP were received from two property management companies.**
- **Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.**
- **Staff determined that Vantage Management is the best candidate for the management of Pooks Hill Tower.**
- **Staff recommends that the Board of Directors of Pooks Hill Development Corporation authorize a management contract with Vantage Management for property management services at Pooks Hill Tower.**

M E M O R A N D U M

TO: Pooks Hill Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Bobbie Dacosta Division: Property Management Ext. 9524

RE: Approval of Property Management Contract for Pooks Hill Tower

DATE: December 7, 2016

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Approval to execute a management contract with Vantage Management for property management services at Pooks Hill Tower.

BACKGROUND:
Built in 1949, Pooks Hill Tower is a 189-unit high-rise in northern Bethesda offering a mix of market-rate, affordable and workforce housing units. Pooks Hill Towers offers a pool and easy access to main roadways, Metro and major employment centers.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for management of Pooks Hill Tower. Staff received responses from two management companies.

Responding Company	Proposed Fee
Avison Young	$41.00 PUPM for two years; $42.75/$43.50/$44.50 for renewable years
Vantage Management	$43.10 PUPM with an annual CPI escalation

Review and scoring of responses was completed by staff from the Property Management, Finance and Compliance divisions. Staff considered experience with similar properties in Montgomery County, experience of key personnel managing comparable properties, experience with property positioning and capital improvements, expertise in affordable housing programs and compliance, references, review of submitted materials and proposed fees.

Staff is recommends that Vantage Management, the current management agent, retain management of Pooks Hill Towers. Vantage's marketing team has significant knowledge and experience in the Bethesda sub-market. Vantage has managed well through two major capital projects at Pooks Hill Tower: the installation of a new roof and modernization of three new elevators. The most recent REAC inspection garnered a score of 99b.

HOC received one other proposal for property management services from Avison Young. Although the proposal was competitive, not to the degree that would warrant a change in management.

Staff is proposing a management contract with Vantage Management for a term of two years, with three possible one-year renewals.

ISSUES FOR CONSIDERATION:

Does the Board of Directors of Pooks Hill Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, to execute a management contract with Vantage Management for property management services at Pooks Hill Tower?

BUDGET IMPACT:

Vantage proposed a management fee of $43.10 per unit per month. Based on the terms outlined in the RFP, the estimated value of the contract is $97,750.00 for one year.

TIME FRAME:

The term of the Management Agreement for Pooks Hill Tower Development Corporation was discussed with The Budget, Finance and Audit Committee at its meeting on November 28, 2016. For Pooks Hill Development Corporation action at its meeting of December 7, 2016.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

Staff recommends that the Board of Directors of Pooks Hill Development Corporation accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, to execute a management contract with Vantage for property management services at Pooks Hill Tower.

POOKS HILL DEVELOPMENT CORPORATION

RESOLUTION NO.: 16-002$_{PK}$

RE: Approval of Property Management Contract for Pooks Hill Tower

WHEREAS, Pooks Hill Development Corporation ("Corporation") owns the development known at Pooks Hill Tower ("Property"), located in North Bethesda, Maryland; and

WHEREAS, the Corporation issued a Request for Proposals (RFP) for property management of Pooks Hill Tower; and

WHEREAS, based on the criteria included in the RFP and pricing from two responding companies, Vantage Management ("Vantage") was determined to be the most qualified to manage the Property.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for the Pooks Hill Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, is hereby authorized and directed to execute a management contract for Pooks Hill Tower for two years and three (3) optional one-year renewals.

BE IT FURTHER RESOLVED by the Board of Directors for the Pooks Hill Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, as the Corporation's Authorized Signatory, is hereby authorized and directed, without any further action on its part, to take any and all other action necessary and proper to carry out the transaction contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Pooks Hill Development Corporation at a meeting conducted on December 7, 2016.

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Secretary to the Board of Directors of the
Pooks Hill Development Corporation

VPC One Development Corporation

Approval to Increase the Aggregate Renovation Budget by $1,500,000 for VPC One Corporation and VPC Two Corporation; Approval of the Final Financing Plan for VPC One Corporation; and Authorization to Accept a Loan from EagleBank for the Permanent Financing

Scattered Sites

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
JENNIFER HINES ARRINGTON
UGONNA IBEBUCHI

December 7, 2016

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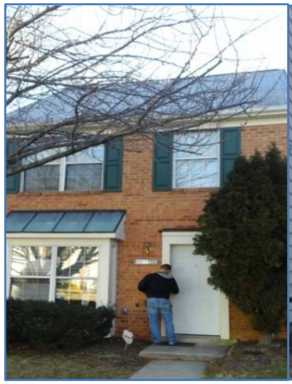
EXECUTIVE SUMMARY

VPC One Corporation (“VPC One”) and VPC Two Corporation (“VPC Two”)(together the “Corporations” or “VPCs”), are wholly controlled corporate instrumentalities of the Housing Opportunities Commission of Montgomery County (HOC) that own 399 and 280 units, respectively, for a combined total of 679 scattered site properties throughout Montgomery County. The Corporations own the 669 former Public Housing units that underwent disposition in March 2012 from the U.S. Department of Housing & Urban Development (HUD) under Section 18 of the Housing Act of 1937. The disposition was completed in 2015 and has allowed the scattered sites to be renovated and leased under other subsidy programs. Renovations began in 2014. HOC is on track to deliver 100% fully renovated units by the end of Fiscal Year 2017. Please see the below statistics, as of October 31, 2016, related to the VPCs renovation and occupancy.

Total Units Renovated	**466 or 69%**
Total Draws – PNC Bank, N.A. $60 million Line of Credit (“PNC LOC”)	**$29,378,307 or $43,914/unit**
Total Units Occupied	**80%**

On March 2, 2016, the Commission approved a Revised Development Plan that increased the funding from the original $38.5 million to $41.5 million for construction costs that included the cost of tenant in-place renovations and construction management. On May 13, 2016, the Commission approved a Financing Plan for the Corporations that would complete the renovations, repay all renovation funds drawn on the PNC LOC, repay draws from the Opportunity Housing Development Fund (OHDF), provide a permanent financing facility (up to 10 years) for the Corporations by way of an EagleBank (the “Lender”) working capital non-revolving Line of Credit (“Eagle LOC”) with the option to issue Sub-Notes for up to $65 million or 50% Loan-to-Value (LTV) of the “as-is” market value, and provide the Commission with excess proceeds to support its mission. Draws on the Eagle LOC will be limited at all times to an amount that produces a minimum Debt Service Coverage Ratio (DSCR) of 1.25 and calculated from the annualized 6-month trailing Net Operating Income (NOI). Staff concluded negotiations with the Lender in July 2016 and executed a Term Sheet on August 16, 2016.




EXECUTIVE SUMMARY

In September 2016, the Due Diligence period commenced, during which staff reviewed the Corporations' historical operations with the Lender, shared 679 deeds, including the applicable HUD releases, and held detailed discussions with Lender's Counsel regarding the restrictive HUD covenants, worked with and coordinated inspections for the Lender's appraiser and inspector, and engaged with the Commission's marketing/leasing consultant, Edgewood Management Corp. ("Edgewood"), on the leasing of vacant units. A total of 140 units were appraised and/or inspected in October 2016, and Edgewood has implemented a marketing strategy to lease 45 units before the end of the winter, aimed at bringing occupancy up to 86%. There are currently 13 approved applications with one (1) move-in, and four (4) pending applications. Assuming approved and pending applications result in move-ins, this pace will accomplish the properties' leasing goal by February 2017.

During October, staff reviewed construction costs to date. With the completion of 71% of the units, including many tenant-in-place renovations, more real time data was available from which to project the cost of the remaining units. Staff estimates that construction costs will be 3.6% higher than as previously revised in March 2016, and requests an increase in the development budget in particular the construction costs from $41.5 to $43 million. The transaction's pro forma has been updated to include this increase.

On October 20, 2016, the Lender received indication of an appraised "as-is" ***restricted*** value of approximately $94 to $100 million. Given the nature of the HUD Use Agreements and its restrictive covenants for 30 years, after discussions with the Lender, the restricted value has been deemed most appropriate for the portfolio. On October 31, 2016, the Lender's investment committee approved a loan amount up to $65 million but no more than ***60%*** Loan-to-Value (LTV) – an increase of 10%. **Based upon the preliminary appraised value, the final loan amount is estimated to be between $56 and $60 million.**

Given the estimated appraised value, the revised LTV terms, the properties' leasing strategy, and the fiduciary responsibility to ensure that the VPCs are sustainable, staff recommends that the Commission approve the Final Financing Plan and final loan amount for VPC One and VPC Two of no more than $35.4 million and $24.6 million, respectively, for a combined amount of no more than $60 million. With a projected NOI of $6 million in the first stabilized year of Fiscal Year (FY) 2018, the VPCs are estimated to achieve 1.49 DSCR assuming an interest rate of 5.26%.

EXECUTIVE SUMMARY

At closing, estimated for December 16, 2016, the first draw will include: 1) construction funds; 2) financing and transaction costs; and, 3) the initial funding of the Replacement Reserves, together estimated at $45 million. Until such time the remaining funds are drawn and a Sub-Note entered into with the Lender, interest only payments will be due. Upon the issuance of the Sub-Note, amortization will begin. Staff anticipates returning to the Commission within a year of closing with a proposed plan for and a request to draw the remaining allowable loan proceeds along with the acquisition costs to repay the OHDF. The second draw will be approximately $15 million.

Please see the below transaction summary for VPC One and VPC Two Corporations. In addition to approving the Final Financing Plan, staff also requests the Commission's authorization for the Executive Director to execute all documents associated with the transaction.

Transaction Summary	VPC One		VPC Two	
Units/Public Purpose	399 Units 98% Affordable		280 Units 99% Affordable	
	55 336 8	≤ 50% AMI ≤ 80% AMI Market	58 221 1	≤ 50% AMI ≤ 80% AMI Market
Permanent Financing/Credit Enhancement	EagleBank Working Capital Line of Credit with Option for Sub Notes / no credit enhancement required			
Loan-to-Value ("As-Is" Restricted)	60%			
Working-Capital Line of Credit/First Mortgage Amount (up to)	**$60,000,000**			
	$35,400,000		$24,600,000	
Line of Credit Interest Rate	4.25% (Floor) 4.78% (Underwritten)		4.25% (Floor) 4.78% (Underwritten)	
Sub-Note Permanent Interest Rate	4.50% (Floor) 5.26% (Underwritten)		4.50% (Floor) 5.26% (Underwritten)	
Permanent Loan Term/Amortization	Up to 10 years / 30-yr AMO		Up to 10 years / 30-yr AMO	
Debt Service Coverage Ratio Target	1.25		1.25	
Debt Service Coverage Ratio (FY18)	1.49		1.49	

SCHEDULE

April 2016
- Receive Lender's term sheet
- Begin negotiations
- Receive approval to advance Financing Plan to Commission, subject to comments (Development & Finance Committee)

May 2016
- Approval of the Financing Plan (Commission)
- Continue negotiations

June – August 2016
- Complete negotiations and execute final term sheet
- Due Diligence begins

September – October 2016
- Coordinate appraisal, inspections
- Engage with Edgewood on marketing/leasing plan
- Transfer/review legal documents and operations with Lender and Lender's Counsel

November 2016
- Approval of Final Financing Plan for VPC One & VPC Two Corporations (Development & Finance Committee)
- Conclude Due Diligence
- Prepare for closing

December 2016
- Approval of Final Financing Plan for VPC One & VPC Two Corporations (Commission)
- Finalize loan documents
- Closing – 12/16/16 (est.)

STATUS UPDATE: RENOVATION COST

On March 2, 2016, the Commission approved a revised development plan that increased the funding from the original $38.5 million to $41.5 million to include the cost of tenant in-place renovations and construction management. With the completion of over 71% of the units, including many tenant-in-place renovations, more real time data is now available from which to project the cost of the remaining units.

The approved revised budget assumed that Hamel Builders would be completing 191 unit renovations with a per unit cost of approximately $57,500. However, upon completion of just 42 units it was determined that their per unit cost was not realistic and the average cost per unit increased to almost $60,000. Hamel faced certain challenges for renovation of this unusual portfolio, so my mutual agreement, Hamel's contract was terminated and CBP Constructors is now under contract to complete the renovations for the remaining 148 units that were under the original Hamel contract. In-place renovations are also underway and a time extension was needed which resulted in an increase of almost $260,000.

There have been approximately 20 units where renovations exceeded $75,000 due to additional scope of work to bring the units up to code or correct other deficiencies. The average age of the VPC units is 29 years; however, 72 of the units left to be renovated are 30 years or older, including 6 units that are over 50 years old that will require a significant amount of structural repairs and replacement of major systems which will increase the original cost per unit that was budgeted.

Staff estimates that the overall project will be 3.6% higher than the approved budget of $41.5 million but believes that the increase will ensure full renovation of the VPC portfolio while meeting the needs for in-place renovations, resident relocation, staffing and construction management.

	10/1/2014		3/2/2016		11/18/2016		Variance	
Item	Original Budget	Per Unit Cost	Approved Revised Budget	Per Unit Cost	Budget Amendment Request	Per Unit Cost	Total	Per Unit
Construction	$38,117,881	$56,977	$40,211,037	$60,106	$41,795,000	$62,474	$1,583,963	$2,368
Tenant Relocation/In-Place Costs	$320,000	$478	$1,178,963	$1,762	$1,095,000	$1,637	-$83,963	-$126
Construction Management	$0	$0	$110,000	$164	$110,000	$164	$0	$0
Total Construction Costs	**$38,437,881**	**$57,456**	**$41,500,000**	**$62,033**	**$43,000,000**	**$64,275**	**$1,500,000**	**$2,242**

STATUS UPDATE: RENOVATION & OCCUPANCY

Please see the below Renovated/Occupied charts reflecting the progress of activity during the last six (6) months. As of October 31, 2016, a total of 473 units (71%) have been renovated, 82 units (12%) have renovations in-process, 114 units (17%) are pending renovation with the majority of these units within VPC One, and overall 545 units (80%) are occupied. Since May 2016, a total of 97 units were renovated, improving 66 occupied units with a significant push during August, completing 59 units that month. In addition, move-ins increased by 11 units since May. A leasing strategy is now implemented to improve occupancy *(Please see page 9 for more details.)*. The current renovation schedule reflects 100% completion of the renovation by June 2017.

	Renovation Status					
All VPCs	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
Renovated	376	391	396	398	457	**473**
In Process	64	50	56	76	69	**82**
Not Renovated	229	228	217	195	143	**114**

Renovated	56.2%	58.4%	59.2%	59.5%	68.3%	**70.7%**
In Process	9.6%	7.5%	8.4%	11.4%	10.3%	**12.3%**
Not Renovated	34.2%	34.1%	32.4%	29.1%	21.4%	**17.0%**

	Occupied					
VPC One	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	189	190	191	195	195	202
In Process	0	0	0	1	1	1
Not Renovated	128	124	121	117	117	111
VPC One Totals	**317**	**314**	**312**	**313**	**313**	**314**

	Occupied					
VPC One	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	47.4%	47.6%	47.9%	48.9%	48.9%	50.6%
In Process	0.0%	0.0%	0.0%	0.3%	0.3%	0.3%
Not Renovated	32.1%	31.1%	30.3%	29.3%	29.3%	27.8%
VPC One Totals	**79.4%**	**78.7%**	**78.2%**	**78.4%**	**78.4%**	**78.7%**

	Occupied					
VPC Two	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	136	137	139	155	173	189
In Process	0	0	10	28	32	39
Not Renovated	81	79	67	44	22	3
Total Occupied	**217**	**216**	**216**	**227**	**227**	**231**

	Occupied					
VPC Two	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	48.6%	48.9%	49.6%	55.4%	61.8%	67.5%
In Process	0.0%	0.0%	3.6%	10.0%	11.4%	13.9%
Not Renovated	28.9%	28.2%	23.9%	15.7%	7.9%	1.1%
VPC Two Totals	**77.5%**	**77.1%**	**77.1%**	**81.1%**	**81.1%**	**82.5%**

	Occupied					
All VPCs	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	325	327	330	350	368	391
In Process	0	0	10	29	33	40
Not Renovated	209	203	188	161	139	114
Total Occupied	**534**	**530**	**528**	**540**	**540**	**545**

	Occupied					
All VPC's	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	47.9%	48.2%	48.6%	51.5%	54.2%	57.6%
In Process	0.0%	0.0%	1.5%	4.3%	4.9%	5.9%
Not Renovated	30.8%	29.9%	27.7%	23.7%	20.5%	16.8%
All VPC Totals	**78.6%**	**78.1%**	**77.8%**	**79.5%**	**79.5%**	**80.3%**

STATUS UPDATE: RENOVATION & VACANCY

Please see the below Renovated/Vacant charts reflecting the progress of activity during the last six (6) months. As of October 31, 2016, a total of 473 units (71%) have been renovated, 82 units (12%) have renovations in-process, 114 units (17%) are pending renovation, and overall 134 units (20%) are vacant. It is important to note that as of October, all vacant units are either in process or have been 100% renovated. A leasing strategy is now implemented to improve occupancy *(Please see page 9 for more details.)*. The current renovation schedule reflects 100% completion of the renovation by June 2017.

	Renovation Status					
All VPCs	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
Renovated	376	391	396	398	457	**473**
In Process	64	50	56	76	69	**82**
Not Renovated	229	228	217	195	143	**114**

Renovated	56.2%	58.4%	59.2%	59.5%	68.3%	**70.7%**
In Process	9.6%	7.5%	8.4%	11.4%	10.3%	**12.3%**
Not Renovated	34.2%	34.1%	32.4%	29.1%	21.4%	**17.0%**

	Vacant					
VPC One	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	18	17	16	13	52	47
In Process	44	44	44	43	34	38
Not Renovated	20	24	27	30	0	0
Total Vacant	**82**	**85**	**87**	**86**	**86**	**85**

	Vacant					
VPC One	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	4.5%	4.3%	4.0%	3.3%	13.0%	11.8%
In Process	11.0%	11.0%	11.0%	10.8%	8.5%	9.5%
Not Renovated	5.0%	6.0%	6.8%	7.5%	0.0%	0.0%
VPC One Totals	**20.6%**	**21.3%**	**21.8%**	**21.6%**	**21.6%**	**21.3%**

	Vacant					
VPC Two	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	43	57	60	45	47	45
In Process	20	6	2	4	2	4
Not Renovated	0	1	2	4	4	0
Total Vacant	**63**	**64**	**64**	**53**	**53**	**49**

	Vacant					
VPC Two	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	15.4%	20.4%	21.4%	16.1%	16.8%	16.1%
In Process	7.1%	2.1%	0.7%	1.4%	0.7%	1.4%
Not Renovated	0.0%	0.4%	0.7%	1.4%	1.4%	0.0%
VPC Two Totals	**22.5%**	**22.9%**	**22.9%**	**18.9%**	**18.9%**	**17.5%**

	Vacant					
All VPCs	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	61	74	76	58	99	92
In Process	64	50	46	47	36	42
Not Renovated	20	25	29	34	4	0
Total Vacant	**145**	**149**	**151**	**139**	**139**	**134**

	Vacant					
All VPC's	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**
New/Renovated	9.0%	10.9%	11.2%	8.5%	14.6%	13.5%
In Process	9.4%	7.4%	6.8%	6.9%	5.3%	6.2%
Not Renovated	2.9%	3.7%	4.3%	5.0%	0.6%	0.0%
All VPC Totals	**21.4%**	**21.9%**	**22.2%**	**20.5%**	**20.5%**	**19.7%**

STATUS UPDATE: MARKETING / LEASING

Edgewood has developed a marketing and leasing plan to lease 45 units by the winter. That plan includes:

- Online media (Apartments.com, Apartment Guide.com, Rent.com, Zillow.com, ForRent.com, Craigslist.com);
- Realtor referrals;
- Direct email campaigns;
- Professional photography (samples below);
- Creation of collateral materials: flyers, floor plans, business cards; and,
- Advertising on various websites: ApartmentGuide.com, Apartments.com, Rent.com, Zillow.com, ForRent.com.

Below are the current leasing statistics during the month of November 2016. Assuming this pace continues through the fall and winter, the leasing of 45 units should be achievable by the end of February 2017.

Showings	Applications	Conversion Ratio	Declined/ Cancelled	Pending	Approved	Move-Ins
134	29	22%	12	4	13	1



FINAL FINANCING PLAN: TERM SHEET

On May 13, 2016, the Commission approved a Financing Plan for the Corporations that would complete the renovations of the scattered site portfolio; return all renovation funds drawn on the PNC LOC; provide a permanent financing facility (up to 10 years) for the Corporations by way of an EagleBank working capital non-revolving Line of Credit with the option to issue Sub-Notes for up to $65 million or 50% LTV of the "as-is" market value; and, would provide the Commission with excess proceeds to assist in fulfilling its mission.

On August 16, 2016, negotiations concluded, which included the waiving of the Lender's title requirement for the entire portfolio, and a final term sheet was executed.

EagleBank EXECUTED TERM SHEET SUMMARY	
Line of Credit (LOC) Amount (up to)	$65,000,000
Bank Origination Fee	0.50%
Loan-to-Value	50.00% *
LOC Terms in Years	2
LOC Interest Rate (Floor Rate)	4.25%
LOC Annual Renewal Fee (on unused bal.)	0.15%
LOC Amortization (AMO)	N/A; interest only
Sub-Note Terms in Years	5
Sub-Note Interest Rate (Floor Rate)	4.50%
Sub-Note Extension Fee (5 yr. extension)	0.50%
Sub-Note AMO	30 years
Debt Service Coverage Ratio (DSCR)	1.25
Prepayment Fee of Sub-Notes	3% - Year 1, 6 2% - Year 2, 7 1% - Year 3, 8
Application Deposit	$50,000
Guarantee by HOC	Lien free completion of renovation Payment of debt service shortfalls
Minimum Deposit Requirement	15% of Commitment

- Draws on the Eagle LOC are subject to monthly interest calculated on the 30-day London Interbank Offered Rate (LIBOR) + 3.50% with a floor of 4.25%. As of November 22, 2016, the 30-day LIBOR was 0.56778%. Staff is underwriting the Eagle LOC rate at 4.78%.
- Draws converted to a Sub-Note are subject to principal and interest payments based upon a 30-year AMO at an interest rate calculated from the 5-Year U.S. Treasury (UST) + 3.25% with a floor of 4.50%. As of November 3, 2016, the 5-Year UST was 1.79%. Staff is underwriting the Sub-Note rate at 5.26%.
- On October 20, 2016, the Lender's appraiser indicated an "as-is" restricted value between $94 and $100 million (not yet final). Due to the HUD Use Agreements and its restrictive covenants for 30 years, the restricted value versus market value is agreed to be most appropriate.
- On October 31, 2016, the Lender's investment committee approved the facility for up to $65 million but no more than 60% LTV – an increase of the LTV term by 10%. **Therefore, the final loan amount is estimated to be between $56 and $60 million.**
- This facility will allow the Corporations to complete renovations and return all funds drawn on the PNC LOC (current balance as of 10/31/16 - $29,378,307).
- Staff anticipates two draws on the Eagle LOC with conversion of both draws to one (1) Sub-Note at the time of the second draw. First draw will be at closing (~$45 million). Second draw (~$15 million) and Sub-Note (~$60 million) is recommended to be completed within one (1) year of closing.
- Draws at any given time will be limited to an amount that produces a minimum DSCR of 1.25 and will be calculated from the annualized 6-month trailing NOI.

FINAL FINANCING PLAN: UNDERWRITING VS. MOODY'S

The EagleBank loan amount will be constrained to that of 60% of the appraised value, which is estimated to be between $94 to $100 million. Therefore, the final loan amount will be between $56 and $60 million. Underwriting assumes a $60 million loan facility, a 14% vacancy in FY17 and a 7% vacancy in FY18. With Edgewood's involvement, staff is confident that stabilization will be reached by FY18. At closing, estimated for December 16, 2016, the properties will draw only construction, financing and transaction costs, and the initial funding of the Replacement Reserve (~$45 million). At that time, monthly interest payments will commence. During FY18 and within a year of closing, assuming the properties have achieved stabilization, the remaining loan balance (including excess proceeds and acquisition costs to repay the OHDF) will be drawn and the full loan amount will begin amortization. The second and final draw, and the issuance of a Sub-Note for the total amount drawn, can be viewed as a conversion to permanent loan status.

This conservative underwriting and strategy produces a combined pro forma NOI of $5 million and cash flow of $4 million in FY17 before transfers and debt service reserve contributions. FY18 is anticipated to produce an NOI of $6 million and cash flow of $2 million. Staff also applied Moody's stress test used to measure performance against the proforma (6.50% interest rate, 1.40 DSCR, 30-year amortization and 7% vacancy). Please see the below comparisons.

	FY17 PROFORMA	FY18 PROFORMA	MOODY'S
Max Mortgage Amount	$60,000,000	$60,000,000	$55,842,607
Term	30	30	30
Interest Rate	5.26%	5.26%	6.50%
DSCR Target	1.25	1.25	1.40
DSCR Achieved	**4.73**	**1.49**	**1.40**
Vacancy Allowance	14%	7%	7%
NOI	$5,081,364	$5,929,783	$5,929,783
Debt Service	$1,072,250	$3,980,327	$4,235,559
Cash Flow	**$4,009,114**	**$1,949,455**	**$1,694,224**
Draw on Eagle LOC	**$44,733,997**	**$15,266,003**	
Remaining Equity Proceeds	**$15,266,003**	**$0**	
Impact to HOC's G.O. (max mortgage variance)		**($4,157,393)**	

Housing Opportunities Commission OF MONTGOMERY COUNTY

FINAL FINANCING PLAN: SOURCES & USES

Given the preceding analysis, under the recommended underwriting the Corporations will complete renovations under this facility by drawing on the VPC One and VPC Two EagleBank line of credit and issuing a Sub-Note after the final draw in FY18. Assuming an up to loan facility of $60 million, estimated net or excess loan proceeds for VPC One and VPC Two are $6,754,555 and $6,062,606, respectively.

Excess proceeds of $12,817,161 and acquisition costs of $2,448,842 for a combined total of $15,266,003 will be available to the Commission at closing but will not be drawn until such time staff returns to the Commission with a proposal for the use of the excess proceeds along with confirmation that the VPCs have achieved stabilization. Once drawn, the excess proceeds will be restricted for future use by the Agency. The funds for previous acquisition costs will be used to repay the OHDF. Please see the separate and combined Sources & Uses for the VPCs, along with the anticipated Draw Schedule.

	VPC ONE		VPC TWO		COMBINED	
SOURCES	**AMOUNT**	**PER UNIT**	**AMOUNT**	**PER UNIT**	**AMOUNT**	**PER UNIT**
EAGLE BANK LINE OF CREDIT / SUB-NOTES	35,400,000	88,722	24,600,000	87,857	60,000,000	88,365
EXCESS PROCEEDS TO HOC	(6,754,555)	(16,929)	(6,062,606)	(21,652)	***(12,817,161)***	***(18,877)***
TOTAL SOURCES	**28,645,445**	**71,793**	**18,537,394**	**66,205**	**47,182,839**	**69,489**

USES	AMOUNT	PER UNIT	AMOUNT	PER UNIT	AMOUNT	PER UNIT
REPAY OHDF - ACQUISITION OF 10 UNITS	2,343,868	260,430	104,973	104,973	2,448,842	244,884
CONSTRUCTION COSTS	24,620,000	61,704	17,175,000	61,339	41,795,000	61,554
TENANT RELOCATION / IN PLACE COSTS	607,901	1,524	487,099	1,740	1,095,000	1,613
CONSTRUCTION MANAGEMENT	64,163	161	45,837	164	110,000	162
FINANCING EXPENSES	436,633	1,094	313,818	1,121	750,451	1,105
INITIAL REPLACEMENT RESERVE ESCROW	478,800	1,200	336,000	1,200	814,800	1,200
OTHER SOFT COSTS	94,079	236	74,667	267	168,746	249
TOTAL USES	**28,645,445**	**71,793**	**18,537,394**	**66,205**	**47,182,839**	**69,489**

DRAW SCHEDULE	AMOUNT	PER UNIT	AMOUNT	PER UNIT	AMOUNT	PER UNIT
1st DRAW - CLOSING	26,301,577	65,919	18,432,421	65,830	44,733,997	65,882
2nd DRAW - NLT 12/01/17	9,098,423	22,803	6,167,579	22,027	15,266,003	22,483
TOTAL DRAWS	**35,400,000**	**88,722**	**24,600,000**	**87,857**	**60,000,000**	**88,365**

FINAL FINANCING PLAN: STABILIZED PRO FORMA

Below are the separate and combined FY18 stabilized pro formas for the VPCs.

- While FY17 assumes it will end with a 14% vacancy, FY18 assumes that with the implementation of the leasing strategy by Edgewood, the VPCs will achieve stabilized vacancy of 7%.
- Rent and expense growth rates are 2% and 3%, respectively.
- Management fees to the Commission (or Allocated Overhead) and Edgewood's Property Assistance Fee combined are 10% of Total Operating Income.
- The properties will continue to benefit from a Payment in Lieu of Taxes (PILOT) agreement with Montgomery County.
- Replacement Reserve contributions are included at $420 per unit with a 3% growth rate. An initial Replacement Reserve Escrow will be established at closing at $1,200 per unit.
- The DSCR reflected below is based upon 100% draw down of loan funds in FY18.

	VPC ONE		VPC TWO		COMBINED	
STABILIZED PROFORMA	**FY 18**	**PER UNIT**	**FY 18**	**PER UNIT**	**FY 18**	**PER UNIT**
TOTAL INCOME	6,357,051	15,932	4,340,362	15,501	10,697,413	15,755
TOTAL EXPENSES	2,859,766	7,167	1,907,864	6,814	4,767,630	7,022
NET OPERATING INCOME	**3,497,284**	**8,765**	**2,432,498**	**8,687**	**5,929,783**	**8,733**
DEBT SERVICE	2,348,393	5,886	1,631,934	5,828	3,980,327	5,862
CASH FLOW BEFORE DISTRIBUTIONS	1,148,891	2,879	800,564	2,859	1,949,455	2,871
DSCR	1.49		1.49		1.49	

CONCLUSION

Utilizing the EagleBank working capital non-revolving Line of Credit, and issuing Sub-Notes under the facility for acquisition, construction and transaction costs provides approximately $60 million in loan proceeds. The properties are expected to achieve stabilization in FY18 with a DSCR of 1.49: 1.00 , which far exceed the Bank's target DSCR of 1.25:1.00.

ISSUES FOR CONSIDERATION

Does the Board wish to accept the recommendation of the Development and Finance Committee, which met on November 18, 2016, to:

- Increase the Development Budget by $1.5 million for construction costs for a total of $43 million?
- Approve the Final Financing Plan for VPC One and VPC Two Corporations to accept a loan with EagleBank in an amount not to exceed $35.4 million and $24.6 million, respectively, for a combined amount of $60 million, that will complete renovations, repay all renovation funds drawn on the PNC LOC, repay acquisition draws on the OHDF, and establish an initial Replacement Reserve Escrow of $1,200 per unit; and,
- Authorize the Executive Director to execute all related transactional documents to effect closing?

FISCAL/ BUDGET IMPACT

The FY17 budget assumes a 11% vacancy versus the proforma of 14%, creating a variance of approximately $700,000. The pro forma does not include the FY17 budgeted "Other Income - Transfer Between Funds" (approximately $1 million), which is related to the transferring of funds from the Debt Service Reserve. This transfer or a portion thereof will eliminate the FY17 budget impact, and allow the VPCs to meet its budgetary requirements, including old debt service and debt service reserves.

In FY18, the transaction will eliminate the current amount deposited into the Debt Service Reserve ($1.6 million).

Based on current projections and using the current methodology for determining HOC's borrowing capacity, this transaction may reduce HOC's borrowing capacity by approximately $4.1 million (see slide 12).

TIME FRAME

Action at the December 7, 2016 meetings of VPC One and VPC Two Corporation meetings.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Board accept the recommendation of the Development and Finance Committee and provide:

- Authorization to increase the Development Budget by $1.5 million for construction costs for a total of $43 million;
- Approval of the Final Financing Plan for VPC One and VPC Two Corporations to accept a loan from EagleBank in an amount not to exceed $35.4 million and $24.6 million, respectively, for a combined amount of $60 million; and,
- Authorization for the Executive Director to execute all related transactional documents to effect closing.

VPC ONE CORPORATION

RESOLUTION No.: 16-004VP1

RE: Approval to Increase the Aggregate Renovation Budget by $1,500,000 for VPC One Corporation and VPC Two Corporation; Approval of the Final Financing Plan for VPC One Corporation; and Authorization to Accept a Loan from EagleBank for the Permanent Financing

WHEREAS, in November 2015, the HOC completed its disposition of 669 scattered site Public Housing properties ("669 Sites") under Section 18 of the US Housing Act of 1937, as amended ("Section 18") and transferred the 669 Sites to VPC One Corporation ("VPC One") and VPC Two Corporation ("VPC Two" and together with VPC One, the "Corporations"), both of which are wholly controlled corporate instrumentalities of the HOC; and

WHEREAS, as part of the Section 18 disposition, HOC and the Corporations approved a rehabilitation program for the 669 Sites; and

WHEREAS, VPC One owns 399 of the 669 Sites and an additional nine (9) units that were acquired between December 2014 and December 2015 (collectively, the "VPC One Units") and VPC Two owns 280 of the 669 Sites and one (1) additional unit that was acquired in April 2016 (collectively, the "VPC Two Units" and together with the VPC One Units, the "Scattered Sites"); and

WHEREAS, on March 2, 2016, HOC approved a revised development budget of $41.5 million to complete the rehabilitation of the Scattered Sites based on 55% of the units (371) completed at that time, and advanced funds to the Corporations for such rehabilitation, on an interim basis, from draws on the original line of credit ($60 million) with PNC Bank, N.A. (the "PNC LOC") and the Corporations now wish to retire such interim financing; and

WHEREAS, on May 13, 2016, the Commission and the Corporations approved a Financing Plan for the Corporations that will complete the renovations, repay all renovation funds drawn on the PNC LOC, repay acquisition draws from the Opportunity Housing Development Fund (OHDF), provide excess proceeds to the Commission, and provide a permanent financing facility (for up to 10 years) for the Corporations by way of an EagleBank (the "Lender") working capital non-revolving Line of Credit ("Eagle LOC") with the option to issue Sub-Notes for up to $65 million or 50% Loan to Value (LTV); and,

WHEREAS, as of October 31, 2016, the Scattered Sites are currently 80% occupied (or 545 units) and 71% renovated (or 473 units), but are estimated to be 100% complete by June 2017; and,

WHEREAS, after a review of construction costs to date it is estimated that costs to complete the renovation will be 3.6% higher than previously revised; and

WHEREAS, Edgewood Management Corporation has been engaged by the Commission to assist with the marketing of the Scattered Sites and the leasing of 45 vacant units before spring 2017; and

WHEREAS, the Lender has indicated that the Scattered Sites appraised "as-is" restricted value (due to the 30-year restrictive covenants of the U.S. Department of Housing & Urban Development's Use

Agreements) will be approximately $94 to $100 million, and has agreed to approve a combined loan amount for up to 60% LTV for the Corporations; and

WHEREAS, the revised pro forma includes an initial Replacement Reserve Escrow of $1,200 per unit, and annual contributions thereafter at $420 per unit; and

WHEREAS, the first draw on the Eagle LOC will occur at the transaction's closing for solely renovation, financing and transaction costs drawn on the PNC LOC; and

WHEREAS, HOC Staff has completed a review of the transaction and has determined that, given the financial terms proposed by the Lender, and the final underwriting and pro forma operating projections, this transaction is believed to be feasible.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of VPC One Corporation:

1. Approves an increase to the Corporations' Development Budget by $1.5 million for construction costs for a total of $43 million.

2. Approves the Final Financing Plan and accepts a loan with EagleBank for an amount not to exceed $35.4 million.

   a. When combined with VPC Two Corporation, the total loan with EagleBank shall not exceed $60 million.

   b. The Final Financing Plan will complete the Scattered Sites renovations, repay all renovation funds drawn on the PNC LOC, repay all acquisition draws on the OHDF, establish an initial Replacement Reserve Escrow of $1,200 per unit, and provide excess proceeds to the Commission.

3. Approves the first draw on the Eagle LOC at the transaction's closing for the sole purpose of repaying the renovation, financing and transaction costs drawn on the PNC LOC.

BE IT FURTHER RESOLVED that the Board of Directors of VPC One Corporation, authorizes and directs the Executive Director for the Commission, as the authorized signatory for the VPC One Corporation, 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 Board of Directors of VPC One Corporation at its meeting on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

VPC Two Corporation

Approval to Increase the Aggregate Renovation Budget by $1,500,000 for VPC One Corporation and VPC Two Corporation; Approval of the Final Financing Plan for VPC Two Corporation; and Authorization to Accept a Loan from EagleBank for the Permanent Financing

Scattered Sites

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
JENNIFER HINES ARRINGTON
UGONNA IBEBUCHI

December 7, 2016

VPC TWO CORPORATION

RESOLUTION No.: 16-004VP2 **RE: Approval to Increase the Aggregate Renovation Budget by $1,500,000 for VPC One Corporation and VPC Two Corporation; Approval of the Final Financing Plan for VPC Two Corporation; and Authorization to Accept a Loan from EagleBank for the Permanent Financing**

WHEREAS, in November 2015, the HOC completed its disposition of 669 scattered site Public Housing properties ("669 Sites") under Section 18 of the US Housing Act of 1937, as amended ("Section 18") and transferred the 669 Sites to VPC One Corporation ("VPC One") and VPC Two Corporation ("VPC Two" and together with VPC One, the "Corporations"), both of which are wholly controlled corporate instrumentalities of the HOC; and

WHEREAS, as part of the Section 18 disposition, HOC and the Corporations approved a rehabilitation program for the 669 Sites; and

WHEREAS, VPC One owns 399 of the 669 Sites and an additional nine (9) units that were acquired between December 2014 and December 2015 (collectively, the "VPC One Units") and VPC Two owns 280 of the 669 Sites and one (1) additional unit that was acquired in April 2016 (collectively, the "VPC Two Units" and together with the VPC One Units, the "Scattered Sites"); and

WHEREAS, on March 2, 2016, HOC approved a revised development budget of $41.5 million to complete the rehabilitation of the Scattered Sites based on 55% of the units (371) completed at that time, and advanced funds to the Corporations for such rehabilitation, on an interim basis, from draws on the original line of credit ($60 million) with PNC Bank, N.A. (the "PNC LOC") and the Corporations now wish to retire such interim financing; and

WHEREAS, on May 13, 2016, the Commission and the Corporations approved a Financing Plan for the Corporations that will complete the renovations, repay all renovation funds drawn on the PNC LOC, repay acquisition draws from the Opportunity Housing Development Fund (OHDF), provide excess proceeds to the Commission, and provide a permanent financing facility (for up to 10 years) for the Corporations by way of an EagleBank (the "Lender") working capital non-revolving Line of Credit ("Eagle LOC") with the option to issue Sub-Notes for up to $65 million or 50% Loan to Value (LTV); and,

WHEREAS, as of October 31, 2016, the Scattered Sites are currently 80% occupied (or 545 units) and 71% renovated (or 473 units), but are estimated to be 100% complete by June 2017; and,

WHEREAS, after a review of construction costs to date it is estimated that costs to complete the renovation will be 3.6% higher than previously revised; and

WHEREAS, Edgewood Management Corporation has been engaged by the Commission to assist with the marketing of the Scattered Sites and the leasing of 45 vacant units before spring 2017; and

WHEREAS, the Lender has indicated that the Scattered Sites appraised "as-is" restricted value (due to the 30-year restrictive covenants of the U.S. Department of Housing & Urban Development's Use

Agreements) will be approximately $94 to $100 million, and has agreed to approve a combined loan amount for up to 60% LTV for the Corporations; and

WHEREAS, the revised pro forma includes an initial Replacement Reserve Escrow of $1,200 per unit, and annual contributions thereafter at $420 per unit; and

WHEREAS, the first draw on the Eagle LOC will occur at the transaction's closing for solely renovation, financing and transaction costs drawn on the PNC LOC; and

WHEREAS, HOC Staff has completed a review of the transaction and has determined that, given the financial terms proposed by the Lender, and the final underwriting and pro forma operating projections, this transaction is believed to be feasible.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of VPC Two Corporation:

1. Approves an increase to the Corporations' Development Budget by $1.5 million for construction costs for a total of $43 million.

2. Approves the Final Financing Plan and accepts a loan with EagleBank for an amount not to exceed $24.6 million.

    a. When combined with VPC One Corporation, the total loan with EagleBank shall not exceed $60 million.

    b. The Final Financing Plan will complete the Scattered Sites renovations, repay all renovation funds drawn on the PNC LOC, repay all acquisition draws on the OHDF, establish an initial Replacement Reserve Escrow of $1,200 per unit, and provide excess proceeds to the Commission.

    c. Approves the first draw on the Eagle LOC at the transaction's closing for the sole purpose of repaying the renovation, financing and transaction costs drawn on the PNC LOC.

BE IT FURTHER RESOLVED that the Board of Directors of VPC Two Corporation, authorizes and directs the Executive Director for the Commission, as the authorized signatory for the VPC Two Corporation, 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 Board of Directors of VPC Two Corporation at its meeting on December 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

Adjourn

Executive Session