

EXPANDED AGENDA

January 9, 2019

			Res #
4:00 p.m.	I. <u>INFORMATION EXCHANGE</u> A. Resident Advisory Board B. Community Forum		
4:35 p.m.	II. <u>APPROVAL OF MINUTES</u>		
Page 5	A. Approval of Minutes of December 5, 2018 B. Approval of Minutes of December 1, 2018 Administrative Session C. Approval of Minutes of December 13, 2018 Special Session		
4:40 p.m. Page 24	III. <u>CONSENT ITEMS</u> A. Approval of New Participating Lender for the Single Family Mortgage Purchase Program		19-01 (pg 29)
	IV. <u>INFORMATION EXCHANGE</u>		
Page 31	A. Report of the Executive Director B. Commissioner Exchange		
4:50 p.m. Page 36	V. <u>ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION</u> A. Ratification of Action taken in Administrative Session on December 5, 2018: Approval to Acquire Real Property located in Gaithersburg, MD and Authorization to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Fund the Acquisition B. Ratification of Action taken in Administrative Session on December 5, 2018: Authorization to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Complete the Acquisition of Real Property located in Gaithersburg, MD		18-99R ¹ (pg 37) 18-99R ² (pg 39)
4:55 p.m.	VI. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>		
Page 42 57 65 70 77 82	A. Budget, Finance and Audit Committee – Com. Nelson, Chair 1. Acceptance of First Quarter FY'19 Budget to Actual Statements 2. Approval of FY'19 First Quarter Budget Amendment 3. Approval of CY'18 Third Quarter Budget Amendment 4. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable (July 1, 2018 – September 30, 2018) 5. Approval to Renew for One Year Property Management Contracts at the following Properties: Strathmore Court Development Corporation and Strathmore Court Limited Partnership; The Willows and Shady Grove Apartments 6. Approval to Submit FFY 2019 Public Housing Operating Subsidy Calculations to HUD for the Period January 1, 2019 through December 31, 2019		19-02 (pg 50) 19-03 (pg 62) 19-04 (pg 68) 19-05 (pg 76) 19-06 (pg 80) 19-07 (pg 85)
5:15 p.m. Page 87	B. Development and Finance Committee – Com. Simon, Chair 1. Approval of the Final Development Plan for HOC at the Upton II and Approval to Select Wells Fargo as the Tax Credit Investor for HOC at the Upton II and Authorization for the Executive Director to Negotiate and Execute an Operating Agreement with Wells Fargo		19-08 (pg 112)

115	2. Approval of the Financing Plan for the Upton II Development (the "Property"); Authorization to Issue Loans to HOC at the Upton II, LLC (the "Borrower") for Acquisition and Construction Financing; Authorization to Issue Commitments for Permanent Financing, Including Authorization to Hedge Interest Rate Risk; and, Authorization for the Borrower to Accept Acquisition and Construction Loans	19-09 _(pg 138) 19-09 ² _(pg 142) 19-09 ³ _(pg 144)
149	3. Approval to Increase Total Predevelopment Budget for the Redevelopment of Holly Hall into Hillandale Gateway; Approval to Fund a Six-Month Predevelopment Budget; and Approval to Loan Hillandale Gateway, LLC Predevelopment Funding	19-10 _(pg 163)
5:40 p.m.	VII. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>	
166	1. Approval of Firms Selected to Serve on the Commission's Bond Underwriting Team in Accordance with RFP #2130 and Approval of the Team's Structure	19-11 _(pg 185)
	VIII. <u>*FUTURE ACTION ITEMS</u>	
	1. None	
6:00 p.m.	<u>ADJOURN</u>	
	IX. <u>ADMINISTRATIVE SESSION</u> <i>A closed Administrative Session will be called to order pursuant to Section 3-305(b)(3) of the General Provisions Article of the Annotated Code of Maryland</i>	

NOTES:

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

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

Information Exchange

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

December 5, 2018

18-12

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, December 5, 2018 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:31 p.m. Those in attendance were:

Present

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

Also Attending

Stacy L. Spann, Executive Director
Shauna Sorrells
Christina Autin
Cornelia Kent
Eugenia Pascual
Susan Smith
Len Vilicic
Zachary Marks
Arthur Tirskey
Ian Hawkins
Darcel Cox
Claudia Wilson
Tisha Lockett
Hyunsuk Choi
Paulette Dudley

Aisha Memon, -Acting General Council
Kayrine Brown
Rita Harris
Eamon Lorincz
Terri Fowler
Vivian Benjamin
Randy Carty
Gio Kaviladze
John Vass
Eugenia Pascual
Jennifer Arrington
Renee Harris
Charnita Jackson
Patrick Mattingly

Resident Advisory Board

Yvonne Caughman, Vice President

Guest

Macedonia Baptist Church Supporters

IT Support

Irma Rodriguez
Rony Joseph

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

I. **INFORMATION EXCHANGE:**

Community Forum

The meeting began with the Community Forum. Supporters of the Macedonia Baptist Church addressed the Board with their continued request of memorializing the African American Cemetery Site.

II. **CONSENT ITEMS**

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

A. Confirmation of Maturity Date for Mezzanine Loan for Cider Mill Apartments

RESOLUTION NO.: 18-100

**RE: Confirmation of Maturity Date for
Mezzanine Loan for Cider Mill Apartments**

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

WHEREAS, on November 17, 2017, pursuant to Article 53A of the Montgomery County Code and conditioned upon HOC’s obtaining adequate acquisition financing, HOC executed its Right of First Refusal to purchase Cider Mill Apartments, a community consisting of 864 units in Montgomery Village, Maryland (“Cider Mill” or the “Property”);

WHEREAS, HOC thereafter created MV Gateway LLC (the “Owner”) to purchase the Property;

WHEREAS, HOC is the sole member of MVG II, LLC, which is the sole member of the Owner;

WHEREAS, on April 6, 2018 the Commission the Owner, approved a permanent financing plan of (1) a Federal Financing Bank 40-year taxable loan with mortgage insurance under the FHA Risk Share program, for an amount not to exceed \$125,000,000; (2) a direct loan from the Commission’s Opportunity Housing Reserve Fund for an amount of \$3,000,000; and (3) a loan by HOC for approximately \$21,000,000 to remain drawn on the PNC Line of Credit until paid off upon receipt of (i) a mezzanine loan (the “Mezzanine Loan”) from The Morris and Gwendolyn Cafritz Foundation or one of its affiliates (the “Cafritz Foundation”) and (ii) a loan from Montgomery County’s Department of Housing and Community Affairs loan; and

WHEREAS, the Cafritz Foundation has requested that the Commission and Owner confirm that the maturity date of the Mezzanine Loan be set at ten years from date of the closing of such Mezzanine Loan, per the executed term sheet;

NOW, THEREFORE, BE IT RESOLVED, that the Housing Opportunities Commission of Montgomery County hereby confirms that the maturity date of the Mezzanine Loan be set at ten years from date of the closing of such Mezzanine Loan;

BE IT FURTHER RESOLVED, that the Housing Opportunities Commission of Montgomery County, on its own behalf and on behalf of MVG II, LLC, the sole member of MV Gateway LLC, hereby confirms that the maturity date of the Mezzanine Loan be set at ten years from date of the closing of such Mezzanine Loan;

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

Vice Chair Nelson motioned to close this portion of the open session and convene an Administrative Session based Section 3-305(b)(3) and Section 3-305(b)(13) of the General Provisions Articles of the Annotated Code of Maryland. The motion was seconded by Commissioner Croom and unanimously adopted to adjourn at 5:02 p.m.

Chair Simon reconvened the open session of the monthly meeting of the Housing Opportunities Commission of Montgomery County at 5:46 p.m.

III. **Approval of Minutes**

- A. **Approval of Minutes of November 7, 2018 regular meeting** - The minutes were approved as submitted with a motion by Commissioner Priest and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, Croom, Byrd, Priest, and Kelleher.
- B. **Approval of Minutes of November 7, 2018 Administrative Session** – The minutes were approved as submitted with a motion by Vice Chair Nelson and seconded by Commissioner Priest. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, Croom, Byrd, Priest, and Kelleher.
- C. **Approval of Minutes of November 16, 2018 Special Session** – The minutes were approved as submitted with a motion by Commissioner Priest and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, Croom, Byrd, Priest, and Kelleher.

IV. **INFORMATION EXCHANGE CONTINUED**

- A. Report of the Executive Director – Nothing additional to add to the written report.
- B. Commissioner Exchange – Vice Chair Nelson congratulated staff on a job well done and how the County Office is well please with HOC’s work.
- C. Resident Advisory Board – Commissioner Croom on behalf of Vice President Caughman reported that the Resident Advisory Board has finalized meetings with staff and is working to finalize memorandum.

V. **ADMINISTRATIVE AND SPECIAL SESSION RATIFICATIONS**

- A. **Ratification of Action Taken in Administrative Session on October 3, 2018: Authorization to Acquire Waterford Tower Apartments, Subject to Required Conditions, and Actions Related Thereto**

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

RESOLUTION: 18-79R¹

**RE: Authorization Purchase Waterford
Tower Apartments, Subject to Required
Conditions, and Actions Related Thereto**

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

WHEREAS, at an Administrative Session held on October 3, 2018, with a quorum present, the Commission duly adopted Resolution 18-79AS(1), with Commissioners Simon, Nelson, Rodriguez, Byrd, and Priest voting in approval; Commissioner Croom was necessarily absent and did not participate in the vote;

WHEREAS, by adopting Resolution 18-79AS(1), the Commission took the following actions, subject to the original contract purchaser (“Original Purchaser”) not purchasing Waterford Tower Apartments, consisting of 143 apartments in Silver Spring, MD (the “Property”):

1. Authorized taking assignment of the Purchase and Sale Agreement (“PSA”) from Montgomery County, MD (“County”) at the time of closing;
2. Authorized completing the acquisition of the Property;
3. Approved the Financing Plan to purchase the Property under Article 53A-4 of the Montgomery County Code, the Right of First Refusal to buy rental housing;
4. Authorized retaining Pinnacle as the initial management company at the Property until procurement for long term management services to the Property could be completed;
5. Authorized creating a single purpose entity for the purpose of acquiring the Property;
6. Authorized a loan of up to \$50,000 from the Opportunity Housing Reserve Fund to be used for due diligence activities related to the acquisition of the Property; and
7. Authorized the restriction of cash flow to the Property until the sale or closing of permanent financing.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-79AS(1) and any action taken since October 3, 2018 to effectuate the transaction contemplated therein; and

WHEREAS, Since October 3, 2018, the Original Purchaser acquired the Property and the Commission has no interest in the Property.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-79AS(1) and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

B. Ratification of Action Taken in Administrative Session on October 3, 2018: Authorization to Draw from PNC Bank, N.A. Line of Credit to Acquire Waterford Tower

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

RESOLUTION: 18-79R²

**RE: Authorization to Draw from PNC Bank,
N.A. Line of Credit to Acquire Waterford Tower
Apartments, Subject to Required Conditions**

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

WHEREAS, at an Administrative Session held on October 3, 2018, with a quorum present, the Commission duly adopted Resolution 18-79AS(2), with Commissioners Simon, Nelson, Rodriguez, Byrd, and Priest voting in approval; Commissioner Croom was necessarily absent and did not participate in the vote;

WHEREAS, by adopting Resolution 18-79AS(2), subject to the original contract purchaser (“Original Purchaser”) not purchasing Waterford Tower Apartments, consisting of 143 apartments in Silver Spring, MD (the “Property”), the Commission approved a taxable draw on the \$90 million PNC Bank, N.A. Real Estate Line of Credit totaling up to \$15,200,000.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-79AS(2) and any action taken since October 3, 2018 to effectuate the transaction contemplated therein; and

WHEREAS, Since October 3, 2018, the Original Purchaser acquired the Property and the Commission has no interest in the Property.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-79AS(2) and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

C. Ratification of Action Taken in Administrative Session on November 7, 2018: Approval of the Final Development Plan and Budget for Elizabeth House III; Authorization to Award and Execute the General Contractor Contract for Elizabeth House III and the South County Regional Recreation Aquatic Center; and Approval to Amend Various Documents

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

RESOLUTION: 18-93R

RE: Approval of the Final Development Plan and Budget for Elizabeth House III; Authorization to Award and Execute the General Contractor Contract for Elizabeth House III and the South County Regional Recreation Aquatic Center; and Approval to Amend Various Documents

WHEREAS, Elizabeth House III is a planned mixed-use residential building with mixed-income housing and public amenities that is one part of a larger planned mixed-use development known as Elizabeth Square;

WHEREAS, at an Administrative Session held on November 7, 2018, with a quorum present, the Housing Opportunities Commission of Montgomery County ("Commission") duly adopted Resolution 18-93AS, with Commissioners Simon, Nelson, Rodriguez, Croom, Byrd, Priest, and Kelleher voting in approval;

WHEREAS, by adopting Resolution 18-93AS, the Commission took the following actions:

1. Approved the final development plan and budget of Elizabeth House III;
2. Approved a permanent loan to the LIHTC owner;
3. Approved amending documents to change the condominium ownership structure to account for the revised residential unit mix and to modify the initial lease terms;
4. Approved removing certain land from the existing condominium structure;
5. Approved amending the limited partnership agreement to admit a tax credit investor as a limited partner (with a general partner wholly owned by the Commission); and
6. Authorized the Executive Director to sign the general contractor contract for the construction of Elizabeth House III and the South County Regional Recreational and Aquatic Center.

WHEREAS, consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-93AS and any action taken since November 7, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-93AS and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

D. Ratification of Action Taken in Administrative Session on November 7, 2018: Approval to Accept Assignment of Purchase Contract for Acquisition of Real Property Located in Silver Spring, MD and Approval to Draw on the PNC Bank, N.A. Line of Credit

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

RESOLUTION: 18-94R¹

RE: Approval to Accept Assignment of Purchase Contract for Acquisition of Real Property Located in Silver Spring, MD and Approval to Draw on the PNC Bank, N.A. Line of Credit

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

WHEREAS, to effect its corporate purpose, the Commission routinely acquires land and buildings in Montgomery County for the development or preservation of multifamily housing developments that serves eligible households;

WHEREAS, at an Administrative Session held on November 7, 2018, with a quorum present, the Commission duly adopted Resolution 18-94AS(1), with Commissioners Simon, Nelson, Rodriguez, Byrd and Kelleher voting in approval; Commissioner Croom abstained and Commissioner Priest was necessarily absent and did not participate in the vote;

WHEREAS, by adopting Resolution 18-94AS(1), the Commission took the following actions:

1. Accepted assignment of the purchase contract for the acquisition of real property located in Silver Spring, MD;
2. Drawing on the PNC Bank, N.A. Line of Credit to fund the acquisition of the property and to reimburse various costs related to acquisition, feasibility study, and due diligence.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-94AS(1) and any action taken since November 7, 2018 to effectuate the transaction contemplated therein; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-94AS(1) and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

E. Ratification of Action Taken in Administrative Session on November 7, 2018: Approval to Draw on the PNC Bank, N.A. Line of Credit to Acquire Real Property Located in Silver Spring, MD

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

RESOLUTION: 18-94R²

**RE: Approval to Draw on the PNC Bank, N.A.
Line of Credit to Acquire Real Property Located
in Silver Spring, MD**

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

WHEREAS, to effect its corporate purpose, the Commission routinely acquires land and buildings in Montgomery County for the development or preservation of multifamily housing developments that serves eligible households;

WHEREAS, at an Administrative Session held on November 7, 2018, with a quorum present, the Commission duly adopted Resolution 18-94AS(2), with Commissioners Simon, Nelson, Rodriguez, Byrd and Kelleher voting in approval; Commissioner Croom abstained and Commissioner Priest was necessarily absent and did not participate in the vote;

WHEREAS, by adopting Resolution 18-94AS(2), the Commission took the following actions:

1. Accepted assignment of the purchase contract for the acquisition of real property located in Silver Spring, MD;
2. Drawing on the PNC Bank, N.A. Line of Credit to fund the acquisition of the property and to reimburse various costs related to acquisition, feasibility study, and due diligence.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-94AS(2) and any action taken since November 7, 2018 to effectuate the transaction contemplated therein; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-94AS(2) and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

F. Ratification of Action Taken in Special Session on November 16, 2018: Approval of a Unanimous Written Consent Between Wheaton-University Boulevard Limited Partnership and Wheaton Commercial Center Associates Limited Partnership as Unit Owners of The Ambassador, a Condominium Regarding the Demolition of Ambassador Apartments and Retail Units

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

RESOLUTION NO.: 18-95R

RE: Approval of a Unanimous Written Consent Between Wheaton-University Boulevard Limited Partnership and Wheaton Commercial Center Associates Limited Partnership as Unit Owners of The Ambassador, a Condominium, Regarding Demolition of Ambassador Apartments and Retail Units

WHEREAS, Ambassador Apartments is a mixed-use development comprised of market rate and affordable multifamily housing and a ground floor retail space (the "Ambassador") that is owned via a condominium regime with two owners;

WHEREAS, the residential condominium (which includes the residential floors and parking deck) is owned by Wheaton Boulevard Limited Partnership, a Maryland limited partnership (the "Residential Owner"), which is ultimately wholly owned by the Housing Opportunities Commission of Montgomery County ("HOC");

WHEREAS, the retail condominium (which includes the first-floor retail space and surface parking in front of the building) is owned by Wheaton Commercial Center Associates Limited Partnership ("Retail Owner"), an affiliate of Willco;

WHEREAS, HOC and Retail Owner desire to demolish the Ambassador in order to redevelop the land; and

WHEREAS, in order to demolish the Ambassador, HOC and Retail Owner must execute a Unanimous Written Consent of Unit Owners of The Ambassador, a Condominium;

WHEREAS, at a Special Session held on November 16, 2018, with a quorum present, the Housing Opportunities Commission of Montgomery County ("Commission") duly adopted Resolution 18-95, with Commissioners Simon, Nelson, Priest and Kelleher voting in approval; Commissioners Rodriguez, Croom, and Byrd were necessarily absent and did not participate in the vote;

WHEREAS, by adopting Resolution 18-95 the Commission took the following action:

- The Commission, in its capacity as owner of HOC Ambassador, Inc., the general partner of Residential Owner, and Ambassador I Associates Limited Partnership, the limited partner of Residential Owner,

authorized the Executive Director to execute any and all documents, including the Unanimous Written Consent of Unit Owners of The Ambassador, a Condominium, which is attached hereto as Exhibit A.

WHEREAS, consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-95 and any action taken since November 16, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-95 and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

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

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

1. Authorization for the Executive Director to Execute a Site Control Agreement with Groundswell to Allow for the Application to PEPCO's Community Solar Program

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

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

RESOLUTION NO.: 18-96

RE: Authorization for the Executive Director to Execute a Site Control Agreement with Groundswell to Allow for the Application to PEPCO's Community Solar Program

WHEREAS, the Housing Opportunities Commission of Montgomery County ("Commission" or "HOC") is the owner of Paddington Square Apartments ("Paddington"), a 165-unit mixed-income multifamily rental property located at 8800 Lanier Drive, Silver Spring, MD; and

WHEREAS, Groundswell is a non-profit community solar developer that wishes to secure control of air rights above parts of Paddington's surface parking lot and roofs for the development of a new community solar system installation; and

WHEREAS, based on an initial helioscope analysis and site visit, Groundswell has selected the parts of Paddington's surface parking lot and roofs that are conducive to the production of solar energy via photovoltaic installations for the development (the "Premises"); and

WHEREAS, PEPCO, the utility provider for Paddington and surrounding Lyttonsville, participates in the State of Maryland's Community Solar Pilot Program ("CSPP"), which provides the opportunity for customers, including low- and moderate-income customers who are not able to participate in traditional roof-mounted solar systems, to receive renewable energy benefits; and

WHEREAS, community solar developers may make application to the CSPP for new solar system participation at fixed dates for fixed rounds; and

WHEREAS, PEPCO began to accept applications for the next CSPP round as of October 26, 2018;
and

WHEREAS, in its application to the CSPP, Groundswell must demonstrate site control;
And

WHEREAS, in order for Groundswells to demonstrate site control, it is recommended that the Commission enter into a site control agreement that provides Groundswell the option to enter into a binding lease for the Premises after completing the necessary entitlement process; and

WHEREAS, should HOC charge Groundswell for a site lease at fair market value, Groundswell estimates that a community solar system at Paddington would support 97 total members of the surrounding community, including 17 low- and moderate-income households at no membership charge; and

WHEREAS, should HOC forego charging Groundswell for a site lease, Groundswell estimates that a community solar system at Paddington would support 97 total members of the surrounding community, including 30 low- and moderate-income households at no membership charge; and

WHEREAS, in order to support the maximum number of low- and moderate-income households, it is recommended that HOC forego charging Groundswells for a site lease.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to execute a site lease option with Groundswell for the development of a new community solar system installation at Paddington in the amount of \$0 per year for a term of up to 10 years.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized, without any further action on their respective parts, to take any and all actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

2. Approval to Select Wells Fargo Community Lending and Investment as the Tax Credit Syndicator for 900 Thayer

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

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

RESOLUTION NO.: 18-97

RE: Approval to Select Wells Fargo Community Lending and Investment as the Tax Credit Syndicator for 900 Thayer

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, on March 16, 2016, the Commission acquired real property commonly known as 900 Thayer located at 8240 Fenton Street, Silver Spring, MD, comprised of approximately 0.65 acres (28,526 square feet) of land (“900 Thayer”); and

WHEREAS, on August 9, 2017, the Commission approved the Final Development Plan for 900 Thayer; and

WHEREAS, on January 22, 2018, to maximize the use of Low Income Housing Tax Credits (“LIHTCs”), HOC pursued both 9% and 4% LIHTCs for the project and “divided” 900 Thayer into three separate condominiums with three separate owners as follows: (1) 69 separate mixed-income apartment units consisting of 62 RAD units and 7 market rate units owned by 900 Thayer Nine Limited Partnership, which would be funded from competitive 9% tax credits equity proceeds; (2) 22 RAD units owned by 900 Thayer Limited Partnership (“900 Thayer LP”), which would be funded with the 4% LIHTC equity proceeds and tax-exempt bonds; and (3) 33 market rate units owned by 900 Thayer Development Corporation; and

WHEREAS, on April 12, 2018, HOC staff solicited proposals from 12 LIHTC syndicators to select an equity investor for 900 Thayer, 3 investors each submitted responses via a Letter of Interest (“LOI”), and Wells Fargo Community Lending and Investment (“Wells Fargo”) submitted the highest credit price; and

WHEREAS, the 900 Thayer was not awarded 9% LIHTCs in the 2018 round; therefore, the permanent financing structure is proposed as a 4% LIHTC development with income averaging that shall be solely owned by 900 Thayer LP; and

WHEREAS, HOC shall be the sole member of 900 Thayer GP LLC, which shall be the general partner of 900 Thayer LP; and

WHEREAS, in response to not receiving the 9% LIHTCs, HOC staff reached back out to the three responding investors plus two additional investors for an updated LOI; only Wells Fargo responded with an updated LOI; and

WHEREAS, HOC and Wells Fargo expect to receive a Letter of Reservation of LIHTCs from the Maryland Department of Housing and Community Development which will enable Wells Fargo to raise approximately \$13.6 million in equity to pay part of its acquisition and development costs; and

WHEREAS, HOC staff recommends accepting Wells Fargo as the LIHTC syndicator for 900 Thayer and beginning negotiations of a Limited Partnership Agreement with Wells Fargo based on the terms outlined in the LOI

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of 900 Thayer GP LLC, the general partner of 900 Thayer Limited Partnership, that it approves the selection of Wells Fargo Community Lending and Investment as the LIHTC syndicator for 900 Thayer.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of 900 Thayer GP LLC, the general partner of 900 Thayer Limited Partnership, that the Executive Director, or his authorized designee, is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of a binding letter of intent from Wells Fargo Community Lending and Investment and any documents related thereto.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the negotiation of a Limited Partnership Agreement (“LPA”) with Wells Fargo based on the terms outlined in the LOI, with the understanding that HOC staff will return to the Commission prior to closing for approval to execute the LPA with Wells Fargo Community Lending and Investment.

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

A. **Authorization to Draw from the PNC Bank, N.A. Line of Credit to Refund and Redeem Single Family Bonds**

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

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

RESOLUTION NO.: 18-98

RE: Authorization to Draw on the PNC Bank, N.A. Line of Credit to Refund and Redeem Single Family Bonds

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

WHEREAS, the Commission has issued various series of Single Family Mortgage Revenue Bonds (MRB) under the Single Family Bond Resolution originally adopted on March 28, 1979, as amended (the “Bond Resolution”), a portion of which are currently outstanding; and

WHEREAS, pursuant to its authority, the Commission has utilized the practice of issuing refunding bonds in the Single Family Mortgage Purchase Program (the “Program”) to recycle and extend the life of volume cap it allocates to each bond issue and/or to refinance its outstanding bond debt at lower interest rates, thereby, minimizing negative arbitrage expenses to the Program; and

WHEREAS, the ability to recycle volume cap is facilitated by reserving mortgage principal repayments and prepayments to make new mortgage loans and using the proceeds of a new bond issue to refund and redeem the prior outstanding bonds associated with the mortgage principal repayments and prepayments; and

WHEREAS, the IRS imposes certain restrictions on the ability to recycle indefinitely the allocated volume cap through statutory provisions and regulations, one of which is the 10-year Rule which became effective in 1988; and

WHEREAS, due to the Commission's extensive pipeline of anticipated multifamily projects in 2019 and the limited volume cap received annually from the Maryland Department of Housing and Community Development, existing single family volume cap already used by the Commission should be preserved to the extent possible; and

WHEREAS, the Commission has a line of credit with PNC Bank, N.A. in the total amount of \$60 million, with an unobligated balance of approximately \$21,333,971.62, as of November 28, 2018, and is a form of debt which can be used to refund MRBs to preserve volume cap; and

WHEREAS, the Commission wishes to preserve its existing bond authority.
NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission approves the allocation of up to \$5 million from the PNC Bank, N.A. Line of Credit for use by the Single Family Mortgage Purchase Program on a revolving basis, in accordance with the terms of the PNC Line of Credit 9 for the purpose of preserving volume cap.

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

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

The open session adjourned at 6:26 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 Session Minutes

December 13, 2018

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted on Thursday, December 13, 2018 at 10400 Detrick Avenue, Kensington, Maryland beginning at 12:02 p.m. Those in attendance were:

Present

Jackie Simon, Chair
Richard Y. Nelson, Jr., Vice Chair
Roy Priest
Fran Kelleher

Absent

Edgar Rodriguez, Chair Pro Tem
Linda Croom
Pamela Byrd

Also Attending

Stacy Spann, Executive Director
Shauna Sorrells
Kayrine Brown
Fred Swan
Christina Autin
Randy Carty
Jay Shepherd
Melody Stanford
Leidi Reyes
Marcus Ervin
Vivian Benjamin

Aisha Memon, Acting General Council
Cornelia Kent
Gail Willison
Darcel Cos
Len Vilicic
Eamon Lorinez
Ellen Goff
Charnita Jackson
Sherraine Rawlins
Jennifer Arrington
Frederic Colas

I. ITEMS REQUIRING DELIBERATION AND/OR ACTION

A. Approval to Become a Member of the General Partner of Victory Haven, Limited Partnership: Convert and Transfer Public Housing Subsidy from Elizabeth House to Victory Haven; and Execute HUD Agreements and Other Documents in Connection Therewith

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

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

RESOLUTION NO.: 18 -101

RE: Approval to Become a Member of the General Partner of Victory Haven, LP, Convert and Transfer Public Housing Subsidy from Elizabeth House to Victory Haven, and Execute HUD Agreements and Other Documents in Connection Therewith

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

WHEREAS, the Commission desires to convert the public housing subsidy provided to thirty (30) public housing units located at the multifamily housing community commonly known as Elizabeth House (the “Converting Units”) to a form of project-based assistance under Section 8 of the United States Housing Act of 1937, as amended, pursuant to the United States Department of Housing and Urban Development’s (“HUD”) Rental Assistance Demonstration (“RAD”) Program (the “RAD Conversion”) and to transfer such assistance (the “RAD Transfer”) to a project to be constructed in Damascus, Maryland and to be commonly known as Victory Haven (the “Project”).

WHEREAS, in connection with the RAD Conversion and the RAD Transfer, the Commission desires to enter into various agreements, including without limitation, an Amendment to the RAD Conversion Commitment, Master Lease Agreement for RAD Temporary Housing in Place (Elizabeth House – Victory Haven), Certification and Assurances, and Consolidated Owner Certification – Rental Assistance Demonstration (collectively, the “HUD Agreements”), whereby the Commission will master lease the Converting Units to the Partnership (as defined below) during the construction of the Project to allow the current residents to continue to reside therein until construction is complete.

WHEREAS, the Commission desires to become the non-managing member of Victory Haven, LLC, a Maryland limited liability company (the “General Partner”) with Victory Housing, Inc. serving as the managing member of the General Partner by entering into an Operating Agreement of Victory Haven, LLC (the “Operating Agreement”).

WHEREAS, the General Partner is the general partner of Victory Haven, LP, a Maryland limited partnership (the “Partnership”), which is the owner of the Project.

WHEREAS, the Commissioners have determined it to be in the best business and interest of the Commission to complete the RAD Conversion and RAD Transfer, enter into the HUD Agreements and become a member of the General Partner.

NOW, THEREFORE, BE IT RESOLVED, by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to execute and deliver (i) the Operating Agreement, (ii) the HUD Agreements, (iii) any and all documents deemed necessary and appropriate to obtain HUD approval

(the "HUD Approval") for the RAD Conversion and RAD Transfer and (iv) any other documents reasonably required to be executed by the Commission to carry out the transactions contemplated by the Operating Agreement and the HUD Agreements.

BE IT FURTHER RESOLVED, that the Housing Opportunities Commission of Montgomery County hereby authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including without limitation, finalizing the submission to HUD of all documents required by HUD to obtain the HUD Approval and, upon receipt of such HUD Approval, completing the RAD Conversion and RAD Transfer.

BE IT FURTHER RESOLVED, by the Housing Opportunities Commission of Montgomery County that all actions of the Commission and its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed, including, but not limited to, the initial submission of the RAD closing package and the execution of the RAD Conversion Commitment.

B. Approval of the FY'19 County Operating Budget Savings Plan

Cornelia Kent, Chief Financial Officer, was the presenter.

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

RESOLUTION NO.: 18-102

**RE: Approval of the FY'19 County
Operating Budget Savings Plan**

WHEREAS, the County Executive has requested that all County Departments and Agencies submit a County Operating Budget Savings Plan for FY'19 that identifies savings of 1.5 percent from their current FY'19 budgets ("FY'19 Savings Plan");

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") must submit a FY'19 Savings Plan to the County no later than December 17, 2018;

WHEREAS, the County's FY'19 contribution to HOC is \$6,680,270, and a 1.5 percent savings is \$100,204;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves the submission of the FY'19 County Operating Budget Savings Plan in the amount of \$100,204.

Special Session
December 13, 2018
Page 4 of 4

Based upon this report and there being no further business to come before this Special Session of the Commission, a motion was made by Vice Chair Nelson, seconded by Commissioner Priest, and unanimously adopted to adjourn.

The meeting adjourned at 12:12 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Consent Items

**APPROVAL OF NEW PARTICIPATING LENDER
FOR THE SINGLE FAMILY
MORTGAGE PURCHASE PROGRAM**

January 9, 2019

- The Commission has approved continuous lender participation in the Mortgage Purchase Program (MPP) and continuous lender solicitation for new lender participation. Currently, 34 lenders are approved for participation in the MPP.
- The criteria for participation in the MPP are: 1) the lender is not a mortgage broker and can close loans in its own name; and, 2) the lender is approved to do business with Freddie Mac and/or Fannie Mae, or the lender is an approved FHA originating lender. New lenders are also required to be approved by U.S. Bank, N.A. (U.S. Bank), HOC's master servicer for the Mortgage Backed Securities (MBS) program.
- The approved MPP lenders are the only lenders who have access to the Revolving County Closing Cost Assistance Program.
- Fairway Independent Mortgage has applied for participation in the MPP, and meets the criteria for participation.
- Staff recommends approval of Fairway Independent Mortgage, as a new MPP participating lender.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Division: Mortgage Finance
Staff: Kayrine Brown, Chief Investment and Real Estate Officer Ext. 9589
Jennifer Hines Arrington, Assistant Director of Bond Management Ext. 9760
Paulette Dudley, Program Specialist III Ext. 9596

RE: Approval of New Participating Lender for the Single Family Mortgage Purchase Program

DATE: January 9, 2019

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To provide mortgage financing to low-to-moderate income first time homebuyers in Montgomery County at below market rates.

BACKGROUND:

The Commission has approved the continuous participation of lenders from program to program and an on-going admission of new lenders to the Mortgage Purchase Program (“MPP”). As lenders apply for participation in the MPP, the requests are submitted to the Commission for approval. Increasing lender participation broadens the exposure to the Commission’s Single Family mortgage products, as well as to the Revolving County Closing Cost Assistance Program because the closing cost assistance loan must be used in conjunction with a MPP first mortgage.

All approved and participating lenders are advised that continued participation in the MPP requires mortgage loan production. If the lender does not submit a mortgage loan within any twelve (12) month period, that lender may be subject to removal, as a participating lender in the MPP.

The criteria for lender participation in the MPP are: 1) the lender is not a mortgage broker and can close loans in its own name; and 2) the lender is approved to do business with Freddie Mac and/or Fannie Mae, or the lender is an approved FHA originating lender. New lenders are also required to be approved by U.S. Bank, N.A. (“U.S. Bank”), HOC’s master servicer for the Mortgage Backed Securities (“MBS”) program.

Fairway Independent Mortgage has submitted a request to participate in the MPP. Fairway Independent Mortgage meets the criteria for approval.

Currently, 34 lenders are approved for participation in the MPP.

Approved lenders receive training from HOC staff and U.S. Bank before they are allowed to begin originating and closing loans in the MPP. Under the MBS program, HOC underwrites for program compliance and the lenders underwrite for credit worthiness.

Lender approval will apply to both the 1979 Single Family Mortgage Revenue Bond Resolution and the 2009 Single Family Housing Revenue Bond Resolution.

FAIRWAY INDEPENDENT MORTGAGE CORPORATION

Fairway Independent Mortgage was established in 1996 and is headquartered in Madison, Wisconsin and Carrollton, Texas. Fairway currently employs over 6,400 team members and is licensed in all 50 states, brick and mortar in 48 states, and has over 300 offices nationwide. The lender's Executive Team is well versed and comprised of individuals with a minimum of 16 years each in the mortgage industry. Fairway has employed staff that are familiar with HOC loan products.

Fairway has 10 branches in the Maryland area with one (1) located in Rockville, Maryland. After lender training all branches will be registered to originate loans under the Mortgage Purchase Program. The lender is an approved lender with Maryland's Community Development Administration (CDA) Mortgage Program.

The Bond and Housing front end team manages the relationships with Housing Finance Agencies, provides product support and assist with questions, setup and training. Fairway offers programs which help promote successful homeownership to the consumers. The lender currently participates in 78 State and Local Housing Programs delivering over \$1.0 billion in bond originations. Fairway's 2016-2017 Home Mortgage Disclosure Act (HUMDA) report for Montgomery County includes 100 loans for a total volume of \$4.1 million in which the average loan amount was \$410,420 and the average income of borrowers was \$143,347.

Fairway is an approved seller/servicer with FHA, FNMA and Freddie Mac and is an approved lender with U.S. Bank's Mortgage Revenue Bond Program (MRBP) division.

Fairway will market any affordable housing programs that work in conjunction with lending programs at HOC. Fairway has worked with the City of Gaithersburg's Homeownership Assistance Loan Program. The company will make every reasonable accommodation requested by an applicant for non-English speaking, hearing impaired and disabled applicants. Additionally, the organization has third-party vendor relationships established with translation companies that can provide services to consumers.

SERVICING

Under the HOC MBS Program, lenders will release servicing and receive a loan origination fee of between 2% and 0% based on the time lapse between loan origination and purchase. Lenders receive a higher origination fee the earlier the loan is purchased. Servicing is handled through U.S. Bank, which the Commission has approved as the Master Servicer.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve Fairway Independent Mortgage for participation in the Mortgage Purchase Program?

PRINCIPALS:

Fairway Independent Mortgage Corporation
Housing Opportunities Commission of Montgomery County

BUDGET IMPACT:

None.

TIME FRAME:

Action at the January 9, 2019 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends approval of Fairway Independent Mortgage for participation in the Mortgage Purchase Program.

Attachment 1

Approved HOC/U.S. Bank Lenders	
1.	ACADEMY MORTGAGE CORPORATION
2.	APEX HOME LOANS, INC.
3.	BAY CAPITAL MORTGAGE CORPORATION
4.	C & F MORTGAGE CORPORATION
5.	CALIBER FUNDING LLC
6.	CORRIDOR MORTGAGE GROUP
7.	EAGLE BANK
8.	EMBRACE HOME LOANS
9.	FIRST HOME MORTGAGE
10.	FIRST MARINER BANK
11.	HOMEBRIDGE FINANCIAL SERVICES, INC. <i>(Formerly Real Estate Mortgage Network)</i>
12.	HOMESIDE FINANCIAL, LLC
13.	HOMESTEAD FUNDING CORP.
14.	HOWARD BANK MORTGAGE
15.	INTEGRITY HOME MORTGAGE CORPORATION
16.	K. HOVNANIAN AMERICAN MORTGAGE, LLC
17.	loanDepot.com LLC dba MORTGAGE MASTER, INC.
18.	MOVEMENT MORTGAGE, LLC
19.	NEW AMERICA FINANCIAL CORPORATION
20.	NVR MORTGAGE
21.	PEOPLES HOME MORTGAGE, a division of Peoples Bank
22.	PRESIDENTIAL BANK, FSB
23.	PRIMELENDING
24.	PROSPECT MORTGAGE
25.	PROSPERITY HOME MORTGAGE, LLC (PHM)
26.	SANDY SPRING BANK
27.	SOUTHERN TRUST MORTGAGE
28.	STEARNS LENDING, INC.
29.	THE WASHINGTON SAVINGS BANK
30.	TOWNEBANK MORTGAGE
31.	UNION MORTGAGE
32.	UNIVERSAL AMERICAN MORTGAGE CO.
33.	WEICHERT FINANCIAL SERVICES
34.	WELLS FARGO HOME MORTGAGE

RESOLUTION No: 19-01

RE: Approval of New Participating Lender for the Single Family Mortgage Purchase Program

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") approves lenders to participate in the Mortgage Purchase Program; and

WHEREAS, such participation is continuous and for multiple programs; and

WHEREAS, the Commission has approved an ongoing process for adding new lenders to the Mortgage Purchase Program; and

WHEREAS, Fairway Independent Mortgage Corporation has applied for participation in the Mortgage Purchase Program; and

WHEREAS, Fairway Independent Mortgage Corporation has satisfied the required criteria for admittance to the Mortgage Purchase Program.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Fairway Independent Mortgage Corporation is approved for participation in the Mortgage Purchase Program, effective immediately.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Information Exchange

HOC Partners with Bethesda Fire and Rescue to Bring Gifts to Local Families



On Sunday, December 23, 2018, HOC staff and volunteers from Bethesda's Fire and Rescue Squads brought more than 1,000 toys and gifts to Bethesda families for the holidays. HOC staff promoted the opportunity to local residents, as well as coordinated the delivery and distribution with Bethesda Fire and Rescue personnel and other volunteers at the Magruder's Discovery Community Center. For more than 25 years, Bethesda Fire and Rescue has organized this annual gift drive and delivery to help spread holiday cheer among children and families in this community.

Ongoing engagement with our partners, such as the Bethesda Fire and Rescue Squads, to provide opportunities like the gift drive is just one way we work to build and strengthen the sense of community in Montgomery County. Nearly 200 households had the opportunity to select gifts for their children and loved ones, helping to brighten what can sometimes be a stressful season for families. Many thanks to everyone involved, especially

HOC staff who volunteered during their time off to bring joy to many of our customers.

HOC Santa Store Promotes the Spirit of Giving

On Monday, December 17, 2018, HOC staff led by Resident Counselor Antoinette Walker continued a 20-year holiday tradition by organizing the Santa Store in Silver Spring. Each year, the Santa Store enables youth to experience the joy of giving by selecting gifts for their parents and elders in their community at no cost. Each year, Ms. Walker and HOC staff galvanize volunteers to donate gifts and operate the Santa Store for children in the community.



Young Santa Store shoppers arrive after school and are delighted at the opportunity to select meaningful gifts for members of their family. Inventory for the Santa Store is generously donated by HOC Community Partners as well as individual HOC employees. Watch [here](#) for highlights of our Santa Store shoppers and to hear from Ms. Walker about the sense of family and community this experience brings each year.

Leadership Tomorrow Lecture Series Features HOC Commissioner Roy Priest



On December 12, 2018, HOC staff heard from Commissioner Roy O. Priest during the Leadership Tomorrow Guest Lecture Series. Commissioner Priest has more than 49 years of experience in the fields of housing finance and redevelopment and community economic development.

During his presentation, Commission Priest provided an overview of his illustrious career path, shared his wisdom on professional development and emphasized the value of service to one's community. HOC staff came prepared with thoughtful questions that sparked an engaging dialogue

amongst the group.

Highlights of Commissioner Priest's career include serving as Executive Director and CEO of the Alexandria Redevelopment and Housing Authority and serving as the President and CEO of the National Congress for Community Economic Development. Commissioner Priest also spent 17 years with the U.S. Department of Housing and Urban Development. Commissioner Priest is the true embodiment of a servant leader who continues to generously share his expertise with staff in his role as Commissioner.



Towne Centre Place STEAM Camp



On Thursday, December 13, 2018, youth participated in the final session of our STEAM (Science, Technology, Engineering, Arts and Mathematics) Camp at Towne Centre Place in Olney. The six-week program was facilitated by a certified Montgomery County Public Schools math teacher, beginning with a vocabulary lesson and culminating in hands-on activities that allowed students to be creative, inventive and imaginative. Students in grades one through five met for two hours each week and were able to make connections between coding, electricity, gaming and music. HOC provided participating students with all necessary materials including invention kits that turn everyday objects into touchpads and Play-Doh®, which students learned can serve as a conductor of electricity. Students were thoroughly delighted at the opportunity to create music and gaming controllers using

the provided materials. Exposing youth to engaging supplemental learning opportunities helps us to positively impact the whole family and ultimately affords diverse and underrepresented students the chance to gain education and access to STEAM fields.

VCC Hosts Holiday Party for Parkway Woods HUB Customers

On Friday, December 14, 2018, HOC staff in partnership with VCC coordinated a special holiday celebration at the Bauer Park Community Room HOC customers living in the Parkway Woods HUB. As a thank you for customer patience and cooperation with recently completed repairs across several scattered site units, VCC generously donated funds to sponsor a holiday party for the affected households. More than 40 customers attended and enjoyed a memorable evening full of music, dancing and festive photo opportunities. In addition, those who registered in advance of the event received a special gift. We thank VCC for this generous gesture demonstrating respect and appreciation towards our customers.

2018 Holiday Giving

On Monday, December 17, 2018, HOC staff continued its tradition of partnering with the Montgomery County Holiday Giving project to provide holiday assistance to low-income families throughout the County. HOC staff identified and referred approximately 2,000 individuals and families within our database in need of extra support during the holidays. Each referred family received food, gift cards, and other various gifts donated by agencies and businesses in Montgomery County. As you may remember, some 150 families received baskets delivered by HOC staff and included many items just in time for Thanksgiving. In December, HOC staff was able to serve another 150 families, directly impacting 300 households in Montgomery County during the holiday season.

December Special Session

HOC Enters into Operating Agreement with Victory Housing, Transfers Assistance to New Senior Property

On Thursday, December 13, 2018 the Commission approved a resolution enabling HOC to become a non-managing member of Victory Haven, LLC, a Maryland limited liability company with Victory Housing, as well as the transfer of Public Housing subsidy for 30 units from HOC's Elizabeth House to Victory Haven.

Over the past few years, HOC has taken several actions in furtherance of the development of Victory Haven, a 72-unit independent senior living affordable rental community in Damascus, Maryland. After Victory Housing completed the purchase of the land, HOC received a commitment from HUD to convert HOC's 30 remaining Public Housing units at Elizabeth House and to transfer the subsidy as Project Based Rental Assistance under the Rental Assistance Demonstration (RAD) program. The Commission's approval to execute the agreement and those documents related to completion of a RAD application to HUD, subject to HUD approval, will offer residents of one of HOC's last Public Housing properties the opportunity to partake in this new senior community.

Completion and approval of the RAD application will bring HOC another step closer to converting all of its Public Housing for a more stable subsidy stream based in mixed-income, community connected neighborhoods. The remainder of the Public Housing units from Elizabeth House will convert with the completion of Elizabeth House III, part of the HOC's Elizabeth Square development in downtown Silver Spring.

Commission Submits Proposal for FY 2019 County Operating Budget Savings Plan

On December 7, 2018, the County Executive informed County Departments and Agencies that, due to revenue shortfalls and higher than anticipated expenditures in FY 2018, the County Executive was recommending a FY 2019 Savings Plan. All departments and agencies were asked to identify savings of 1.5 percent from their current FY 2019 budgets. Based on the County's FY 2019 contribution of \$6,680,270, the Commission approved on December 13, 2018, and HOC subsequently submitted a Budget Savings Plan in the amount of \$100,204. In light of the proposed Savings Plan, HOC staff is prepared to explore additional savings measures for FY 2020.

Administrative and Special Session Ratifications

RATIFICATION OF ACTION TAKEN IN ADMINISTRATIVE SESSION ON

DECEMBER 5, 2018:

**RATIFICATION OF APPROVAL TO ACQUIRE REAL PROPERTY LOCATED IN
GAITHERSBURG, MD AND AUTHORIZATION TO DRAW ON THE PNC
BANK, N.A. REAL ESTATE LINE OF CREDIT TO FUND THE ACQUISITION**

JANUARY 9, 2019

- At an Administrative Session held on December 5, 2018, the Commission adopted Resolution 18-99AS¹ in which the Commission authorized the acquisition of three (3) acres of real property located at 9845 Lost Knife Road, Gaithersburg, Maryland, and authorized a draw on the PNC Bank, N.A. Real Estate Line of Credit to fund the acquisition and reimburse the Commission for costs related to due diligence.
- Consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken at the December 5, 2018 Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 18-99R¹

RE: Approval to Acquire Real Property Located in Gaithersburg, MD and Authorization to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Fund the Acquisition

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”), recently acquired Cider Mill Apartments, located at 18205 Lost Knife Road in Gaithersburg, Maryland (“Cider Mill Apartments”);

WHEREAS, on September 26, 2018, the Commission entered into a purchase contract to purchase approximately three (3) acres of real property located at 9845 Lost Knife Road, Gaithersburg, Maryland (the “Property”), which is adjacent to Cider Mill Apartments;

WHEREAS, the Property is zoned CR 1.5 and is improved with a 7,952 square foot commercial building and related premises that is currently operated as a day care center (the “Day Care Center”);

WHEREAS, the Day Care Center serves households within Cider Mill Apartments and the Property presents the Commission with a long-term development opportunity, which may add to Montgomery County’s inventory of affordable housing;

WHEREAS, at an Administrative Session duly called and held on December 5, 2018, with a quorum present, the Commission duly adopted Resolution 18-99AS¹, Commissioners Simon, Rodriguez, Croom, Priest, and Kelleher voting in approval, which approved the acquisition of the Property and a draw on the PNC Bank, N.A. Real Estate Line of Credit to fund the acquisition of the Property, costs related to the acquisition of the Property, and reimbursement of costs incurred by the Commission related to due diligence for the Property. Commissioners Nelson and Byrd abstained.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-99AS¹ and any action taken since December 5, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-99AS¹ and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

RATIFICATION OF ACTION TAKEN IN ADMINISTRATIVE SESSION ON

DECEMBER 5, 2018:

RATIFICATION OF AUTHORIZATION TO DRAW ON THE PNC BANK, N.A. REAL ESTATE LINE OF CREDIT TO COMPLETE THE ACQUISITION OF REAL PROPERTY LOCATED IN GAITHERSBURG, MD

JANUARY 9, 2019

- At an Administrative Session held on December 5, 2018, the Commission adopted Resolution 18-99AS² in which the Commission authorized the acquisition of three (3) acres of real property located at 9845 Lost Knife Road, Gaithersburg, Maryland, and authorized a draw on the PNC Bank, N.A. Real Estate Line of Credit to fund the acquisition and reimburse the Commission for costs related to due diligence.
- Consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken at the December 5, 2018 Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 18-99R²

RE: Authorization to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Complete the Acquisition of Real Property Located in Gaithersburg, MD

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”), recently acquired Cider Mill Apartments, located at 18205 Lost Knife Road in Gaithersburg, Maryland (“Cider Mill Apartments”);

WHEREAS, on September 26, 2018, the Commission entered into a purchase contract to purchase approximately three (3) acres of real property located at 9845 Lost Knife Road, Gaithersburg, Maryland (the “Property”), which is adjacent to Cider Mill Apartments;

WHEREAS, the Property is zoned CR 1.5 and is improved with a 7,952 square foot commercial building and related premises that is currently operated as a day care center (the “Day Care Center”);

WHEREAS, the Day Care Center serves households within Cider Mill Apartments and the Property presents the Commission with a long-term development opportunity, which may add to Montgomery County’s inventory of affordable housing;

WHEREAS, at an Administrative Session duly called and held on December 5, 2018, with a quorum present, the Commission duly adopted Resolution 18-99AS², Commissioners Simon, Rodriguez, Croom, Priest, and Kelleher voting in approval, which approved (1) the acquisition of the Property; (2) a draw on the PNC Bank, N.A. Real Estate Line of Credit (“PNC RELOC”) to fund the acquisition of the Property, costs related to the acquisition of the Property, and reimbursement of costs incurred by the Commission related to due diligence for the Property; and (3) that the funds drawn on the PNC RELOC would be outstanding for no longer than 18 months from the date drawn. Commissioners Nelson and Byrd abstained.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-99AS² and any action taken since December 5, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-99AS² and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

ACCEPTANCE OF FIRST QUARTER FY'19 BUDGET TO ACTUAL STATEMENTS

January 9, 2019

- The Agency ended the first quarter with a net cash deficit of \$257,648 which resulted in a first quarter budget to actual negative variance of \$427,589.
- The General Fund experienced delays in the receipt of anticipated Commitment Fee Income that was partially offset by the prepayment of Loan Management Fees coupled with savings in expenses.
- At the end of the first quarter, several of the unrestricted properties in the Opportunity Housing Fund exceeded budget expectations; however, the recognizable cash flow to the Agency did not meet budget due to shortfalls in some of the unrestricted properties.
- The Public Housing Program ended the quarter with a small surplus primarily as a result of savings in expenses. The surplus will be restricted to the program.
- The Housing Choice Voucher (HCV) Program experienced a higher administrative shortfall through September 30, 2018, as a result of lower administrative fees, due to a delay in the reconciliation of fees from HUD that were partially offset by savings in expenses.

DISCUSSION – FIRST QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the first quarter of FY'19 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

HOC overall (see Attachment A)

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

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

The Commission approves the revenue and expenses and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'19 First Quarter Capital Budget to Actual Comparison.

The Agency ended the quarter with a net cash deficit of \$257,648. This deficit resulted in a first quarter budget to actual negative variance of \$427,589 when compared to the anticipated first quarter net cash flow of \$169,941. The primary causes were lower than projected cash flow in the unrestricted Development Corporations, as a result of property performance (see Opportunity Housing Fund), coupled with slightly lower than anticipated income in the General Fund (see General Fund).

Explanations of major variances by fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of \$2,341,418 which resulted in a positive variance of \$379,331 when compared to the projected deficit of \$2,720,749.

As of September 30, 2018, income in the General Fund was \$1,539,923 higher than budgeted. If we were to exclude the \$1,572,220 received by properties with debt on the PNC Bank, N.A. (PNC) \$60 million Line of Credit (LOC) and the Real Estate Line of Credit (RELOC), income in the General Fund would have been \$32,297 less than budget. The interest is paid by the properties to the General Fund and then reflected as interest expense in the General Fund when paid to PNC. Ideally, the timing of the receipt of interest income from the properties and the interest expense paid to PNC from the General Fund should offset one another and are therefore not budgeted. The amount of interest income and expense was significantly higher than previous years as a result of the acquisition of Cider Mill. In addition, income from properties utilizing the FHA Risk Sharing program, which is reflected as income in the General Fund with a

corresponding expense to restrict the income to the FHA Risk Sharing Reserve, was \$167,734 greater than budget. If we were to exclude the additional FHA Risk Sharing income, the shortfall in income would be \$200,031 which reflects a delay in the receipt of commitment fees for Bauer Park and Knights Bridge that was partially offset by the upfront payment of Loan Management Fees from Cider Mill for FY'19 that was not anticipated at the time the budget was adopted.

Expenses in the General Fund were \$1,160,592 more than budgeted. As referenced above, if we were to exclude the interest expense of \$1,551,263 paid on the PNC LOC and RELOC accounts and additional restriction of the FHA Risk Sharing income of \$167,734, expenses in the General Fund would have been \$558,405 less than budget. The positive variance was primarily the result of savings throughout most administrative expenses and maintenance contracts. A portion of these savings is the result of timing issues and staff does not anticipate the full savings to be realized at year end.

The Multifamily Bond Fund and Single Family Bond Fund are budgeted to balance each year. Income (the bond draw downs that finance the operating costs for these funds) is in line with the budget. The positive expense variance in the Bond Funds is a result of small savings in most administrative accounts.

The Opportunity Housing Fund

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

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'19 Operating Budget. This group ended the quarter with cash flow of \$1,947,247 or \$561,679 less than projected. It should be noted that we can only recognize revenue up to the amount budgeted for each property. Several of the properties in this portfolio exceeded budgeted cash flow; however, when we exclude the extra income earned on properties exceeding their budgets, the quarter's recognizable cash flow is \$1,790,469 or \$718,457 below budget.

Unrestricted Development Corporations

	(3 Months)	(3 Months)		(3 Months)
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Adjusted</u>
Alexander House	\$413,888	\$73,487	(\$340,401)	\$73,487
The Barclay	\$63,974	\$61,099	(\$2,875)	\$61,099
Glenmont Westerly	\$89,256	\$136,573	\$47,317 ⁽¹⁾	\$89,256
Magruder's Discovery	\$166,660	\$178,820	\$12,160 ⁽¹⁾	\$166,660
The Metropolitan	\$448,148	\$453,180	\$5,032 ⁽¹⁾	\$448,148
Montgomery Arms	\$121,794	\$140,259	\$18,465 ⁽¹⁾	\$121,794
TPM - 59 MPDUs	\$78,803	\$87,358	\$8,555 ⁽¹⁾	\$78,803
Paddington Square	\$118,288	\$113,961	(\$4,327)	\$113,961
TPP LLC Pomander Court	\$35,772	\$35,677	(\$95)	\$35,677
Pooks Hill High-Rise	\$186,357	\$160,633	(\$25,724)	\$160,633
Scattered Site One Dev. Corp.	\$36,765	\$38,751	\$1,986 ⁽¹⁾	\$36,765
Scattered Site Two Dev. Corp.	(\$28,623)	(\$17,583)	\$11,040 ⁽¹⁾	(\$17,583)
Sligo Development Corp.	(\$2,295)	\$1,737	\$4,032 ⁽¹⁾	\$0
TPP LLC Timberlawn	\$146,214	\$207,740	\$61,526 ⁽¹⁾	\$146,214
VPC One Corp.	\$358,646	\$174,776	(\$183,870)	\$174,776
VPC Two Corp.	\$275,279	\$100,779	(\$174,500)	\$100,779
Subtotal	\$2,508,926	\$1,947,247	(\$561,679)	\$1,790,469
			Recognizable Cash Flow	(\$718,457)

Notes:

(1) - Properties exceeding budgeted cash flow.

Alexander House ended the quarter with a negative cash flow variance of \$340,401 primarily as a result of the higher than projected vacancy loss. The FY'19 Adopted Budget assumed an average economic occupancy for the first quarter of 76%. The actual economic occupancy has averaged 40% for the first quarter. Although the majority of projected cash flow has been restricted for FY'19, the budget is projecting \$500,000 will be available for Agency operations. Cash flow for **Glenmont Westerly** was \$47,317 more than budget mostly driven by lower vacancies, higher than anticipated reimbursements for utilities, and savings in most expense categories. **Pooks Hill High-Rise** experienced a negative cash flow variance of \$25,724 mainly driven by lower gross rents and higher vacancies coupled with higher than anticipated utility and bad debt expense. Cash flow for **Timberlawn** was \$61,526 greater than anticipated primarily due to the lower interest rate in the final loan terms on the debt that resulted in lower overall debt service payments. In addition, the split of the debt between Timberlawn and **Pomander Court** changed which resulted in a higher allocation percentage to Pomander Court that further reduced the payments charged to Timberlawn. The higher debt at Pomander Court was offset by savings in other expense categories. **VPC One** and **VPC Two Development Corporation** ended the quarter with negative cash flow variances of \$183,870 and \$174,500, respectively, largely due to slightly higher vacancies coupled with higher bad debt expense.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'19 Operating Budget. Cash flow from this group of Development Corporation properties

was \$72,756 more than budgeted for the quarter. **Glenmont Crossing** experienced a positive cash flow variance of \$51,769 as a result of savings throughout most expense categories. The shortfall at **MetroPointe** was \$45,021 less than projected primarily due to savings in property insurance costs as a result of the property being added to the Montgomery County Self Insurance Fund. The savings in expenses at the property was partially offset by higher than anticipated vacancy loss. On a consolidated basis, the **RAD 6** properties ended the quarter with a negative variance of \$39,143 which consisted primarily of variances at **Seneca Ridge** and **Washington Square**. **Seneca Ridge** ended the quarter with a negative cash flow variance of \$26,312 primarily due to higher than anticipated vacancy. Cash flow for **Washington Square** was \$17,914 lower than projected largely due to higher bad debt expense.

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

- The first group consists of properties whose unrestricted net cash flow will be used for the Agency’s FY’19 Operating Budget. This group ended the quarter with cash flow of \$345,887 or \$35,877 less than budgeted. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter’s recognizable cash flow for this group is \$293,301 or \$88,463 below budget.

Unrestricted Opportunity Housing Properties

	(3 Months) Budget	(3 Months) Actual	Variance	(3 Months) Adjusted
64 MPDUs	\$29,208	(\$17,158)	(\$46,366)	(\$17,158)
Chelsea Towers	(\$24,165)	(\$29,372)	(\$5,207)	(\$29,372)
Fairfax Court	\$34,528	\$28,520	(\$6,008)	\$28,520
Jubilee Falling Creek	\$2,622	(\$1,496)	(\$4,118)	(\$1,496)
Jubilee Hermitage	\$2,276	\$1,621	(\$655)	\$1,621
Jubilee Horizon Court	\$2,400	\$107	(\$2,293)	\$107
Jubilee Woodedge	\$1,670	\$2,940	\$1,270 ⁽¹⁾	\$1,670
McHome	\$22,395	\$9,061	(\$13,334)	\$9,061
McKendree	\$9,117	(\$203)	(\$9,320)	(\$203)
MHLP VII	\$43,875	\$40,774	(\$3,101)	\$40,774
MHLP VIII	\$73,379	\$72,385	(\$994)	\$72,385
MPDU 2007 Phase II	(\$2,933)	\$7,523	\$10,456 ⁽¹⁾	\$0
Pooks Hill Mid-Rise	\$79,547	\$95,200	\$15,653 ⁽¹⁾	\$79,547
Strathmore Court	\$107,845	\$135,985	\$28,140 ⁽¹⁾	\$107,845
Subtotal	\$381,764	\$345,887	(\$35,877)	\$293,301
		Recognizable Cash Flow		(\$88,463)

Notes:

(1) - Properties exceeding budgeted cash flow.

- A few properties in this portfolio experienced nominal negative cash flow variances due to slightly higher vacancies that were in some cases coupled with small overages in maintenance expense. **64 MPDUs** ended the quarter with a negative cash flow variance of \$46,366 as a result of lower gross rents and higher vacancies coupled with overages in maintenance and bad debt expenses. Cash flow at **Pooks Hill Mid-Rise** exceeded budget by \$15,653 through September 30 as a result of savings in utility and maintenance expenses. **Strathmore Court** ended the quarter with a positive cash flow variance of \$28,140 largely as a result of savings in utility and maintenance costs that was partially offset by higher vacancies.

The second group consists of properties whose cash flow will not be used for the Agency's FY'19 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was \$610,810 lower than budgeted. **The Ambassador**, which has been decommissioned, experienced expenses of \$29,040 mainly driven by continued utility costs in the building, maintenance contracts, and interest paid on the outstanding debt on the PNC RELOC. There are sufficient reserves at the property to cover the costs. **Avondale Apartments** reported a negative cash flow variance of \$23,400 primarily attributable to higher vacancies at the property coupled with higher payments on the RELOC due to changes in the London Interbank Offered Rate (LIBOR). Cash flow at **Brookside Glen** was \$34,186 lower than projected as a result of higher vacancy loss coupled with greater than anticipated administrative, utility, and bad debt expense. **Cider Mill Apartments** reported a negative cash flow variance of \$502,659 primarily due to higher maintenance and bad debt expenses coupled with greater than projected Interest Payments. **Holiday Park** experienced a negative cash flow variance of \$20,503 as a result of higher vacancies coupled with utility expenses related to a burst water pipe. Cash flow from **Manchester Manor** was \$53,386 lower than projected primarily due to utility expenses incurred last year that were paid after July 1 coupled with debt service payments that exceeded budget as a result of a timing issue in the monthly amortization schedule in the budget that will not result in a variance at year-end. **Westwood Tower** ended the quarter with a positive cash flow variance of \$43,997 driven by lower than anticipated utility, maintenance, and security expenses. **The Willows** ended the quarter with a negative cash flow variance of \$61,508 largely due to lower gross rents coupled with higher than anticipated utility, maintenance, and tax expenses.

The Public Fund (Attachment D)

- The Public Housing Rental Program ended the quarter with a surplus of \$7,355 which resulted in a positive variance of \$63,828 when compared to the projected shortfall of \$56,473. Income was \$6,889 less than budget largely due to lower rent recognized at **Elizabeth House** due to the conversion of some of the units under the Rental Assistance Demonstration (RAD) Program that was not incorporated into the FY'19 Adopted Budget. The loss of income was more than offset by savings in administrative and utility expenses at the property. In addition, expenses were lower at Holly Hall as a result of a delay in the

subsidy being transferred from the property to the converted RAD units.

- The Housing Choice Voucher Program (HCVP) ended the quarter with a shortfall of \$365,645. The shortfall was comprised of Housing Assistance Payments (HAP) that exceeded HAP revenue by \$313,904 coupled with an administrative shortfall of \$51,741. The HAP shortfall was funded from the HCVP reserve (NRP), which includes funds received in prior years that were recognized but not used. The program ended the period with a negative administrative variance of \$26,667 when compared to the projected shortfall of \$25,074 as a result of lower than anticipated administrative fee income that was partially offset by savings in administrative expenses. The Department of Housing and Urban Development (HUD) has continued to fund administrative fees based on utilization estimates from the beginning of 2018. Staff anticipates that the reconciliation of the fees based on actual utilization and the higher pro-ration of 80% published in August 2018, compared to the budgeted pro-ration of 76%, will result in fee income that exceeds the budget.

Tax Credit Partnerships

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

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'19. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect timing issues. Capital projects are long-term; therefore, it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

Alexander House exceeded its capital budget for the year as a result of having to replace a boiler tank which was not anticipated at the time the budget was developed. **MPDU 2007 Phase II** has exceeded its FY'19 capital budget by a small amount. There are sufficient replacement reserves at the property to cover the overage.

Resolution No. : 19-02

**Re: Acceptance of First Quarter FY'19
Budget to Actual Statements**

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

WHEREAS, the Commission reviewed the First Quarter FY'19 Budget to Actual Statements during its January 9, 2019 meeting.

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

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, January 9, 2019.

Patrice Birdsong
Special Assistant to the Commission

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FY 19 First Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(3 Months) Budget	(3 Months) Actual	Variance
General Fund			
General Fund	(\$2,720,749)	(\$2,341,418)	\$379,331
Administration of Multifamily and Single Family Fund			
Multifamily Fund	\$0	\$44,879	\$44,879
Draw from / (Restrict to) Multifamily Bond Fund	\$0	(\$44,879)	(\$44,879)
Single Family Fund	\$394,628	\$397,980	\$3,352
Draw from / (Restrict to) Single Family Bond Fund	(\$394,628)	(\$397,980)	(\$3,352)
Opportunity Housing Fund			
Opportunity Housing Properties	\$381,764	\$293,301	(\$88,463)
Development Corporation Property Income	\$2,508,926	\$1,790,469	(\$718,457)
OHRF			
OHRF Balance	\$1,070,541	\$610,259	(\$460,282)
Excess Cash Flow Restricted	(\$1,070,541)	(\$610,259)	\$460,282
Draw from existing funds	\$0	\$0	\$0
Net -OHRF	\$0	\$0	\$0
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	\$169,941	(\$257,648)	(\$427,589)
Public Fund			
Public Housing Rental (1)	(\$56,473)	\$7,355	\$63,828
Housing Choice Voucher Program HAP (2)	(\$1,714,593)	(\$313,904)	\$1,400,689
Housing Choice Voucher Program Admin (3)	(\$25,074)	(\$51,741)	(\$26,667)
Total -Public Fund	(\$1,796,140)	(\$358,290)	\$1,437,850
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	\$56,473	(\$7,355)	(\$63,828)
(2) Draw from / Restrict to HCV Program Cash Reserves	\$1,714,593	\$313,904	(\$1,400,689)
(3) Draw from / Restrict to HCV Program Excess Admin Fee	\$25,074	\$51,741	\$26,667
SUBTOTAL - Public Funds	\$0	\$0	\$0
TOTAL - All Funds	\$169,941	(\$257,648)	(\$427,589)

FY 19 First Quarter Operating Budget to Actual Comparison

	Capital Expenses		Variance
	(12 Months) Budget	(3 Months) Actual	
General Fund			
East Deer Park	\$225,000	\$280	\$224,720
Kensington Office	\$445,000	\$146,003	\$298,997
Information Technology	\$1,348,000	\$176,062	\$1,171,938
Opportunity Housing Fund	\$5,068,471	\$862,604	\$4,205,867
TOTAL - All Funds	\$7,086,471	\$1,184,949	\$5,901,522

FY 19 First Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(3 Months)	Variance		(3 Months)	
	Net Cash Flow	Income	Expense	Net Cash Flow	
	<u>Budget</u>			<u>Actual</u>	<u>Variance</u>
Properties with unrestricted cash flow for FY18 operating budget					
Alexander House	\$413,888	(\$328,824)	(\$11,577)	\$73,487	(\$340,401)
The Barclay	\$63,974	(\$20,474)	\$17,600	\$61,099	(\$2,875)
Glenmont Westerly	\$89,256	\$21,277	\$26,040	\$136,573	\$47,317
Magruder's Discovery	\$166,660	(\$14,873)	\$27,033	\$178,820	\$12,160
The Metropolitan	\$448,148	(\$73,209)	\$78,241	\$453,180	\$5,032
Montgomery Arms	\$121,794	(\$24,491)	\$42,956	\$140,259	\$18,465
TPM - 59 MPDUs	\$78,803	\$672	\$7,883	\$87,358	\$8,555
Paddington Square	\$118,288	(\$2,223)	(\$2,104)	\$113,961	(\$4,327)
TPP LLC Pomander Court	\$35,772	\$9,380	(\$9,476)	\$35,677	(\$95)
Pooks Hill High-Rise	\$186,357	(\$15,690)	(\$10,034)	\$160,633	(\$25,724)
Scattered Site One Dev. Corp.	\$36,765	(\$31,390)	\$33,376	\$38,751	\$1,986
Scattered Site Two Dev. Corp.	(\$28,623)	(\$9,397)	\$20,437	(\$17,583)	\$11,040
Sligo Development Corp.	(\$2,295)	(\$8,306)	\$12,337	\$1,737	\$4,032
TPP LLC Timberlawn	\$146,214	\$12,557	\$48,969	\$207,740	\$61,526
VPC One Corp.	\$358,646	(\$21,006)	(\$162,864)	\$174,776	(\$183,870)
VPC Two Corp.	\$275,279	(\$27,232)	(\$147,268)	\$100,779	(\$174,500)
Subtotal	\$2,508,926	(\$533,229)	(\$28,451)	\$1,947,247	(\$561,679)
Properties with restricted cash flow (external and internal)					
Glenmont Crossing	\$72,740	\$8,753	\$43,016	\$124,509	\$51,769
MetroPointe	(\$87,449)	(\$41,452)	\$86,473	(\$42,428)	\$45,021
Oaks at Four Corners	\$46,847	(\$8,457)	\$23,566	\$61,956	\$15,109
RAD 6 Total	\$20,540	(\$28,043)	(\$11,102)	(\$18,603)	(\$39,143)
Ken Gar	\$4,683	(\$2,719)	(\$12,837)	(\$10,873)	(\$15,556)
Parkway Woods	\$6,473	(\$920)	\$8,792	\$14,345	\$7,872
Sandy Spring Meadow	\$17,417	\$10,590	(\$4,463)	\$23,544	\$6,127
Seneca Ridge	(\$54,573)	(\$29,975)	\$3,663	(\$80,885)	(\$26,312)
Towne Centre Place	\$17,360	(\$8,348)	\$14,987	\$24,000	\$6,640
Washington Square	\$29,180	\$3,329	(\$21,244)	\$11,266	(\$17,914)
Subtotal	\$52,678	(\$69,199)	\$141,953	\$125,434	\$72,756
TOTAL ALL PROPERTIES	\$2,561,604	(\$602,428)	\$113,502	\$2,072,681	(\$488,923)

FY 19 First Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(3 Months)	Variance		(3 Months)	
	Net Cash Flow	Income	Expense	Net Cash Flow	
	<u>Budget</u>			<u>Actual</u>	<u>Variance</u>
Properties with unrestricted cash flow for FY18 operating budget					
64 MPDUs	\$29,208	(\$23,789)	(\$22,576)	(\$17,158)	(\$46,366)
Chelsea Towers	(\$24,165)	(\$4,353)	(\$854)	(\$29,372)	(\$5,207)
Fairfax Court	\$34,528	(\$4,641)	(\$1,366)	\$28,520	(\$6,008)
Jubilee Falling Creek	\$2,622	(\$73)	(\$4,045)	(\$1,496)	(\$4,118)
Jubilee Hermitage	\$2,276	(\$162)	(\$493)	\$1,621	(\$655)
Jubilee Horizon Court	\$2,400	(\$327)	(\$1,966)	\$107	(\$2,293)
Jubilee Woodedge	\$1,670	\$894	\$376	\$2,940	\$1,270
McHome	\$22,395	(\$8,293)	(\$5,040)	\$9,061	(\$13,334)
McKendree	\$9,117	(\$3,972)	(\$5,348)	(\$203)	(\$9,320)
MHLP VII	\$43,875	(\$6,087)	\$2,985	\$40,774	(\$3,101)
MHLP VIII	\$73,379	(\$4,960)	\$3,966	\$72,385	(\$994)
MPDU 2007 Phase II	(\$2,933)	\$3,335	\$7,122	\$7,523	\$10,456
Pooks Hill Mid-Rise	\$79,547	\$3,343	\$12,310	\$95,200	\$15,653
Strathmore Court	\$107,845	(\$9,821)	\$37,962	\$135,985	\$28,140
Subtotal	\$381,764	(\$58,906)	\$23,033	\$345,887	(\$35,877)
Properties with restricted cash flow (external and internal)					
617 Olney Sandy Spring Road	\$3,866	(\$56)	(\$40)	\$3,877	\$11
The Ambassador	\$0	\$0	(\$29,040)	(\$29,040)	(\$29,040)
Avondale Apartments	\$30,144	(\$11,359)	(\$12,041)	\$6,744	(\$23,400)
Brooke Park	\$4,382	\$316	(\$1,106)	\$3,591	(\$791)
Brookside Glen (The Glen)	\$114,690	(\$23,348)	(\$10,838)	\$80,504	(\$34,186)
CDBG Units	(\$554)	\$621	\$5,117	\$5,184	\$5,738
Cider Mill Apartments	\$456,744	\$89,955	(\$592,614)	(\$45,915)	(\$502,659)
Dale Drive	\$7,187	(\$20)	\$976	\$8,143	\$956
Diamond Square	\$87,687	(\$6,371)	\$18,849	\$100,165	\$12,478
Holiday Park	(\$62,675)	(\$9,066)	(\$11,437)	(\$83,178)	(\$20,503)
King Farm Village	\$1,803	(\$125)	(\$1,110)	\$568	(\$1,235)
Manchester Manor	\$51,867	(\$501)	(\$52,885)	(\$1,519)	(\$53,386)
NCI Units	(\$11,479)	\$3,705	\$28,057	\$20,284	\$31,763
NSP Units	(\$6,665)	\$4,064	\$16,684	\$14,083	\$20,748
Paint Branch	\$16,862	(\$3,663)	\$424	\$13,516	(\$3,346)
Shady Grove Apts	\$106,218	(\$2,799)	\$26,347	\$129,766	\$23,548
Southbridge	\$19,127	(\$5,446)	(\$3,323)	\$10,358	(\$8,769)
State Rental Combined	(\$13,516)	\$910	(\$12,136)	(\$24,742)	(\$11,226)
Westwood Tower	\$176,879	\$708	\$43,290	\$220,876	\$43,997
The Willows	\$32,713	(\$37,570)	(\$23,938)	(\$28,795)	(\$61,508)
Subtotal	\$1,015,280	(\$45)	(\$610,764)	\$404,470	(\$610,810)
TOTAL ALL PROPERTIES	\$1,397,044	(\$58,951)	(\$587,731)	\$750,357	(\$646,687)

FY 19 First Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(3 Months) <u>Budget</u>	(3 Months) <u>Actual</u>	<u>Variance</u>
Public Housing Rental			
Revenue	\$337,365	\$330,476	(\$6,889)
Expenses	\$393,838	\$323,121	\$70,717
Net Income	(\$56,473)	\$7,355	\$63,828

Housing Choice Voucher Program

HAP revenue	\$21,541,647	\$23,720,093	\$2,178,446
HAP payments	\$23,256,240	\$24,033,997	\$777,757
Net HAP	(\$1,714,593)	(\$313,904)	\$1,400,689
Admin.fees & other inc.	\$1,821,680	\$1,735,530	(\$86,150)
Admin. Expense	\$1,846,754	\$1,787,271	\$59,483
Net Administrative	(\$25,074)	(\$51,741)	(\$26,667)
Net Income	(\$1,739,667)	(\$365,645)	\$1,374,022

FY 19 First Quarter Operating Budget to Actual Comparison
For Public Housing Rental Programs - Net Cash Flow

	(3 Months)	Variance		(3 Months)	Variance
	Net Cash Flow	Income	Expense	Net Cash Flow	
	<u>Budget</u>			<u>Actual</u>	
Elizabeth House	(\$56,473)	(\$20,115)	\$27,125	(\$49,463)	\$7,010
Holly Hall	\$0	\$5,484	\$47,645	\$53,129	\$53,129
Arcola Towers	\$0	\$10	\$0	\$10	\$10
Waverly House	\$0	\$3	\$0	\$3	\$3
Seneca Ridge	\$0	\$1,620	(\$475)	\$1,145	\$1,145
Emory Grove / Washington Square	\$0	\$189	(\$4,911)	(\$4,722)	(\$4,722)
Towne Centre Place / Sandy Spring Meadow	\$0	\$19	\$1,358	\$1,377	\$1,377
Ken Gar / Parkway Woods	\$0	(\$81)	\$0	(\$81)	(\$81)
Scattered Sites Central	\$0	\$1,211	\$0	\$1,211	\$1,211
Scattered Sites East	\$0	\$946	\$0	\$946	\$946
Scattered Sites Gaithersburg	\$0	\$1,233	\$0	\$1,233	\$1,233
Scattered Sites North	\$0	\$1,274	(\$25)	\$1,249	\$1,249
Scattered Sites West	\$0	\$1,318	\$0	\$1,318	\$1,318
TOTAL ALL PROPERTIES	(\$56,473)	(\$6,889)	\$70,717	\$7,355	\$63,828

FY 19 First Quarter Operating Budget to Actual Comparison
For Capital Improvements

	(12 Months) Budget	(3 Months) Actual	Variance
General Fund			
East Deer Park	\$225,000	\$280	\$224,720
Kensington Office	\$445,000	\$146,003	\$298,997
Information Technology	\$1,348,000	\$176,062	\$1,171,938
Subtotal	\$2,018,000	\$322,345	\$1,695,655
Opportunity Housing			
Ambassador	\$0	\$0	\$0
Alexander House	\$15,000	\$78,510	(\$63,510)
Avondale Apartments	\$21,420	\$1,924	\$19,496
The Barclay	\$28,800	\$14,349	\$14,451
Brooke Park	\$1,296	\$0	\$1,296
Brookside Glen (The Glen)	\$136,400	\$7,642	\$128,758
CDBG Units	\$4,500	\$0	\$4,500
Chelsea Towers	\$20,300	\$2,639	\$17,661
Chelsea Towers	\$0	\$0	\$0
Cider Mill Apartments	\$504,696	\$114,327	\$390,369
Dale Drive	\$10,200	\$15	\$10,185
Diamond Square	\$497,700	\$8,266	\$489,434
Fairfax Court	\$71,000	\$26,935	\$44,065
Glenmont Crossing	\$272,804	\$6,512	\$266,292
Glenmont Westerly	\$188,592	\$6,814	\$181,778
Greenhills Apartments	\$0	\$0	\$0
Holiday Park	\$17,420	\$2,954	\$14,466
Holly Hall	\$0	\$0	\$0
Jubilee Falling Creek	\$0	\$0	\$0
Jubilee Hermitage	\$400	\$0	\$400
Jubilee Horizon Court	\$1,000	\$0	\$1,000
Jubilee Woodedge	\$1,365	\$0	\$1,365
Ken Gar	\$2,496	\$0	\$2,496
King Farm Village	\$600	\$0	\$600
Magruder's Discovery	\$64,000	\$3,409	\$60,591
Manchester Manor	\$18,924	\$11,683	\$7,241
McHome	\$72,256	\$13,520	\$58,736
McKendree	\$17,560	\$7,479	\$10,081
MetroPointe	\$215,600	\$10,830	\$204,770
The Metropolitan	\$229,100	\$19,729	\$209,371
Montgomery Arms	\$75,110	\$14,280	\$60,830
MHLP VII	\$39,352	\$9,617	\$29,735
MHLP VIII	\$67,396	\$17,096	\$50,300
MPDU 2007 Phase II	\$1,500	\$4,126	(\$2,626)
617 Olney Sandy Spring Road	\$0	\$0	\$0
64 MPDUs	\$47,836	\$27,069	\$20,767
TPM - 59 MPDUs	\$88,000	\$26,597	\$61,403
Oaks at Four Corners	\$249,178	\$13,978	\$235,200
NCI Units	\$10,500	\$732	\$9,768
NSP Units	\$2,000	\$0	\$2,000
Paddington Square	\$91,240	\$17,713	\$73,527
Paint Branch	\$15,762	\$0	\$15,762
Parkway Woods	\$15,600	\$1,845	\$13,755
TPP LLC Pomander Court	\$12,842	\$2,280	\$10,562
Pooks Hill High-Rise	\$297,284	\$33,358	\$263,926
Pooks Hill Mid-Rise	\$98,966	\$2,339	\$96,627
Sandy Spring Meadow	\$12,584	\$0	\$12,584
Scattered Site One Dev. Corp.	\$147,500	\$56,533	\$90,967
Scattered Site Two Dev. Corp.	\$73,500	\$9,614	\$63,886
Seneca Ridge	\$25,210	\$7,567	\$17,643
Shady Grove Apts	\$186,000	\$14,041	\$171,959
Southbridge	\$21,488	\$6,107	\$15,381
Sligo Development Corp.	\$29,900	\$1,618	\$28,282
State Rental Combined	\$122,152	\$23,495	\$98,657
Strathmore Court	\$204,411	\$45,299	\$159,112
Towne Centre Place	\$26,596	\$0	\$26,596
TPP LLC Timberlawn	\$64,805	\$2,074	\$62,731
VPC One Dev. Corp.	\$133,550	\$23,864	\$109,686
VPC Two Dev. Corp.	\$68,500	\$26,931	\$41,569
Washington Square	\$7,850	\$6,713	\$1,137
Westwood Tower	\$250,430	\$55,477	\$194,953
The Willows	\$168,000	\$74,704	\$93,296
Subtotal	\$5,068,471	\$862,604	\$4,205,867
TOTAL	\$7,086,471	\$1,184,949	\$5,901,522

APPROVAL OF FY'19 FIRST QUARTER BUDGET AMENDMENT

January 9, 2019

- The net effect of the FY'19 First Quarter Budget Amendment is a surplus of \$118,694.
- The FY'19 Adopted Budget that was approved June 6, 2018 included a contribution to the General Fund Operating Reserve (GFOR) for future operation needs. The Budget, Finance and Audit Committee recommends that the anticipated contribution be increased by \$118,694 in order to maintain a balanced budget.
- Total operating budget for the Agency has increased from \$264.7 million to \$266.9 million.
- Total capital budget for the Agency has increased from \$256.8 million to \$257.3 million.
- Personnel Complement remains unchanged.
- No policy changes are reflected in the budget amendment.

- **Multifamily Bond Funds:** Accumulated savings in the Multifamily Bond Fund is \$94,595. The projected draw of \$1,623,898 will be reduced by this amount and the savings will be used towards FY'19 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,529,303.
- **Single Family Bond Funds:** Accumulated savings in the Single Family Bond Fund is \$102,031. The projected draw of \$1,549,858 will be reduced by this amount and the savings will be used towards FY'18 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,447,827.
- **Opportunity Housing Fund:**
 - **Property Transitions:** MHLP IX-Pond Ridge LP, MHLP IX-MPDU LP, and MHLP X-MPDU LP are no longer included in the tax credit budgets. Following the expiration of their 15-year compliance periods, the limited partners assigned their interest in the partnerships to HOC and no longer have an ownership interest in the partnership. Therefore, HOC is able to operate the properties on a fiscal year basis. This budget amendment reflects the period of September 1, 2018, through June 30, 2018 for each property. Income in the Opportunity Housing fund will increase by \$2,286,462 and expenses will increase by \$2,071,991 resulting in an increase in net cash flow of \$214,471. The following chart depicts the overall impact of this amendment:

FY'19 First Quarter Budget Amendment				
	MHLP IX Pond Ridge	MHLP IX MPDU	MHLP X MPDU	Total
Total Revenue	\$443,246	\$928,446	\$914,770	\$2,286,462
Gross Rents	\$454,640	\$940,811	\$945,114	
Vacancy Loss	(\$16,084)	(\$25,596)	(\$42,586)	
Other Revenue	\$4,690	\$13,231	\$12,242	
Total Operating Expenses	\$214,927	\$476,579	\$459,002	\$1,150,508
Administrative	\$67,811	\$201,206	\$230,855	
Tenant Services	\$7,910	\$19,476	\$19,472	
Maintenance	\$94,433	\$147,748	\$143,327	
Other	\$44,773	\$108,149	\$65,348	
Net Operating Income	\$228,319	\$451,867	\$455,768	\$1,135,954
Annual RfR Contribution	\$18,473	\$25,338	\$53,388	
Annual Debt Service	\$202,200	\$366,889	\$255,195	
Total Non-Operating Expenses	\$220,673	\$392,227	\$308,583	\$921,483
Cash Flow / (Deficit)	\$7,646	\$59,640	\$147,185	\$214,471
Capital	\$42,325	\$50,310	\$69,080	\$161,715

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

- **Capital Improvements:**

- **Capital Roll Over for Information Technologies (General Fund):** All planned capital expenses for Information Technologies (IT) were not completed in FY'18. Therefore, staff requests that \$250,000 be rolled forward and included in the FY'19 Budget.
- **Capital Roll Over for Opportunity Housing Fund Properties:** Each year, Property Management reviews capital budgets at year end and requests capital funds to roll forward to the next year. This is necessary as there are always capital projects that have not been completed by year end. This year, Property Management has requested that \$101,217 for one property be rolled forward and included in the FY'19 Budget. This work will be funded from property replacement reserves.
 - The Oaks at Four Corners - \$101,217
- **Property Transitions:** MHLP IX-Pond Ridge LP, MHLP IX-MPDU LP, and MHLP X-MPDU LP are no longer included in the tax credit budgets. Therefore, HOC is able to operate the properties on a fiscal year basis. This budget amendment reflects the proposed capital budgets for the period of September 1, 2018 through June 30, 2019 for each property.
 - MHLP IX-Pond Ridge - \$42,325
 - MHLP IX-MPDU - \$50,310
 - MHLP X-MPDU - \$69,080

BUDGET IMPACT:

The net effect of the FY'19 First Quarter Budget Amendment is a surplus of \$118,694. The FY'19 Adopted Budget that was approved June 6, 2018 included a contribution of \$1,111,569 to the General Fund Operating Reserve (GFOR) for future operation needs. Staff recommends that the anticipated contribution be increased by \$118,694 to \$1,230,263 in order to maintain a balanced budget.

The total FY'19 Operating Budget for HOC increased from \$264,704,441 to \$266,895,126. This is an increase of \$2,190,685. The total FY'19 Capital Budget for HOC has increased from \$256,827,612 to \$257,340,544. This is an increase of \$512,932. Approval by the Commission of any budget amendments will revise the FY'19 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the FY'19 First Quarter Budget Amendment at the December 12, 2018 meeting. Action is requested at the January 9, 2019 Commission meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission approval of the proposed FY'19 First Quarter Budget Amendment.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") adopted a budget for FY'19 on June 6, 2018;

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

WHEREAS, the net effect of the FY'19 First Quarter Budget Amendment is a surplus of \$118,694, which will increase the anticipated contribution to the General Fund Operating Reserve (GFOR) of \$1,111,569 by \$118,694 to \$1,230,263 in order to maintain a balanced budget;

WHEREAS, the total FY'19 Operating Budget increased from \$264,704,441 to \$266,895,126;

WHEREAS, the total FY'19 Capital Budget increased from \$256,827,612 to \$257,340,544;
and

WHEREAS, approval of the budget amendments to revise the FY'19 budget will reflect an accurate plan for the use of the Commission's resources for the remainder of FY'19.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'19 Operating Budget by increasing total revenues and expenses for the Commission from \$264,704,441 to \$266,895,126.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY'19 Capital Budget by increasing revenues and expenses for the Commission from \$256,827,612 million to \$257,340,544.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 9, 2019.

Patrice Birdsong
Special Assistant to the Commission

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FY'19 Operating Budget First Quarter Amendment				Adopted Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	First Quarter Budget Amendment
General Fund									
	General Fund	\$24,174,507	\$25,377,074	(\$1,202,567)	(\$95,777)	\$0	\$24,078,730	\$25,377,074	(\$1,298,344)
	Restrict to GFOR	\$0	\$1,111,569	(\$1,111,569)	\$0	\$118,694	\$0	\$1,230,263	(\$1,230,263)
	Restrict to OHPR			\$0	\$0	\$0			\$0
	Restrict to OPEB Reserve			\$0	\$0	\$0			\$0
Multifamily & Single Family Bond Funds									
	Multifamily Fund	\$17,012,281	\$17,012,281	\$0	\$0	\$0	\$17,012,281	\$17,012,281	\$0
	Single Family Fund	\$10,433,576	\$10,433,576	\$0	\$0	\$0	\$10,433,576	\$10,433,576	\$0
Opportunity Housing Fund									
	Opportunity Housing & Dev Corps	\$90,060,812	\$87,840,094	\$2,220,718	\$2,286,462	\$2,071,991	\$92,347,274	\$89,912,085	\$2,435,189
	Draw from GFOR for MetroPointe Deficit	\$93,418	\$0	\$93,418	\$0	\$0	\$93,418	\$0	\$93,418
	Opportunity Housing Reserve Fund	\$4,701,932	\$1,446,822	\$3,255,110	\$0	\$0	\$4,701,932	\$1,446,822	\$3,255,110
	Restricted to OHRF	\$0	\$3,255,110	(\$3,255,110)	\$0	\$0	\$0	\$3,255,110	(\$3,255,110)
Public Fund									
	Public Housing Rental	\$1,167,064	\$1,442,064	(\$275,000)	\$0	\$0	\$1,167,064	\$1,442,064	(\$275,000)
	County Contributions towards Public Housing	\$275,000	\$0	\$275,000	\$0	\$0	\$275,000	\$0	\$275,000
	Housing Choice Voucher Program	\$98,902,576	\$99,535,366	(\$632,790)	\$0	\$0	\$98,902,576	\$99,535,366	(\$632,790)
	County Contributions towards HCVP Administration	\$632,790	\$0	\$632,790	\$0	\$0	\$632,790	\$0	\$632,790
	Federal , State and Other County Grants	\$17,250,485	\$17,250,485	\$0	\$0	\$0	\$17,250,485	\$17,250,485	\$0
TOTAL - ALL FUNDS		\$264,704,441	\$264,704,441	\$0	\$2,190,685	\$2,190,685	\$266,895,126	\$266,895,126	\$0

Footnotes - explanation of changes recommended to adopted

GF R (\$95,777) Remove Grount Rent
GF E \$118,694 Increase FY'19 GFOR Contribution

MF R (\$94,595) Reduce Multifamily Bond Fund draw by FY'18 accumulated savings
MF R \$94,595 Add carryover of cumulative savings

SF R (\$102,031) Reduce Single Family Bond Fund draw by FY'18 accumulated savings
SF R \$102,031 Add carryover of cumulative savings

OH R \$443,246 Add Budget for MHLP IX-Pond Ridge
OH R \$928,446 Add Budget for MHLP IX-MPDU
OH R \$914,770 Add Budget for MHLP X-MPDU
\$2,286,462 **Total Change to OH Fund**

OH E \$435,600 Add Budget for MHLP IX-Pond Ridge
OH E \$868,806 Add Budget for MHLP IX-MPDU
OH E \$767,585 Add Budget for MHLP X-MPDU
\$2,071,991 **Total Change to OH Fund**

FY'19 Capital Budget 1st Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes to Revenue	Net Changes to Expenses	Revenues	Expenses	1st Quarter Amendment
Capital Improvements									
	East Deer Park	\$225,000	\$225,000	\$0	\$0	\$0	\$225,000	\$225,000	\$0
	Kensington Office	\$445,000	\$445,000	\$0	\$0	\$0	\$445,000	\$445,000	\$0
	Information Technology	\$1,348,000	\$1,348,000	\$0	\$250,000	\$250,000	\$1,598,000	\$1,598,000	\$0
	Opportunity Housing Properties	\$5,068,471	\$5,068,471	\$0	\$262,932	\$262,932	\$5,331,403	\$5,331,403	\$0
		\$7,086,471	\$7,086,471	\$0	\$512,932	\$512,932	\$7,599,403	\$7,599,403	\$0
Capital Development Projects									
	900 Thayer	\$25,527,587	\$25,527,587	\$0	\$0	\$0	\$25,527,587	\$25,527,587	\$0
	Alexander House	\$12,827,761	\$12,827,761	\$0	\$0	\$0	\$12,827,761	\$12,827,761	\$0
	Arcola Towers	\$366,607	\$366,607	\$0	\$0	\$0	\$366,607	\$366,607	\$0
	Bauer Park	\$34,071,079	\$34,071,079	\$0	\$0	\$0	\$34,071,079	\$34,071,079	\$0
	Deeply Affordable Units	\$1,250,000	\$1,250,000	\$0	\$0	\$0	\$1,250,000	\$1,250,000	\$0
	Elizabeth House III	\$33,525,361	\$33,525,361	\$0	\$0	\$0	\$33,525,361	\$33,525,361	\$0
	Georgian Court	\$30,343,287	\$30,343,287	\$0	\$0	\$0	\$30,343,287	\$30,343,287	\$0
	Greenhills	\$3,646,853	\$3,646,853	\$0	\$0	\$0	\$3,646,853	\$3,646,853	\$0
	The Lindley (CCL)	\$30,854,801	\$30,854,801	\$0	\$0	\$0	\$30,854,801	\$30,854,801	\$0
	Shady Grove	\$34,007,448	\$34,007,448	\$0	\$0	\$0	\$34,007,448	\$34,007,448	\$0
	Stewartown	\$20,522,577	\$20,522,577	\$0	\$0	\$0	\$20,522,577	\$20,522,577	\$0
	Upton II	\$22,211,375	\$22,211,375	\$0	\$0	\$0	\$22,211,375	\$22,211,375	\$0
	Waverly House	\$586,405	\$586,405	\$0	\$0	\$0	\$586,405	\$586,405	\$0
		\$249,741,141	\$249,741,141	\$0	\$0	\$0	\$249,741,141	\$249,741,141	\$0
TOTAL - ALL FUNDS		\$256,827,612	\$256,827,612	\$0	\$512,932	\$512,932	\$257,340,544	\$257,340,544	\$0

Footnotes - explanation of changes

GF-IT R	\$250,000	Roll forward IT FY'18 Capital
GF-IT E	\$250,000	Roll forward IT FY'18 Capital
OH R	\$101,217	Roll forward The oaks at Four Corners FY'18 Capital - (Waterproofing, HVAC units, Siding)
OH E	\$101,217	Roll forward The oaks at Four Corners FY'18 Capital - (Waterproofing, HVAC units, Siding)
OH R	\$42,325	Add Budget for MHLP IX-Pond Ridge
OH R	\$50,310	Add Budget for MHLP IX-MPDU
OH R	\$69,080	Add Budget for MHLP X-MPDU
	\$161,715	Total Change to OH Fund
OH E	\$42,325	Add Budget for MHLP IX-Pond Ridge
OH E	\$50,310	Add Budget for MHLP IX-MPDU
OH E	\$69,080	Add Budget for MHLP X-MPDU
	\$161,715	Total Change to OH Fund

APPROVAL OF THE CY'18 THIRD QUARTER BUDGET AMENDMENT

January 9, 2019

- Following the expiration of the 15-year compliance periods for MHLP IX-Pond Ridge LP, MHLP IX-MPDU LP, and MHLP X-MPDU LP, the limited partners assigned their interest in the partnerships to HOC. Therefore, HOC is able to operate the properties on a fiscal year basis.
- This budget amendment removes the period of September 1, 2018 through December 31, 2018 for each property from the CY'18 budget.

CY'18 Third Quarter Budget Amendment

	Pond Ridge	MHLP IX	MHLP X
Total Revenue	(\$175,740)	(\$363,772)	(\$358,333)
Total Operating Expenses	(\$131,507)	(\$321,006)	(\$239,884)
Net Operating Income	(\$44,233)	(\$42,766)	(\$118,449)
Annual RfR Contribution	(\$10,473)	(\$10,144)	(\$41,892)
Annual Debt Service	(\$80,918)	(\$146,867)	(\$102,192)
Total Non-Operating Expenses .	(\$91,391)	(\$157,011)	(\$144,084)
Cash Flow	\$47,158	\$114,245	\$25,635
Capital	(\$8,625)	(\$16,350)	(\$9,500)

BUDGET IMPACT:

Approval by the Commission will amend the CY'18 operating budgets for MHLP IX-Pond Ridge LP, MHLP IX-MPDU LP, and MHLP X-MPDU LP.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the CY'18 Third Quarter Budget Amendment at the December 12, 2018 meeting. Commission action is required at the January 9, 2019 meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission approval of the proposed CY'18 Third Quarter Budget Amendment for MHLP IX-Pond Ridge LP, MHLP IX-MPDU LP, and MHLP X MPDU LP.

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner in MHLP IX-Pond Ridge, LP; MHLP IX-MPDU LP, and MHLP X-MPDU LP (the “Partnerships”);

WHEREAS, the limited partners of the Partnerships assigned their interests in the Partnerships to HOC following the expiration of their 15-year compliance periods, and no longer have any ownership interests in the Partnerships; and

WHEREAS, after the limited partners transferred their respective interests in the Partnerships to HOC, HOC is now able to operate the properties on a fiscal year basis; and

WHEREAS, the Commission desires to amend the CY'18 budget to remove the period of September 1, 2018 through December 31, 2018 for the Partnerships;

WHEREAS, the Budget, Finance and Audit Committee reviewed this budget amendment on December 12, 2018.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of MHLP IX-Pond Ridge, LP, as its general partner, that it hereby approves amending the CY'18 Budget to remove the period of September 1, 2018 through December 31, 2018.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of MHLP IX-MPDU LP, as its general partner, that it hereby approves amending the CY'18 Budget to remove the period of September 1, 2018 through December 31, 2018.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of MHLP X-MPDU LP, as its general partner, that it hereby approves amending the CY'18 Budget to remove the period of September 1, 2018 through December 31, 2018.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 9, 2019.

Patrice Birdsong
Special Assistant to the Commission

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**AUTHORIZATION TO WRITE OFF BAD DEBT
RELATED TO TENANT ACCOUNTS RECEIVABLE
(JULY 1, 2018 – SEPTEMBER 30, 2018)**

January 9, 2019

- The BF&A Committee requested that the Finance Department present quarterly write-offs so that more timely information would be available.
- HOC's current policy is to provide for an allowance for any tenant accounts receivable balance in excess of 90 days. In addition, HOC periodically proposes the write-off of uncollected former resident balances.
- The quarter ending September 30, 2018 proposed a write-off of bad debt balances from former tenants totaling \$248,659 and covers the period of July 1, 2018, through September 30, 2018.
- The combined recommended write-off of \$248,659 consists of \$201,012 from Opportunity Housing properties, \$34,853 from RAD 6 properties, \$11,669 from Supportive Housing and \$1,124 from Public Housing properties. On the property level, past tenants at VPC One Corporation and VPC Two Corporation accounted for the bulk of the write-off. Some of these tenants tried to get assistance to stay in their units but eventually vacated their units voluntarily or were evicted for non-payment of rent.

- The next anticipated write-off of former tenants' bad debt balance will be for the period covered October 1, 2018, through December 31, 2018, and will be performed in the third quarter of FY'19.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
 Eugenia Pascual Finance Ext. 9478
 Nilou Razeghi Finance Ext. 9494
 Shauna Sorrells Property Management Ext. 9461

RE: Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable
(July 1, 2018 – September 30, 2018)

DATE: December 12, 2018

STATUS: Committee Report: Deliberation X

OVERALL GOAL & OBJECTIVE:

To approve the authorization to write-off bad debt related to tenant accounts receivable.

BACKGROUND:

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

Also, HOC has a rent collections firm, Rent Collect Global (RCG), under contract. All delinquent balances of \$200.00 or more are submitted to RCG for further pursuit. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a security bond, at a much lower rate, from the firm SureDeposit, Inc. instead of paying a traditional security deposit to the Agency. Moreover, the full value of the Surety Bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC’s collection efforts and the services of RCG and SureDeposit, HOC makes every effort to pursue all tenant debts.

The last approved write-off on September 18, 2018, was for \$75,458 which covered the three-month period from April 1, 2018 through June 30, 2018.

The proposed write-off of former tenant accounts receivable balances for the first quarter of 2019, July 1, 2018 through September 30, 2018, is \$248,659.

The increase in the first quarter write-off totaling \$248,659 is primarily due to an increase in the Opportunity Housing properties (VPC One Corp) and RAD 6 properties. The primary reason for the write-offs include tenants who were evicted for non-payment and tenants who voluntarily left their units for various reasons.

The following table shows the write-offs by fund:

Property Type	Current	Prior	\$ Change	% Change
	Write-offs	Write-offs		
	<u>07/01/18 - 09/30/18</u>	<u>04/01/18 - 06/30/18</u>	<u>04/01/18 - 06/30/18</u>	<u>04/01/18 - 06/30/18</u>
Public Housing	\$1,124	\$16,114	(\$14,990)	-93%
Opportunity Housing	\$201,012	\$56,674	\$144,338	255%
236 Properties	\$0	\$1,645	(\$1,645)	-100%
Supportive Housing	\$11,669	\$959	\$10,710	1117%
RAD6	\$34,853	\$66	\$34,787	52708%
	<u>\$248,659</u>	<u>\$75,458</u>	<u>\$173,201</u>	<u>230%</u>
Quarter total annualized	\$994,636	\$301,831	\$692,805	230%

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

	Current	Prior	\$ Change	% Change
	Write-offs	Write-offs		
	<u>07/01/18 - 09/30/18</u>	<u>04/01/18 - 06/30/18</u>	<u>04/01/18 - 06/30/18</u>	<u>04/01/18 - 06/30/18</u>
Public Fund				-
Former PH Tenants	\$1,124	\$16,114	(\$14,990)	-93%
Total Public Fund	<u>\$1,124</u>	<u>\$16,114</u>	<u>(\$14,990)</u>	<u>-93%</u>

Within the Public Housing properties, the \$1,124 write-off amount is attributable to former Public Housing tenants that have left the HOC programs entirely. The write-offs for Public Housing should continue to decrease as most tenants have transitioned to other programs through the RAD conversion.

	Current	Prior	\$ Change	% Change
	Write-offs	Write-offs		
	<u>07/01/18 - 09/30/18</u>	<u>04/01/18 - 06/30/18</u>		
Opportunity Housing (OH) Fund				
Avondale	\$24	\$0	\$24	100%
Holiday Park	\$3,775	\$0	\$3,775	100%
McHome	\$0	\$1,401	(\$1,401)	-100%
MHLP VII	\$0	\$8	(\$8)	-100%
MHLP IX - MPDU	\$5,818	\$0	\$5,818	100%
Scattered Site One Dev Corp	\$5,661	\$0	\$5,661	100%
State Rental Partnership Combined	\$8,078	\$0	\$8,078	100%
VPC One Corp	\$130,182	\$9,782	\$120,400	1231%
VPC Two Corp	\$47,473	\$45,483	\$1,990	4%
Total OH Fund	\$201,012	\$56,674	\$144,338	255%

Within the Opportunity Housing portfolio, the \$201,012 write-off amount is primarily due to VPC One and VPC Two Corporations. Several tenants attempted to receive assistance to remain in their units. Ultimately however, these tenants voluntarily vacated their units or were evicted due to non-payment of rents.

	Current	Prior	\$ Change	% Change
	Write-offs	Write-offs		
	<u>04/01/18 - 06/30/18</u>	<u>04/01/18 - 06/30/18</u>		
236 Properties				
Town Center Apts	\$ -	\$ 1,645	(\$1,645)	-100%
Total 236 Properties	\$ -	\$ 1,645	(\$1,645)	-100%

Within the 236 Properties, there were no write-offs in the first quarter of FY 2019.

	Current	Prior	\$ Change	% Change
	Write-offs	Write-offs		
	<u>07/01/18 - 09/30/18</u>	<u>04/01/18 - 06/30/18</u>		
Supportive Housing				
McKinney X - HUD	\$9,184	\$279	\$8,905	3192%
McKinney X - Program Revenue	\$0	\$680	(\$680)	-100%
McKinney XII - HUD	\$2,485	\$0	\$2,485	100%
Total Supportive Housing	\$11,669	\$959	\$10,710	1117%

Within the Supportive Housing Program, the write-offs amounts were due to failure to report income, and tenants transferring to nursing homes.

	Current	Prior		
	Write-offs	Write-offs	\$ Change	% Change
	<u>07/01/18 - 09/30/18</u>	<u>04/01/18 - 06/30/18</u>	<u>04/01/18 - 06/30/18</u>	<u>04/01/18 - 06/30/18</u>
RAD Properties				
RAD 6 - Ken Gar	\$10,000	\$0	\$10,000	100%
RAD 6 - Seneca Ridge	\$24,785	\$0	\$24,785	100%
Waverly House RAD LP	\$68	\$0	\$68	100%
RAD 6 - Washington Square	\$0	\$66	(\$66)	-100%
Total RAD Properties	\$34,853	\$66	\$34,787	52708%

With the RAD properties, the \$34,853 write-off was due to evictions for non-payment of rent. Several attempts were made to provide assistance to these tenants through Resident Services Division but they were ultimately forced to vacate the units.

The next anticipated write-off will be for the second quarter of FY'19, covering Oct 1, 2018, through December 31, 2018. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the debt database.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the write-off of bad debt related to tenant accounts receivable?

BUDGET IMPACT:

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

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the Write-off of Bad Debt at the December 12, 2018 meeting. Action is requested at the January 9, 2019 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommend to the full Commission the authorization to write-off bad debt related to tenant accounts receivable.

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

WHEREAS, staff periodically proposes the write-off of uncollected former tenant balances which updates the financial records to accurately reflect the receivables and the potential for collection; and

WHEREAS, the proposed write-off of former tenant accounts receivable balances for the period July 1, 2018 through September 30, 2018 is \$248,659, consisting of \$201,012 from Opportunity Housing properties, \$34,853 from RAD 6 properties, \$11,669 from Supportive Housing properties, and 1,124 from Public Housing properties.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes and directs the Executive Director, without further action on its part, to take any and all actions necessary and proper to write off \$248,659 in bad debt related to (i) tenant accounts receivable balances that are delinquent for more than ninety (90) days, and (ii) former tenant balances, including the execution of any and all documents related thereto.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on Wednesday, January 9, 2019.

Patrice M. Birdsong
Special Assistant to the Commission

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**APPROVAL TO RENEW FOR TWELVE MONTHS THE PROPERTY
MANAGEMENT CONTRACT FOR
SHADY GROVE APARTMENTS AND THE WILLOWS AND NINE
MONTHS FOR STRATHMORE COURT APARTMENTS
(STRATHMORE COURT AT WHITE FLINT AND STRATHMORE
COURT ASSOCIATED LP)**

January 09, 2019

- Shady Grove Apartments is a low income community located in Gaithersburg that is owned by HOC and Shady Grove Apartments of Gaithersburg Limited Partnership. The Willows is a low-income community located in Gaithersburg that is owned by HOC and The Willows of Gaithersburg Limited Partnership. Strathmore Court Apartments (Strathmore Court at White Flint and Strathmore Court Associates LP) is a mid-rise mixed-income community located in North Bethesda, MD that is owned by Strathmore Court Apartments (Strathmore Court at White Flint and Strathmore Court Associates LP).
- Staff recommends that Shady Grove Apartments and The Willows authorize a twelve-month extension of the management contract with Edgewood Management for property management services at Shady Grove Apartments and The Willows.
- Staff recommends that Strathmore Court Apartments (Strathmore Court at White Flint and Strathmore Court Associates LP) authorize a renewal of the management contract for nine months with Bozzuto Management Corporation for property management services at Strathmore Court Apartments (Strathmore Court at White Flint and Strathmore Court Associates LP).

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval to Renew for One Year Property Management Contracts at the following properties: The Willows and Shady Grove Apartments

Approval to Renew for Nine Months Property Management Contracts at the following property: Strathmore Court Apartments (Strathmore Court at White Flint and Strathmore Court Associates LP)

DATE: January 9, 2019

STATUS: Consent [] Committee [X] Future Action []

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew property management’s annual contract for property management services at three third party managed properties.

BACKGROUND:

In January 2019, HOC has property management contracts expiring at three third party managed properties.

The following table details the property information, including number of units, current property management company, annual contract cost, current contract end date and request for extension.

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date*	Proposed Renewal Start Date	Contract Terms*
The Willows	195	EMC	\$108,984 plus CPI	1/15/2019	1/16/2019	2Yrs/3 One Yr Renewals
Shady Grove Apartments	144	EMC	\$65,664 plus CPI	1/15/2019	1/16/2019	2Yrs/3 One Yr Renewals
Strathmore Court at White Flint	151	Bozutto	\$121,947.60	10/31/2018	2/1/2019	2Yrs/3 One Yr Renewals
Strathmore Court Associates LP	51	Bozutto	\$41,187.60	10/31/2018	2/1/2019	2Yrs/3 One Yr Renewals

* Indicates the end of the original two year agreement and start of the one year renewal options.

Due to data entry errors in Yardi, the property management contracts at Strathmore Court Apartments (Strathmore Court at White Flint and Strathmore Court Associates LP) (the “Strathmore Contracts”) lapsed as of November 1, 2018. Bozzuto confirmed that its staff was operating the properties pursuant to the contracts on a month-to-month basis. In order to correct the oversight, staff entered into an emergency change order with Bozzuto in which the Strathmore contract terms were extended from October 31, 2018 to January 31, 2019.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute a nine-month renewal of the management contract with Bozzuto Management for property management services at Strathmore Court?

Does the Commission wish to authorize the Executive Director to execute a twelve-month renewal of the management contract with Edgewood Management for The Willows and Shady Grove Apartments?

BUDGET IMPACT:

The renewal of the property management contracts for two, third party managed properties for twelve-months and one property management contract for nine months will not have a budget impact as the costs associated with the services were factored into the FY19 and CY19 HOC budgets.

TIME FRAME:

For Commission action at the January 9, 2019 meeting.

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 to execute a nine-month renewal of the management contract with Bozzuto Management for property management services at Strathmore Court.

Staff recommends that the Commission accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director to execute a twelve-month renewal of the management contract with Edgewood Management for property management services at The Willows and Shady Grove Apartments.

RESOLUTION NO.: 19-06

RE: Approval to Renew for One Year
Property Management Contracts at
the Following Properties: Strathmore Court
Apartments (Strathmore Court at White Flint and
Strathmore Court Associates LP), The Willows,
and Shady Grove Apartments

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of Strathmore Court Associates Limited Partnership (“Strathmore LP”), and Strathmore LP owns 51 tax credit units in the development known as Strathmore Court Apartments (“Strathmore Court”);

WHEREAS, HOC is owner of Strathmore Court at White Flint (“Strathmore at White Flint”), and Strathmore at White Flint owns 151 market rate units in Strathmore Court; and

WHEREAS, HOC is the general partner of The Willows of Gaithersburg Associates Limited Partnership (“The Willows LP”), and The Willows LP owns the development known as The Willows (“The Willows”);

WHEREAS, HOC is the general partner of Shady Grove Apartments Limited Partnership (“Shady Grove LP”), and Shady Grove LP owns the development known as Shady Grove Apartments (“Shady Grove”);

WHEREAS, staff desires to renew the current property management contracts at Strathmore Court for nine months, with a contract end date of October 31, 2019; and

WHEREAS, staff desires to renew the current property management contracts at The Willows and Shady Grove for one year.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself on behalf of Strathmore Court Associates Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a nine-month renewal of the property management contract at Strathmore Court, with a contract end date of October 31, 2019.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Strathmore Court at White Flint, that the Executive Director is hereby authorized and directed to execute a nine-month renewal of the property management contract at Strathmore Court, with a contract end date of October 31, 2019.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of The Willows of Gaithersburg Associates Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one-year renewal of the property management contract at The Willows.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Shady Grove Apartments Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one-year renewal of the property management contract at Shady Grove.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

**APPROVAL TO SUBMIT FFY 2019
PUBLIC HOUSING OPERATING SUBSIDY CALCULATIONS TO
HUD FOR THE PERIOD JANUARY 1, 2019
THROUGH DECEMBER 31, 2019**

January 9, 2019

- HOC is required by the Department of Housing and Urban Development (HUD) to submit a calculation of its Public Housing Operating Subsidy for each Asset Management Project (AMP) for the period January 1, 2019 through December 31, 2019.

- The submission is due to HUD on March 3, 2019.

- The Budget Finance, and Audit Committee recommends that the Commission authorize the Executive Director to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2019 through December 31, 2019.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2019 through December 31, 2019?

BUDGET IMPACT:

At the current time, the budget impact is unknown. As a reminder, the calculations are formulaic based on historical data provided by both HUD and HOC. Once the final appropriation projections are received, staff will determine if a budget amendment is necessary.

TIME FRAME:

The deadline for submission of the FFY 2019 Public Housing Operating Subsidy Calculations is March 3, 2019. The FFY 2019 Public Housing Operating Subsidy Calculations was discussed with the Budget, Finance and Audit Committee at the December 12, 2018 meeting. Commission action is requested at the January 9, 2019 meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance & Audit Committee recommends that the Commission authorize the Executive Director Chair to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2019 through December 31, 2019.

Resolution No.: 19-07

Re: Approval to Submit FFY 2019
Public Housing Operating Subsidy
Calculations to HUD for the Period
January 1, 2019 through
December 31, 2019

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is required by the U.S. Department of Housing and Urban Development (“HUD”) to submit a calculation of its Public Housing Operating Subsidy for each Asset Management Project (AMP) for the period January 1, 2019 through December 31, 2019 no later than March 3, 2019; and

WHEREAS, as part of its submission, HOC must execute several forms, including Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level).

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized, without any further action on its part, to take any and all actions necessary and proper to submit staff’s calculations of the Public Housing Operating Subsidy for each Asset Management Project to HUD for the period January 1, 2019 through December 31, 2019, including executing Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level).

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, January 9, 2019.

Patrice Birdsong
Special Assistant to the Commission

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Development and Finance Committee

APPROVAL OF THE FINAL DEVELOPMENT PLAN FOR HOC AT THE UPTON II AND APPROVAL TO SELECT WELLS FARGO AS THE TAX CREDIT INVESTOR FOR HOC AT THE UPTON II



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
JAY SHEPHERD

January 9, 2019

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Executive Summary

- Upton II is entitled for the development of 400 apartments, retail, and public parking. HOC and Victory Housing, Inc. (“VHI”) will own and operate 150 of the 400 apartments in a single purpose entity known as HOC at The Upton II (“HOC Upton Development”). Construction permit drawings are complete and submitted to the City of Rockville with expected permit issuance in early 2019.
- The HOC Upton Development proposes to serve seniors across a wide income range through the implementation of the new income averaging component of the Low Income Housing Tax Credit (“LIHTC”) program. Income averaging will allow households with income from 40% up to 80% of the Washington DC Area Median Income (“AMI”) to enjoy rent protection without impairing the LIHTC equity for the development.
- The HOC Upton Development is an important element in HOC’s portfolio because its development will replace housing for the 112 seniors who currently reside in Town Center Apartments (“TCA”).
- HOC entered into a Letter of Intent with VHI on January 5, 2016, wherein the parties agreed that VHI would join HOC MM Upton II, LLC, owning 21%, and HOC would retain a controlling 79% interest; and
- On March 1, 2017, the Commission authorized the Executive Director to sign a letter of intent outlining the terms for HOC’s acquisition of to-be-built relocation housing for its Town Center Apartments at Duball MM, LLC’s Phase II of its Upton development (“Phase II”). As described, Duball MM, LLC (“Duball”) would act as master developer of Phase II and deliver to HOC a 150-unit, design-build senior housing condominium.



- On October 17, 2017, the Commission authorized the Executive Director to execute a development services agreement with Duball MM, LLC, execution of the Purchase and Sales Agreement for the Residential Condos at the Upton II by the Executive Director and approved \$1,155,198¹ to the predevelopment budget to be funded with a loan from the Opportunity Housing Reserve Fund (“OHRF”) to fund the remaining design and permitting costs for the Upton II.
- The projected Total Development Cost is \$49,508,570 to be funded with HOC-issued tax-exempt bonds/loan, LIHTC equity, subordinate financing from Montgomery County, deferred developer fee, and Developer loan.
- The HOC Upton Development will be owned by a 0.01% general partner comprised of HOC and Victory Housing, Inc. and a 99.99% investor limited partner.
- The HOC Upton Development has included design elements that are appropriate for the target population, 62 years and older. Though the basic floor layout was established before HOC was involved in the opportunity, Staff are able to refine appropriate level fixtures to meet & achieve design objectives for the target population.

¹ On October 3, 2018, the Commission approved an increase of \$300,000 in predevelopment funds, bringing the total to \$1,455,198 to be funded by the Real Estate Line of Credit (“RELOC”).

Project Summary

Project Name	Upton II	Units	150	Expected Closing Date	1 st Qtr 2019
Location	Rockville, MD	Average Unit Size (SF)	705 sq ft	Stabilization Date	March 2022
Product Type	Multi-Family Hi-Rise	Total Rentable Sq Ft	105,712 sq ft	Funding Strategy	4% LIHTC/ Bonds

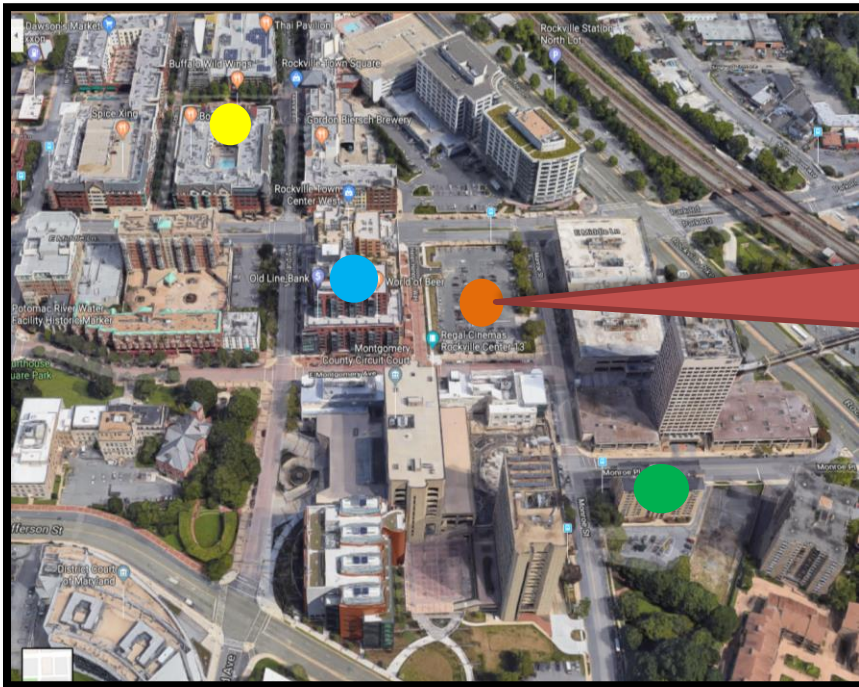
Development Plan

- The building design will mirror the existing standing Upton I. Upton I is similar in design in that it is split between two separate owner entities; one operated as a multifamily rental development and the other a hotel.
- The HOC Upton Development will be a rental development that serves seniors and the remaining units will be offered to market rate family renters and owned and operated separately by an affiliate of Duball, LLC.
- Final construction will include 400 units (150 HOC units), a multi-level parking garage, retail, fitness space, a pet spa, pool, and a clubroom.
- Due to the similar nature of the Upton I with the Upton II very few setbacks and delays are likely to occur during construction.
- Utilize income averaging for 135 units (90%) to increase the number of rent-restricted units available to those within the ranges of 40%-80% AMI, while keeping the average to 60% AMI or slightly lower.
- LIHTC equity (4% credits), a tax-exempt loan, HOC equity and deferred developer fees, and County loan funds will complete the financing of the development.



- Construction loan for a term of three years with two six-month extensions with expected execution of a forward starting swap hedge agreement with a counter party to manage interest rate risk.
- The HOC Upton Development and the seniors that will relocate from TCA will benefit from significant subsidy to be secured and made available to the development.
- The very low-income seniors are afforded the opportunity to remain in an urban location with which they are familiar, and housed in larger units, with no significant increase to their housing costs.

Property



- The Upton I at Rockville Town Center
- Town Center Apartments
- Upton II Location
- Rockville Town Square

- The property will be located at 198 East Montgomery Avenue in Rockville, Montgomery County, Maryland and will provide HOC with 107,920 SF of residential space. The site sits on the corner of the intersection of Monroe Street and E. Montgomery Avenue.
- HOC's 150-unit portion of the development will be contained within the first eight floors of the building along with the following amenities: First floor lobby, second floor leasing center and lounge, third floor clubroom and eighth floor fitness and yoga area.
- Not only is the walkability score of the proposed development extremely high (90 of out 100), but the residents will also be within a two minute walk of public transportation and there will be 20+ bike racks installed in the garage of the building.
- After construction, the building and housing units are expected to qualify under International Green Construction Code ("IGCC") guidelines. IGCC is comparable to Leadership in Energy and Environmental Design ("LEED") Silver status.

Residential Unit Mix

Units	AMI Target	Tenant Rent	Average Unit Size	Residential Units	Total SQFT	Gross Rent	Per SQFT	Utility Allowances	Effective Rent
1 BR (PBRA/PBV)	40%	30%	654	28	18,312	\$1,472	\$2.25	\$80	\$1,392
1 BR (RAP Units)	60%	30%	654	80	52,320	\$1,472	\$2.25	\$80	\$1,392
1 BR	MKT	MKT	654	15	9,810	\$1,800	\$2.75	\$0	\$1,800
1 BR + Den	80%	30%	812	13	10,556	\$1,759	\$2.17	\$80	\$1,679
2 BR	60%	30%	1051	4	4,204	\$1,582	\$1.51	\$106	\$1,476
2 BR	80%	30%	1051	10	10,510	\$2,110	\$2.01	\$106	\$2,004
			705	150	105,712	\$1,575	\$2.24	\$74	\$1,501

- A rent comparability study was conducted and concluded that the median gross rent for the zip code in which the HOC Upton Development is located is \$1,868, which is \$168 more than the proposed median rent at the development.
- HOC Upton Development will have at least seven Uniform Federal Accessibility Standards (“UFAS”) units which is sufficient to meet the threshold of total units necessary.

MARKET	% of MARKET	Average Rent
15	10.00%	\$1,800

AFF	% of AFF	Average Rent
135	90.00%	\$1,467

Public Purpose

- Delivering HOC Upton Development as a senior community would eliminate the need for any immediate redevelopment action for TCA, though staff continues to evaluate options for the site.
- Upon completion, the 112 residents currently residing in TCA will be promptly moved into HOC Upton Development and an extra 23 units will continue to aide with mission. By using income averaging, households with incomes between 40% and 80% of the AMI can be served with residents paying only 30% of their incomes toward rent. Prior to income averaging, only households with income below 60% of the AMI could be served under the LIHTC regime, excluding households who still need assistance.

Projected Construction Sources and Uses

Development Budget Highlights

Sources of Fund Construction	Amount	Per Unit
Tax-Exempt Bonds ⁽¹⁾	\$24,000,000	\$160,000
Housing Initiative Fund ⁽²⁾	\$5,000,000	\$33,333
LIHTC Equity ⁽³⁾	\$11,603,931	\$77,360
Deferred Developer's Fee ⁽⁴⁾	\$2,140,993	\$14,273
Developer Loan ⁽⁵⁾	\$5,919,996	\$39,467
Interim Income	\$1,124,624	\$7,498
Total Sources	\$49,508,570	\$330,057

Uses of Fund Construction	Amount	Per Unit
Hard Cost	\$28,862,743	\$192,418
Fees Related To Construction Costs	\$3,878,784	\$25,859
Acquisition Costs	\$6,242,753	\$41,618
Financing Fees and Charges	\$4,594,667	\$30,631
Developer's Fees	\$4,707,844	\$31,386
Syndication Related Costs	\$192,000	\$1,280
Guarantees and Reserves	\$1,029,779	\$6,865
Total Uses	\$49,508,570	\$330,057

Notes:

1. Permanent loan estimated at \$24 million funded from bond proceeds with mortgage insurance under FHA Risk Share program. It is anticipated that construction loan will be funded by a conventional bank to meet Duball's need of the market rate developer for a single construction lender. While, the permanent HOC Upton Development loan is expected to be funded with tax-exempt bond proceeds, if the Federal Financing Bank loan program is extended, staff would pursue a permanent loan via the program with FHA Risk Share mortgage insurance.
2. Housing Initiative Fund Conditional Commitment letter from Montgomery County Department of Housing and Community Affairs received on April 10, 2018 for \$5 million (extended through closing).
3. Estimated Low Income Housing Tax Credit \$11.6 million (based on \$1.01 per credit).
4. Deferred Fee is projected to be \$2.14 million.
5. Developer (HOC) Loan of \$5.92 million is projected to be funded by the Opportunity Housing Reserve Fund ("OHRF").
6. Though not part of the permanent financing source, it is anticipated that temporary funds up to \$12 million will be needed to bridge the receipt of the LIHTC equity.

Operating Proforma

Operating Proforma	CY 2021	Per Unit
Income	\$2,571,292	\$17,142
Expenses ⁽¹⁾	\$883,061	\$5,887
NOI (Net Operating Income)	\$1,688,231	\$11,255
Debt Service	\$1,468,027	\$9,787
Cash Flow	\$220,204	\$1,468
Debt Service Coverage Ratio Target	1.15	

⁽¹⁾ Includes \$75,000 (\$500 per unit annually) in Replacement Reserves.

Supportable Debt	
Interest Rate	4.37%
Spread/MIP and loan mgt. fee	0.63%
Basis Risk	0.50%
Debt Constant (k)	6.19%
All-in Rate	5.50%
Debt Service Coverage Ratio	1.15
NOI @ DSC	\$1,468,027
Supportable Debt Up To	\$24,000,000

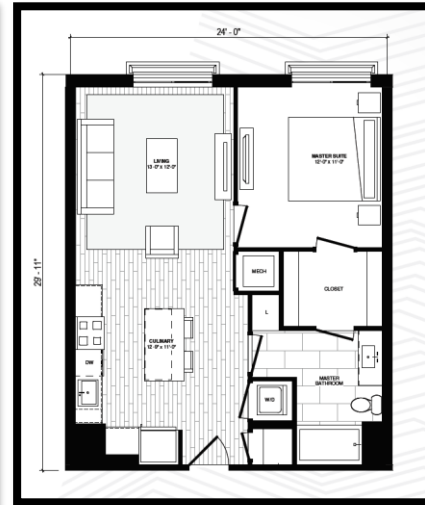
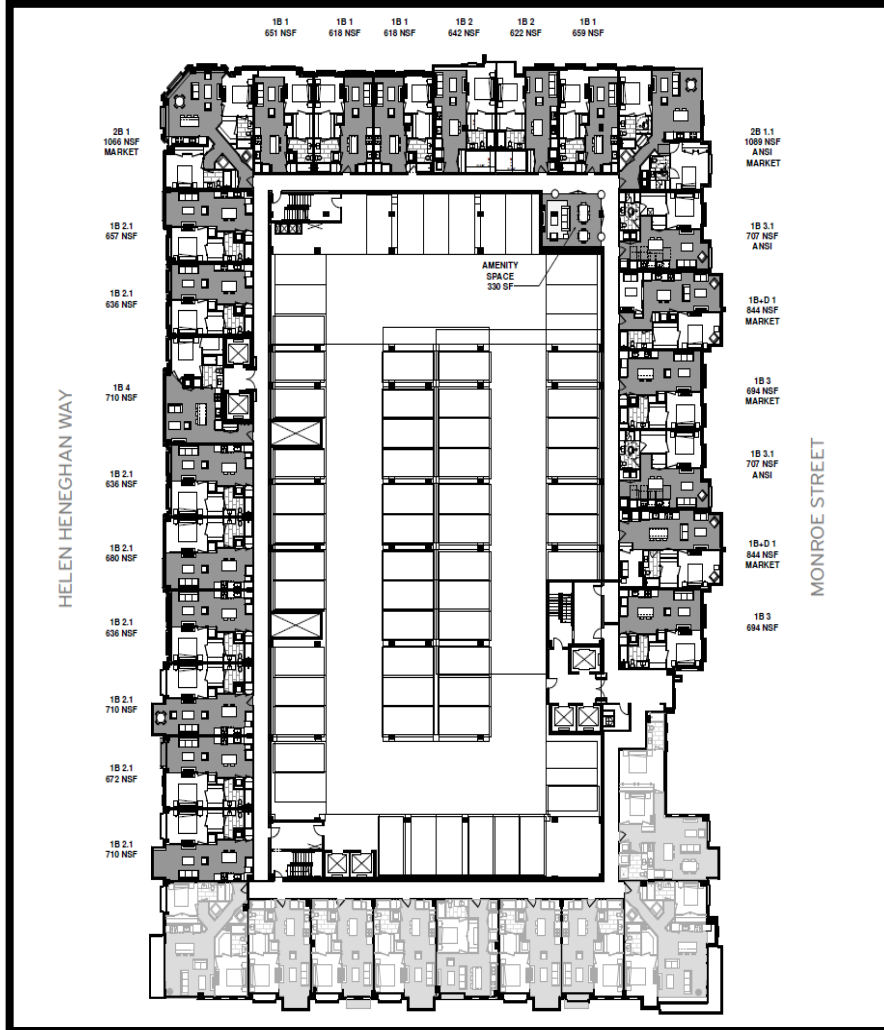
- The financing plan includes a 40-year mortgage insured under the FHA Risk Sharing Program.
- Occupancy projected at 95% and 93% for affordable and market rate units, respectively.
- Rent growth rates at 2% and 1.5% for market rate and affordable respectively, and expense growth rate at 3%.
- Total operating expenses are projected to be \$883,061 in CY 21 including funding of annual replacement reserves of \$300 per unit, per year and escalating at 3% annually.
- The projected net operating income (“NOI”) of \$1,688,231 in CY 2021 supports the permanent debt which is modelled at 4.37% plus 63 basis points for mortgage insurance premium (MIP) costs pursuant to the FHA Risk Sharing Mortgage Insurance Program (25BPS) and the HOC Loan Management Fee (38BPS).
- Reserves: Staff modeled the 20 year expected useful life of each component of the construction and determined the adequacy of the IDRR and ADRRs as referenced:
 - Initial Deposit to Replacement Reserves (IDRR): \$500 Per Unit
 - Annual Deposit Reserves for Replacement (ADRR): \$300 Per Unit

Unit Finishes

Unit Layout

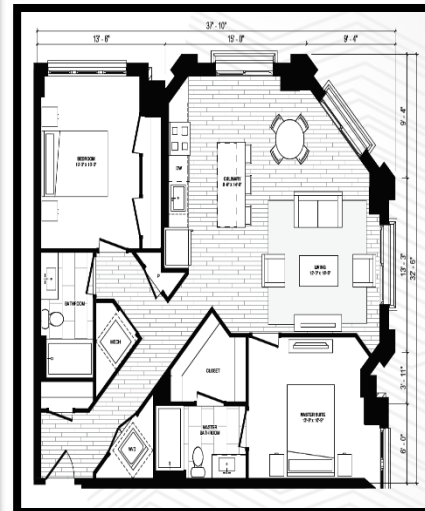
Typical Floor Plan

- Area of one city block
- 52,564 square feet floorplates on floor (1-9)
- Dimensions: 280 ft x 187 ft



Typical one bedroom layout

- 694 Square Feet



Typical Two Bedroom layout

- 1,066 Square Feet

Unit Finishes

Unit Kitchen Layout



- 24" built-in Energy-Star dishwasher in stainless steel finish.
- Garbage Waste disposer featuring ½ HP Grindpro motor.
- Solid wood face frames, shaker style kitchen cabinets by Wolf Cabinets featuring 5/8" plywood dovetail drawers, powder coated shelves and 6-way soft-close adjustable hinges.
- All unit have some type of Kitchen Pantry while two of the units have actual closets.
- HOC will be constructing a prototypical model unit in Town Center Apartments in 2019 for the residents to see and experience the proposed unit finishes. Final section of colors may change.

Unit kitchen design standards:

Safety, comfort, maneuverability, circulation, fully-market rate comparable finishes.

Additionally, residents with reasonable accommodations or physical limitations can reside in specially designed units meeting Uniform Federal Accessibility Standards (UFAS) guidelines, including a variety of enhancements to aid their physical limitation.

Based on feedback from the December 2018 Development and Finance Committee meeting, Staff are exploring other design options to further meet the needs of senior citizens.



Example of one bedroom apartment kitchen from Victory Crossing in North Silver Spring, MD. Final design layout in actual units may change. Shown are for illustration purposes only.

Unit Finishes

Unit Bedroom/Bathroom Design



Unit bathroom design standards:

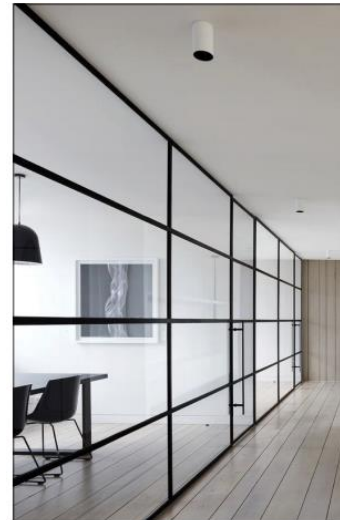
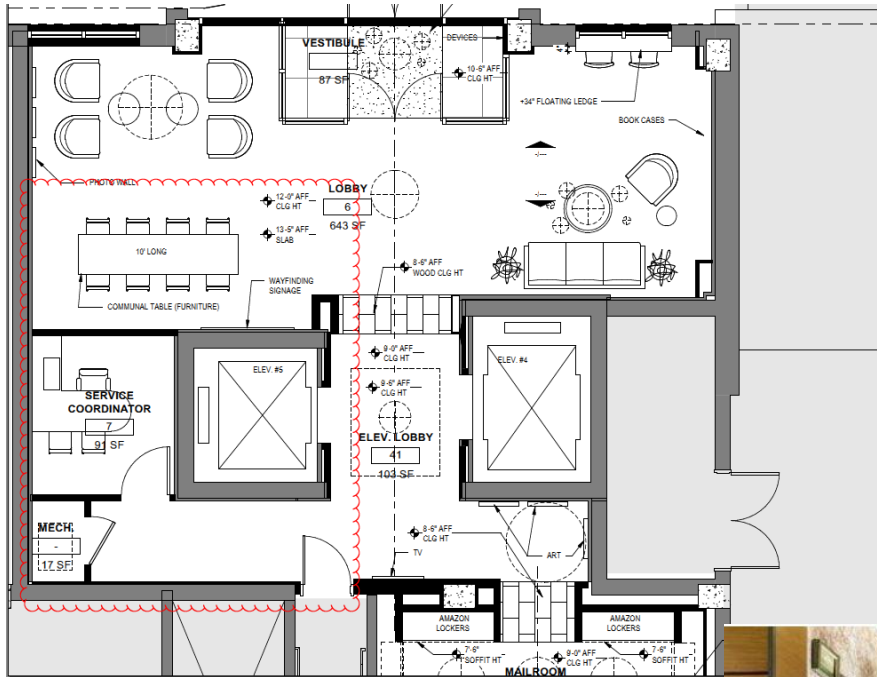
Safety, comfort, usability, maneuverability, fully-market rate comparable finishes.

Typical Bedroom Design



Actual photo of bedroom suite in an apartment from the Upton I in Rockville, MD.
Note: Final furniture selection in units will be based on tenant preferences. Shown are for illustration purposes only.

First Floor Amenities – Concept of Lobby



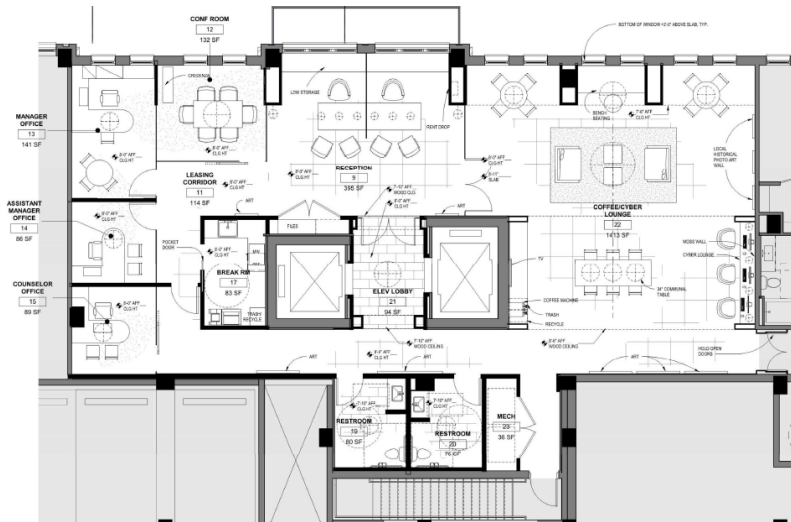
Glass door + wall system concept



- Staff met with Hartmann Design Group, Inc. (the “Interior Designer”) and was provided with the following concepts to show design intention.
- Additional feedback from staff occurred on October 6, 2018.
- Concepts and photos are updated to incorporate more senior-friendly furnishings.
- Staff will continue to engage with the designer to achieve optimal interior design elements that meet the needs of seniors.



Second Floor Amenities – Concept of Leasing and Lounge



The designed space is programmed for a variety of functional and recreational uses including:

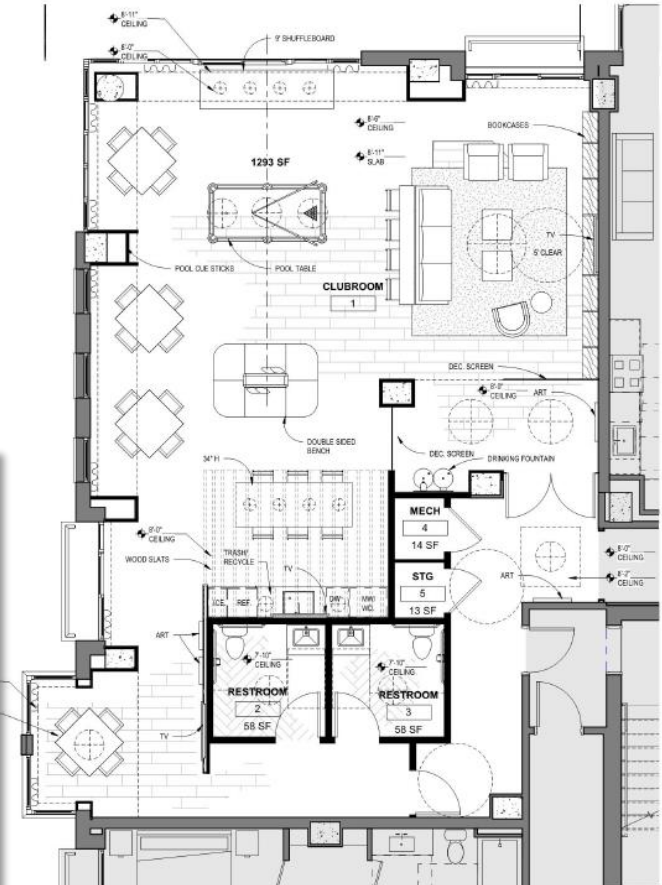
- Leasing & onsite counselor
- Manager’s office
- Café and Lounge
- Accommodating both large and small functions
- Bathrooms and mechanical rooms

Design updates by the Interior Designer incorporate staff’s recommendations to use bright colors and more efficient natural lighting or lighting fixture usage.



Leasing reception concept

Third Floor Amenities – Concept of Clubroom



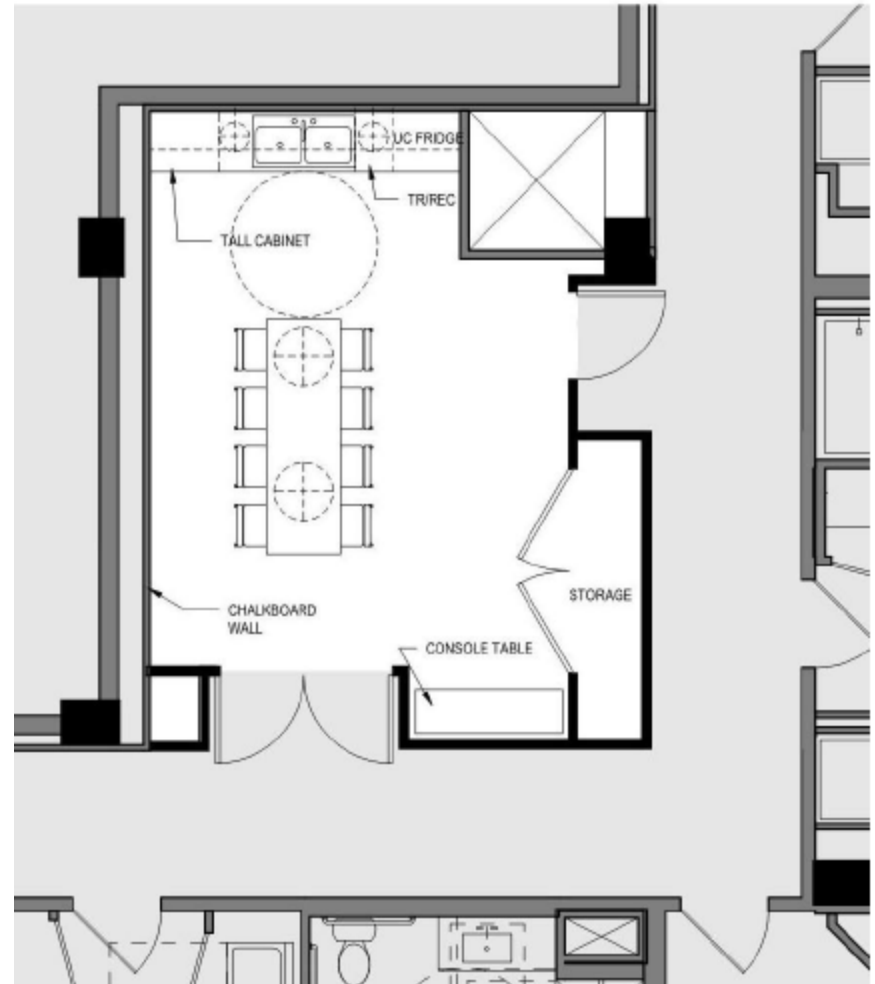
- The Third Floor Clubroom provides residents with a variety of function possibilities, including parties and event hosting, socializing and lounging, educational opportunities, and tabletops for card/gaming, etc.
- Design has also considered retaining flexibility in the layout to accommodate different programming in the years ahead.

January 9, 2019

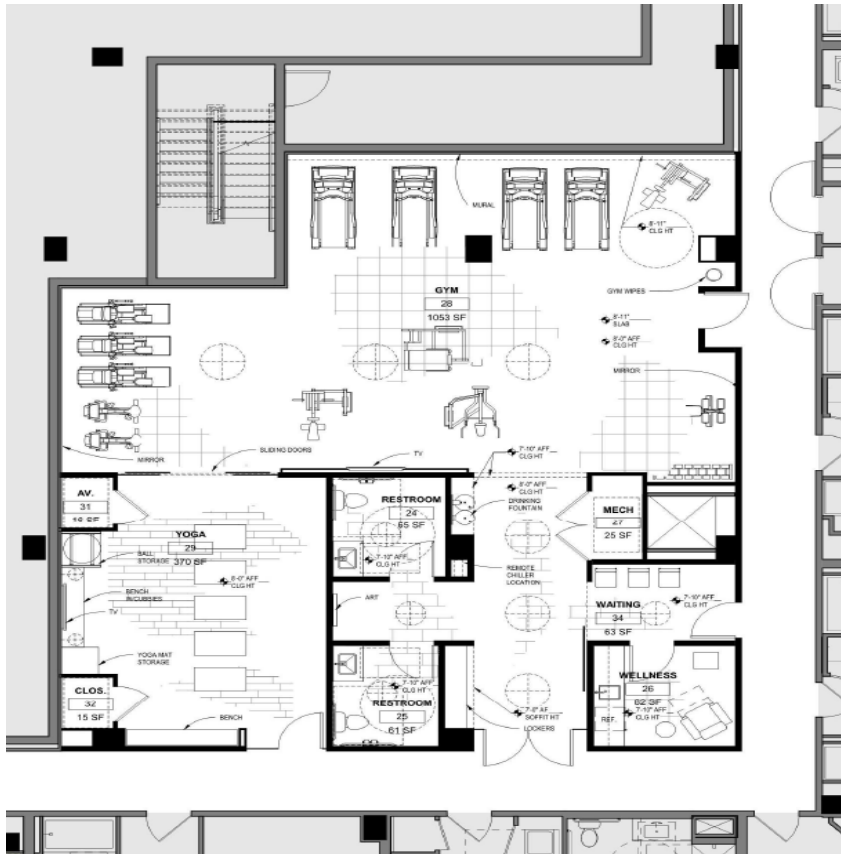
Fourth and Sixth Floor Amenities – Concept of Open Use Public Space



- On the fourth and sixth floors, available open space can be utilized for multiple functions.
- The Interior Designer has fashioned these spaces to be functional as an arts and crafts area, theater, etc., but still retain utility to function as a simple social area.

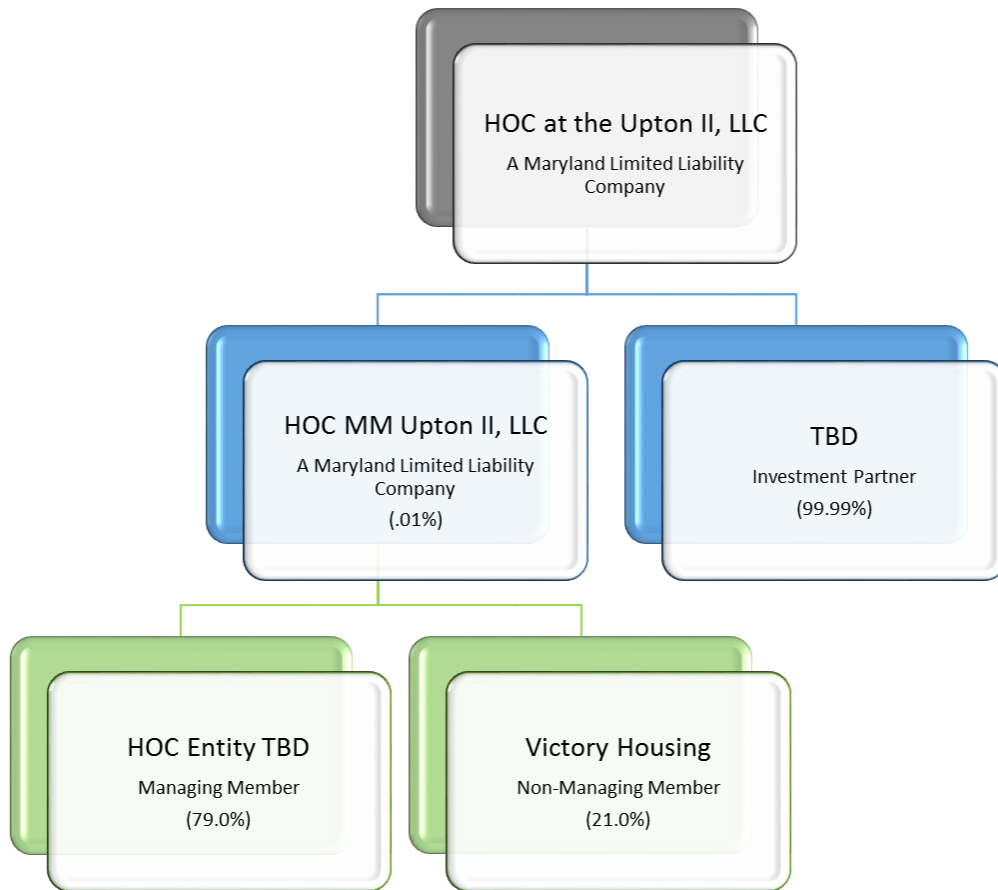


Eighth Floor Amenities – Concept of Fitness and Yoga Space



Along with the Fitness and Yoga space, there will be a Wellness Room which will be used to provide quarterly blood pressure screenings and other preventative health care services to the residents.

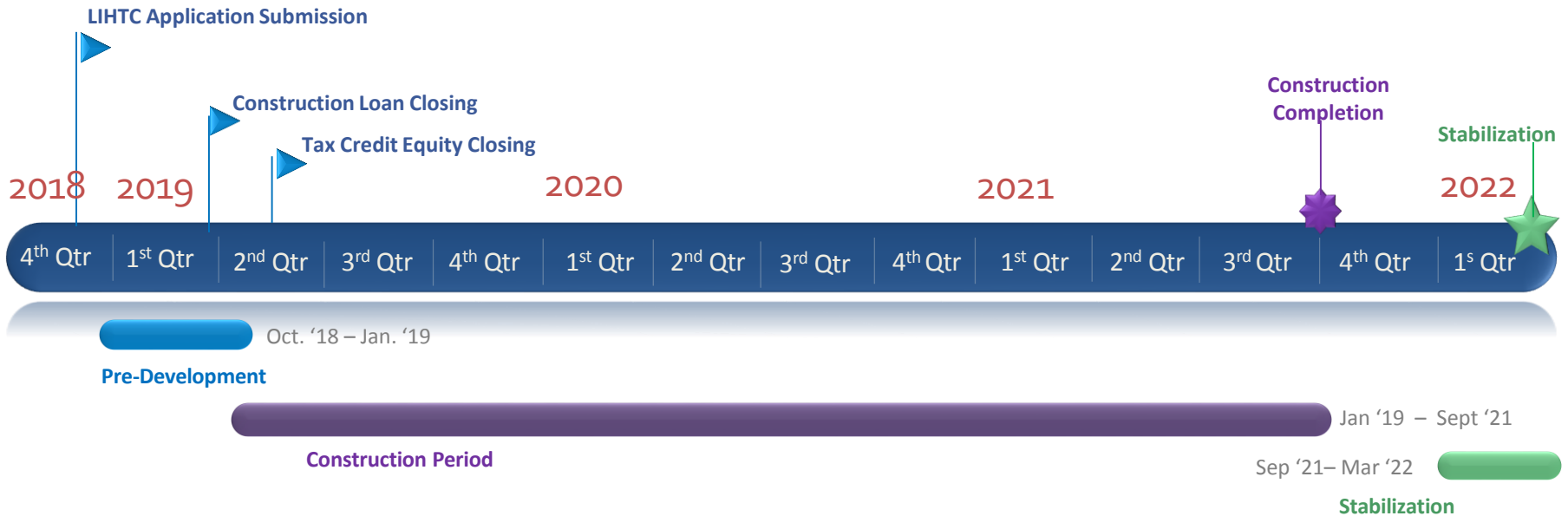
Organization Chart



- HOC at The Upton II, LLC is the 100% single purpose entity that will own the HOC Upton Development.
- HOC MM Upton II, LLC is the sole member of HOC at The Upton II, LLC but intends to bring in a 99.00% investor limited partner (a recommendation is provided in this packet approved by the D&F Committee and subject to approval by the Commission).
- The project is being developed by HOC and Victory Housing, Inc. (“VHI”). VHI will be a non-managing minority member. VHI will earn 40% of the development fee, but all major decisions are made by HOC.
- In addition to submittal of the Low-Income Housing Tax Credit application, VHI has been involved in the day-to-day predevelopment work with HOC lending their experience with senior housing to make good design choices for our residents.

Timeline

29 Month Construction Period



Income Stabilization is projected to be achieved within six months post construction. The 112 residents will begin moving from Town Center Apartments to the Upton II during the 4th quarter of calendar year 2021.

Team Assembly

Development Team

Duball, LLC – Master Developer

Housing Opportunities Commission (“HOC”)

Victory Housing, Inc. (“VHI”)



- Duball, founded in 2004, is a Washington, DC metropolitan area based real estate development and investment firm specializing in mixed-use real estate.
- Upton II will be Duball’s fifth ground-up development project within Montgomery County and second in downtown Rockville.
- Duball is joining the partnership between Housing Opportunities Commission of Montgomery County and Victory Housing, Inc. in the development team.

Architect

Torti Gallas + Partners – Lead Architect



- Torti Gallas, located in downtown Silver Spring, Maryland is an international full-service architecture and planning firm.
- They have six offices worldwide: Istanbul, Tampa, Philadelphia, Washington D.C, Los Angeles and Silver Spring.
- HOC previously worked with them on MetroPointe and is currently involved with them on the Hillandale Gateway (Holly Hall) development.

Property Management

TBD

- HOC has not decided on a property manager at this moment; however, Duball has selected Bozzuto as its property manager.

General Contractor

Paradigm Contractors, LLC

- Duball as the master developer has selected Paradigm to operate as the general contractor in the development.



Syndicator Offer Overviews

- On October 18, 2018, staff solicited proposals from twelve (12) LIHTC syndicators to select an equity investor for Upton II:

Boston Capital	Hudson Housing Capital	PNC Financial Services Group	Riverside Capital
R4 Capital	Raymond James	RBC Capital Market Housing Group	Wells Fargo
CAHEC	Citi Community Capital	Enterprise Community Investment	M&T Bank

- From those requested, staff received only three (3) Letters of Interest (“LOI”s) from Enterprise, R4 Capital and Wells Fargo.
- Since the presidential election of 2016 and the subsequent Tax Cuts and Jobs Act of 2017, the LIHTC market pricing has declined precipitously with transactions even in strong markets fetching \$0.90 to \$1.02 per credit (down from mid-to-high \$1.10s), reflecting a corporate tax rate of 21%.
- Wells Fargo offered the best price per credit of \$1.01, depreciation recovery period of 30 years and a favorable equity pay-in and development fee schedule. These factors yielded an estimated equity amount of \$11,603,931 which when discounted at 6%, returned a present value amount of \$9,605,131.
- Enterprise offered a per credit price of \$0.93, depreciation recovery period of 30 years, a higher basis calculation but a less favorable equity pay-in schedule that yielded an estimated equity amount of \$10,444,000 which when discounted at 6%, returned a present value amount of \$9,026,790.
- R4 offered a per credit price of \$0.92, depreciation recovery period of 30 years and a less favorable equity pay-in schedule that yielded an estimated equity amount of \$10,105,000 which when discounted at 6%, returned a present value amount of \$8,210,000.

Syndicator Offer Overviews

Recommended Firm:



- Wells Fargo has invested \$9 billion of low income housing tax credit equity between 2012 to 2017, making it the nation's largest affordable multifamily housing investor, announced bank leaders.
- *Direct investor and will use the LIHTC for CRA*; no re-syndication.*
- Regional office in Charlotte, NC with local asset management in Washington, DC.
- Relevant LIHTC Projects in Washington DC metro area.
 - Parkway Overlook Apartments, DC (220 affordable housing units) – Wells Fargo was a partner in the transaction providing the construction, permanent debt, and provided \$29.6M LIHTC equity and solar tax credit equity investment.
 - Wah Luck Apartments, DC (152 senior affordable units) – Wells Fargo provided \$24 million LIHTC Equity with 4%.
- **Equity - \$11,603,931 (\$1.010 with 30 yrs depreciation)**

*Community Reinvestment Act -more info at <https://www.fdic.gov/regulations/cra/>

Runners-up:



- Syndicator founded in 2011
- Team has on average over 25 years of Housing Tax Credit experience with a track record that includes over \$15 billion of Housing Tax Credit investments on behalf of more than 200 corporate investors
- Since May 2012, raised more than \$1.6 billion of LIHTC equity
- Approximately 178 properties located in 39 states
- Launched R4 Capital Funding, a tax exempt lending business
- Commission approved R4 Capital as the investor for Waverly House and Alexander House
- **Equity - \$10,105,000 (\$0.920 with 30 yrs depreciation)**



- Syndicator founded in 1984 and based in Columbia, MD.
- Enterprise Community Investment, Inc. finances, develops, and acquires housing and other community development initiatives in underserved neighborhoods in the U.S.
- Involved in financing nearly 529,000 multifamily apartment properties in 49 states and the District of Columbia.
- Recent Closings:
 - Building 9 / Mercy Magnuson Place (148 units), Seattle, WA
 - Golden Ring Apartments (153 units) Essex, MD
 - The Fallstead at Lewinsville (82 units) Senior Housing, McLean, VA
- **Equity - \$10,444,000 (\$0.930 with 30 yrs depreciation)**

Syndicator Offer Overviews

Summary of Letter of Intent

Wells Fargo		
Pricing		\$1.01
Depreciation		30 years
Equity		\$11,603,931
Pay-In Schedule (Capital Contributions)	10.00%	Closing
	20.88%	50% Construction Completion
	19.44%	Certificate of Occupancy
	47.49%	Rental Achievement
	12.19%	Receipt of IRS Form 8609
Syndication Fee		\$100,000
Asset Mgt Fee		\$8,500 (\$68.5 per unit)
Partnership Mgt Fee		\$8,500 (\$68.5 per unit)
Amortization		40 Years
Maximum Permanent Mortgage		\$24,000,000
Development Fee Schedule	4.25%	\$200,000 (Closing)
	44.88%	\$2,111,827 (Rental Achievement)
	5.40%	\$254,036 (8609**)
	45.50%	\$2,140,978 (Deferred Developer's Fee)
Operating Expense Guarantee		\$569,963
Exit Taxes		15 yr. exit taxes estimated to be \$2.62 million

**Note: Actual dev. fee payout based on receiving 8609 may change in final and amended limited partnership agreement.

- Wells Fargo has offered a per credit price of \$1.01. The firm's representatives worked extensively with HOC staff to gain comfort with and to derive a viable transaction structure for HOC At The Upton II.



- By Rental Achievement (projected April, 2022), HOC At The Upton II will have received approximately \$11.25 million LIHTC equity (97% of \$11.6M).
- There will be exit taxes (estimated to be \$2.62 million) after the 15-year LIHTC compliance period.
- Limited and General Partners will be paid annual asset management fees each of \$8,500 with a 3% annual increase, payable from available cash flow in year one of credit delivery.
- Wells Fargo requires an operating reserve \$569,963 for the duration of the compliance period. These funds will be held in an interest bearing Wells Fargo account.
- HOC has a plan to pay exit taxes.

Syndicator Offer Overviews

Category	Wells Fargo		Enterprise		R4	
<input type="checkbox"/> Pricing		\$1.01		\$0.93		\$0.92
<input type="checkbox"/> Depreciation		30 years		30 years		30 years
<input type="checkbox"/> Equity		\$11,603,931		\$10,444,000		\$10,105,000
<input type="checkbox"/> NPV @ 6.00%		\$9,605,131		\$9,026,790		\$8,210,000
<input type="checkbox"/> Pay-In Schedule (Capital Contributions)	10.00%	At Closing	20.00%	At Closing	10.00%	At Closing
	21.65%	50% Construction	12.59%	During Construction	25.00%	Construction Completion
	19.93%	Cert. of Occupancy	54.83%	Completion/Draft Cost Cert.	25.00%	Qualified Occupancy
	46.19%	Stabilization	11.29%	Stabilization	25.00%	Receipt of Form 8609
	2.23%	Form 8609	1.29%	TR/8609	15.00%	Rental Achievement & Operating Reserve
<input type="checkbox"/> Syndication Fee		\$100,000		\$85,000		\$50,000
<input type="checkbox"/> Asset Mgt Fee		\$8,500 (\$68.5 per unit)		\$7,500 (\$50 per unit)		\$10,000 (\$66.66 per unit)
<input type="checkbox"/> Partnership Mgt Fee		\$8,500 (\$68.5 per unit)		0		\$10,000 (\$66.66 per unit)
<input type="checkbox"/> Amortization		30 Years		30 Years		30 Years
<input type="checkbox"/> Development Fee Schedule	4%	\$200,000 (at closing)	4%	\$315,045 (at Admission to LP)	20%	Not Specified (at closing)
	54%	\$2,111,827 (Certificates of Occupancy & 8609)	18%	\$1,260,179 (Comp./Stabilization/8609)	25%	Not Specified (Cert. of Occ.)
	42%	\$2,140,978 (Deferred Developer's Fee)	78%	\$3,170,682 (Deferred Developer's Fee)	25%	Not Specified (Def. Developer's Fee)
<input type="checkbox"/> Exit Taxes	Yr. 15	\$2.62MM	Yr. 15	\$2.17MM		Not provided

Summary and Recommendations

Issues for Consideration

Does the Commission wish to approve the following:

1. The Final Development Plan for the construction of HOC at the Upton II; and
2. The selection of Wells Fargo as Low Income Housing Tax Credit Investor for the Upton II transaction and authorize the Executive Director to negotiate and enter into Limited the terms of a Partnership Agreement with Wells Fargo?

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY 2019 budget. Predevelopment expenses of \$1,455,198 are paid back at the Closing in the third quarter of fiscal year 2019. The investment raises approximately \$11.6 million of tax credit equity for the construction of Upton II. The Commission will earn Development fee of \$2,565,863, Commitment Fees of \$480,000, and ongoing Loan Management Fees of \$60,000 annually (stabilization).

When drawn, the Bridge Loan will obligate \$9.1 million of the Commission's general obligation borrowing capacity. The loan to the project will reduce the Commission's cash by the final amount of the loan.

Time Frame

For action at the January 9, 2019 meeting of the Commission.

Committee Findings

The Development and Finance Committee met on December 13, 2018 and voted to advance this item to the full Commission for approval. However, the committee raised two main issues: 1) the adequacy of the replacement reserve funding and 2) the appropriateness of certain interior design elements for seniors.

The funding of the replacement reserve account has been addressed in the preceding pages.

HOC became involved with the Upton II development after much of the design had been completed and site plan approved and as a consequence, major changes are not feasible. Notwithstanding, staff will respond to the committee's questions and plans to arrange a discussion group to focus on elements of senior development design for Upton II as well as other development that target a senior population.

Summary and Recommendations

Staff Recommendation and Commission Action Needed

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

1. The Final Development Plan for the construction of HOC Upton Development:
 - Total Development Cost is projected to be \$49,311,997.
 - The total units to be delivered is 150 of which 112 will serve as relocation housing for the current residents at Town Center Apartment and will serve households with incomes ranging from 40% to 80% of the AMI (90% or 135 units), providing significant public purpose for the Commission and the County.
2. Staff's recommendation to select Wells Fargo as Low Income Housing Tax Credit Investor for the Upton II transaction and authorize the Executive Director to negotiate Limited Partnership Agreement with Wells Fargo for the portion of the Upton II property that would be owned by the LIHTC limited partnership.

RESOLUTION No.: 19-08

RE: Approval of the Final Development Plan for HOC at the Upton II and Approval to Select Wells Fargo as the Tax Credit Investor for HOC at the Upton II and Authorization for the Executive Director to Negotiate and Execute an Operating Agreement with Wells Fargo

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, Upton II is a planned development in Rockville that is entitled under current zoning and planning requirements of the City of Rockville for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. (“VHI”) will own and operate a condominium unit containing 150 apartments and a share of parking and general common elements (the “HOC Upton Development”) in a single purpose entity known as HOC at The Upton II, LLC (the “Owner”) and Duball LLC or an affiliate will own and operate a second condominium unit comprising the remainder of the development; and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the “Managing Member”), which in turn is the sole member of the Owner; and

WHEREAS, it is expected that the ownership structure will be modified to admit a tax credit investor as a non-managing member of the Owner and to admit VHI as a non-managing member of the Managing Member, with HOC remaining in control of the Owner as the managing member of the Managing Member entity; and

WHEREAS, the HOC Upton Development proposes to serve seniors 62 years and older across a wide income range through the implementation of the new income averaging component of the Low Income Housing Tax Credit (“LIHTC”) program, which will allow households with income from 40% up to 80% of the Washington DC Area Median Income (“AMI”) to enjoy rent protection without impairing the LIHTC equity for the development; and

WHEREAS, on October 3, 2018, the Commission approved the Development Plan for HOC at the Upton II as a 150-unit, mixed-income, new construction, age-restricted community containing 136 one-bedroom and 14 two-bedroom units; and

WHEREAS, HOC staff developed and proposed the herein Final Development Plan (“Final Development Plan”), which estimates the total development cost of the HOC Upton Development of \$49.5MM to be funded with a combination of HOC-issued tax-exempt bonds, LIHTC equity, subordinate financing from Montgomery County, deferred developer fee, and an HOC subordinated loan; and

WHEREAS, also as part of the Final Development Plan, HOC at the Upton II would contain 28 Project Based Rental Assistance (“PBRA”) units, 80 Rental Assistance Payment (“RAP”) units through conversion of 112 units at Town Center Apartments via the 2nd Component of the Rental Assistance

Demonstration (“RAD”) program, 27 units under LIHTC restrictions, and 15 market rate units; and

WHEREAS, in accordance with the Final Development Plan, HOC intends for the Owner to acquire the condominium unit that will comprise the HOC Upton Development (the “HOC Upton Condominium”) and enter into a construction contract for the HOC Upton Development; and

WHEREAS, HOC and the Owner expect to receive a Letter of Reservation of Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development which will enable the Partnership to raise approximately \$11.6 million in equity to pay part of its development costs; and

WHEREAS, the HOC Upton Development is an important element in HOC’s portfolio because its development will replace housing for the 112 seniors who currently reside in Town Center Apartments in Rockville; and

WHEREAS, the HOC Upton Development will include design elements that are appropriate for the targeted senior population, including an urban lifestyle with market rate unit finishes complemented with unique multifamily accessibility accommodations throughout; and

WHEREAS, a development team led by Duball LLC has been assembled, construction permit drawings finalized and submitted and required building permit expected to be issued in early 2019, and the HOC Upton Development is projected to take 29 months and deliver in the Fall of 2021; and

WHEREAS, after soliciting investment proposals from the top Low Income Housing Tax Credit (LIHTC) syndicators and investors, HOC received three proposals detailing interest in purchasing the tax credits allocated to the Owner and being admitted as its non-managing investor member; and

WHEREAS, after review of all the submissions and further inquiries of the investors, Wells Fargo has been determined to be the strongest LIHTC investor among the three respondents; and

WHEREAS, HOC intends to negotiate an amended and restated operating agreement with Wells Fargo for the admission of an affiliate of Wells Fargo as a non-managing investor member, with HOC remaining in control of Owner as the managing member of the Managing Member entity.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Final Development Plan for the construction of HOC Upton Development is hereby approved to include an estimated development cost of \$49.5MM, the delivery of 150 apartment units which will serve seniors 62 years and older and of which 90% (135 units) will be restricted to those earning 40% to 80% of the area median income.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of the Managing Member and the Borrower, that it approves the selection of Wells Fargo as the low income housing tax credit investor, the admission of an affiliate of Wells Fargo as a non-managing investor member in the Owner and the negotiation and execution of an Amended and Restated Operating Agreement of the Borrower to memorialize the same.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the acquisition of the HOC Upton Condominium for the purpose of acquiring, holding, and

constructing the same.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to execute any and all documents required in connection with awarding Paradigm Contractors, LLC a construction contract for construction of the HOC Upton Development.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of the Managing Member and the Borrower, that the Executive Director is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents (including without limitation any tax credit guarantees or other guarantees from the Housing Opportunities Commission as guarantor) related thereto.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

**APPROVAL OF THE FINANCING PLAN FOR THE UPTON II DEVELOPMENT
(THE “PROPERTY”); AUTHORIZATION TO ISSUE LOANS TO HOC AT THE
UPTON II, LLC (THE “BORROWER”) FOR ACQUISITION AND
CONSTRUCTION FINANCING; AUTHORIZATION TO ISSUE COMMITMENTS
FOR PERMANENT FINANCING, INCLUDING AUTHORIZATION TO HEDGE
INTEREST RATE RISK; AND, AUTHORIZATION FOR THE BORROWER TO
ACCEPT ACQUISITION AND CONSTRUCTION LOANS**



STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
JENNIFER HINES ARRINGTON
VICTORIA DIXON**

January 9, 2019

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Staff Recommendation and Commission Action Needed	23

EXECUTIVE SUMMARY

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

Upton II is an important element in HOC’s portfolio, as it will provide relocation housing for 112 seniors currently residing in the nearby Rockville Town Center Apartments.

On October 3, 2018, the Commission approved a Development Plan, which includes up to \$1,455,198 to be funded from the Opportunity Housing Reserve Fund (“OHRF”) for predevelopment expenses of the Property and restricts 90% (135) of the units for seniors aged 62+ with household incomes between 40% and 80% of area median income.

The Property is nearing completion of the pre-development phase. To facilitate timing of construction within the master development by Duball, site work is expected to begin in December 2018 and construction in the first quarter of 2019. A Final Development Plan is being presented separately to request approval for selection of a Low Income Housing Tax Credit (“LIHTC”) Syndicator, and authorization for the Executive Director to negotiate a Limited Partnership Agreement. The projected capital contribution from the tax credit equity investor is approximately \$11.6 million.

The proposed Financing Plan for Upton II totals approximately \$49.5 million and will include the combined sources: a) privately placed tax-exempt loan to fund construction, which will be repaid by a FHA Risk Share permanent loan; b) bridge funding during construction by way of draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit; c) LIHTC equity; d) a subordinate County Loan; e) a loan from HOC; and, f) deferred developer fees. To mitigate interest rate risk, an interest rate swap may be obtained. The 4% LIHTC application was submitted to Maryland DHCD in November 2018 and the LIHTC closing is expected to occur by April 2019. Construction of the Property is expected to take 29 months with projected stabilization to occur by January 2022 for conversion to permanent debt by June 2022.



EXECUTIVE SUMMARY

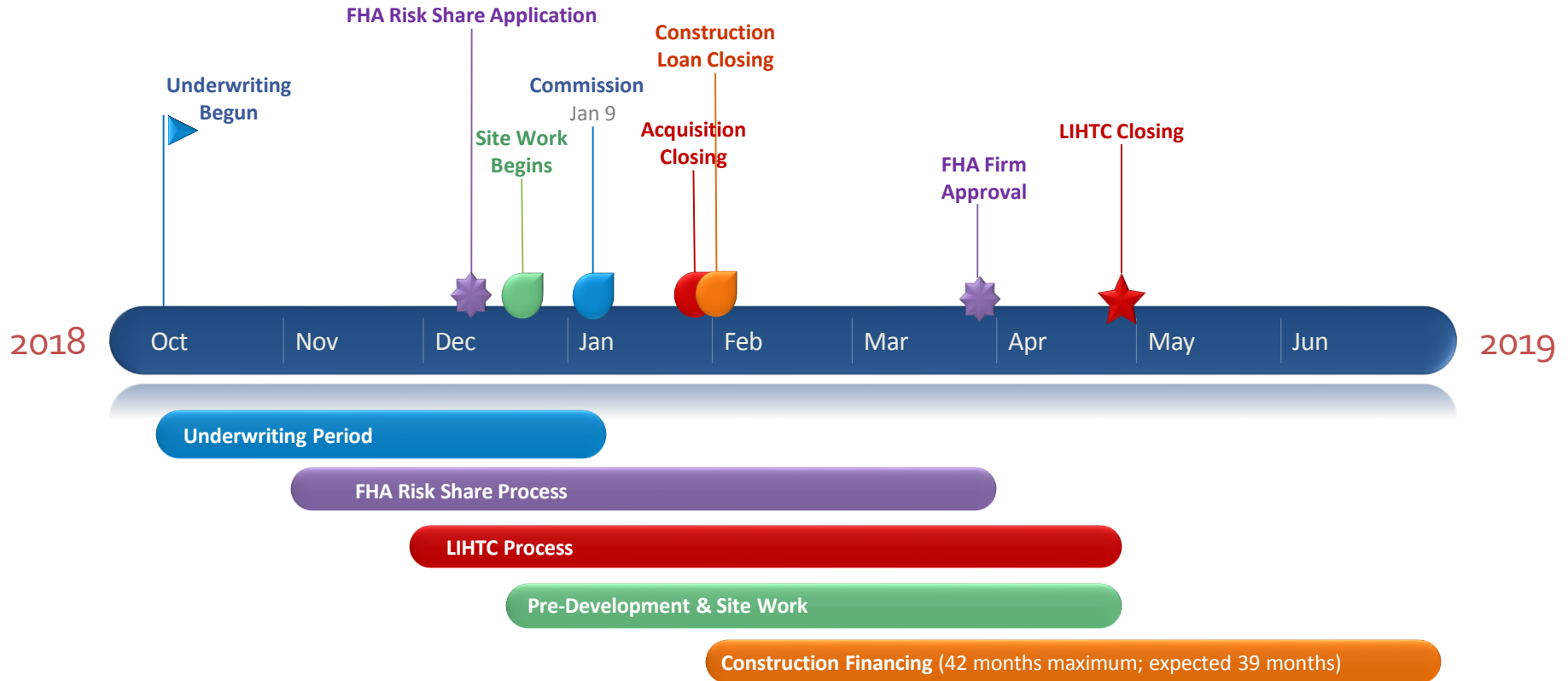
Staff has completed its underwriting and recommends the Commission approve the following.

- 1) Approval of Upton II's Financing Plan totaling \$49,500,053 that includes the following sources: a) tax-exempt loan to fund construction, which will be repaid by a FHA Risk Share permanent loan; b) bridge funding during construction by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; c) LIHTC equity; d) a subordinate County Loan; e) a loan from HOC; and, f) deferred developer fees.
- 2) Approval of the feasibility and public purpose for Upton II as well as the allocation of up to \$24 million in volume cap for the transaction.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt indebtedness in an amount not to exceed \$24,000,000 to fund an acquisition/construction loan for the transaction (Tax-Exempt Indebtedness). Such Tax-Exempt Indebtedness will be funded via a loan from M&T Bank, N.A. to HOC ("Conduit Loan") which will in turn lend those funds to the Borrower ("Construction Loan").
- 4) Approval for HOC to accept the Conduit Loan from M&T Bank, N.A. and for the Commission to act as a pass through and lend up to \$24,000,000 (the same amount as the M&T Loan) to the Borrower for up to 42 months to fund construction of the property.
- 5) Approval for HOC to loan to the Borrower up to \$6,000,000 towards acquisition costs for 43 years at the Applicable Federal Rate ("AFR") from the FHA Risk Share account until such time funds have been replenished or unobligated in the Opportunity Housing Reserve Fund ("OHRF")("HOC Loan").
- 6) Approval for HOC to loan up to \$12,000,000 to the Borrower during construction by way of short-term, taxable draws on the PNC RELOC which shall be drawn when needed to bridge the receipt of LIHTC equity proceeds for repayment ("Bridge Loan") with a maximum term up to 42 months from closing, subject to the extension of the maturity or replacement of the PNC RELOC, which currently has a maturity date of June 30, 2020.
- 7) Authorization for HOC to Issue a Financing Commitment for FHA Risk Share permanent financing in an amount of up to \$24 million.
- 8) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, for HOC to assume 25% of the risk and HUD to assume 75%, for the transaction.
- 9) Approval for the Borrower to accept the proposed Construction loan, Tax-Exempt Indebtedness, Bridge loan, County loan, HOC loan, and permanent loan.
- 10) Approval for the Executive Director to enter into an interest rate hedge agreement with one of the following counterparties (Royal Bank of Canada, Barclays Bank PLC, Wells Fargo Bank, N.A., Bank of America, N.A. or PNC Bank, N.A.) to manage interest rate risk until closure of the permanent debt.

EXECUTIVE SUMMARY

Borrower	HOC at the Upton II, LLC	
Units/Affordability	150 Units 71% Affordable (55 Units)	
	28	≤ 40% AMI
	84	≤ 60% AMI
	23	≤ 80% AMI
	15	Unrestricted
Amount of Bond Issuance (up to)	\$24,000,000	
Construction Financing (up to)	\$24,000,000 Tax-Exempt Loan with M&T Bank	
Construction Bridge Loan (up to)	\$12,000,000 Taxable Draws on PNC RELOC	
HOC Loan (up to)	\$6,000,000 FHA Risk Share Account	
Permanent Financing/First Mortgage (up to)	\$24,000,000 Private Activity Bonds / FHA Risk Share Mortgage	
Permanent Interest Rate	5.5% (includes 68bps cushion)	
Amortization	40 Years	
Debt Service Coverage Ratio (DSCR)	1.15x	
County Participation	a) HARP Loan for up to \$5 million b) Payment-in Lieu of Taxes (PILOT) Agreement estimated at \$265,541 in CY 2019 for 135 restricted units	

FINANCING SCHEDULE



PROPERTY OVERVIEW



Location 198 East Montgomery Avenue, Rockville

Owner HOC at the Upton II, LLC

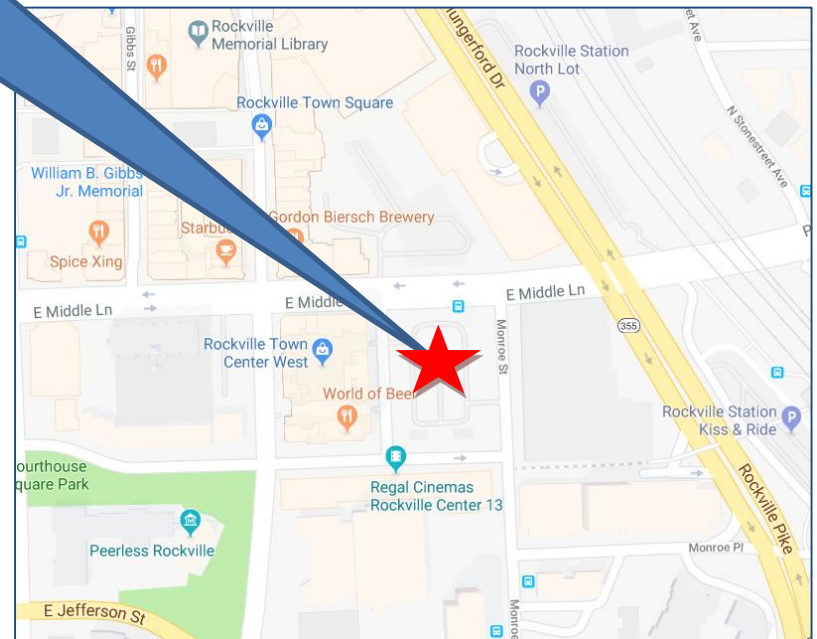
Property Manager Housing Opportunities Commission

Units	AMI Target	Ave. Size	Units	Gross Rent	Utility Allowance	Effective Rent
1 BR (PBRA/PBV)	40%	654	28	\$1,472	\$80	\$1,392
1 BR (RAP Units)	60%	654	80	\$1,472	\$80	\$1,392
1 BR	MKT	654	15	\$1,800	\$0	\$1,800
1 BR + Den	80%	812	13	\$1,759	\$80	\$1,679
2 BR	60%	1,051	4	\$1,582	\$106	\$1,476
2 BR	80%	1,051	10	\$2,110	\$106	\$2,004
		677	150	\$1,575	\$74	\$1,501

Public Purpose Upton II will be a mixed income, age restricted community with 135 units reserved for families and individuals earning between 40% and 80% of the Area Median Income (“AMI”) and 15 unrestricted units.

Amenities A multi-level parking garage, fitness and yoga space, wellness room for preventative care services, and clubrooms. Neighborhood amenities include Regal Cinemas, Rockville Memorial Library, and various restaurants, services, and retailers including Starbucks with additional connectivity via the Rockville WMATA Station (Red Line).

Planned Construction The proposed construction is a concrete, steel enforced structure, with poured concrete decking, brick façade, and dedicated HVAC split system.



FINANCING PLAN

The Upton II transaction contemplates: a) a privately placed, tax-exempt construction loan to be taken out by an FHA Risk Share permanent mortgage; b) bridge funding during construction by way of short-term, taxable draws; c) LIHTC equity, which will mostly be contributed upon cost certification and stabilized occupancy; d) a Subordinate County Loan; e) a loan from HOC for up to 43 years; and, f) deferral of 45% of the Developer's Fee.

The tax-exempt construction loan will be funded by the issuance of a privately placed, tax-exempt loan with M&T Bank, which will later be repaid by permanent loan proceeds with mortgage insurance under the FHA Risk Sharing Program. Private activity bond cap of up to \$24 million will be allocated at the outset for the bonds. The permanent, 40-year, FHA Risk Share mortgage loan is expected to be up to \$24 million.

Upton II transaction is expected to generate approximately \$11.6 million in tax credit equity, which will be contributed according to the pay-in schedule.

During the construction period, up to \$12 million in bridge financing is being requested of which only approximately \$9.1 million is expected to be used, which staff recommends be funded by way of short-term, taxable draws on the PNC RELOC. The PNC RELOC currently has a maturity date of June 30, 2020; therefore, outstanding draws for Upton II will be subject to extension of the line or refinance. Upon construction completion, cost certification and issuance of the 8609s, the Bridge Loan will be repaid and the remaining portion of the developer fee paid with equity contributions from the tax credit investor.

The subordinate County Loan is expected to be funded from the County's Housing Acquisition and Rehabilitation program ("HARP") and will have a 43-year term at the Applicable Federal Funds Rate (AFR). After an interest only period, amortization of the loan will be subject to available cash flow, and required there after.

Sources	Amount	Per Unit
Tax-Exempt Mortgage Loan	\$ 23,719,005	\$ 158,127
LIHTC Proceeds	\$ 11,603,931	\$ 77,360
Subordinate County Loan	\$ 5,000,000	\$ 33,333
HOC Loan	\$ 5,920,100	\$ 39,467
Deferred Developer Fee	\$ 2,140,893	\$ 14,273
Interim Operating Income	\$ 1,124,641	\$ 7,498
Total Sources	\$ 49,508,570	\$ 330,057

Uses	Amount	Per Unit
Acquisition Cost	\$ 6,242,753	\$ 41,618
Construction Cost	\$ 28,862,743	\$ 192,418
Fees Related to Construction	\$ 3,878,784	\$ 25,859
Financing & Legal Costs	\$ 2,144,218	\$ 14,295
Construction Interest	\$ 2,642,449	\$ 17,616
Development Fees	\$ 4,707,844	\$ 31,386
Initial Reserves @ \$500/unit	\$ 75,000	\$ 500
Operating Reserves	\$ 954,779	\$ 6,365
Total	\$ 49,508,570	\$ 330,057

TRANSACTION HIGHLIGHTS

Public Purpose	Upton II provides 112 (75%) of replacement affordable units and an additional 23 new affordable units for households between 40 – 80% of AMI. The remaining 15 units will be unrestricted.	
County Interest	Construction of this property will replace and add safe, quality, affordable housing for seniors in the County who have fixed and limited income. HOC has received a commitment for \$5 million of subordinate debt and a Payment in Lieu of Taxes (“PILOT”) from the County for the 135 restricted units, which is estimated to be valued at \$265,541 in CY 2019.	
Volume Cap Allocation	No more than \$24 million in volume cap will be required for tax-exempt bond financing. See page 14 for HOC’s Volume Cap Need/Uses matrix.	
Bond Financing	Up to \$24 million – the privately placed, tax-exempt construction loan will be repaid from proceeds of long term, private activity bonds, which will fund a permanent 40-year mortgage amortized at an estimated rate of 5.5% interest over 40 years.	
Credit Enhancement	The permanent mortgage loan will be enhanced with FHA Risk Share mortgage insurance. No credit enhancement is required during the construction period. HOC will share 25% of the risk; FHA 75%.	
Construction Bridge Loan	Up to \$12.0 million – short-term, PNC RELOC taxable at 1 Month LIBOR plus 58 basis points. Draws will be repaid with LIHTC equity. The PNC RELOC currently has a maturity date of June 30, 2020; therefore, outstanding draws for Upton II will be subject to extension of the line or refinance.	
LIHTC Equity	Approximately \$11.6 million – The tax credit equity will be paid in stages: 1) loan closing; 2) construction completion; 3) cost certification & stabilized occupancy; and possibly, 4) the issuance of the final 8609s. Prospective LIHTC syndicators have been solicited, with proposed pricing as presented in the Final Development Plan.	
Developer Fee	The developer’s fee will be \$4,702,804; however, \$2,140,978 will be deferred until repaid from available cash flow.	
Development Team	Owner/Developer:	HOC at Upton II, LLC / HOC and Victory Housing Inc.
	Master Developer:	Duball, LLC
	General Contractor:	Paradigm Contractors, LLC
	Architect:	Torti Gallas Partners
	Property Management:	Housing Opportunities Commission
	LIHTC Syndicator/Investor:	Wells Fargo
	Trustee:	TBD for construction loan; US Bank for permanent loan under the 1996 Multi-Family Development Bond Resolution.

CONSTRUCTION FINANCING COMPARISON

	1 (Recommended)	2 (Alternative)
Lender	M&T Bank	United Bank
Lender Role	Administrative Agent, Arranger	Sole Lender
Arrangement Type	Assignment	N/A
Borrower	HOC at the Upton II, LLC	HOC at the Upton II, LLC
Commitment Amount	Up to \$24,000,000	Up to \$24,000,000
Hold Level*	TBD (est 66%)	100%
Interest Rate	Variable tax-exempt equivalent of One month LIBOR (at 80% of taxable rate) + 185bps spread. No floor.	Variable tax-exempt equivalent of One month LIBOR (at 80% of taxable rate) + 185bps spread, subject to all-in floor of 3.35%
Repayment	Interest Only	Interest Only
Prepayment Penalty	No premium, typical LIBOR breakage, Interest Rate Hedge termination	No premium, typical LIBOR breakage, Interest Rate Hedge termination
Loan Term**	42 months	39 months
Extension Options	One, 6-month option (cumulative 48 months)	One, 12-month option (cumulative 51 months)
Debt Sizing	Lesser of: (1) \$24,000,000, (2) 52% "as-stabilized" LTV, (3) 52% LTC, (4) 1.15x DSCR	Lesser of: (1) \$24,000,000, (2) 55% LTC (3) HOC Bond proceeds.
Fees (payable)		
Engagement Fee (upfront)	\$25,000 (10bps), will be credited towards third-party costs, any remainder may be applied toward Underwriting Fee	\$10,000 deposit for third-party costs, any remainder may be refunded
Underwriting Fee (at closing)	\$168,000 (70bps)	\$84,000 (35bps)
Administrative Fee	\$6,500 annually (2.7bps, est. to total \$22,750 during loan term)	\$12,000 upfront (5bps, \$12,000 total during loan term)
Extension Fee (as applicable)	10bps	10bps
Collateral	(1) 150 age and income restricted units in a condo arrangement within the larger property, (2) 50 parking spaces	(1) 150 age and income restricted units in a condo arrangement within the larger property, (2) 50 parking spaces
Guaranty by HOC	(1) Lease-up Reserve (est. \$371,500), (2) Loan Balancing Provision, (3) Construction Completion, and (4) Standard bad-boy carve outs.	(1) Limited Repayment Guaranty of 20% (\$4,800,000) plus accrued interest and costs, (2) Loan Balancing Provision, (3) Construction Completion, and (4) Standard bad-boy carve outs
Other	(1) Require HOC to hedge interest rate risk of the future permanent takeout at closing of the construction loan or a later date. (2) Require subordinate County debt of \$5,000,000 or higher prior to advancing funds.	(1) Require HOC to hedge interest rate risk of the future permanent takeout within 90 days after closing of the construction loan. (2) Require subordinate County debt of \$5,000,000 or higher prior to advancing funds. (3) Substantial Completion and Final CoO for all units is required within 36 months of closing.

1/9/19 *M&T expects to hold up to 66% of the loan amount on its balance sheet and negotiate an assignment agreement with a second bank to hold the remaining portion.
 **Although the loan term is up to a maximum of 42 months, permanent refinance is expected to occur by month 39.

CONSTRUCTION FINANCING COMPARISON

	M&T Bank	United Bank
Strengths	<ul style="list-style-type: none"> • No repayment guaranty requirement • Ability to synchronize terms and draw processing with terms provided by M&T to the Master Developer, Duball. • HOC currently has four LIHTC deals with M&T as Limited Partner (Metropolitan, Georgian Court, Barclay, and Strathmore), for which HOC is seeking to buy out their interest. The subject new transaction may be used as incentive to bring those buyouts to conclusion in the near term. • No interest rate floor provision. 	<ul style="list-style-type: none"> • Lower upfront and administrative fees (\$94,750 potential savings during loan term)
Weaknesses	<ul style="list-style-type: none"> • Higher upfront and administrative fees • Requiring Lease-up reserve to cover 3 months operating expenses and debt service (est. \$371,500). 	<ul style="list-style-type: none"> • Requiring 20% Limited Repayment Guaranty (est. \$4.8 million) which will impact HOC's GO capacity. • Requiring an interest rate floor of 3.35%
Conclusion	<p>Executing the loan with M&T Bank is proposed due to qualitative relationship variables including (a) benefit of a single lender for synchronized draw process with the Master Developer, and (b) addressing existing LIHTC relationship with M&T, as well as (c) to avoid impact on HOC's GO capacity from providing a repayment guaranty.</p>	

MITIGATING PERMANENT LOAN INTEREST RATE RISK: SWAP STRUCTURE

- The permanent loan for Upton II will not be financed until the 39-month construction and lease up period is completed. During this time, the development will be exposed to interest rate risk, potentially adversely impacting economic viability.
- To mitigate interest rate risk, HOC proposes to enter into an interest rate swap (similar to the Alexander House and Chevy Chase transactions) designed to hedge against upward interest rate movement over the next three years. Under the swap, HOC would receive a percentage of LIBOR in exchange for a fixed rate. If approved, HOC would enter into the hedge prior to or shortly after the start of construction with a qualified counterparty such as Royal Bank of Canada (“RBC”), Barclay’s, Wells Fargo, Bank of America or PNC Bank, N.A. HOC expects to engage RBC as counterparty.
- The swap will be structured with a notional amount not to exceed the expected permanent loan amount. HOC will have the option to terminate the swap at market at any time and at par semiannually on or after the first par optional termination date. The first par optional termination date will be no later than, and 18.5 years from, the execution of the swap to correspond with the expiration of the tax credit period.
- Based on market conditions at the time of permanent financing, HOC will evaluate whether or not to terminate the swap and issue fixed rate debt or leave the swap in place and use it to hedge variable rate debt. HOC currently expects to leave the swap in place and finance the permanent loan with variable rate debt. If this option is used for the permanent loan, HOC would need to obtain liquidity in the form of a letter of credit or standby bond purchase agreement, plus secure services of a remarketing agent.
- By entering into the swap, HOC will take on termination risk. This is the risk that HOC will have to make a market termination payment to exit the swap earlier than expected. If long-term interest rates decrease after the swap is executed but before a par optional termination date is reached, the size of the market termination payment required to exit the swap early will increase. If HOC is terminating the swap in order to issue fixed rate bonds, it is expected that the reduction in swap value would be offset by an increase in the size of the mortgage that the project could support based on lower long-term interest rates at that time.
- In addition to hedging the rate on the permanent loan as described above, HOC currently expects to use the swap to hedge the floating interest rate exposure on the construction loan. However, if it is financially beneficial for the transaction to remain unhedged during construction, HOC will enter into the swap as a forward starting hedge to become effective upon the financing of the permanent loan.
- The hedge will not perfectly match the interest rate risk exposure but will be designed to mitigate HOC's risk exposure. To the extent that there is not a perfect match in the movement of swap rates and bond rates during the financing, the cost of the financing may increase (or decrease). The risk of increased costs due to a mismatch in the movement of interest rates is referred to as “basis risk”. Staff will work with its finance team to evaluate basis risk and other financial risks associated with the transaction. A reasonable expectation for basis risk will be included in the rate stack for the transaction.
- Hedge premiums and swap provider fees related to the swap will be built into the fixed swap rate and will not be charged at closing. Such costs will be realized through payments made on the swap in the future. The actual cost of the hedge will not be known until the swap agreement is concluded. The cost of the hedge is not expected to impact HOC’s current or future operating budgets.

MITIGATING SWAP RATE RISKS

The issuance of bonds entails several risks. The use of Swaps can mitigate some of these risks while introducing different types of risk. The following paragraphs describe pertinent risks and the means through which the Commission may mitigate them with the assistance of its Financial Advisor and Swap Advisor (if separate).

Risks	Description
Interest Rate Risk	The risk that interest rates will rise creating additional borrowing costs for the Commission is referred to as interest rate risk. Swaps are used to mitigate this risk.
Liquidity Risk	Variable rate demand obligations (“VRDOs”) are a type of variable rate debt commonly used by municipalities that have a long-dated maturity and short-term, investor-owned put feature. VRDOs required a financial institution to cover to provide “liquidity” with respect to the put feature in the form of a standby bond purchase agreement or letter of credit. The creditworthiness of the liquidity provider will affect the interest rate on the VRDO’s. Liquidity facilities typically have a term that is shorter than the maturity of the associated VRDOs and therefore must be renewed several times. Upon renewal, the liquidity fee may be subject to change. The risks related to liquidity provider’s creditworthiness, liquidity fees and liquidity facility renewal are referred to as liquidity risk. Entering into a long-dated Swap associated with VRDOs may complicate these risks. The Commission should seek to engage highly-rated liquidity providers and should consider fees in the context of the terms and duration of the facility.
Basis Risk	Basis risk is the risk that changes in the relationship of the interest rates that determine the payments on and/or the value of a Swap and the associated bonds or other debt increases the cost of the transaction to the Commission. For example, if a Swap structured based on a percentage of a taxable index is used to hedge the interest rate on a tax-exempt debt, changes in marginal tax rates may result in a form of basis risk referred to as <i>tax risk</i> . To mitigate basis risk (including tax risk), the Commission should evaluate historical and likely future relationships between relevant interest rates through linear regressions and other statistical measures, as applicable, when determining the appropriate structure of a particular Swap. The interest rate stack will include a factor for basis risk.

MITIGATING SWAP RATE RISKS

Risks	Description
Amortization Risk	Amortization risk is the risk that the Swap notional amount is not equal to the bond amount being hedged due to a mismatch in amortization. Swaps should be structured to match the amortization of the associated bonds. The Commission should consider purchasing partial or full par termination options exercisable on critical dates to mitigate this risk.
Counterparty/Termination Risk	The risk that a Swap counterparty is unable to perform its obligations under a Swap is referred to as counterparty risk. Under such circumstances, a market termination may be required, creating termination risk. Depending on the prevailing interest rate environment, a market termination may require the Commission to make a payment to the counterparty or vice versa. In addition to thoroughly evaluating counterparties prior to entering into a Swap, the Commission should negotiate Swap agreement terms such that, in the event that a termination payment is due to a party, the value of such termination payment for the non-defaulting party should be equal to the cost of replacing the Swap counterparty whenever possible.

STABILIZED PRO FORMA

Stabilized Proforma	CY 2022	Per Unit
Effective Gross Income (EGI)	\$2,571,292	\$17,142
Operating Expenses	\$838,061	\$5,587
Replacement Reserves	\$45,000	\$300
Net Operating Income (NOI)	\$1,688,231	\$11,255
Debt Service	\$1,468,027	\$9,787
Cash Flow Before Distributions	\$220,204	\$1,468
DSCR	1.15	

- The property will be initially financed with a tax-exempt construction loan that will be refinanced upon stabilization. An interest rate swap to mitigate interest rate risk for the permanent loan is proposed.
- Post-construction, the Property is expected to achieve 93% occupancy by January 2022. Annual rent growth for restricted and unrestricted units is projected at 1.5% and 2%, respectively.
- Operating expenses in CY 2022 are projected to escalate 3% annually.
- Annual replacement reserves contributions in conformance with its permanent, Risk Share mortgage will be \$300/unit (\$45,000 annually). At closing of the permanent loan, initial deposit to replacement reserves will be \$500/unit (\$75,000).
- The Property will benefit from a 90% Payment in Lieu of Taxes (“PILOT”) Agreement from Montgomery County.
- Subject to interest rate movements, staff anticipates that the Property will support a loan of up to \$24 million with a DSCR of 1.15. Sizing is based on an estimated interest rate of 5.50% (including MIP, LMF, and a 68bps cushion).

VOLUME CAP NEED/USES (\$'000)

Year	2017	2018	Projected 2019
Balance Carried Forward	\$44,785	\$23,053	\$6,000
Special Allocation			
Annual Bond Cap Allocation	\$35,643	\$37,986	\$38,366
	-1.7%	6.6%	1.0%
TOTAL BOND CAP AVAILABLE	\$80,428	\$61,039	\$44,366
HOC PROGRAMS			
Single Family	\$16,363	\$28,769	\$30,000
Alexander House	\$22,139		
Elizabeth House III*			\$53,000
Greenhills	\$12,000		
Upton II*			\$24,000
900 Thayer*			\$23,000
Bauer Park *			\$27,000
Metropolitan*			\$10,000
Shady Grove *			\$24,000
Georgian Court*			\$18,000
Stewartown *			\$14,000
TOTAL HOC PROGRAMS	\$50,503	\$28,769	\$223,000
PRIVATE DEVELOPERS			
Knights Bridge I*			\$43,000
Hillside Senior Living		\$26,270	
TOTAL PRIVATE ACTIVITY	\$0	\$26,270	\$43,000
TOTAL BOND CAP REMAINING	\$29,925	\$6,000	(\$221,634)

- **Available Volume Cap:** HOC had a remaining balance of \$29,925,000 in volume cap, at the end of CY2017. The Commission was allocated \$37.9 million in volume cap in CY2018. After the single family issuances and closing of Hillside Senior Living, the remaining available bond cap of \$6.0 million.
- The projected volume cap usage for CY2019 is approximately \$304 million (\$261 million for HOC programs, and \$43 million for private deals), which exceeds estimated available bond cap for the year.
- **Requests for Additional Bond Cap:** HOC meets with the Maryland Department of Housing and Community Development (“DHCD”) annually to review its annual volume cap needs. The most recent meeting took place at HOC on October 19, 2018.
- Alternatively, HOC may also request additional bond cap from the Maryland Department of Commerce, the state agency responsible for the allocation of bond cap.

*Estimated allocations for deals not yet closed

1/9/19



BOND CAP MATRIX

The Bond Cap Matrix was developed to measure and compare qualitative and quantitative variables of all tax-exempt bond transactions of the Commission. The indices were first introduced 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.

Qualitative variables were introduced with quantitative variables to provide support for the allocation of volume cap, should the pure numbers suggest otherwise. The variables measured relate to pricing, feasibility, and public purpose for not only Upton II, but for the preceding 19 other properties that were evaluated for HOC financing.

#	Name of Property	Year	Score
1	Upton II	2018	88%
2	Hillside Senior Living	2008	77%
3	Greenhills	2017	83%
4	Alexander House	2017	90%
5	Waverly House	2015	94%
6	Arcola Towers	2015	94%
7	Lakeview House	2015	81%
8	Olde Towne Apartments	2015	88%
9	Churchill Senior Living Phase II	2014	85%
10	Galaxy Apartments	2010	83%
11	Victory Forest	2008	88%
12	Forest Oak Towers	2007	77%
13	Covenant Village	2006	96%
14	Oakfield Apartments	2005	85%
15	Stratford Place Apartments	(Not financed)	
16	Clopper's Mill Manor	2004	88%
17	Charter House	(No cap allocation)	
18	Blair Park Apartments	2004	94%
19	Olney Manor Apartments	2004	88%
20	Randolph Manor Apartments	2002	88%

BOND CAP MATRIX: QUALITATIVE VARIABLES

Factors	Score	Comments
Public Purpose	+	135 units at 80% of AMI or lower to be preserved or added to the area housing stock for which a PILOT will be obtained.
Fees	+	A financing fee at closing estimated at \$480,000 and \$678,735 present value of ongoing loan management fees (2 years construction +15 years compliance period)
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; financing approvals pending. Closing planned early 2019.
Need to Use Bond Cap	N/A	Volume cap supports the development of the project and generates fees for HOC.
Geography	+	Located in Rockville, a high density area near schools, convenient retail and recreation centers with excess demand vs. supply for affordable senior housing.
Developer Experience	+	Experienced regional development team
Project Design	+	The development will be a Class A property in a high-density area with sufficient parking, handicap accessibility, public transportation, and appropriate amenities for seniors.
Apartment Type	+	The community is a physical disability accessible high-rise (Apt), ideal for seniors.
Bedroom Mix	+	The development contains 123 one-bedrooms and 27 one-bed/dens and two-bedroom units, an appropriate unit mix for seniors and as replacement housing for households relocating from Town Center.
Cost per Unit	+	\$329,719 per unit (\$41,618 is acquisition cost and \$183,256 is construction cost, not including contingency.)
Delivery Date	neutral	Construction to begin in the first quarter of 2019 and finish in fourth quarter of 2021.
HOC Ownership	N/A	HOC will retain managing ownership in the general partner; majority ownership by the investor limited partner.
Community Needs	+	Moderate to High. The current supply of LIHTC, stabilized rental units in the Upton II market area has a low vacancy rate of 3.5%, per an October 2018 market study, indicating excess demand for new rental units.

BOND CAP MATRIX: QUANTITATIVE VARIABLES

Factors	Score	Comments
Tax Exempt Savings Index	+	For every \$1 of savings to the developer, we achieve \$3.71 of public purpose.
Cap Usage Index	+	For every \$1 of bond cap allocated, we achieve \$0.32 in public purpose.
Public Purpose Index	-	The percentage of the total market potential that is devoted to public purpose is 21% for this transaction.
Unit Cap Cost Index	+	For every \$1 of cost per unit, \$0.54 is provided in volume cap.

The current projections for the Property anticipate public purpose that exceeds the basic LIHTC requirement. Tax-exempt, bond financed transactions require a minimum 20% of units to be reserved for households with incomes at or below 50% of area median income or 40% of the units to be reserved for households with incomes at or below 60% of Washington DC/MD/VA AMI. Of the 150 units planned for construction, 108 (72%) of the units will be restricted to households making 60% or less of the AMI. An additional 27 units will be restricted for households making 80% or less of the AMI. The remaining 15 rental units will be market rate. The construction of the Property will preserve safe, quality, affordable housing for individuals and families in the County.

The Public Purpose Index appears low due to the Property's higher asking rents in keeping with the public based housing voucher program which permits higher rents than would otherwise be programmatic for LIHTC. However, the property is still providing a substantial public purpose by providing 72% of its units to households earning 60% or less of AMI, which exceeds the minimum required for Tax-exempt bond financed transactions. It also generates fees to the Commission which enable it to continue to realize its public purpose mission.

Taken together, the combined qualitative and the quantitative variables score of 88% supports an allocation of up to \$24 million of bond cap for this transaction. This is due mostly to the deep public purpose relative to the market, upfront fees earned by HOC, the greater than 15-year term on affordability, with a sound project in terms of design, location and delivery schedule.

SUMMARY OF BOND AUTHORIZING RESOLUTION

The Bond Authorizing Resolution prepared by the Commission's Bond Counsel, Kutak Rock, LLP, outlines key elements of the transaction which the Commission must authorize to enable the financing to proceed. A summary of the main approvals is outlined below:

1. Issuance of stand-alone, tax-exempt bonds, a tax-exempt loan or other evidences of tax-exempt indebtedness (the "Tax-Exempt Indebtedness") to fund a construction Mortgage Loan to the Borrower in a amount not to exceed \$24,000,000.
2. Execution and delivery of a trust indenture, funding loan agreement or other document securing the Tax-Exempt Indebtedness.
3. Execution of any documents related to the issuance and delivery of the Tax-Exempt Indebtedness, the security for the Tax-Exempt Indebtedness, and the construction of the project, including, without limitation, purchase documents, credit and/or liquidity documents, including swap documents, continuing disclosure agreements, real estate documents and related tax documents.
4. Approval for Chairman, Vice Chairman, Chairman Pro Tem, and Executive Director, or one or more of their designees, to proceed with the issuance and delivery of the Tax-Exempt Indebtedness.
5. Establishment of terms relating to the Tax-Exempt Indebtedness and the security therefor and authority for the Executive Director or his designee to make ongoing determinations relating thereto including dates, maturities, interest payment dates, denominations, terms of redemption, etc.
6. Selection of Trustee or Fiscal Agent (if any), Financial Advisor and Bond Counsel.
7. Acknowledgment of future plan for the Commission to issue refunding bonds in connection with a permanent, mortgage-secured risk-share loan from the Commission to the Borrower in connection with the permanent financing for the project.

ISSUES FOR CONSIDERATION

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

- 1) Approval of Upton II's Financing Plan totaling \$49,500,053 that includes the following sources: a) tax-exempt loan to fund construction, which will be repaid by a FHA Risk Share permanent loan; b) bridge funding during construction by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; c) LIHTC equity; d) a subordinate County Loan; e) a loan from HOC; and, f) deferred developer fees?
- 2) Approval of the feasibility and public purpose for Upton II, and the allocation of up to \$24 million in volume cap for the transaction?
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt indebtedness in an amount not to exceed \$24,000,000 to fund an acquisition/construction loan for the transaction (Tax-Exempt Indebtedness). Such Tax-Exempt Indebtedness will be funded via a loan from M&T Bank, N.A. to HOC ("Conduit Loan") which will in turn lend those funds to the Borrower ("Construction Loan")?
- 4) Approval for HOC to accept the Conduit Loan from M&T Bank, N.A. and for the Commission to act as a pass through and lend up to \$24,000,000 (the same amount as the M&T Loan) to HOC at Upton II for up to 42 months to fund construction of the property?
- 5) Approval for HOC to loan to the Borrower up to \$6,000,000 towards acquisition costs for 43 years at the Applicable Federal Rate ("AFR") from the FHA Risk Share account until such time funds have been replenished or unobligated in the Opportunity Housing Reserve Fund ("OHRF")("HOC Loan")?
- 6) Approval for HOC to loan up to \$12,000,000 to the Borrower during construction by way of short-term, taxable draws on the PNC RELOC which shall be drawn when needed to bridge the receipt of LIHTC equity proceeds for repayment ("Bridge Loan") with a maximum term up to 42 months from closing, subject to the extension of the maturity or replacement of the PNC RELOC, which currently has a maturity date of June 30, 2020?
- 7) Authorization for HOC to Issue a Financing Commitment for FHA Risk Share permanent financing in an amount of up to \$24 million?
- 8) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, for HOC to assume 25% of the risk and HUD to assume 75%, for the transaction?
- 9) Approval for the Borrower to accept the proposed Construction loan, Tax-Exempt Indebtedness, Bridge loan, County loan, HOC Loan, and permanent loan?
- 10) Approval for the Executive Director to enter into an interest rate hedge agreement with one of the following counterparties (Royal Bank of Canada, Barclays Bank PLC, Wells Fargo Bank, N.A., Bank of America, N.A. or PNC Bank, N.A.) to manage interest rate risk until closure of the permanent debt?

TIME FRAME

For action at the January 9, 2019 meeting of the Commission.

BUDGET/FISCAL IMPACT

The FY2019 budget currently projects a \$600,000 Commitment Fee and \$300,000 Development Fee to be collected for this transaction. Current underwriting of the transaction projects collection of a \$480,000 commitment fee and \$200,000 of the Development Fee at closing, \$220,000 lower than budgeted for FY2019. Predevelopment expenses will be paid back at closing.

The Commission's 2% permanent commitment fee will be divided, 40% to the Commission's General Fund and 60% to the Opportunity Housing Reserve Fund ("OHRF"). Commencing in FY2022, the Commission will begin collecting loan management fees, currently projected at \$60,000 annually, totaling \$900,000 over the required 15 year period.

When drawn, the Bridge Loan will obligate \$9.1 million of the Commission's general obligation borrowing capacity. The loan to the project will reduce the Commission's cash by the final amount of the loan.

COMMITTEE RECOMMENDATION

At the December 13, 2018 meeting of the Development & Finance Committee, the Committee approved for recommendation to the Commission, approval of the proposed Financing Plan for Upton II and to enter into an Interest Rate Hedge for the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends that the Commission approve the following:

- 1) Approval of Upton II's Financing Plan totaling \$49,500,053 that includes the following sources: a) tax-exempt loan to fund construction, which will be repaid by a FHA Risk Share permanent loan; b) bridge funding during construction by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; c) LIHTC equity; d) a subordinate County Loan; e) a loan from HOC; and, f) deferred developer fees.
- 2) Approval of the feasibility and public purpose for Upton II, and the allocation of up to \$24 million in volume cap for the transaction.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt indebtedness in an amount not to exceed \$24,000,000 to fund an acquisition/construction loan for the transaction (Tax-Exempt Indebtedness). Such Tax-Exempt Indebtedness will be funded via a loan from M&T Bank, N.A. to HOC ("Conduit Loan") which will in turn lend those funds to the Borrower ("Construction Loan").
- 4) Approval for HOC to accept the Conduit Loan from M&T Bank, N.A. and for the Commission to act as a pass through and lend up to \$24,000,000 (the same amount as the M&T Loan) to HOC at Upton II for up to 42 months to fund construction of the property.
- 5) Approval for HOC to loan to the Borrower up to \$6,000,000 towards acquisition costs for 43 years at the Applicable Federal Rate ("AFR") from the FHA Risk Share account until such time funds have been replenished or unobligated in the Opportunity Housing Reserve Fund ("OHRF")("HOC Loan").
- 6) Approval for HOC to loan up to \$12,000,000 to the Borrower during construction by way of short-term, taxable draws on the PNC RELOC which shall be drawn when needed to bridge the receipt of LIHTC equity proceeds for repayment ("Bridge Loan") with a maximum term up to 42 months from closing, subject to the extension of the maturity or replacement of the PNC RELOC, which currently has a maturity date of June 30, 2020.
- 7) Authorization for HOC to Issue a Financing Commitment for FHA Risk Share permanent financing in an amount of up to \$24 million.
- 8) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, for HOC to assume 25% of the risk and HUD to assume 75%, for the transaction.
- 9) Approval for the Borrower to accept the proposed Construction loan, Tax-Exempt Indebtedness, Bridge loan, County loan, HOC Loan, and permanent loan.
- 10) Approval for the Executive Director to enter into an interest rate hedge agreement with one of the following counterparties (Royal Bank of Canada, Barclays Bank PLC, Wells Fargo Bank, N.A., Bank of America, N.A. or PNC Bank, N.A.) to manage interest rate risk until closure of the permanent debt.

RESOLUTION No.:19-09

RE: Approval of the Financing Plan for the Upton II Development (the “Property”); Authorization to Issue Loans to HOC at the Upton II, LLC (the “Borrower”) for Acquisition and Construction Financing; Authorization to Issue Commitments for up to \$24 Million in Permanent Financing, Including Authorization to Hedge Interest Rate Risk; and, Authorization for the Borrower to Accept Acquisition and Construction Loans

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, Upton II is a planned development in Rockville that is entitled under current zoning and planning requirements for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. (“VHI”) will own and operate a condominium unit containing 150 apartments and a share of parking and general common elements in a single purpose entity known as HOC at The Upton II, LLC (“Borrower”) and Duball LLC or an affiliate will own and operate a second condominium unit comprising the remainder of the development; and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the “Managing Member”), which in turn is the sole member of the Borrower; and

WHEREAS, it is expected that the ownership structure will be modified to admit a tax credit investor as a non-managing member of the Borrower and to admit VHI as a non-managing member of the Managing Member, with HOC remaining in control of the Borrower as the managing member of the Managing Member entity; and

WHEREAS, the Borrower proposes to serve seniors across a wide income range through the implementation of the new income averaging component of the Low Income Housing Tax Credit (“LIHTC”) program, which will allow households with income from 40% up to 80% of the Washington DC Area Median Income (“AMI”) to enjoy rent protection without impairing the LIHTC equity for the development; and

WHEREAS, on October 3, 2018, the Commission approved the Development Plan for The Upton II (the “Property”) as a 150-unit, mixed-income, new construction, age-restricted community containing 15 unrestricted units and 135 income and rent restricted units (the “LIHTC Units”); and

WHEREAS, on January 9, 2019 HOC staff developed and proposed a Final Development Plan (“Final Development Plan”), for the Property; and

WHEREAS, staff explored a variety of options for the estimated \$49.5 million acquisition, construction and permanent financing for the Property, and determined to use a number of sources including a short-term, tax-exempt loan to fund construction by way of a Commission conduit loan from M&T Bank to be passed through to the Borrower (“Construction Loan”), which will be repaid by a FHA Risk Share permanent loan; bridge funding during acquisition/construction by way of draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit (“Bridge Loan”); LIHTC equity; a subordinate loan from Montgomery County, Maryland (“County Loan”); acquisition financing in the form of a seller take-back loan from the Commission (“HOC Loan”); and, deferred developer fees (collectively, the “Financing Plan”); and

WHEREAS, the Commission and Borrower wish to secure a permanent takeout loan for the Property in the form of a three year forward commitment to insure and finance the permanent loan in an amount of up to \$24,000,000, based on a projected interest rate of 5.5%, using Private Activity Bonds which proceeds will fund a mortgage loan insured by the FHA Risk Share Program (“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 swap to mitigate the risk of a potential rise in interest rates prior to the time the rate can be fixed for the Permanent Loan and HOC may use the swap to hedge the floating interest rate exposure on the Construction Loan and that such interest rate hedge will be evidenced by an International Swaps and Derivatives Association (“ISDA”) Master Agreement, Schedule, Confirmation and Credit Support Annex (the “Swap”); and

WHEREAS, the Swap will be structured where the Commission pays a fixed interest rate and receives a floating rate based on a notional amount not to exceed the estimated Permanent Loan amount that will amortize over 40 years but which will be subject to the Commission’s option to terminate at market at any time and at par semi-annually on or after the first par optional termination date (the “First Par Optional Termination Date”), which is expected to be no later than 18.5 years from the execution of the Swap to correspond with the expiration of the tax credit period; and

WHEREAS, any termination payments owed by the Commission are expected to be paid as Program Expenses under the 1996 Indenture or from the Commission’s legally available general funds but that payments are expected to be zero; and

WHEREAS, Commission and the Partnership expect to receive a Letter of Reservation/Determination for the LIHTC from the Maryland Department of Housing and Community Development which will enable the Borrower to raise approximately \$12 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 the Managing Member and the Borrower, 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 following:

1. Issuance of a 42-month Construction Loan for up to \$24,000,000 at the same terms as the Commission's M&T Bank short-term tax-exempt conduit loan in the same amount; and
2. Issuance of an acquisition loan to the Borrower for up to \$6,000,000 for 43 years at the Applicable Federal Rate (AFR) from the Commission's FHA Risk Share account until such time funds have been replaced or unobligated in the Opportunity Housing Reserve Fund (OHRF), interest is intended to start accrual at closing and be payable from available property cashflow.
3. The funding a Bridge Loan at closing, of up to \$12 million by way of short-term, taxable draws on the PNC Bank, N.A. Real Estate Line of Credit ("RELOC"), which shall be drawn when needed to bridge the receipt of LIHTC equity and shall be outstanding for no more than 42 months from the closing date.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the issuance of a three year forward commitment for a Permanent Loan in an amount up to \$24 million, which will be credit enhanced by FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between the Commission and the U.S. Department of Housing and Urban Development ("HUD"), of which the Commission shall assume 25% of the risk while HUD shall assume 75% for the transaction.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, approves the Borrower's acceptance of the Construction Loan, County Loan, Bridge Loan, HOC Loan and Permanent Loan for the financing closing, which will occur separate and apart from the LIHTC equity closing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the execution of an interest rate hedge via a swap agreement with a qualified counterparty (Royal Bank of Canada, or another highly rated financial institution), to mitigate against a rise in interest rates, with any scheduled or termination payment owed by the Commission being paid as a Program Expense under its 1996 Indenture and from the Commission's 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 the Managing Member and the Borrower, that the Executive Director is hereby authorized, without any further action on their respective parts, to negotiate the terms of the 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 the Managing Member and the Borrower, 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 HOC MM Upton II, LLC, acting in its capacity and for and on behalf of HOC at the Upton II, LLC at a regular meeting conducted on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

RESOLUTION No.: 19:09²

RE: Approval to Draw from the PNC Bank, N.A. Real Estate Line of Credit to Fund a Bridge Loan during the Acquisition and Construction of the Upton II in Accordance with the Approved Financing Plan

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 acquisition and construction of rental housing properties which provide a public purpose; and

WHEREAS, Upton II is a planned development in Rockville that is entitled under current zoning and planning requirements for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. (“VHI”) will own and operate a condominium unit containing 150 apartments and a share of parking and general common elements in a single purpose entity known as HOC at The Upton II, LLC (“Borrower”) and Duball LLC or an affiliate will own and operate a second condominium unit comprising the remainder of the development; and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the “Managing Member”), which in turn is the sole member of the Borrower; and

WHEREAS, it is expected that the ownership structure will be modified to admit a low income tax credit investor as a non-managing member of the Borrower and to admit VHI as a non-managing member of the Managing Member, with HOC remaining in control of the Borrower as the managing member of the Managing Member entity; and

WHEREAS, the HOC Upton Development proposes to serve seniors across a wide income range through the implementation of the new income averaging component of the Low Income Housing Tax Credit (“LIHTC”) program, which will allow households with income from 40% up to 80% of the Washington DC Area Median Income (“AMI”) to enjoy rent protection without impairing the LIHTC equity for the development; and

WHEREAS, on October 3, 2018, the Commission approved the Development Plan for The Upton II (the “Property”) as a 150-unit, mixed-income, new construction, age-restricted community containing 15 unrestricted units and 135 income and rent restricted units (the “LIHTC Units”); and

WHEREAS, on January 9, 2019, HOC proposed a Financing Plan totaling approximately \$49.5 million, which includes approximately \$29 million in construction costs;

WHEREAS, HOC is pursuing a 4% LIHTC allocation to fund the construction of the Property, which will generate approximately \$12 million in LIHTC equity to be contributed according to an agreed upon pay-in schedule (“LIHTC Equity”); and

WHEREAS, the construction loan for the Property will be up to \$24 million, causing the Property to obtain bridge funding between the Property’s construction loan proceeds and that of the LIHTC Equity contributions; and

WHEREAS, the Commission has approved funding of up to \$6,000,000 from its own cash resources, using the FHA Risk Share account until such time funds have been replaced or unobligated in the Opportunity Housing Reserve Fund (“OHRF”) (“Local Funds”), to fund the acquisition of the Property; and

WHEREAS, the Commission wishes to make a Bridge Loan to the Property by a draw on the \$90 million PNC Bank, N.A. Real Estate Line of Credit (“PNC RELOC”) to complete the capital stack needed to close on the acquisition and construction financing for Property until receipt of LIHTC equity proceeds; and

WHEREAS, the Commission may make draws on the PNC RELOC at a taxable rate equal to an interest rate at an optional London Interbank Offered Rate (LIBOR) (1-month, 3-month, 6-month, or 12-month) plus 58 basis points.

WHEREAS, the PNC RELOC is scheduled to mature June 30, 2020 unless extended or refinanced.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes taxable draws on the PNC RELOC totaling up to \$12,000,000 to complete the acquisition and construction financing for the Upton II.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that it authorizes the funds be loaned to the Borrower with interest to accrue and be paid at a rate sufficient to pay the interest cost of the PNC RELOC, herein estimated to be 2% annually and shall remain outstanding for a term of up to 42 months from the Property’s first draw and repaid from proceeds of LIHTC equity.

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

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

RESOLUTION: 2019-09³

Re: Adoption of Authorizing Resolution
for Financing of The Upton II

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, AUTHORIZING THE EXECUTION AND DELIVERY BY THE COMMISSION OF A COMMISSION NOTE IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$24,000,000, FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE UPTON II; DETERMINING THE FEASIBILITY OF THE FINANCING; AUTHORIZING THE PUBLIC PURPOSE SET-ASIDE COVENANTS; AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF THE FUNDING LOAN AGREEMENT, THE PROJECT LOAN AGREEMENT 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 NOTE; AUTHORIZING THE CHAIRMAN, THE VICE CHAIRMAN, THE CHAIRMAN PRO TEM, THE EXECUTIVE DIRECTOR AND/OR AN AUTHORIZED REPRESENTATIVE OF THE COMMISSION TO PROCEED WITH THE DELIVERY OF THE COMMISSION NOTE TO MANUFACTURERS AND TRADERS TRUST COMPANY OR TO AN AFFILIATE THEREOF; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL; AUTHORIZING 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 approved the final development plan for The Upton II, which provides for the acquisition, construction and equipping by HOC at the Upton II, LLC (the "Borrower") of 150 affordable residential housing units known as The Upton II (the "Project"), including the construction of those units using low-income housing tax credit equity;

WHEREAS, the Commission proposes to enter into a Funding Loan Agreement (the "Funding Loan Agreement"), by and among the Commission, Manufacturers and Traders Trust Company or an affiliate thereof (the "Funding Lender") and such fiscal agent as shall be

determined in accordance with the Commission's procurement policy (the "Fiscal Agent"), under which the Funding Lender will provide a private activity loan (the "Funding Loan") to the Commission; and

WHEREAS, the Commission will loan the proceeds of the Funding Loan to the Borrower (the "Project Loan") pursuant to a Project Loan Agreement (the "Project Loan Agreement"), by and between the Commission and the Borrower, for the purpose of financing a portion of the costs of the acquisition, construction and equipping of the Project; and

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

WHEREAS, to evidence the Funding Loan, the Commission will execute and deliver to the Funding Lender a Note (the "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 Project Loan, the Borrower will execute and deliver to the Commission a Project Note (the "Project Note"); and

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

WHEREAS, the Project Note and the 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 Commission Note; and

WHEREAS, the Commission desires to reduce its debt service expense under the Commission Note by entering into a swap or derivative agreement (the "Swap Agreement") with such entity and with such terms as shall be determined in accordance with the Commission's Derivative Transaction Management Policy; and

WHEREAS, the Borrower will covenant to rent or hold available for rent at least 40% of the Project 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 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 Commission Note, the application of the proceeds of the Project Loan to finance a portion of the costs of the

acquisition construction and equipping of the 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 Project described herein (the “Project”) include the Commission Note, the Funding Loan Agreement, the Project Loan Agreement, the Swap Documents, a Land Use Restriction Agreement, a Regulatory Agreement related to the Project and tax documents related to the exclusion of interest on the 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”); and

WHEREAS, the Commission hereby acknowledges that the development plan for the Project contemplates the refinancing of the Commission Note following completion of construction of the Project with a FHA Risk-Share insured loan (or such other source of refinancing as shall be available to the Commission and economically advantageous at that time) and that such refinancing will be presented to the Commission for approval at such time as the construction of the Project is complete and the Funding Loan converts to a permanent loan.

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

1. ***The Commission Note.*** The Commission Note is authorized to be issued pursuant to and under the Funding Loan Agreement in an aggregate principal amount not to exceed \$24,000,000. The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director and/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 Note, all of the foregoing to be specified in the final Commission Note and Funding Loan Agreement. The Commission Note shall be a limited obligation of the Commission, secured by and payable solely from security pledged therefor under the Funding Loan Agreement.

2. ***Approval of Financing.*** The Commission hereby approves the financing of the Project pursuant to the terms and conditions set forth in the Funding Loan Agreement, the 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 Note, the giving or withholding of consents, and the selection and removal of purchasers of the Commission Note and professionals.

6. ***Execution and Delivery of Commission Note.*** 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 Note to the Funding Lender or to an affiliate thereof or to any other initial purchaser of the Commission Note as shall be determined to be in the best interest of the Commission, and pursuant to the Funding Loan Agreement.

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 Note and the financing and the ongoing operations of the Project, 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 Note.

9. ***Procurement of Fiscal Agent Services; Appointment of Fiscal Agent.*** The actions of the staff of the Commission, in accordance with Section 2.2 and Appendix IV of the Commission’s Procurement Policy, adopted and effective on June 7, 2017, for the procurement of an entity to provide the professional services of Fiscal Agent under the Funding Loan Agreement, the selection by the Executive Director from the proposal submissions of entities for service as Fiscal Agent under the Funding Loan Agreement, 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 authorized 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 Commission Note will be allocated to the issuance of the Commission Note.

11. **No Personal Liability.** No stipulation, obligation or agreement herein contained or contained in the Commission Note, 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 Note 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 Note and the financing of the Project 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.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Approval to Increase Total Predevelopment Budget for the Redevelopment of Holly Hall into Hillandale Gateway; Approval to Fund a Six-Month Predevelopment Budget; and Approval to Loan Hillandale Gateway, Predevelopment Funding



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE BROWN
ZACHARY MARKS
KATHRYN HOLLISTER

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Executive Summary

On October 7, 2015, the Commission approved a predevelopment budget of \$1.195MM to fund the first 15 months of predevelopment activity related to the redevelopment of Holly Hall. The Commission authorized initial funding of \$546,000 that was sufficient for approximately 17 months of work. On March 1, 2017, the Commission approved a revised 12-month predevelopment budget of \$1,341,500, annulling the remaining \$649,000 previously approved. The second installment of funding was sufficient for approximately 22 months of work.

HOC staff now recommends the below budget of \$4,488,710 for the remaining predevelopment work from January 2019 through construction financing. Staff is requesting funding of the third installment of \$1,616,970 in predevelopment funding for the first six months of calendar year 2019 (highlighted below). Staff will return to the Commission in mid-2019 for approval of a fourth installment of predevelopment funding to cover the remainder of the predevelopment work for 2019.

Design & Development Budget	1/1/2019	2/1/2019	3/1/2019	4/1/2019	5/1/2019	6/1/2019	7/1/2019	8/1/2019	9/1/2019	10/1/2019	11/1/2019	12/1/2019	2020+
Total	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$269,495	\$1,254,770

Staff is also providing an update on Hillandale’s design as the HOC-Duffie team prepares for the next phase of the entitlement process – Site and Subdivision Plan submission. Since the last presentation to the Commission, the HOC-Duffie team has been investigating the use of a relatively new construction design system called Prescient, which allows for the construction of taller buildings at materially the same cost as tall wood buildings on a concrete podium. As a result, the same unit count can be achieved on a smaller footprint, preserving land for future phases of development—residential, office, or retail—or for open space. Staff will return to the Commission in the first quarter of calendar year 2019 with additional architectural renderings and for Commission approval regarding unit mix and affordability prior to submitting the Site and Subdivision Plan for Hillandale.

The transformation of Holly Hall into Hillandale Gateway sets the bar for innovation and energy efficiency in residential development in the mid-Atlantic. The use of Prescient technology, strive for Net Zero and Passive House energy efficiency and creation and preservation of additional units of affordable housing beyond the 96 that currently exist at Holly Hall, makes Hillandale Gateway a hallmark development, not only for HOC, but for the County and region as a whole.

Background

Hillandale Gateway will be a new mixed-use, mixed-income property located on the site of Holly Hall Apartments (“Holly Hall”), a former 96-unit Public Housing community on 4.35 acres located at the northwest corner of the intersection of Interstate 495 and New Hampshire Avenue in the Hillandale neighborhood of Silver Spring. The disposition of Holly Hall from the Public Housing program, the removal of the declaration of trust held by the United States Department of Housing and Urban Development as part of the conversion of Holly Hall via the Rental Assistance Demonstration program, and the permanent off-site relocation of residents (along with their rental assistance) to the newly-constructed Victory Crossing and to-be-delivered 900 Thayer, provide HOC with an entirely unencumbered property with significant redevelopment potential.

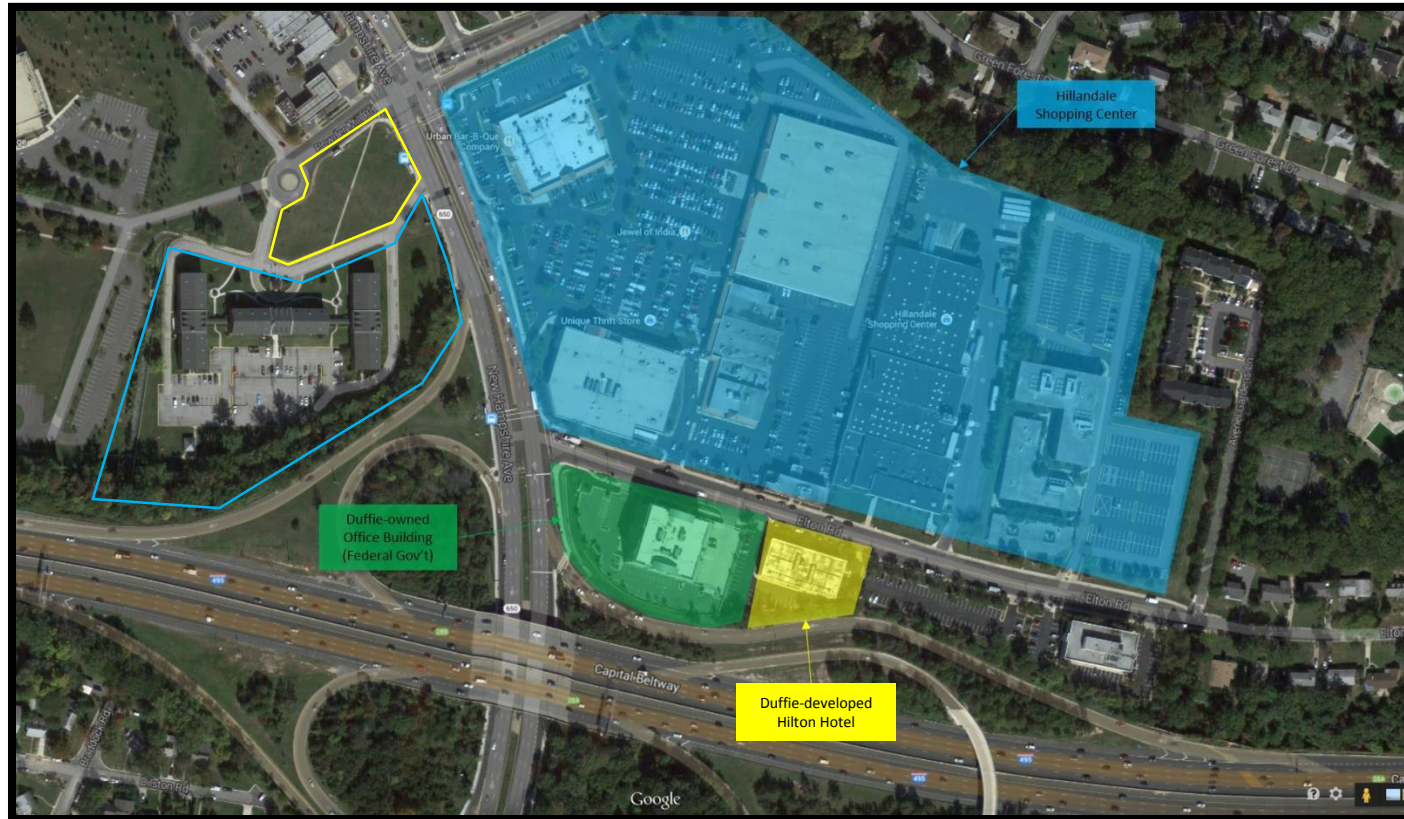
On July 11, 2014, with Holly Hall’s redevelopment in mind, HOC purchased a 43,671-square foot parcel of land at the southwest corner of Powder Mill Road and New Hampshire Avenue (“CONA Site”) from Capital One Bank, N.A. for \$1,700,000. The acquisition of the CONA Site provided an additional acre of raw land, secured the southwest corner of a key intersection, and gained important frontage on both Powder Mill Road and New Hampshire Avenue. On July 29, 2014, the Montgomery County Council (“County Council”) approved the rezoning of Holly Hall and the CONA Site as part of the revision of White Oak Science Gateway Master Plan (“WOSG Plan”), allowing for substantially more commercial and residential development than the existing 96 rental units at Holly Hall.



Background

After securing the CONA Site, and upon the conclusion of the revision to the WOSG Plan, HOC was approached by the Duffie Companies (“Duffie”), a third-generation, Montgomery County-based, family-owned real estate owner, developer, and asset manager, which own all of the properties along the east side of New Hampshire Avenue, to consider a joint venture on the redevelopment of Holly Hall and the CONA Site.

On July 8, 2015, the Commission authorized the formation of a joint venture with Duffie to redevelop Holly Hall. The initial contributions to the venture were the CONA site from HOC and \$546,000 in cash from Duffie creating a 70%-to-30% ownership split. While Duffie’s holdings were not to be a part of the joint venture, the partnership provided the basis and incentive for collaboration and a unified vision for the future of Hillandale. Control of both sides of New Hampshire Avenue gives HOC and Duffie the ability to make the most efficient decisions related to traffic improvements, redevelopment use mix, and redevelopment phasing.



On December 5, 2018, the Commission authorized the Executive Director to execute a non-binding letter of intent for the sale of HOC’s 70% interest in the CONA Site to Duffie, to facilitate the relocation of a Starbucks from Duffie-held property on the east side of New Hampshire Avenue to the CONA Site. The disposition of the CONA Site, expected to occur by February 17, 2019, will be fee simple; however, the CONA Site will still be a part of the combined development approval that included the redevelopment of Holly Hall and agreement and easements will be put into place ensuring that the CONA site remains part of the overall development.

Predevelopment Budget

Design & Development Budget	CY 2019	CY 2020 Through Construction Financing	TOTAL
Architectural Design (incl. Site, Utility, MEP)	\$2,016,444	\$255,000	\$2,271,444
Sustainability Design	\$222,000	\$18,000	\$240,000
Interior Design	\$100,000	\$319,730	\$419,730
Project Management	\$70,000	\$230,100	\$300,100
Civil Engineering	\$236,439	\$0	\$236,439
Environmental Engineering	\$0	\$10,000	\$10,000
Traffic Engineering	\$59,866	\$0	\$59,866
Acoustical Engineering	\$5,100	\$0	\$5,100
Geo Technical	\$0	\$13,773	\$13,773
Legal - Entitlement	\$200,000	\$18,068	\$218,068
Legal - Strategy	\$0	\$0	\$0
Branding, Marketing and Research	\$75,000	\$145,000	\$220,000
Misc. Fees and Taxes	\$9,093	\$5,100	\$14,193
Development Fee	\$240,000	\$240,000	\$480,000
TOTAL	\$3,233,940	\$1,254,770	\$4,488,710

Staff is seeking Commission approval of the revised predevelopment budget of \$4,488,710 that includes expenditures for 2019 and 2020 through the closing of the construction financing in Q1 or Q2 2021. As outlined above, the predevelopment budget for 2019 is \$3,233,940 and the predevelopment budget for 2020 through construction financing is \$1,254,770.

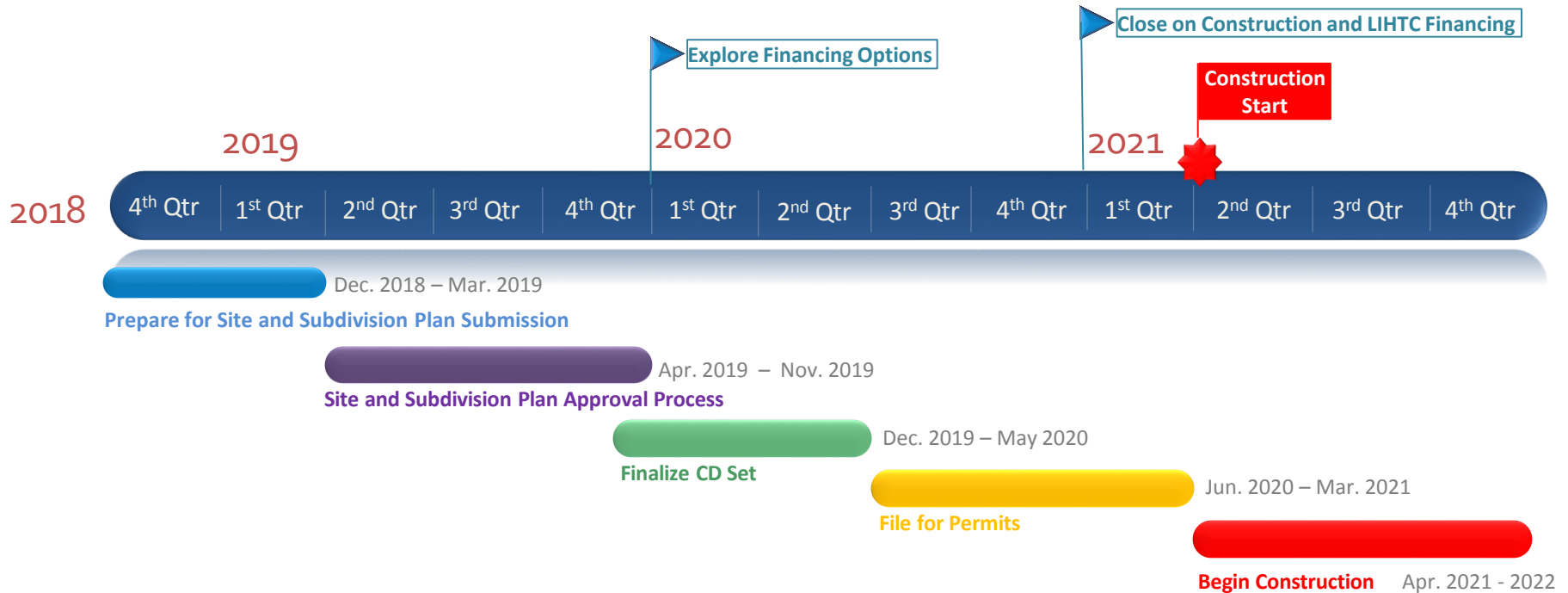
Staff is also requesting approval of funding of \$1,616,970, which represents half of the predevelopment budget for 2019, to cover predevelopment and entitlement work for the first six months of 2019. Staff will return to the Commission in June 2019 to seek approval for the second half of predevelopment funding for the remaining six months of 2019.

Per the venture operating agreement, at any time, should spending be projected to exceed 110% of the Commission-approved amount, the HOC-Duffie team must come back to the Commission for a budget amendment before any additional funding will be authorized. Also per the venture operating agreement, HOC and Duffie will split a \$20,000 per month development fee 20% to 80% during the entitlement and permitting period. So, HOC will receive \$48,000 in development fee through the end of 2019.

Predevelopment Timeline

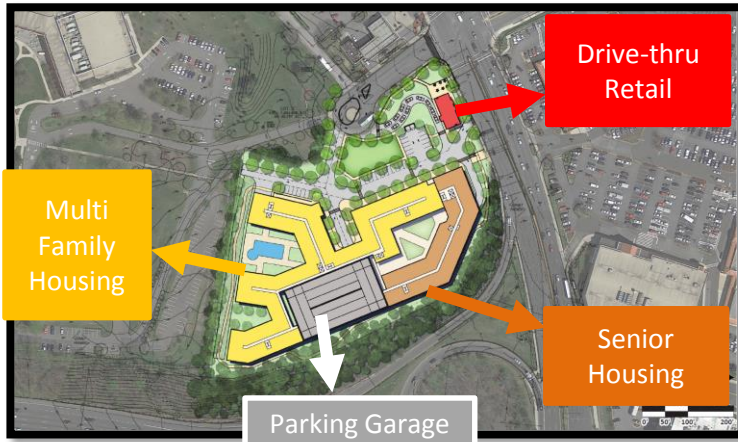
Hillandale Predevelopment Schedule

Dec. 2018 through Dec. 2021



In the first quarter of 2019, the HOC-Duffie development team will submit for Site and Subdivision Plan approval. Staff anticipates Site and Subdivision Plan approval to take up to nine months; once granted, the construction drawing (“CD”) set for Hillandale will be finalized and the development team will file for permits. Construction is anticipated to begin in the first or second quarter of calendar year 2021.

Initial Design Concept



A condition of the property's rezoning is that the 96 affordable senior units that existed at Holly Hall must be replaced as a part of any redevelopment. To comply with Federal Fair Housing law regarding age-restricted housing, the senior housing component of the redevelopment must be designed such that it is legally, financially, and functionally separate from the multifamily component. The multifamily component and senior component each has its own loading dock, lobby, entrance, and amenities.

The Sketch Plan submitted for Hillandale Gateway included a total maximum gross floor area of 454,675 square feet of mixed-use development comprising 430,175 square feet of multi-family residential, with 500 units, and 24,500 square feet of retail space including 2,500 square feet as a free-standing building with a Drive-Thru. The Sketch Plan gives the senior building a prominent, visible location within the redevelopment and shows a feature tower along New Hampshire Avenue to further enhance the building's appeal and value.



The Sketch Plan is meant to outline the maximum viable build-out of the site, with the full scope of eventual construction driven by market analysis and construction costs. While the Sketch Plan provides for 500 residential units, the Duffie-HOC team is reluctant to deliver all units to a new market at once and is evaluating a phased-in approach.

A phased-in approach, however, presents design challenges: delivering a smaller number of units initially can be achieved by building fewer floors, but this approach limits the ability to add additional units down the road. An alternative approach is to build a taller building on a smaller footprint, allowing for future units to be built on unused land, but the traditional steel or concrete construction required for taller buildings is often cost-prohibitive. Wood-over-concrete podium construction, which is traditionally the most affordable construction type, is only viable for residential buildings up to seven stories, and has other limitations.

Revised Design Concept

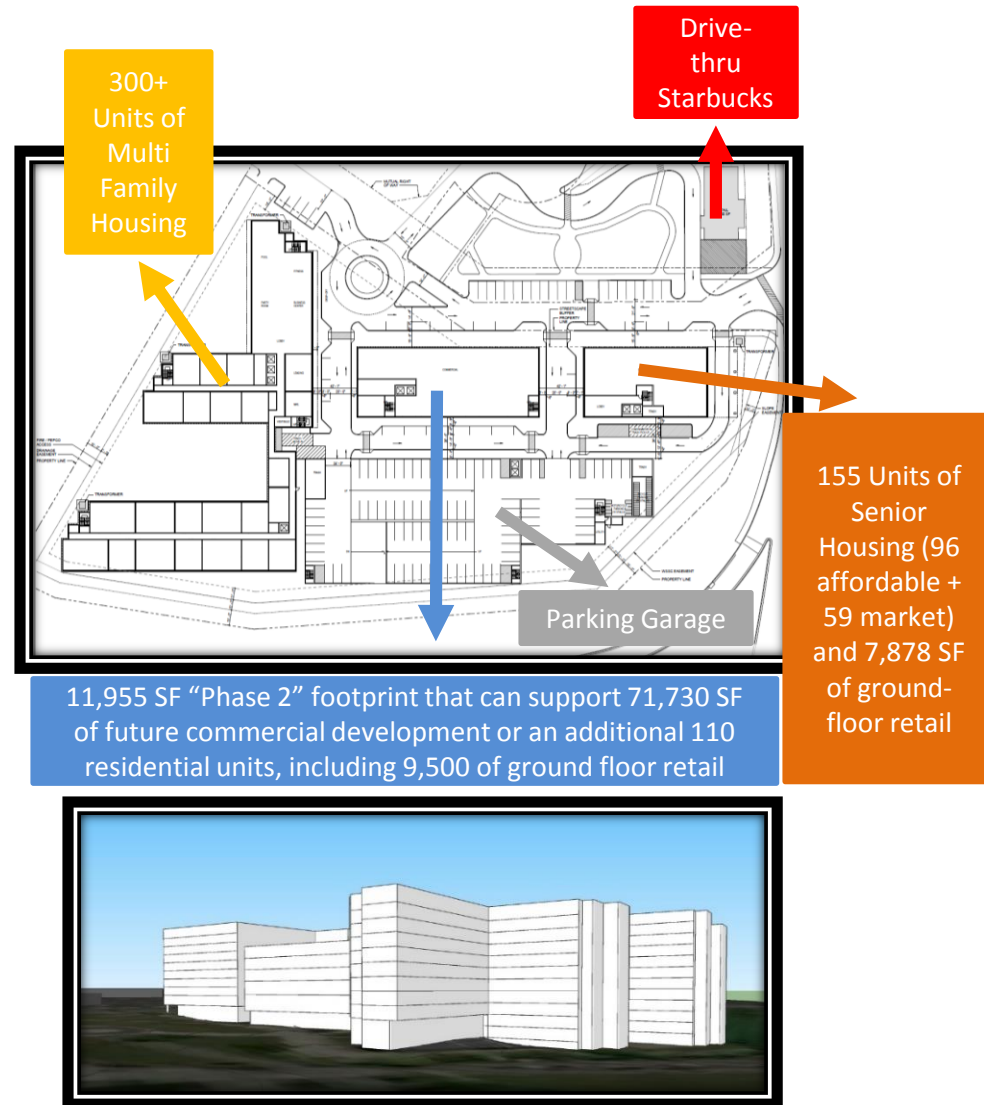
Since Sketch Plan submission, two key developments have further shaped the potential design of Hillandale Gateway. First, on October 9, 2018, an important policy change regarding “Bonus Density”—additional residential density provided to developments that meet certain MPDU thresholds—was adopted by the County Council, paving the way for even more residential units on the Hillandale site.

Second, the County informed the HOC-Duffie team that a “loop” fire road would be required around any wood-frame development on the Hillandale site, which would be costly to build and maintain, and an eye sore for the community. As a result, the option of wood-over-concrete construction became less viable and desirable for the Hillandale development.

HOC-Duffie team has spent considerable time and energy exploring a new construction system, Prescient, that would allow for taller multifamily buildings at a similar per-unit cost as wood-over-concrete construction. The revised concept designs shown to the left illustrate what could be built using the Prescient system.

Most notably, the revised design would allow for roughly 455+ residential units to be built in Phase 1, while preserving a 11,955 SF “Phase 2” footprint for future development—retail, commercial or residential development—or open space.

The HOC-Duffie team is in the process of determining final unit counts, unit mixes and affordability levels for the senior and multifamily buildings. At least 25% of the overall development will be affordable, including the 96 affordable “replacement” senior units. The remainder of the affordable units will reside in the multifamily building.



About Prescient

Prescient provides a technology platform that aims to facilitate the construction of multi-unit buildings with greater speed, lower cost and environmental sustainability. Prescient offers software for designing buildings as well as off-site facilities to manufacture patented, prefabricated light steel hybrid framing systems to construct these properties. The software automatically plugs in the architect's design and communicates architectural schematics to manufacturing robots that form and weld parts. Each part then is printed with a unique QR code to streamline identification and sequencing through subsequent production phases.

DESIGN

All structure and engineering details that will be built are captured in a fully detailed, 3D virtual model during the earliest stages of the design process.

MANUFACTURING

Prescient's innovative manufacturing process yields components of precise specifications and dimensions seamlessly carried through from design to production roll-formers, welding robots, and laser cutting and machining systems.

INSTALLATION

Prescient's fully integrated platform saves months of on-site construction because the structures aren't built — they're assembled. Each component has a unique location on the Prescient Smart Grid for easy and efficient installation.

Prescient: Advantages and Limitations

ADVANTAGES

Speed: With integrated software, engineering services, pre-manufactured framing system, and on-site assembly process, Prescient enables developments to be built faster and with fewer costly on-site modifications. Not only can the structure be installed faster than competing systems, but aggressive phasing-in of trades can further shorten overall construction durations by months.

Taller Buildings at a Lower Cost: Prescient buildings can be built as high as 17 stories tall without incurring the cost and schedule penalties associated with concrete. In the case of Hillandale, the same unit count for a wood-over-podium construction can be achieved on a smaller footprint using Prescient, preserving land for future phases of development—residential, office, or retail—or for open space.

Quality: A Prescient structure is a 100% non-combustible steel and fiber cement system that is safer, more durable, dimensionally stable, mold resistant, termite proof, and longer lasting. The structure can also bear more weight allowing for rooftop amenities that would be materially more difficult and costly to provide in a structure made of wood.

Green: Prescient components are built using recycled-content steel and are manufactured and installed with less than 1% waste. Up to 9 points can be achieved toward LEED certification simply by using a Prescient structure.

Quiet: The Prescient system offers superior STC and IIC sound ratings creating a place where residents want to live.



LIMITATIONS

Design Constraints: The Prescient system is most efficient when buildings are designed on a 2' "grid" and without other than 90 degree "kinks". Any deviations from this spatial order can have an impact on the delivered cost of the building.

Commitment to Prescient: The Prescient system is a proprietary, patented system. Integrating the Prescient system early on in the planning and design phases yields the most cost-effective results; however, Prescient is a commitment that would be difficult or costly to deviate from later on in the development process.

Other Design Elements



ACCESSIBILITY

The HOC-Duffie development team has engaged Steven Winter Associates (“SWA”) to provide accessibility design, compliance and consulting services for Hillandale Gateway. With the help of SWA, HOC and Duffie will take a “whole building approach” to accessibility, ensuring the Hillandale Gateway provides safe, usable and accessible spaces for residents of all abilities. Former SWA Projects include:

- **Liberty Harbor East, Baltimore, MD.** A 22-story, multifamily mixed-use tower with 282 apartments, 35 condominiums, a 50,000-square-foot Whole Foods Market and 3,500-square feet of retail. SWA conducted plan reviews and field inspections/construction services of the project to determine compliance with design and construction requirements of the Fair Housing Act, the Americans with Disabilities Act, and state and local accessibility laws and codes.
- **City Market at O Street, Washington, DC.** O Street Market, a historic landmark in Washington, DC, was recently restored into an award winning mixed-use community that spans two city blocks with nearly 600 residential units and 87,000 square feet of retail space, including a Giant Supermarket. SWA conducted plan reviews and field inspections/construction services of the project to determine compliance with design and construction requirements of the Fair Housing Act, the Americans with Disabilities Act, and state and local accessibility laws and codes.

N K A R C H I T E C T S



ENERGY EFFICIENCY

The HOC-Duffie development team is committed to making Hillandale Gateway a leader in sustainable and energy efficiency residential multifamily development in the Mid-Atlantic region. The team has hired consultants NK Architects and Redwood Energy to assist in the team’s drive toward Net Zero, Passive House and LEED Platinum standards.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission wish to approve the following actions:

1. Approval of a revised predevelopment budget totaling \$4,488,710 to cover predevelopment costs for 2019 and 2020 though closing of the transaction in the first or second quarter of 2021?
2. Approval to fund \$1,616,970, representing predevelopment expenditures projected for the first six months of calendar year 2019?
3. Approval to fund the predevelopment budget of \$1,616,970 in the form of a loan from the Opportunity Housing Reserve Fund (“OHRF”)?

TIME FRAME

Action at the January 9, 2019 meeting of the Commission.

BUDGET/FISCAL IMPACT

There is no adverse change to the current Agency operating budget. HOC will receive \$24,000 in development fees through the end of Fiscal Year 2019. The OHRF fund had an available balance of \$4,885,613 as of November 7, 2018.

COMMITTEE RECOMMENDATION

At the December 13, 2018 meeting of the Development & Finance Committee, it approved for recommendation to the Commission the following:

1. Approval of a revised predevelopment budget totaling \$4,488,710 to cover predevelopment costs for 2019 and 2020 though closing of the transaction in the first or second quarter of 2021.
2. Approval to fund \$1,616,970, representing predevelopment expenditures projected for the first six months of calendar year 2019?
3. Approval to fund the predevelopment budget of \$1,616,970 in the form of a loan from the OHRF?

Summary and Recommendations

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that Commission accepts the recommendation of the Development and Finance Committee and take the following actions:

1. Approval of a revised predevelopment budget totaling \$4,488,710 to cover predevelopment costs for 2019 and 2020 through closing of the transaction in the first or second quarter of 2021.
2. Approval of a six-month predevelopment budget for Hillandale Gateway in the amount of \$1,616,970. Staff will return to the Commission in June 2019 for approval of another \$1,616,970 to fund predevelopment and entitlement for second half of 2019.
3. Approval to fund the predevelopment budget in the amount of \$1,616,970 in the form of a loan from the OHRF. The OHRF fund had an unobligated balance of \$4,885,613 as of November 7, 2018.

RESOLUTION No.: 19-10

RE: Approval to Increase Total Predevelopment Budget for the Redevelopment of Holly Hall into Hillandale Gateway; Approval to Fund a Six-Month Predevelopment Budget; and Approval to Loan Hillandale Gateway, Predevelopment Funding

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”), is the owner of a 96-unit rental property in Hillandale known as Holly Hall Apartments located on approximately 4.35 acres of land at 10110 New Hampshire Avenue, Silver Spring, MD 20903 (“Holly Hall”); and

WHEREAS, HOC is the sole member of HOC at Hillandale Gateway, LLC, which is a member of Hillandale Gateway, LLC, the entity that will redevelop the Holly Hall site; and

WHEREAS, on July 11, 2014, HOC purchased a 43,671 square foot parcel of land located at the southwest corner of Powder Mill Road and New Hampshire Avenue (the “CONA Site”) from Capital One Bank, N.A.;

WHEREAS, on July 8, 2015, the Commission authorized the creation of a joint venture between The Duffie Companies (“Duffie”) and HOC to redevelop Holly Hall and the CONA Site (“the Redevelopment Properties”), where HOC contributed the Redevelopment Properties and Duffie contributed cash, both purchasing respective ownership interests (70% to HOC and 30% to Duffie) in the venture; and

WHEREAS, the Redevelopment Properties were approved for an increase in development density via a Sectional Map Amendment; presenting a unique opportunity for HOC to expand its housing presence in the eastern area of the County, which has seen decades of disinvestment in housing; and

WHEREAS, on October 7, 2015 and March 1, 2017, the Commission approved predevelopment budgets and authorized loans to Hillandale Gateway, LLC from HOC’s Opportunity Housing Reserve Fund (“OHRF”) in the total amount of \$1,887,5000 to fund predevelopment activities related to the redevelopment of the Redevelopment Properties; and

WHEREAS, on December 5, 2018, the Commission authorized the Executive Director to execute a non-binding letter of intent for the sale of HOC’s seventy percent (70%) interest in the CONA Site to Duffie, contingent on the CONA Site remaining a part of the combined development approval for the Redevelopment Properties; and

WHEREAS, the Commission desires to approve an increase to the total predevelopment budget in the amount of \$4,488,710 to cover predevelopment costs related to the redevelopment of the Redevelopment Properties through June 2021; and

WHEREAS, the Commission desires to approve funding for six-months of the predevelopment budget in the amount of \$1,616,970 to cover predevelopment costs related to the redevelopment of the Redevelopment Properties through June 2019; and

WHEREAS, staff recommends approval of a loan in the amount of \$1,616,970 to Hillandale Gateway, LLC to be funded from HOC’s OHRF to cover predevelopment and entitlement work for the first six months of 2019, and such loan shall bear interest at the applicable federal rate and will be repaid from the proceeds of Hillandale Gateway, LLC’s redevelopment construction-period financing accrue.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves an increase total predevelopment budget of \$4,488,710 for the redevelopment of the Redevelopment Properties through June 2021.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves funding for six months of the predevelopment budget in the amount of \$1,616,970 to cover predevelopment costs related to the redevelopment of the Redevelopment Properties through June 2019.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, that it authorizes a loan to Hillandale Gateway, LLC from HOC’s OHRF in the amount of \$1,616,970, accruing interest at the applicable federal rate and to be repaid at the closing of Hillandale Gateway, LLC’s redevelopment construction-period financing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that as the sole member of HOC at Hillandale Gateway, LLC (“HOC at Hillandale”), HOC at Hillandale is authorized to take any and all actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related to Hillandale Gateway, LLC’s acceptance of the loan from HOC’s OHRF in the amount of \$1,616,970.

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

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on January 9, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Deliberation and/or Action

APPROVAL OF FIRMS SELECTED TO SERVE ON THE COMMISSION'S BOND UNDERWRITING TEAM IN ACCORDANCE WITH RFP #2130 AND APPROVAL OF THE TEAM'S STRUCTURE



STACY L. SPANN, EXECUTIVE DIRECTOR

EVALUATION COMMITTEE
KAYRINE V. BROWN

January 9, 2019



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Executive Summary

- In January 2011, the Commission appointed a new bond underwriting team. The engagement with each firm expires on January 28, 2019. The following table shows the list of firms on the team and their respective roles.

Firm	Role	Total HOC Bonds Sold Since 2013 (\$'000)	% of Bonds	Bonds Sold to Retail*	% of Bonds Sold to Retail
Bank of America Merrill Lynch	Senior Manager	\$107,420	48.45%	\$36,585	45.10%
PNC Capital Markets, LLC	Co-Senior Manager	27,915	12.59%	2,105	2.59%
RBC Capital Markets, LLC..	Co-manager	18,757	8.46%	2,550	3.14%
Morgan Stanley & Co., LLC.	Co-manager	19,405	8.75%	10,130	12.49%
JP Morgan Securities, LLC.	Co-manager	13,893	6.27%	2,780	3.43%
M&T Securities	Co-manager	21,326	9.62%	16,015	19.74%
Others	Selling Group	12,975	5.85%	10,960	13.51%
Totals/Percentages		\$221,691	100.00%	\$81,125	100.00%

*The more bonds sold to retail, the lower the borrowing cost (interest rate) to the Commission.

- In accordance with the Procurement Policy, on October 12, 2018, a solicitation for Managing Underwriting Services was published and mailed to 32 investment banking firms. Responses were received from the following firms on the requested date (November 9, 2018).

Existing Team Member	New Applicants
Bank of America Merrill Lynch ("BAML")	Bancroft Capital ("Bancroft")
PNC Capital Markets, LLC ("PNC CM")	George K. Baum & Company (GKB")
RBC Capital Markets, LLC.. ("RBC CM")	TD Securities (USA), LLC ("TD")
Morgan Stanley & Co., LLC. ("Morgan")	Citigroup Global Markets, Inc. ("Citi")
JP Morgan Securities, LLC. ("JPM")	Stern Brothers ("Stern")
M&T Securities ("M&T")	Stifel, Nicolas & Company ("Stifel")
	Barclays Capital, Inc. ("Barclays")
	Jefferies LLC. ("Jefferies")
	Wells Fargo Securities ("Wells")
	Robert W. Baird & Co.

- An Evaluation Committee comprised of two Commissioners, the Executive Director, staff of the Mortgage Finance, Finance, and Executive divisions, and Caine Mitter & Associates Incorporated (Financial Advisor), was established to review the proposals, conduct interviews, and recommend a new team to the full Commission.

Executive Summary

- The bond underwriting team helps to structure HOC's bond issues and markets the bonds to obtain the most favorable pricing so that the loans made with the proceeds of the bonds promote the financial feasibility of HOC's single family and multifamily financing programs. They commit to the Commission to purchase HOC bonds at an agreed upon price whether or not they have successfully placed the bonds with investors prior to the time of the commitment.
- The senior manager leads the syndicate and, with the co-managers, sets the prices for the different series of bonds, takes orders from co-managers and selling group and allocates the bonds to investors and the underwriting team. This is known as "running the book" or managing the syndicate. All of the managers and selling group are expected to sell bonds and are compensated by receiving a fee known as the "takedown" for the bonds they actually place with investors. Institutional investors generally place orders through the senior manager and designate which manager(s) will receive the takedown. In addition, the senior manager receives a management fee and is reimbursed for certain expenses. The managers are also expected to present new financial structures and ideas that will enhance the Commission's ability to fund mortgage loans.
- Historically, the underwriting team's structure has included a single senior manager and four or five co-managers. Merrill Lynch, now Bank of America Merrill Lynch, has served the Commission as its senior manager throughout most of its history; however, any member of the team which brings unique financing ideas that enhance the Commission's programs is able to assume the role of senior manager for a bond issuance. More recently, PNC CM, because of its tremendous support and contribution to HOC's financing activities, has served as co-senior manager.
- Over the past 20 years there has been consolidation in the commercial banking and investment banking segments of the financial industry. This process accelerated during the financial crisis. Now some, but not all, firms offer a number of financial services, in addition to the sale of bonds, that are important to the Commission, including construction lending, liquidity for variable rate bonds and derivative products. For some firms, the services are entirely separate; for others, there is a link between services which may be needed to be taken into consideration in the underwriter review process.
- **Pricing:** All firms responded to the request to provide pricing for a typical bond transaction. As no specific structure was given, each firm assumed its own structure for illustrative purposes. There were three categories of pricing: 1) Management Fee, 2) Takedown, and 3) Expenses. Management fee is paid only to the senior managing underwriter; however, if there are co-senior managers, the fee is split. The management fee will be determined as part of this underwriter review process. Takedown is the fee paid to co-managers and selling group for selling the bonds. Since takedown is market driven, it is always determined based on current market conditions and negotiated at the time of a bond sale. Since each firm used its own bond structure, the proposed takedowns cannot be compared for scoring purposes. Expenses include underwriter's counsel and pass through expenses typical of a bond issue. Therefore, the scores for fees are herein determined by comparing each firm's proposal of **management fee only**. Two firms did not propose a fee schedule as they applied to be co-manager only and would defer to the senior manager to set the fee.

Executive Summary

- On December 7, 2018, an Evaluation Committee met to review the proposals received and to select the firms to be interviewed for a place on the Commission’s bond underwriting team. The committee’s review of the proposals focused on the submission requirements of the RFP as well as certain other information for each firm, including historical performance on HOC’s bond issuance over the past five years.

The following firms were interviewed on December 18 and 19, 2018 (**bold** indicates a new applicant)

	Company Name	Location	Coverage	Current Role with HOC
1.	Bank of America Merrill Lynch	New York, NY	National	Senior Manager, Swap Provider
2.	Barclays Capital, Inc.	New York, NY	National	Swap Counterparty
3.	Citigroup Global Markets, Inc.	New York, NY	National	Lender, Selling Group
4.	Jefferies LLC	New York, NY	Regional	None
5.	JP Morgan Securities, LLC.	New York, NY	National	Co-Manager
6.	M&T Securities	Baltimore, MD	Regional	Co-Manager
7.	Morgan Stanley & Co., LLC.	New York, NY	National	Co-Manager
8.	PNC Capital Markets, LLC	Pittsburgh, PA	National	Co-Senior Manager, Lender, Liquidity/LOC Provider
9.	RBC Capital Markets, LLC.	New York, NY	Regional	Co-Manager, Swap Provider
10	Wells Fargo Securities	San Francisco, CA	National	None

- Staff recommends that the Commission accept the recommendation of the Evaluation Committee and select eight (8) firms: Bank of America Merrill Lynch, Citigroup Global Markets, Inc., Jefferies LLC, M&T Securities, Morgan Stanley & Co., LLC., PNC Capital Markets, LLC, RBC Capital Markets LLC, and Wells Fargo Securities, to serve as its bond underwriting team for an initial contract term of two years with two additional one year extensions to be approved by the Commission.
- Staff also recommends that the Commission approve the proposed structure, which initially includes a senior manager, a co-senior manager and between zero and six co-managers that would be determined for each bond issuance.

Minimum Qualifications

On October 12, 2018, HOC issued a Request for Proposals for Managing Underwriter with responses due on November 2, 2018 (Extended to November 9, 2018). Each firm was required to meet the minimum qualifications outlined below. of the 16 firms that responded, one firm, Bancroft Capital, which was formed in 2017 (began operations in 2018) by disabled veterans, we deemed not to have met the minimum requirements for consideration.

Qualification Criteria	Requirement	Status
Prior Experience	The offeror must have at least seven (7) years of continuous experience as an underwriter in public finance, and at least five (5) years of experience as an underwriter for one or more State or local housing finance agencies with programs comparable to those of the Commission.	✓ Fifteen (15) of the 16 firms met this requirement.
Professional Liability Insurance	The offeror shall provide documentary evidence of professional liability insurance including for malpractice in the structuring of financing that are sensitive to both the Securities and Exchange Commission (“SEC”) and the Internal Revenue Service (“IRS”) regulatory authority, detailing coverage and deductible amounts.	✓ All firms provided evidence of liability insurance and while coverages span a broad range for amounts, the requirement was met. Staff will determine the adequacy of coverages prior to engaging the firms.
Offeror’s Capacity	Each offeror must demonstrate the capacity to perform the potential volume and type of services that are required by HOC and described in Part 3 (Scope of Services) below and must be available at all times to render services required under the contract.	✓ All firms included a proposed team with experience to carry out requirements of this engagement. Staff’s analysis concluded that the firms possessed breadth and depth of staff that could be available throughout the engagement.
Technology	Please discuss the offeror’s use of technology in providing underwriting services to its clients, but must demonstrate capabilities for completing cash flow analyses for open and closed indentures, arbitrage yield, and arbitrage rebate.	✓ The Commission’s quantitative analyses, including cash flows are prepared by its financial advisor. However, firms were required to provide evidence of this capability through the use of technology.

Evaluation Criteria

Each firm was evaluated on the following criteria as outlined in the RFP. Again, Bancroft Capital, a 2017 startup MFD firm did not meet the minimum requirements to be scored and considered for the Bond Underwriting team.

Evaluation Criteria	Point Value	Description
Firm's Prior Experience in Public Finance and Related Areas	25	An evaluation of the quality and quantity of the offeror's significant experience and expertise in the area of public finance and related areas as required by this RFP, with emphasis on: <ol style="list-style-type: none"> 1. Quality and relevance of prior experience in the field of housing finance, particularly with state and local housing finance agencies; 2. Quality and relevance of prior experience in or knowledge of public finance and the syndication and sale of bonds; and 3. Quality and relevance of knowledge of the programs and financing of the Commission..
Price	20	The reasonableness of the offeror's rate and fee proposal.
Managing Underwriter Team (Specific Individuals Responsible for Performance of Contract) (40%):	40	An evaluation of the qualifications, expertise, general reputation and ability to work with HOC of the individuals who will be responsible for the performance of the services as required by and responsiveness this RFP. Included in this evaluation will be the managing underwriter team's expertise in the fields of municipal finance in general, and housing financing in particular. The managing underwriter team's availability for consultation with or advice to HOC during the next four (4) years will also be evaluated. Each offeror is expected to demonstrate knowledge of HOC's programs and financing methods.
Minority/Female/Disabled Participation (MFD)	5	An evaluation of the extent and quality of the proposed participation by minority owned firms and minority persons in non-minority owned firms. If joint proposals are submitted, an evaluation of the management and cost effectiveness of the joint venture.
Presentation	10	An evaluation of the clarity, completeness, of the offeror's written proposal and oral presentation as required by this RFP (5 points each for written and oral presentation).

Proposal Summary of Certain Information

RFP #2130 requested information to determine if the firms met the minimum threshold for consideration. It also included the requirement to submit information on which the firms would be evaluated. Additionally, certain information was requested to help the Evaluation Commission to determine the overall strength of the firms and their ability to provide services to the Commission beyond traditional bond structures.

The following summary of the certain information was prepared by Caine Mitter and Associates Incorporated (“CMA”) and is provided for review and discussion.

Firm Name	Underwriter Role Requested (1)	Current Underwriter Role	Current Counterparty/ Lender Role	Swap Counterparty	Counterparty Rating	Swap Entity	ISDA?	Liquidity Provider	Construction Lender
BofA Merrill Lynch	Senior Manager	Senior Manager	Swap Provider	Yes	Aa3/A+/AA-	Bank of America, N.A.	No	Yes	Yes
Bancroft Capital	Co-Manager	None		No			No	No	No
Barclays	Senior Manager	None	Swap Provider	Yes	A2/A/A	Barclays Bank PLC	Yes	Yes	No
Citi	Senior Manager	Selling Group	Lender	Yes	A1/A+/A+	Citibank, N.A.	No	Yes	Yes
George K Baum	Managing Underwriter	Selling Group		No			No	No	No
Jefferies	Senior Manager	None		Yes	Baa2/BBB/NR	Jefferies LLC	No	No	No
JP Morgan	Managing Underwriter	Co-Manager		No			No	Yes	No
M&T	Senior Manager	Co-Manager		No			No	Yes?	Yes
Morgan Stanley	Senior Manager	Co-Manager		Yes	NR/A+/-NR	Morgan Stanley Capital Services	No	No	No
PNC	Senior Manager	Senior Manager	Liquidity/LOC/Lender	Yes	A2/A/A+	PNC Bank, N.A.	No	Yes	Yes
RBC	Senior Manager	Co-Manager	Swap Provider	Yes	Aa2/AA-/AA	Royal Bank of Canada	Yes	Yes	No
RW Baird	Co-Manager	Selling Group		No			No	No	No
Stern Brothers	Managing Underwriter	None		No			No	No	No
Stifel	Managing Underwriter	Selling Group		No			No	No	No
TD Securities	Managing Underwriter	None	Liquidity/LOC	Yes	Aa1/AA-/AA-	Toronto-Dominion Bank	No	Yes	No
Wells Fargo	Managing Underwriter	None		Yes	Aa1/A+/AA-	Wells Fargo Bank, N.A.	No	Yes	Yes
(1) Applicants for Senior Manager would accept Co-Manager position									

Historical Allotment by Bond Issue (2013 to Present)

The following schedule was prepared by CMA to show performance of the 16 firms on its bond issuances. Its purpose is to highlight the performance of the existing and prospective team since 2013, as the Commission considers the composition of a new team and as well as potential changes to the existing structure.

	SFMRB 2018 A			SFMRB 2018 B			SFMRB 2017 AB			MFHDB 2017 A			SFMRB 2016 AB			MFHDB 2015 A-1			MFHDB 2014 A			SFMRB 2013 ABC			Total (\$)		
	Retail	Mbr.	ND	Retail	Mbr.	ND	Retail	Mbr.	ND	Retail	Mbr.	ND	Retail	Mbr.	ND	Retail	Mbr.	ND	Retail	Mbr.	ND	Retail	Mbr.	ND	Retail	Mbr.	ND
BAML	10,835	3,340	3,758				1,470	8,130	6,540				7,135	6,185	10,970	5,200	5,930	-	1,195	3,085	2,377	10,750	10,660	9,860	36,585	37,330	33,505
PNC	410	-	483	-	-	8,450	-	1,200	1,208	1,600	4,240	6,160	-	1,000	739	-	-	-	-	1,015	-	95	1,115	200	2,105	8,570	17,240
JP Morgan	325	-	941				635	400	1,058				495	-	4,450	125	250	-	495	500	802	705	615	2,097	2,780	1,765	9,348
M&T	3,105	-	486				2,420	-	1,333				1,435	-	2,041	1,355	-	-	3,810	10	376	3,890	865	200	16,015	875	4,436
Morgan Stanley	360	-	1,017				1,715	-	1,358				710	-	1,799	1,910	-	-	4,350	505	800	1,085	615	3,182	10,130	1,120	8,155
RBC	535	175	881				410	250	1,583				685	-	1,961	240	-	-	280	4,000	400	400	2,775	4,182	2,550	7,200	9,007
BB&T	-	-	-				50	-	-				175	-	-	-	-	-	-	-	-	-	-	-	-	225	-
Citi	-	-	-				75	-	-				140	-	-	-	-	-	-	-	-	-	-	-	-	215	-
Crews	-	-	-				-	-	-				-	-	-	-	-	-	-	-	-	200	-	-	200	-	-
Edward Jones	-	-	-				-	-	-				-	-	-	-	-	-	-	-	-	-	905	-	-	905	-
Fidelity	570	-	-				1,365	-	-				1,445	-	-	-	-	-	-	-	-	520	725	-	3,900	725	-
Folger Nolan Fleming Douglas	-	-	-				50	-	-				40	-	-	-	-	-	-	-	-	35	-	-	125	-	-
GK Baum	-	-	-				-	-	-				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Janney Montgomery Scott	255	-	-				115	-	-				575	-	-	-	-	-	-	-	-	540	5	-	1,485	5	-
Lafayette Investments	700	-	-				1,425	100	-				200	-	-	-	-	-	-	-	-	50	-	-	2,375	100	-
Raymond James	1,220	-	-				75	-	-				180	-	-	-	-	-	-	-	-	390	-	-	1,865	-	-
RW Baird	-	-	-				335	-	-				175	-	-	-	-	-	-	-	-	-	-	-	510	-	-
Stifel	40	-	-				-	-	-				20	100	-	-	-	-	-	-	-	-	-	-	60	100	-

- Takeaways:
- BAML had the largest amount of retail allotments which is expected as they were lead manager on most of the bond issues, although BAML probably has the strongest retail in the industry. (Morgan Stanley would be next in the industry.)
 - M&T had strong retail allotments reflecting their strong presence in Maryland.
 - PNC and JPM had the least amount of retail sales which is understandable in that they do not have strong retail networks.
 - RBC which has a strong retail network, including Maryland, had weak retail sales similar to PNC and JPM.
 - BAML had a large amount of member allotments which shows a strong willingness to underwrite unsold bonds.
 - PNC had a fair amount of member allotments but about half were in the fixed rate bond issue where they were sole manager.
 - RBC had a fair amount of member allotments but they were mostly in bond issues sold in 2013 and 2014.
 - PNC had net designations that were the fewest of all firms (2,630) when they did not act as sole underwriter, which indicates that their relationship with institutions that buy housing bonds is not as strong as other firms.
 - M&T had the second fewest designations, also reflecting their weaker relationship with institutions that buy housing bonds.
 - Wells Fargo was invited to participate in bond issues with a selling group and they turned down the invitation.

Interview Presentation Topics

In addition to the proposals submitted by each firm, the supplemental information on historical performance on HOC prior bond issuances in the past five years, and the evaluation of certain other information for each firm, the Evaluation Committee prepared a list of questions to which each firm was asked to respond during the interview.

The questions covered topics were:

1. **MARKETING BOND ISSUES**, including the firm's strategy for distributing HOC bonds to (1) maximize the volume of retail orders and (2) maximize the number of institutions placing orders; the difference in the firm's efforts and success selling to professional and non-professional retail investors; and the firm's willingness to commit capital to the underwriting of HOC's bonds.
2. **OTHER SERVICES** the firm may provide to HOC including real estate lending for construction and/or permanent financing of developments, a line of credit, acting as a counterparty for derivative products, and whether services are separate product lines or interrelated.
3. **STRUCTURING**, including the funding of down payment assistance as an important part of HOC's single family programs using both bonds and the secondary market for MBS', recommendations on how HOC can maximize the amount of down payment assistance offered with its mortgage products. Firms were also asked to provide recommendations for how HOC can maintain its programs while minimizing the use of volume cap, given the large pipeline and limited volume cap HOC receives annually.

All firms were provided with the questions prior to the interviews and were expected to cover all topics in the time allotted as well as to respond to any other related questions posed by the Evaluation Committee.

Responses along with the written proposal accounted for 10 points.

Scores – Summary and Ranking

Rank	Firm Name	Applicant Role	Reviewer #1	Reviewer #2	Reviewer #3	Overall Score	Average Score
1	Bank of America Merrill Lynch	Senior Manager	89	98	91	278	92.67
2	Wells Fargo Securities	Co-Manager	82	96	89	267	89.00
3	Jefferies, LLC	Senior Manager	71	92	94	257	85.67
4	PNC Capital Markets, LLC	Senior Manager	79	94	83	256	85.33
5	Barclays Capital, Inc.	Senior Manager	80.5	88	86	254.5	84.83
6	RBC Capital Markets, LLC	Senior Manager	77	89	85	251	83.67
7	Morgan Stanley & Co., LLC	Senior Manager	74	86	88	248	82.67
8	Citigroup Global Markets, Inc.	Managing Underwriter	77	91	80	248	82.67
9	J.P. Morgan Securities, LLC	Senior Manager	74	86	80	240	80.00
10	M&T Securities, Inc.	Senior Manager	74	89	67	230	76.67
11	TD Securities (USA), LLC	Managing Underwriter	66	83	69	218	72.67
12	Robert W. Baird & Co., Inc.	Co-Manager	70	77	67	214	71.33
13	George K. Baum & Company	Managing Underwriter	63	79	66	208	69.33
14	Stifel, Nicolaus & Company	Managing Underwriter	63	72	71	206	68.67
15	Stern Brothers	Managing Underwriter	49	69	59	177	59.00
16	Bancroft Capital	Co-Manager					

Staff from the following divisions participated in scoring: Mortgage Finance, Finance, and Executive.

The highest overall score was awarded to BAML and the lowest overall score was awarded to Stern Brothers.

Bancroft Capital was not scored as part of this evaluation.

Firm's Prior Experience in Public Finance and Related Areas and Managing Underwriter Team accounted for 65% of the score.

Minority/Female/Disabled criterion, though only allocated five points, was heavily evaluated by the scoring team. The team not only considered the minority percentage employed by the firm, but the number of minority professionals was also reviewed.

Presentation covers the written proposal and interviews. The remaining points will be allocated to the firms that will be interviewed.

Proposed Team

After considering each proposal, the presentation of interview topics, the proposed team from each firm, and the aggregate scores, staff proposes that the Commission considers the following eight (8) firms to serve as its bond underwriters for a new contract period. All firms scored above 75% and staff believes they possess the capabilities to assist the commission with the structuring and marketing of its bonds to meet its financing goals. The firms which were retained from the current team have demonstrated their underwriting and marketing capabilities as well as their willingness and ability to meet ad hoc financing needs, including commercial lending and capital markets products.

The new applicants bring fresh perspectives and potentially new pool of investors to purchase HOC's bonds. They also may bring new ideas and give the Commission access to banking and capital market products from which it may benefit.

Current Team Members:

Bank of America, Merrill Lynch, New York, NY
M&T Securities, Baltimore, MD
Morgan Stanley, New York, NY
PNC Capital Markets, Pittsburgh, PA
RBC Capital Markets, New York, NY

New Applicants:

Citigroup Global Markets, New York, NY
Jefferies LLC, New York, NY
Wells Fargo Company, San Francisco, CA

The current team members have sold \$194.82 million of total bonds (\$221.51 million) issued by HOC in the last five years, representing 88% of total issuance.

The current team members have sold \$6739 million of total bonds sold to retail investors in the last five years, representing 83% of the total bonds sold to retail investors.

The new team members bring innovative ideas, marketing and structuring capabilities, commercial lending products and capital market products to enhance the Commission's financing programs.

Of the current team, J.P. Morgan is not recommended to the new team.

Team Structure

Having determined the composition of the team, the Evaluation Committee proposes a structure that 1) puts in place a strong team to structure and market the Commission’s bonds, 2) gives the Commission the most flexibility for a team that would be assigned for each bond issuance, and 3) creates incentives among all the firms to bring the best ideas/innovation the maximizes the bond program’s effectiveness.

With the proposed structure below, each firm has the opportunity to be the senior manager for a transaction; however, its ability to market the bonds, the proposed structure for each bond issues will be closely evaluated. Further, the performance of a firm when it is not the senior manager will be weighed significantly as well as the other services such as capital market and lending products that each firm provides to the Commission.

	Firms	Comments
Senior Manager	Bank of America Merrill Lynch (“BAML”)	For each bond issuance, staff and the Executive Director, in consultation with the Commission’s Financial Advisor, will create the team from the group of eight (8) firms. However, staff propose that Bank of America Merrill Lynch be designated as the initial Senior Manager. Thereafter, each firm would be evaluated on its proposed structure for a bond issuance, innovation for the structure that is optimal for the issue, market capabilities including to retail and institutional investors, past performance, and relationship with the Commission.
Co-Senior Manager	PNC Capital Markets	Initially, PNC Capital Markets would be designated as the Co-Senior Manager and would work with BAML on the structuring and marketing of the bonds.
Co-Managers	M&T Securities, Morgan Stanley, Citigroup Global Markets, Jefferies LLC, RBC Capital Markets, Wells Fargo Company	Each bond issuance could be assigned zero (0) or up to five (5) co-managers. The designation would be made by staff and the Executive Director in consultation with the Commission’s Financial Advisor. The number of co-managers would depend mainly on the size and structure (amount of short-term and long-term bonds) as well as the firms’ ability to market the bonds.
Elevation Rules	Any co-manager with a unique idea may be elevated to senior manager for bond issuance.	This is intended to create incentives for firms that are not designated as senior manager or co-senior manager to bring forth ideas to enhance the Commission’s bonds programs with the knowledge that they would be rewarded.
Book Runner	Single and Senior Manager	1 book runner is necessary to set price for the bonds with input from co-manager. The book runner takes orders and allocate bonds in an orderly manner to the underwriters.

Summary of Team

Bank of America Merrill Lynch (“BAML”)’s Municipal Banking and Markets group is one of the most experienced municipal finance departments in the industry and has been the #1 ranked senior manager for all municipal issues since 2014. During this period, the Firm senior managed more than \$265 billion of municipal bonds across all sectors and types of issuers. Of that total, 66% of bonds were negotiated bond offerings. BAML’s Municipal Banking and Markets Group is dedicated to fully providing municipal finance investment banking services both nationally and in Maryland. BAML has been served the Commission as its senior managing underwriter for the past 37 years. Since 1981, as an active participant in the development and execution of the Commission’s single family and multifamily financings, BAML has senior managed nearly \$3.5 billion of HOC’s housing bonds. Over the past five years, has been allotted \$36,585,000 of retail orders, \$37,330,000 of member orders, and \$33,505,000 of net designated orders. This underscores BAML’s retail reach, its willingness to support the Commission’s programs, and its relationship with institutional investors. Over the years that BAML has served the Commission as senior manager, the firm has demonstrated its commitment of capital, to ensure that the Commission’s financing goals are met and well as financing ideas to lower its cost of capital in its single family and multifamily programs. In 2017, with changes to the United States tax code, BAML processed and was prepared to commit its resources to purchase up to \$200 million of convertible option bonds for the Commission to preserve its ability to issues private activity bonds for its transactions over a two year period. While amendments to the tax code obviate this issuance, BAML was prepared to step of the Commission. Two years prior, it purchased short term bonds that enabled the Commission to execute and close on two of its RAD transactions. BAML is a large financial institution and commercial bank with a broad range of products that the Commission may access, including Treasury Management services. Already, BAML preparing to continue is support of the Commission by improving its engagement on commercial products such as low income housing tax credit (“LIHTC”) investment for Bauer Park and construction lending for Elizabeth House III. Strong credit rating (Aa3 by Moody’s Investors Service (“Moody’s”) and is under review for upgrade are credit positives.

Citi is based in New York, New York. Citi has been at or near the top of the league tables in municipal finance for almost two decades. Citi has ranked number one in long-term negotiated underwriting for 17 of the past 24 years. And with 473 professionals, the Municipal Securities Division (“MSD”) – which includes Public Finance Department (“PFD”), Citi Community Capital (“CCC”), Capital Solutions Group (“CSG”) and Municipal Capital Markets – represents one of the largest commitments to the municipal area of any firm in the country. The Public Finance Banking Team – Housing Group currently works directly with 20 HFAs across the country. Additionally, Citi reaches investors through managers of its Separately Managed Accounts (SMAs) with eight retail liaisons dedicated to serving this sector. Mom and Pop retail is covered by Citi via two ever growing platforms: Citi Private Bank with 1,561 brokers nationally, Citi Personal Wealth Management with 834 nationally. The final measure of sales success is comparative spreads, the number of investors participating, appearance of new buyers, and the application of capital - areas in which Citi excels. This is now augmented by the addition of the Fidelity Capital Markets platform for reaching individual investors via a partnership which became effective on July 1, 2018 (Fidelity has sold HOC’s bonds in the past five years as part of the selling group), with over half a million accounts. Citi presented an integrated team approach to the Commission, with focus on expanding relationships. Citi is heavily focused on market research and is able to be predictive with orders. As a large commercial bank, Citi is able to offer a full menu of products, including Treasury Management services, to support HOC’s initiatives from construction loans, (Alexander House) to derivative products, LIHTC pricing and general banking. Citi’s credit rating is A1 by Moody’s and is on watch for upgrade to the Aa category. Staff believes that Citi’s strengths are in its commitment to its clients, underwriting, sales capacity, new investor, liquidity, and innovative ideas. Citi is positioned and can serve as Senior Manager to meet the Commission’s needs.

January 9, 2019



Summary of Team

Jefferies LLC (“Jefferies” or the “Firm”) is the largest full-service independent investment bank in the U.S. and is also one of the largest in the world. Founded in 1962 and headquartered in New York, Jefferies has been serving its clients for 55 years. The Firm has 3,500 employees in 30 cities worldwide, operating across the Americas, Europe and Asia. Our full-service platform provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth management. The Firm provides research and execution services in equities, fixed income, foreign exchange, futures and commodities markets, and a full range of investment banking services including underwriting, mergers and acquisitions, restructuring and recapitalization, and other advisory services. The Municipal Securities Group was established in 2009 and the Public Finance Housing and Real Estate Group in 2016; however, the Housing bankers have over 50 years in aggregate of housing underwriting experience. Jefferies stated strategy is its focus on its clients—specifically, what is available in the market place to solve its clients needs. Jefferies brought a fresh approach to HOC, which in addition to its ability to structure and market HOC’s bonds, comes with new ideas and flexibility that could advantage the Commission. While time did not allow vetting of some of its ideas, the Evaluation Committee is excited to recommend the firm for its creativity and idea generation. Additionally, Jefferies’ joint venture with Berkadia, a Berkshire Hathaway and Jefferies Financial Group will open new avenues for the Commission’s pursuit of financial products.

M&T Securities (“M&T”) presently operates the only municipal capital markets business headquartered in Maryland, offering a strong bond origination and distribution network in the Mid-Atlantic. Since establishing a fixed rate underwriting desk in July 2008, MTS has quickly become a leading underwriter for Maryland municipal fixed rate, negotiated issues. M&T has ranked as either #1 or # 2 underwriter for Maryland municipal fixed rate, negotiated issues with full credit to each manager from January 2009 (for each period ending in December) through December 2017, according to Thomson Reuters. M&T has served the Commission as a co-manager on its bond underwriting team since 1992. The firm continues to be effective in reaching Maryland retail investors and has represented Maryland issuers including HOC, Maryland Community Development Administration, the State of Maryland, Montgomery County, Howard County Housing Commission and Maryland Health and Higher Educational Facilities Authority. M&T’s senior banker, head underwriter and many members of the sales and trading team have been structuring, underwriting, marketing and trading HOC bonds since the 1980s. M&T provides coverage, through its team of 19 institutional sales and trading professionals. M&T offers HOC a strong retail-oriented distribution system in the State of Maryland both through the Bank’s branch network and the established relationships of the municipal sales force. M&T Bank currently has 162 office locations (as of October 5, 2018) and 2,300 employees located in Maryland (as of October 22, 2018). In the last five years, M&T was allotted \$16,015,000 retail orders, \$875,000 member orders and \$4,436,000 net designated orders. M&T’s primary strength is its ability to reach retail customers, particularly Maryland retail, enabling the Commission to achieve the lowest bond yield so that it may deliver the lowest mortgage rates to its single family and multifamily customers. M&T has the capability to provide certain other services to the Commission—M&T Bank is the tax credit investor in four low income housing tax credit developments and is currently working with HOC on the construction financing of The Upton II. Additionally, M&T Bank has the capability to provide Treasury Management services to the Commission if needed.

Summary of Team

Morgan Stanley is a global financial services firm with headquarters in New York, NY. Morgan Stanley & Co. LLC (“Morgan”) is the broker-dealer subsidiary through which the firm provides a wide range of investment banking, securities, investment management and wealth management services. The firm employs 60,000 in 42 countries, and serves clients worldwide including corporations, governments, institutions and individuals. Morgan currently serves on the Commission’s bond underwriting team. The firm has strong institutional and retail distribution capabilities. Over the past four years, Morgan Stanley has been very effective in marketing the Commission’s bonds particularly to its retail customers. The firm has over 14,000 financial advisors in their retail sales force that serves over six million clients with over \$2 trillion in assets. Morgan’s clients own over \$1.7 billion bonds from Maryland including \$31 million of HOC’s bonds. In the last five years, Morgan Stanley was allotted \$10,130,000 retail orders, \$1,120,000 member orders and \$8,155,000 net designated orders. Morgan Stanley’s strength is in its significant financial services presence and investment in Maryland. As a consequence of its commitment, it is able to bring HOC’s bonds to market to enable HOC to achieve some of the lowest bond yield during the retail order period of its bond issuances. While the firm is not able to offer certain financial products directly, it participates with JP Morgan, Citi, and Wells Fargo when needed.

PNC Capital Markets (“PNC”) is one of the largest and most diversified financial services firms in the United States. PNC offers a wide range of services for our entire customer base of individuals, small businesses, corporations, and governmental entities. Headquartered in Pittsburgh, Pennsylvania, PNC provides consumer and small business banking, primarily in the 19 state retail footprint and the District of Columbia, as well as residential mortgage banking and corporate and institutional banking across the continental United States. The Company employs approximately 50,000 individuals in the United States and abroad, maintains approximately 2,600 branches, and operates 9,000 ATM machines. The PNC Public Finance Group (“PNC Public Finance”) is uniquely organized to provide investment banking services through PNC Capital Markets LLC (“PNCCM”). PNCCM maintains offices in Pittsburgh, Philadelphia, and Wilkes-Barre, Pennsylvania; Cleveland and Columbus, Ohio; New York, New York; Atlanta, Georgia; and Charlotte, North Carolina. This regional presence assures clients receive the expertise, financial strength, and execution capability generally associated with a Wall Street firm, complemented by the personal, knowledgeable, and attentive service traditionally provided by a regional firm. PNC serves the Commission as its main bank and delivers traditional and specialized financial services when needed. PNC’s states philosophy is an innovation partner, a solutions partner, and a supporter of HOC’s mission. Since PNC became HOC’s primary bank, it has demonstrated its flexibility and commitment to the Commission by most recently increasing the Commission’s line of credit in an emergency to enable it to acquire and preserve an 864-unit multifamily development, providing short-term financing for its scattered site programs and for acquisitions under the right of first refusal. It recently invested in a new LIHTC transaction as well as served as the sole underwriter for that transaction. PNC also provides credit support (liquidity) for three series of the Commission’s single family bonds variable rate bonds as well as serve as the weekly remarketing agent. Finally, PNC has restructured its trading desk to enhance its performance, particularly in the retail sector. Its commitment to HOC and its mission make the firm valuable to the team.

Summary of Team

RBC Capital Markets (“RBC”) is a national corporate and investment banking firm with headquarters in New York, NY. RBC currently serves as senior manager to 28 state HFAs, including Maryland CDA, as well as several local HFAs and Public Housing Authorities around the country. Year-to-date through October 31, 2018, the Firm has senior managed 77 negotiated municipal housing offerings totaling \$3.3 billion of aggregate par value, ranking the Firm #1 among underwriters, a position RBC has held since 2016 (source: Thomson Reuters). The Firm has also been a NALHFA member for over 25 years, helping to support the mission of local housing issuers like the Commission. RBC and its bankers maintain a strong relationship with HOC. The Firm has served as a programmatic co-manager to the Commission since 2009, and Michael Baumrin has covered HOC for over 35 years while at RBC and prior firms. Through its parent, the Royal Bank of Canada, RBC also serves as a highly rated swap counterparty to HOC on a \$70.5 million cash-settle “swaption” to help hedge construction period interest rate risk on Alexander House, executed in January 2017. RBC is currently serving on the Commission’s bond underwriting team. In the last five years, RBC was allotted \$2,550,000 retail orders, \$7,200,000 member orders and \$9,007,000 net designated orders. RBC’s marketing strength is highlighted when it serves as senior manager on a transaction, with 84% of its business reportedly to professional retail investors. While RBC is not a construction lender and does not take construction risk, the firm’s strength is in its ability to execute derivative products. With two such transaction with HOC (one closed and one pending) and as HOC works to manage interest rate risk for its transactions, RBC may be critical to such decisions with a high Moody’s credit rating of Aa2, currently.

Wells Fargo & Company (“WFC”) is headquartered in San Francisco, California and is a nationwide, diversified financial services company providing banking, insurance, investments, mortgage and consumer finance, asset and wealth management, and investment banking products and services. Today, Wells Fargo is one of the nation’s premier financial institutions with \$1.6 trillion in assets, 268,000+ team members across 90+ businesses, 2 and is the largest U.S. bank measured by market value (\$246 billion as of October 29, 2018). Via Wells Fargo Securities (“WFS”) the firm has the capacity to underwrite and assist the Commission in all aspects of structuring and implementing its financing activities. WFS understands that HOC is interested in forging partnerships where its senior managers can help the Commission design and implement strategies that will allow it to best serve its constituency. Wells Fargo’s dominant presence in the mortgage markets uniquely positions us to be able to provide comprehensive advice as well as creative financing strategies. Year-to-date, WFS has participated in over \$6.9BN in housing bonds issuance including senior managing \$779MM of publicly offered housing bonds and directly purchasing \$879MM bonds for housing issuers. The WFS team also has extensive expertise executing transactions specifically on behalf of HOC and other housing agency issuers. WFC’s primary strength is the sheer number of products it offers to its clients and having the bank on the team gives the Commission full access to the full resources of WFC, including construction financing, bond underwriting, low income housing tax credit investments, capital markets/derivatives products, agency financing, equity bridge loans to name a few. WFC’s high credit rating (Aa1 by Moody’s) is also a strong positive. The size and reach of WFC gives the Commission access to a new group of retail accounts that will enhance the Commission’s performance for its bond issuances WFC on the team and its willingness to commit its capital is also a strong positive for HOC. WFC is positioned and can serve as Senior Manager to meet the Commission’s needs. Additionally, Wells Fargo Bank has the capability to provide full Treasury Management services to the Commission if needed.

Summary and Recommendations

Issues for Consideration

Does the Commission wish to accept the recommendation of the Bond Underwriter Evaluation Committee to appoint Bank of America Merrill Lynch, Citigroup Global Markets, Inc., Jefferies LLC, M&T Securities, Morgan Stanley & Co., LLC., PNC Capital Markets, LLC, RBC Capital Markets LLC, and Wells Fargo Securities, the ten firms that would compete for a place on the Commission's Bond Underwriting/Investment Banking team?

Does the Commission wish to approve the team's structure discussed herein, which initially includes a senior manager, a co-senior manager and between zero and six co-managers that would be determined for each bond issuance?

Does the Commission wish to approve an initial contract term of two years plus two additional one-year extensions that would be approved by the Commission?

Fiscal / Budget Impact

There is no direct impact on HOC's operating budget. Underwriters are compensated from each bond issuance (please refer to the Pricing discussion in the Executive Summary of this packet).

Time Frame

For action at the meeting of the Commission on January 9, 2019.

Committee Findings

The Bond Underwriters Evaluation Committee met on December 7, 2018 to review the proposals and select the firms to be interviewed.

The Bond Underwriters Evaluation Committee interviewed 10 firms over two days on December 18 and 19, 2018 and recommends that the Commission accept staff's recommendation of the firms that would serve on the Commission's Bond Underwriting team as well as the structure of the team and the terms for contract.

Summary and Recommendations

Staff Recommendation

Staff recommends that Commission accept the recommendation of the Bond Underwriter Evaluation Committee to appoint Bank of America Merrill Lynch, Citigroup Global Markets, Inc., Jefferies LLC, M&T Securities, Morgan Stanley & Co., LLC., PNC Capital Markets, LLC, RBC Capital Markets, LLC, and Wells Fargo Securities, the ten firms that would compete for a place on the Commission's Bond Underwriting/Investment Banking team.

Staff further recommends that Commission accept the recommendation of the Bond Underwriter Evaluation Committee to approve the structure for the bond underwriting team, which initially includes a senior manager, a co-senior manager and between zero and six co-managers that would be determined for each bond issuance.

Staff recommends that Commission accept the recommendation of the Bond Underwriter Evaluation Committee to approve an initial contract term of two years plus two additional one-year extensions that would be approved by the Commission.

RESOLUTION No: 19-11

RE: Approval of Firms Selected to Serve on the Commission’s Bond Underwriting Team in Accordance with RFP #2130 and Approval of the Team’s Structure

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”) last selected members of the bond underwriting team in 2011 to serve for a maximum term of eight years expiring on January 28, 2019; and

WHEREAS, in accordance with the Commission’s Procurement Policy, a request for proposal for bond Managing Underwriters was issued and advertised on October 12, 2018; and

WHEREAS, 16 firms responded to the solicitation and 10 were interviewed; and

WHEREAS, an Evaluation Committee, comprised of two Commissioners, the Executive Director, three staff personnel, and the Commission’s Financial Advisor, has reviewed the qualifications of the firms that were considered and has recommended that eight firms be contracted for the Commission’s bond underwriting team; and

WHEREAS, historically, the bond underwriting team has included a single Senior Manager and four to five Co-managers, but more recently has included a Senior Manager, a Co-Senior Manager and four Co-managers; however, the Commission now wishes to put in place a strong team to not only structure and market the Commission’s bonds, but to also give the Commission the most flexibility to create a team for each bond issuance and create incentives among all the firms to bring the best ideas/innovation the maximizes the bond program’s effectiveness.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County accepts the recommendation of the Evaluation Committee and approves eight firms to the new bond underwriting team with the following structure:

Senior Manager:	Bank of America Merrill Lynch, New York NY
Co-Senior Manager	PNC Capital Markets, LLC, Pittsburgh, PA
Co- Managers:	Citigroup Global Markets, New York, NY
	Jefferies LLC, New York, NY
	M&T Securities, Baltimore, MD
	Morgan Stanley, New York, NY
	RBC Capital Markets, New York, NY
	Wells Fargo Company, San Francisco, CA

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director in consultation with the Commission’s Financial Advisor to create a team for each bond issuance, but that the initial Senior Manager and Co-Senior Manager is approved to be Bank of America Merrill Lynch and PNC Capital Markets, respectively.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to execute a Letter Agreement (Contracts) with each firm and

that each engagement shall be for an initial two years with two optional one-year renewals for a maximum term of four years.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, 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 actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on January 9, 2019.

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Patrice Birdsong
Special Assistant to the Commission

Future Action

Adjourn

Administrative Session