Housing Opportunities Commission OF MONTGOMERY COUNTY

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

EXPANDED AGENDA(REVISED)

March 4, 2015

4:00 p.m.	**I.**	**CONSENT ITEMS**
Page 4	A.	Approval of Minutes of February 4, 2015
26	B.	Ratification of Action Taken in Executive Session on February 20, 2015: Approval to Issue Commitment to Rosaria Communities, Inc. to Provide Funding in an Amount not to exceed $800,568 for the Acquisition and Renovation of a Single Family Property for the Use and Operation by Jubilee Association of Maryland
28	C.	Authorization to Submit the FFY 2015 Capital Fund Program Grant Annual Contributions Contract Amendment and Support Documentation
4:05 p.m.	**II.**	**INFORMATION EXCHANGE**
Page 40	A.	Report of the Executive Director
42	B.	Calendar and Follow-up Action
	C.	Correspondence and Printed Matter
	D.	Commissioner Exchange
	E.	Resident Advisory Board
	F.	Community Forum
	G.	Status Report
4:15 p.m.	**III.**	**COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**
Page 47	A.	Budget, Finance and Audit Committee – *Com. Piñero, Chair*
		1. Acceptance of Second Quarter FY'15 Budget to Actual Statements
62		2. Approval of FY'15 Second Quarter Budget Amendment
68		3. Approval of CY'15 First Quarter Budget Amendment
	B.	Development and Finance Committee – *Com. Lindstrom, Chair*
73		1. Adoption of an Inducement Resolution for the Acquisition and Renovation of Lakeview House Apartments
85		2. Authorization for the Executive Director to Negotiate and Execute Master Leases for Rental MPDUs in Bethesda and Germantown
96		3. Approval to Establish and Fund a Revolving Working Capital Facility to Support HOC's Real Estate Acquisition and Development Activities
102		4. Approval to Select a Real Estate Development and Financing Consultant Pool Pursuant to RFQ #1938
4:35 p.m.	**IV.**	**ITEMS REQUIRING DELIBERATION and/or ACTION**
Page 117	A.	Approval to Issue a Commitment Letter for a Cash-flow Contingent Loan in the Amount of $1,250,000 to Fund the Construction of Park View at Aspen Hill
	V.	***FUTURE ACTION ITEMS**
4:45 p.m.	**VI.**	**INFORMATION EXCHANGE (continued)**
	A.	Community Forum
	VII.	**NEW BUSINESS**

	VIII. **<u>EXECUTIVE SESSION FINDINGS</u>**	
5:00 p.m.	**<u>ADJOURN</u>**	
	<u>EXECUTIVE SESSION</u>	

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

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

Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 773-9025

Minutes
February 4, 2015
15-02

The Annual meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, February 5, 2014 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:28 p.m. Those in attendance were:

Present
Roberto Piñero, Chair
Jackie Simon
Margaret McFarland
Pamela Lindstrom
Rick Nelson

Not Present
Sally Roman, Vice Chair
Jean Banks, Chair Pro Tem

Also Attending

Stacy Spann, Executive Director
Kelly McLaughlin, General Counsel
Kayrine Brown
Gail Willison
Jim Atwell
Scott Ewart
Fred Swan
Patricia Oliver
Jennifer Arrington
Scott Ellinwood
Christopher Donald
Saundra Boujai
Zachary Marks
Marsha Smith
Vivian Benjamin
Belle Seyoum
Lynn Hayes
Gina Smith
Ethan Cohen
Stephanie Semones
Brenda Curay
Carol April
Ellen Goff
Terri Fowler
Paulette Dudley
Elsie Weinstein
Patrick Mattingly
Bill Anderson
Mary Ellen Ewing
Pete Atta
Rita Harris
Diana Bird
Ken Tecler
Bobbie DaCosta
Mary Phillips
Dean Tyree
Patrick Mattingly
Eugene Spencer
Steve Lukaczer

Commission Support
Patrice Birdsong
Special Assistant to the Commission

IT Support
Dominique Laws
Nick Monaco

Housing Honor Roll Award
Michael J. Kator

Special Recognition Award
Eugene Montgomery
Samantha Clark

Community Achievement Award
Kimberly Jordan-Gaskins

Guests
Hans Reimer, County Council
Ken Reichard, Sen. Ben Cardin's Office
Susan Lofhjelm, Cong. Chris Van Hollen's Office
Lorie Edberg, Sen. Barbara Mikulski
Warren Hanson, Councilmember Roger Berliner's Office
Clarence Snuggs, DHCA
Marvin Turner, HUD
Christine Jenkins, HUD
Amy Millar, MCGEO

Chair Piñero convened the annual meeting of the Housing Opportunities Commission by first welcoming Richard Y. Nelson, Jr. back to the Board of Commissioners. Mr. Nelson initially served on the Board from 1991 until 2007 when he was appointed Director of the Department of Housing and Community Affairs by County Executive Isaiah Leggett.

The 2015 Housing Honor Roll and Special Recognition Awards were presented as follows:

HOUSING HONOR ROLL AWARD

Michael J. Kator – Mr. Kator served as Commissioner from 2002-2014, including several years as Chair of the Commission. Mr. Kator worked with three different Executive Directors and led the Agency through the Great Recession and the period of economic turbulence that followed. Throughout his years of service Mr. Kator has been a consistent and tireless advocate on behalf of the families served by HOC.

SPECIAL RECOGNITION AWARD

Eugene Montgomery – Mr. Montgomery has selflessly volunteered his own time to serve as a supervisor for youth activities and field trips, HOC community events and even assists staff with the daily closing of the Washington Square office for the last six years. Mr. Montgomery has been instrumental to the success of the HOC Reading Group, tutoring program and homework club. His character, pleasant demeanor and outstanding work ethic are deeply appreciated by staff.

Samantha Clark – Ms. Clark has volunteered at the Washington Square Family Resource Center more than 20-hours per week over the last four years. Ms. Clark has consistently provided a range of services to HOC clients, including chaperoning field trips and assisting with the homework club. Additionally, she routinely offers assistance to staff in setting up and breaking down events at the Center. Her positive attitude and commitment to helping others has made a tremendous difference in the lives of many HOC clients.

COMMUNITY ACHIEVEMNET AWARD

Kimberly Jordan-Gaskins - Ms. Jordan-Gaskins is an HOC client who was recently named the 2015 Ms. Wheelchair Maryland. She founded and administers Women on Wheels (WOW) a support group that advocates on behalf of people with disabilities.

YEAR IN REVIEW

Stacy Spann, Executive Director, opened by extending thanks to the Commission, staff, Honorees, and the many community partners for their support of HOC.

[Looking Back on 2014 – Slide Presentation]

- During last year's Annual Meeting, I described the HOC's new look, new attitude, my vision for the agency and I outlined the changes that would form the foundation of HOC 2.0, namely:

- That we needed to generate more revenue and reduce the number of public housing units in our portfolio.

- That we needed to address our structural deficit, make the agency financially viable over the long term and how the Real Estate Division would play a key role in our progress towards a self-sustaining portfolio.

- I also unveiled the first component of HOC Academy, Leadership Tomorrow.

Let's take a look back and measure our progress against the goals set a year ago.

- As we all know, there is a positive correlation between an organization's success and its leadership. As a result of this fact, there were a few changes in the agency's leadership during 2014.

- The most significant being our new Chief Operating Officer, Gina Smith. As most of you know, Gina has an extraordinary knack for providing leadership in housing development, policy analysis, construction management and intergovernmental relations. She is an accomplished manager, skilled at conceptualizing and executing new programs and transformative policies. Since her arrival, three years ago, Gina has excelled in restructuring several HOC divisions, leading project teams, managing project budgets and communicating with internal and external stakeholders. She has worked hard for this position and no one deserves it more than she does. Congratulations Gina, but remember that the reward for good work is more work.

- Also in 2014: Lynn Hayes became the Director of Housing Resources, Kelly McLaughlin is now serving as HOC's General Counsel and Bobbie DaCosta is the Acting Director for Property Management.

- There were also several changes on the Commission in 2014. As you know from the 2015 Honor Roll presentation, we lost a strong Commissioner in Michael Kator. I am sure you have noticed the new faces on the stage. The agency gained three new Commissioners: Ms. Jackie Simon, Ms. Margaret McFarland and Mr. Rick Nelson. I am pleased to welcome back Commissioner Nelson. Mr. Nelson served as a Commissioner from 1991 – 2007 and was Chair for four of those years. We look forward to working with you in our shared pursuit of improved and expanded affordable housing in Montgomery County.

- Lastly, I am sure you have noticed that Commissioner Banks has been absent during the last meetings. She continues to make progress in her recovery from a significant stroke. We miss her and wish her a speedy recovery. I am hopeful that she will be rejoining us in the weeks and months ahead.

Mortgage Finance and Real Estate Development (RED)

- 2014 was a busy year for the Mortgage Finance and Real Estate Development staff. The team continued its evaluation of HOC's real estate assets for opportunities to unlock equity through refinancing, disposition, rehabilitation, and redevelopment.

- A major objective in HOC's strategic plan is to expand our approach and ability to develop mixed-income housing with an emphasis on strong design, energy efficient, and amenity-rich properties that are both environmentally and financially stable. The agency will accomplish this objective by building partnerships and identifying alternative sources of equity. This may also be achieved by employing a number of strategies to include acquisition, disposition, rehabilitation, or redevelopment.

- Since my arrival, I have reiterated the fact the Public Housing program has been severely underfunded and the Federal Government wants to eliminate the program in its entirety. HOC's Public Housing properties, like those of every other public housing authority in the country, is in dire need of capital investment. However, HUD cannot provide adequate financial resources to properly maintain our Public Housing portfolios. The truth is that Public Housing as we know it is a dying program. In light of budget challenges, it is unrealistic to expect continued funding from HUD when it is far cheaper for HUD to support vouchers hence the reason that we are radically reducing our Public Housing portfolio.

- HUD's Rental Assistance Demonstration Program, commonly known as RAD, is aiding the agency in its mission to accomplish this goal.

SLIDE 4

- As you know, HOC applied to participate in RAD last year. I am proud to announce, our hard work paid off and the agency was approved to participate in the program. To date, seven of HOC's eleven multifamily public housing sites are scheduled for conversion from public housing to Project-Based Section 8 properties. Emory Grove, Washington Square, Seneca Ridge, Towne Centre Place, Sandy Spring Meadows, Waverly House and Parkway Woods will become Project-Based Section 8 properties. These properties will also undergo some degree of rehabilitation and some will eventually be completely redeveloped. This is major for the county, agency and our clients.

- RAD is an opportunity for the agency to preserve its affordable housing stock and improve the lives of the clients that we serve. This program enables HOC to reduce the concentration of poverty on our properties and provide residents with opportunities to live in more diversified communities throughout Montgomery County.

- As a result of RAD, our public housing portfolio will be completely renovated and self-sufficient as the agency will not have to rely on HUD's budget to maintain it.

- In addition to conversions and renovations, the agency acquired several properties in 2014.

SLIDE 5

- On October 31, 2014, HOC closed the Churchill Senior Living community located on Farther Hurley Boulevard in Germantown. This acquisition will yield an additional 133 apartment homes that will adjoin the existing structure. All of the apartment homes will offer spacious living along with walk in closets and walk in showers. The property is a premier active adult community that provides exceptional living with superior resident service.

- The structure of the financing is an FHA insured mortgage with Government Mortgage Association (GNMA) backing. Because of HOC's involvement, the transaction will enjoy receiving equity from the sale of the Low Income Housing Tax Credits. HOC is providing $16.5 million in bond cap. The bonds from this transaction will be outstanding for a two year period (during the construction loan period). The transaction will convert to a taxable GNMA permanent loan upon completion of construction. The bonds were privately placed with Capital One. While HOC will monitor the occupancy on the property for 15 years during the permanent loan period, we will not enjoy our typical monitoring relation with the property. We, therefore, collected our loan management fee up front in addition to our typical upfront fee. In addition to HOC, the DHCA not only provided a PILOT for this transaction, but provided $1.10 million in Housing Initiatives Funds and $2.0 million in HOME Funds.

SLIDE 6

- On December 18, 2014, Paddington Square successfully closed on a $20.7 million permanent mortgage. The mortgage has a loan term of 35 years, amortizing for 35 years, with a fixed interest rate of 3.60%. Under these terms and including the mortgage insurance premium, Paddington is expected to achieve a Debt Service Coverage Ratio (DSCR) of 1.40 exceeding the DSCR target of 1.176.

- Since the acquisition in 2004 and the substantial renovation between 2005 and 2011, a total of $28 million was invested to reposition the property, which dedicates 40% of its units (or 67 of its 165 units) for households earning 60% or less of the Area Median Income. Post renovation, Paddington struggled to stabilize making it difficult to secure permanent financing.

- By 2013, the property's average occupancy improved to 90%, and today's current occupancy is 95%. Proceeds from the $20.7 million loan funded the repayment of $20 million in debt from various sources, including HOC's PNC Bank Line of Credit, HOC's OHRF, HOC's County Revolving Fund, and DHCA's Housing Initiative Fund. The return of these funds will allow HOC to continue to invest in its mission of providing affordable housing to Montgomery County.

SLIDE 7

- On December 17, 2014, HOC received word that Woodfield Commons, an 84-unit multifamily community to be built in Damascus in partnership with Conifer, was awarded an allotment of competitive 9% Low Income Housing Tax Credits. Sale of these credits will generate much-needed capital to construct the high-quality, high-density garden community within Damascus' Town Center.

- Approximately 90% of the units will be held as affordable at rents ranging from 30% of the Area Median Income ("AMI") to 60% of AMI. The proposed project has been warmly received by both Councilmember Craig Rice and the County's Department of Planning with its units available to a broad mix of incomes and its delivering relatively high-density rental product near to the core shopping, services, and transportation for the Damascus area.

- With the award in hand, the Conifer-HOC team will begin the design and development process with a target construction start date in the first quarter of Calendar Year 2016.

SLIDE 8

- *HOC's Single Family Mortgage Purchase Program was approved to participate in the Fannie Mae HFA Preferred Loan Program.* The *National Association of Local Housing Finance Agencies* collaborated with Fannie Mae on a project to allow local Housing Finance Agencies to participate in the "HFA Preferred" mortgage loan product that was available exclusively to state agencies. The product allows for a loan-to-value ratio of 97%. The *National Association of Local Housing Finance Agencies* approach was to demonstrate that local HFAs are as sophisticated as states and undertake first-time home buyer programs based on sound public policy; and, assist Fannie Mae in developing a threshold for local HFA participation.

  HOC is one of five PHA's in this nation approved to participate *the Fannie Mae HFA Preferred Loan Program.* Fannie Mae and NALHFA will begin expansion to local HFAs in a methodical and careful manner beginning with the five local HFAs identified above. Once the five local HFAs have implemented HFA Preferred program, Fannie Mae will assess effectiveness of the program and determine if it will expand to more local HFAs.

SLIDE 9

Property Management

- 2014 was a busy year for the Property Management division. It was the first complete year since the HUB conversion.

- In addition to decreasing fuel consumption across the agency's fleet of service vehicles, reducing travel time and minimizing mileage reimbursements, the Property Management division reduced operating and capital expenses in 2014 by installing standardized appliances in all HOC units. Installing standardized appliances enables the agency to purchase appliances and parts in bulk which significantly reduces the line-item expense. Furthermore, standardizing appliances and buying in bulk will prevent service delays due to waiting on parts since they are stored in our own warehouse.

- HOC's housing portfolio drastically improved during 2014.

SLIDE 10

- The agency celebrated Tanglewood's rebirth during a June Ribbon-Cutting Ceremony. While we are on the subject of Tanglewood, I would also like to mention, HOC contributed to the 100,000 Homes National Campaign by providing five, freshly rehabilitated units at Tanglewood.

SLIDE 11

- On October 14, 2014, HOC's Property Management staff attended the annual Property Management Association's Apartment Community Excellence or PACE awards ceremony. A team of property management professionals judge properties in a variety of categories each year. Many HOC properties were nominated for awards and three won awards for excellence in property management: Stewartown Homes managed by Edgewood as well as Tanglewood Apartments and Paddington Square which are both managed by Equity.

Talk about improvements. I am proud of our contract management team for their leadership and oversight. The Paddington Square award, in particular, represents a significant achievement given the challenges the agency faced with this property just a couple of years ago.

SLIDE 12

- Also, in 2014, five HOC properties received Beautification Awards from Montgomery County in their annual “Keep Montgomery County Beautiful” campaign. The properties are: Stewartown Homes, The Willows, Shady Grove Apartments, Georgian Court, and The Oaks at Four Corners.

SLIDE 13

- I would also like to mention, Former District 5 Councilmember Cherri Branson visited the Oaks at Four Corners to meet with clients and staff, and celebrate the installation of new, fully accessible mailboxes for seniors living at the site. The new mailboxes are spacious enough to accommodate large packages such as those containing prescriptions. The larger mailboxes have also been placed closer to the ground for easier access for clients utilizing wheelchairs.

Finance

SLIDE 14

- My next announcement should create no surprise since I have said it the last three years and it has been said countless times prior.

- Once again, the Budget team has been honored by the Government Finance Officers Association (GFOA) with the Distinguished Budget Presentation Award. The honor is even more special this year because it recognizes the first two-year budget that HOC has attempted.

  The Award represents the highest form of recognition in governmental budgeting and represents a significant achievement for the agency. In particular, I'd like to highlight the work of Terri Fowler, Budget Officer, and Maria Montero, Assistant Budget Officer for leading such a successful budget effort.

- In addition to the Distinguished Budget Presentation Award, HOC has again received a Certificate of Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). This award honors the outstanding work presented in the most recent Comprehensive Annual Financial Report (CAFR).

  This award represents the highest form of recognition in governmental accounting and financial reporting, and is indicative of the fine work of Chief Financial Officer Gail Willison, Controller Belle Seyoum and her staff. Congratulations to the entire Finance team!

SLIDE 15

- In May of 2014, staff members Bill Anderson and Angela McIntosh-Davis represented HOC at the GovConNet Procurement Conference held at the Universities at Shady Grove and sponsored by the Montgomery County Chamber of Commerce.

- This event attracted approximately 800 attendees and provided a forum for businesses to learn how to participate in the procurement process of local, state and federal agencies as well as with other private enterprises. The event featured 85 exhibitors, 73 speakers in 24 breakout sessions, 24 federal agency departments and numerous state and local agency departments.

- Bill was one of the featured speakers in a breakout session of local agencies, providing key information on 392 procurement opportunities with HOC and how to become a supplier of goods and services. The presentation was well received by the attendees and resulted in many new business contacts for the agency.

Human Resources

SLIDE 16

- While on the topic of an educational forum, I would like to mention the new training room at EDP. This room will be used to train HOC staff and as a learning center for HOC Academy participants. That is a really nice training room.

- Our Human Resources department has been doing a phenomenal job at filling positions within 90 days. Since April 2014, HR has filled 84.61% of the vacant positions within 90 days.

SLIDE 17

- Speaking of HOC staff, I would like to thank MCGEO for their successful and productive labor negotiations. HOC's workforce received a 3.5% salary increase last year.

- The nature of our relationship is such that we won't always agree, but I am grateful that we are able to have frank discussions that lead to fair bargaining results.

Legislative and Public Affairs

SLIDE 18

- Frank discussion did not only take place with MCGEO in 2014. Last year, HOC staff met with several political actors to share the agency's agenda and vision. HOC's Legislative and Public Affairs team worked with Maryland's Affordable Housing Coalition for Housing Day in Annapolis. Staff met with Senators Nancy King, Roger Manno and Karen Montgomery, as well as Delegates Al Carr, David Fraser-Hidalgo and Shane Robinson. The purpose of the meetings was to advocate for $30 million in State funding for Rental Housing Works, support of House Bill 366 (The HOME Act) and in support of the Multifamily Rental Housing Programs Efficiency Act.

- HOC interacted with other affordable housing stakeholders from the public and private sectors throughout the county, state and nation. To provide you with an overview, I will discuss a few tours that took place during the month of March.

- On March 7th, HOC along with staff from Howard County Housing led a tour for HUD officials of properties in Howard County and Montgomery County. The tour, designed to give HUD staff a sense of the possibilities for RAD development, was a tremendous success.

- On March 12th, HOC led a group of 20 housing professionals on a tour of Montgomery County properties. This tour was presented as part of the NAHRO Legislative Conference. Attendees from New Jersey, Wisconsin, Texas and California visited Metropolitan, Strathmore Court and Tanglewood to learn about mixed-income development strategies in an expensive real estate market.

- Real Estate Development staff met the group at Metropolitan and provided an excellent overview of the project, including a description of the ground lease, air rights and some of the more unique features of this success story. Staff also provided a comprehensive overview of the goals and successes of Tanglewood's redevelopment. Attendees were particularly interested in the building materials and challenges of redeveloping a property that is 70 years old.

- On March 21st, nearly three dozen executives and staff from the national HUD office toured Waverly House and attended a staff presentation on HOC's RAD conversion strategy. Guests included Director of the Office of Affordable Housing Preservation (OAHP), Larry Pack; Deputy Assistant Secretary for Multifamily Housing Programs, Ben Metcalf; Acting Associate Deputy Assistant Secretary of OAHP, Margaret Salazar; Special Project Manager, Greg Byrne, who is leading HUD's RAD effort; and dozens of HUD staff members from the RAD applications, underwriting, and closing teams.

- Of particular interest during the tours were the different tactics HOC is employing to use the RAD program as a means to unlock underlying real estate and asset value. Perhaps more importantly, HUD's staff is inspired by how HOC's approach will translate to improved and expanded affordable housing for both existing and future residents. This is the true definition of "Trailblazing."

SLIDE 19

- On the local level, HOC hosted its first annual Housing and Resources Expo on November 22, 2014. Staff from around the agency participated in event. More than 850 invitations were sent to existing clients on the unit transfer list as well as those waiting for Opportunity Housing.
- More than 300 clients attended; an overwhelming response rate. It was very sobering to see the extent of the need in Montgomery County first hand and it underscores the urgency of our work. Even though the event did not begin until 10:00 a.m., clients arrived on buses and were waiting for the doors to open as early as 7:30 a.m. Staff opened the doors so guests could wait in warmth.

- Overall, the event was a success in that 146 applicants received certification packets to fill the 96 available recently renovated disposition units. Those that are unable to secure a unit immediately will have additional opportunities as new renovated units become available.

SLIDE 20

- The LPA team did a exceptional job keeping all of HOC's stakeholders abreast of major agency changes. Whether organizing RAD information sessions or Town Hall Meetings, HOC has a far more polished public presentation. All of these changes communicate professionalism and respect for our audience.

- In 2014, the LPA team coordinated and hosted well over 30 RAD meetings. The purposes of the meetings were to keep residents informed on the coming changes and to solicit their input with the conversion. All of the meetings took place at the respective property and majority of them took place after hours. Even though LPA coordinated the meetings, facilitating them required a cross-divisional effort as staff from HRD, Resident Services, Property Management and RED attended to provide assistance to the residents.

- In addition to the 30 plus RAD-related resident meetings, HOC hosted five Town Hall meetings, one in each council district, to inform residents about significant program changes and initiatives that the agency is actively engaging. The meetings also afforded residents the opportunity to voice their opinions, concerns and recommendations as they pertain to HOC's operations.

- HOC will again stage five Town Hall Meetings throughout 2015. The first meeting will take place on Monday, March 9, 2015 at The National 4H Youth Center. The meeting will start at

6:00 p.m. The remaining meeting dates and locations will be announced as soon as they are finalized.

SLIDE 21

Housing Resources Division

- The overarching purpose for the 2014 Town Hall meetings was to inform Housing Choice Voucher and Public Housing clients of essential Housing Resource program changes. This year, HOC discussed: the changes HUD made for the Utility Allowances, mandatory direct deposits for Landlords as well as Rent Reasonableness and Affordability.

- There were additional changes to the Housing Resources Division besides the information that was shared during the 2014 Town Hall Meetings. The Division now reports directly to the Chief Operating Officer. The Family Self Sufficiency program of FSS joined HRD and the program is now responsible for completing recertification's for FSS households.

- HRD made a few other subtle changes to its SOP's. The division drastically improved its rent increase process by allocating one day per week to process requests. Staff automated many tracking systems through Yardi to monitor progress and assure efficiency.

- Despite all is these changes; HOC earned the High Performer accolade from HUD's Section Eight Management Assessment Program (SEMAP). HUD audited the agency after honoring us with SEMAP's High Performer status just to make sure that there were no mistakes in their review. It was determined that there were none and that HOC truly deserved to be in the High Performer class.

- 2014 was the year of Audits for HRD because they successfully survived three additional external audits.

- On top of all this, HRD managed to lease majority of the Disposition families. Great job HRD and I am sure you know what your reward for the great work is. That's right, more work.

Resident Services

- Just ask Fred Swan. I know I overworked him in 2014.

- During last year's annual meeting, I introduced Fred Swan as the new Director of Resident Services. Over the year, Fred and I worked closely to restructure the Division and I believe that we improved customer service delivery, productivity and efficiency.

SLIDE 22

- The Family Self-Sufficiency Program (FSS) was productive as usual. On November 6, 2014, HOC held the 21st annual FSS graduation ceremony. Thirty-eight individuals successfully completed the five-to-seven year program and five of them are already home owners! The FSS program is one of the most successful resident service programs that the agency offers. To date, over 838 HOC residents have successfully completed the program.

- This means 838 people have not only changed their lives but they've changed the lives of their children, who now have a powerful role model of success through tenacity. These clients had the courage to put themselves through a challenging program that demanded accountability and consistency. Those are big dreams, and their success serves as hope not only for their children, but for those who follow in their footsteps.

- Congratulations to Nancy Scull and her entire team of FSS case workers who make the program a national model.

SLIDE 23

- While we are on the subject of congratulating HOC's FSS Coordinator Nancy Scull, I am pleased to announce that she was honored with the Roscoe R. Nix Distinguished Community Leadership Award. The Award was established by County Executive Leggett in 2012 as the County's equivalent to the Presidential Medal of Freedom. Nancy was one of three Award winners and was honored for her work with HOC as well as her efforts with the Shepherd's Table Soup Kitchen in Silver Spring. Congratulations Nancy! We are lucky to have you on our team.

SLIDE 24

- The Resident Services Division renewed its commitment to improve the lives of the clients that we serve through its customer service delivery.

- For example, On November 4, 2014, Fred Swan arranged for Housing Resources staff to be trained on identifying and intervening in cases of domestic violence. Resident Services employees underwent the training on October 21st. The training provided important information to staff on key indicators of domestic violence and emotional abuse and its impact on the entire family. Staff was also instructed on how to report or escalate concerns on behalf of clients affected by domestic violence and emotional abuse.

- Resident Services partnered with Bullis, the Institute of Real Estate Management, and the Holiday Giving Coalition to fill and prepare the baskets. On November 24, 2014, staff from every division participated in the preparation and moving of 107 Thanksgiving Food baskets at the Bullis School in Potomac. Ninety-seven of the baskets were then distributed to clients from Washington Square the same evening. The remaining 10 were delivered to those unable to pick up their baskets.

SLIDE 25

- HOC's efficient work in administering the Rent Supplement Program earned the agency a 2014 National Association of Counties Achievement Award. The Rent Supplement Program was nominated by County Executive Isiah Leggett and recognizes the program as a national example of best practices. The award was presented at a ceremony held at the Executive Office Building in Rockville on December 17, 2014.

Information Technology

SLIDE 26

- I would like to share IT's "year in review." It was a busy year, full of progress. Last year, I ordered someone to get Ewart more caffeine, because 2013 was just a warm up for 2014! They must have stuck a permanent intravenous caffeine drip in his left arm because he has been running since the last meeting.

- Take a look around, we have a remodeled Hearing Room. I love this modern look.

- The Technology Employee Purchase program (TEPP) was improved. As a result of the TEPP, more than half of HOC's workforce purchased up-to-date technology devices. One of the most prominent benefits of the TEPP is that it enables employees to remain connected to the Agency around the clock.

- Over the summer, 18 interns from the Maryland Multicultural Youth Center worked for HOC across several divisions. For the second year in a row, the largest allotment worked in the IT division. Interns repaired and in some cases, rebuilt computers. They closed Help Desk tickets, did social media work and had a fulfilling overall experience. It's a tremendous benefit for both HOC and these talented youth who build skills and position themselves to compete for permanent employment.

- IT began connecting multi-family properties to FiberNet, a free internet service provided by Montgomery County. This connection will be accessible within each residential unit at no additional charge. Content access through the HOC-provided FiberNet will be unrestricted, unfiltered and most importantly FREE.

- Launching HOC@cess was another task on IT's To-Do list. In 2014, IT began installing wireless internet access points in all common areas at our multi-family sites, including the community activity center and computer lab. Residents and visitors are now able to connect wirelessly to this free resource using their own personal devices and have access to high-speed internet beyond their residential unit. Content will be filtered in accordance with other Montgomery County internet access policies to prevent resource abuse and illegal and/or inappropriate activity.

- The combination of free Internet access and the 22 community cloud-based computer centers for our residents made it easier for approximately 2,000 households to job search, complete homework assignments and improve their computer proficiency.

HOC Academy

SLIDE 27

- Now, the moment that I have been waiting for. It is finally the time for me to discuss one of my favorite 2014 projects, HOC Academy.

- The agency formally launched HOC Academy in 2014. The Academy is designed to help staff and our clients grow both personally and professionally. It serves as a hub that connects adult education, workforce development programs and counseling resources to low- and very low-income Montgomery County residents as well as HOC's workforce. HOC Academy will house many new and innovative products and services aimed to expand educational opportunities and promote economic self-sufficiency. The training and support provided to participants through HOC Academy can bolster their confidence and skill sets, allowing them to take an active role in improving their futures.

- Adult clients can participate in HOC WORKS, HOC CONNECTS, the Family Self Sufficiency Program (FSS) and the Adult Education and Work Force Development Program.

SLIDE 28

- HOC Works was unveiled during the first 2014 Town Hall Meeting. HOC WORKS is the product of HOC's efforts to develop a more robust Section 3 program. Section 3 is a program of the U.S. Department of Housing and Urban Development (HUD) designed to ensure that HUD funded projects generate employment, contracting, and other economic opportunities for low- and very low-income residents. HOC Works is the agency's program for ensuring that job training, employment and contracting opportunities are provided to our clients, as well as, other low income persons throughout Montgomery County.

- The Adult Education and Workforce Development program (AEWD) is one component of HOC WORKS. This program empowers participants to become self-sufficient by providing them with the necessary academic and job training resources required to obtain and maintain gainful employment. AEWD offers the necessary resources to enhance future employment opportunities and personal growth such as GED and College Preparation, English for Speakers of Other Languages (ESOL), Degrees and/or Professional Certifications and Career Counseling.

SLIDE 29

- HOC Connects was officially launched on July 30, 2014. The agency held a press conference at Stewartown Homes to announce the launch of HOC Connects, a new initiative to bring computer ownership within the reach of HOC families. This nationally unprecedented program uses HOC's purchasing resources to provide interest-free loans to families interested in acquiring a laptop computer. HOC has partnered with Acer and CDW-G to design a custom laptop model that is powerful and affordable. HOC Connects will help our parents and adults compete in the workforce and their children compete in the classroom.

- Montgomery County Executive Isiah Leggett, Montgomery County Council members Craig Rice and Nancy Navarro, HUD's Marvin Turner and a parent and HOC Connects program participant Rhonda Morrison joined us at the press conference.

SLIDE 30

- In 2014, HOC successfully conducted the first year of Leadership Tomorrow with its Alpha Class, now commencing their second year. The Alpha Class held a community Health Fair on September 20, 2014 at the Bohrer Park Activity Center in Gaithersburg.

SLIDE 31

Guests received FREE health screenings from licensed doctors for blood pressure, vision, diabetes, teen health, osteoporosis and more. FREE pediatric dental assessments were also provided along with important information about nutrition and wellness. More than 250 people attended the event and several guests identified health issues that were critical and in a couple of cases, life-threatening.

The Beta Class's application period closed on December 17, 2014 with classes scheduled to begin in February 2015. HOC intends to continue Leadership Tomorrow indefinitely for two reasons: First, the program is successful and serves as another important employee benefit. Second, the program is solely funded by the agency; therefore, budget cuts are not expected to jeopardize its operation.

SLIDE 32

- Our youth clientele can also benefit from HOC Academy. The program will afford HOC youth scholarship opportunities, summer employment and internship positions, the chance to participate in Science, Technology, Engineering, and Mathematics or STEM programs and Chess Clubs through HOC Academy. Also, HOC youth will be encouraged to join the Montgomery College Achieving Collegiate Excellence and Success (ACES) program which seeks to create a seamless pathway from high school to college completion.

- The pictures on the slide are of a STEM event that took place at Seneca Ridge in October. The US Military Academy also known as West Point, HUD, HOPE VI Community and Supportive Services, VISTA Americorp and the VA STEM Innovation Network also known as Make a Difference 2020 hosted the STEM Robotics event for our youth!

[Moving Forward 2015]

SLIDE 33

- While I am proud of our accomplishments in 2014, bigger challenges loom in 2015.

Mortgage Finance

- The Mortgage Finance Division and RED will be busier in the coming year. The teams will continue with the rehabilitation and permanent financing of the 669 Scattered Site PH units as well as implement RAD conversions on seven, and hopefully 11, multifamily properties.

- The Real Estate Development team will continue to evaluate HOC's portfolio, identify opportunities which will yield additional affordable housing capital for Montgomery County and aggressively seek to execute those windows of opportunity.

- By 2015's year end, HOC's portfolio and balance sheet will be much stronger. Through the disposition of the entire Public Housing portfolio, highly valued assets will be added to the Agency's balance sheet, and because of such low leverage, the net benefit to the Agency will be tremendous.

Information Technology

- IT will continue to keep HOC functioning powerfully using today's modern technology. A few tasks on IT's "To-Do List" are: enhancing the cloud computer centers and implementing a more robust online conferencing program for the agency to use. All of which will contribute significantly to HOC 2.0.

Property Management

- 2015 will be very different for HOC since the Public Housing program will no longer exist within this agency. Let's be clear folks, we are not losing any affordable housing units. In fact, I hope to open the Housing Choice Voucher waiting list in 2015.

- We are actually increasing our affordable housing arsenal through participation in RAD and the Disposition. Furthermore the addition of new mixed-income units may facilitate additional affordable ones at some sites.

Finance

- What can I say about finance? The bar has been set; I expect continued excellence in fiscal reporting and budget presentation. Earning the GFOA accolades, are critical for HOC because they set a high standard for which we need to produce our financial statements and budgets.

Housing Resources Division

- Lynn, your payment for a successful year is, well you guessed it more work. Here are some of my top priorities for HRD in 2015.

- Collect WORKING email addresses for 75 percent of our clients.

- Conduct frequent Landlord briefings and orientations.

- Open the Housing Choice Voucher waiting list.

- Facilitate ongoing monthly trainings for HRD staff because I want another SEMAP High Performing decoration for 2015.

Executive Division

- The Executive Division will continue to develop the Leadership Tomorrow program and secure prominent industry related professionals to both sponsor and lecture the program.

- Speaking of develop; the agency will continue to work collectively to cultivate HOC Academy. I would like for the agency to accomplish the following goals:

- 80% of FSS graduates will exit the program having increased their income by $25,000.

- 40 HOC residents will obtain employment through participation in HOC Academy.

Closing

- In closing, I would like to take a moment to acknowledge the staff who retired during 2014.

- I deeply believe in the mission and purpose of this agency. This agency, its staff and our clients mean a great deal to me on a personal level. I know that many of you share these sentiments. Many of our staff care deeply about our clients. Paychecks can be found anywhere, but the rewards of working with HOC clients are what keep our best staff satisfied and here.

- I would like to sincerely thank the Commission for your service to the agency. While this may not be true for each of you individually, I believe that collectively over the last year, we have found more common ground and there is a growing sense of our progress and the potential of HOC 2.0.

- I also need to give recognition to the excellent work of the HOC staff. There are too many to recognize individually, but without their dedicated service, HOC would be just another housing authority. Because of their efforts, HOC is repositioning itself to become a national model of excellence.

- Adapting to change is never easy or comfortable, but change often creates opportunities. With the leadership of the Commission and the commitment of our staff, I am confident that we will continue to identify and capitalize on our opportunities. I expect no less than the excellence that HOC consistently delivers.

- HOC 2.0's foundation and framework are protected and well-built. By this time next year, I expect the agency to be generating additional revenue and well on its way to financial health.

Immediately following the Executive Director's Year In Review presentation, the Commissioners took a brief recess.

Election of Officers

Mr. Spann opened the floor for the election of officers. Commissioner McFarland made a nomination to appoint Sally Roman as Chair, Jackie Simon as Vice Chair, and reappoint Jean Banks as Chair Pro Tem. Being no other nominations, the new officers were unanimously elected. Affirmative votes were cast by Commissioners Piñero, Lindstrom, McFarland, Nelson and Simon. Commissioners Roman and Banks were necessarily absent and did not participate in the vote.

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

I. CONSENT ITEMS

A. **Approval of Minutes of January 14, 2015** – The minutes were approved as submitted.

B. **Approval of Selection of 2015 Housing Honor Roll and Special Recognition Award Recipients** – The following resolution was approved.

RESOLUTION: 15-11 **RE: Approval of Selection of 2015 Housing Honor Roll Recipient**

WHEREAS, the Housing Opportunities Commission of Montgomery County annually honors people and organizations that have made outstanding contributions to affordable housing, the well-being of our residents and clients, or HOC operations; and

WHEREAS, the 2015 Housing Honor Roll award recipient is Michael J. Kator a former HOC Commissioner and Chair; and

WHEREAS, Mr. Kator has tirelessly advocated for affordable housing in Montgomery County for and offered his valuable legal experience and insights to the Commission; and

WHEREAS, Mr. Kator has provided sure and steady guidance to the Commission during a period of economic turbulence and market disruptions

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Michael J. Kator is the recipient of the 2015 Housing Honor Roll award.

RESOLUTION: 15-12 **RE: Approval of Selection of 2015 Special Recognition Award Recipient**

WHEREAS, the Housing Opportunities Commission of Montgomery County annually honors people and organizations that have made outstanding contributions to affordable housing, the well-being of our residents and clients, or HOC operations; and

WHEREAS, a 2015 Special Recognition Award is given to Eugene Montgomery, a resident of Washington Square; and

WHEREAS, Mr. Montgomery has demonstrated an unwavering commitment to the clients of the Housing Opportunities Commission; and

WHEREAS, Mr. Montgomery has consistently volunteered his time and served HOC youth through his work with the Reading Group, tutoring program and Homework Club,

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Eugene Montgomery is a recipient of a 2015 Special Recognition Award.

RESOLUTION: 15-13 **RE: Approval of Selection of 2015 Special Recognition Award Recipient**

WHEREAS, the Housing Opportunities Commission of Montgomery County annually honors people and organizations that have made outstanding contributions to affordable housing, the well-being of our residents and clients, or HOC operations; and

WHEREAS, a 2015 Special Recognition Award is given to HOC volunteer Samantha Clark in appreciation for her many hours of service to the Washington Square community;

WHEREAS, her service as a chaperone on youth field trips has contributed to a more positive experience for HOC youth; and

WHEREAS, her positive attitude and kind spirit make her a powerful role model for children in our community,

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Samantha Clark is a recipient of a 2015 Special Recognition Award.

RESOLUTION: 15-14 **RE: Approval of Selection of 2015 Community Achievement Award Recipient**

WHEREAS, the Housing Opportunities Commission of Montgomery County annually honors people and organizations that have made outstanding contributions to affordable housing, the well-being of our residents and clients, or HOC operations; and

WHEREAS, a 2015 Community Achievement Award is given to HOC client Kimberly Jordan-Gaskins in appreciation for her extraordinary efforts to improve the lives of people with disabilities; and

WHEREAS, her determination to overcome adversity and assist others is an inspiration to HOC and the broader community

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Kimberly Jordan-Gaskins is a recipient of a 2015 Community Achievement Award.

C. Approval of New Participating Lenders for the Single Family Purchase Program

The following resolution was approved.

RESOLUTION: 15-15 **RE: Approval of New Participating Lenders for the Single Family Mortgage Purchase Program**

WHEREAS, the Housing Opportunities Commission of Montgomery County 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, Prosperity Home Mortgage, LLC and Southern Trust Mortgage have applied for participation in the Mortgage Purchase Program; and

WHEREAS, Prosperity Home Mortgage, LLC and Southern Trust Mortgage have 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 Prosperity Home Mortgage, LLC and Southern Trust Mortgage are approved for participation in the Mortgage Purchase Program, effective immediately.

II. INFORMATION EXCHANGE

A. Report of the Executive Director – No report

B. Commissioners Exchange

- Chair Piñero mentioned that the joint meeting with the Planning Board went well, and to follow-up with Gwen Wright, Planning Board Director, regarding white paper on core locations of public facilities for public housing
- Commissioner Simon reported on the concern of Condominums in the County
- Commissioner McFarland mentioned upcoming events

C. Community Forum

None

III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

No Reports

IV. *FUTURE ACTION ITEMS

V. NEW BUSINESS

None

VI. EXECUTIVE SESSION FINDINGS

None

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

The meeting adjourned at 5:55 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION ON FEBRUARY 20, 2015: APPROVAL TO ISSUE COMMITMENT TO ROSARIA COMMUNITIES, INC. TO PROVIDE FUNDING IN AN AMOUNT NOT TO EXCEED $800,568 FOR THE ACQUISITION AND RENOVATION OF A SINGLE FAMILY PROPERTY FOR THE USE AND OPERATION BY JUBILEE ASSOCIATION OF MARYLAND

MARCH 4, 2015

- At a closed Executive Session on February 20, 2015, the Commission approved the issuance of a funding commitment not to exceed $800,568 to Rosaria Communities, Inc. ("Rosaria") for the acquisition and renovation of a single-family property to be used and operated by Jubilee Association of Maryland, conditioned on the continued availability of proceeds from the Department of Health and Mental Hygiene (DHMH) and matching loan funds from the Department of Housing and Community Affairs (DHCA) to reimburse the Commission.

- The Commission approved drawing the funds for the commitment to Rosaria from the County Revolving Opportunity Housing Development Fund ("OHDF") and reimbursing the OHDF upon receipt of the DHMH and DHCA funds.

- The Commission wishes to ratify and affirm, in an open meeting, the action undertaken at the January 20, 2015 Executive Session.

RESOLUTION: 15-___-R

RE: Ratification of Approval to Issue Commitment to Rosaria Communities, Inc. to Provide Funding in an Amount not to exceed $800,568 for the Acquisition and Renovation of a Single Family Property for the Use and Operation by Jubilee Association of Maryland

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

WHEREAS, at an Executive Session duly called and held on February 20, 2015, with a quorum being present, the Commission duly adopted Resolution 15-16ES ("Approval Resolution"), which authorized the Executive Director to issue a commitment letter to Rosaria Communities, Inc. to provide funding in an amount not to exceed $800,568 for the acquisition and renovation of a single-family property to be used and operated by Jubilee Association of Maryland; and

WHEREAS, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission in adopting the Approval.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Approval Resolution is hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting of the Commission on March 4, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

AUTHORIZATION TO SUBMIT THE FFY 2015 CAPITAL FUND PROGRAM GRANT ANNUAL CONTRIBUTIONS CONTRACT AMENDMENT AND SUPPORTING DOCUMENTATION

MARCH 4, 2015

- The Commission has been notified by the Department of Housing and Urban Development (HUD) that it has been awarded $1,788,963 as part of the FFY 2015 Capital Fund Program (CFP) grant for Public Housing.

- CFP grant funds are used to make capital improvements to the Commission's public housing stock.

- This award amount is $26,142 more than the $1,762,821 award amount received from HUD in FFY 2014.

- HUD has directed the Commission to submit to HUD a Capital Fund Grant Annual Statement, HOC's Capital Fund Grant Five-Year Action Plan, a signed Annual Contributions Contract Amendment, and a supporting Commission Resolution by March 16, 2015 to reserve the CFP grant funds.

- The Annual Statement details the contemplated expenditure categories of the CFP grant funds based on those previously estimated in the Agency's CFP Five-Year Action Plan.

- Staff recommends that the Executive Director or his designee be authorized to submit to HUD the Annual Statement outlining how the CFP grant funds will be expended; the Agency's CFP Five-Year Action Plan; the signed Annual Contributions Contract Amendment; and the supporting Commission Resolution.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County		
VIA:	Stacy L. Spann, Executive Director		
FROM:	Ethan Cohen	Division: Executive	Ext. 9764
	Kelly McLaughlin	Executive	Ext. 9567
RE:	Authorization to Submit the FFY 2015 Capital Fund Program Grant Annual Contributions Contract Amendment and Supporting Documentation		
DATE:	March 4, 2015		

STATUS: Consent _X_ Deliberation ___ Status Report ___ Future Action ___

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director or his designee to submit to the U.S. Department of Housing and Urban Development (HUD) the Federal Fiscal Year (FFY) 2015 Capital Fund Program (CFP) Annual Statement outlining the ways in which the CFP grant funds will be expended to make improvements to public housing units during FFY 2015; HOC's CFP Five-Year Action Plan outlining the Agency's expectations for Capital Fund expenditures from FFY 2014-FFY 2018; the signed FFY 2015 Annual Contributions Contract (ACC) Amendment; and the supporting Commission Resolution.

BACKGROUND:

Annually, HOC is awarded Capital Fund Program (CFP) grant funds based upon a HUD formula. These CFP funds are then used to make capital improvements to the Commission's public housing stock. CFP grant funds cannot be used for properties that are not public housing.

The FFY 2014 CFP grant award was $1,762,821.

The FFY 2015 CFP grant award is $1,788,963, which represents an increase of $26,142.

Implementation of the CFP grant funds will be coordinated by the Real Estate Division according to the CFP Five-Year Action Plan and the CFP Annual Statement, as summarized below:

Physical Improvements	$833,963.00
Management Improvements	$280,000.00
Administration	$175,000.00
Development	$500,000.00
Grand Total	**$1,788,963.00**

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director or his designee to submit to HUD the FFY 2015 Annual Statement outlining the way the CFP grant funds will be expended to make improvements to public housing units during FFY 2015; HOC's CFP Five-Year Action Plan outlining the Agency's expectations for Capital Fund expenditures from FFY 2014-FFY 2018; the signed FFY 2015 Annual Contribution Contract Amendment; and the supporting Commission Resolution?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County (HOC) and the U.S. Department of Housing and Urban Development (HUD).

BUDGET IMPACT:

The funds will be restricted to the Public Fund and used solely for public housing capital improvements.

TIME FRAME:

Action at the Commission meeting held March 4, 2015.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Executive Director or his designee be authorized to submit to HUD the CFP Annual Statement outlining how the CFP grant funds will be expended; the Agency's CFP Five-Year Action Plan; the signed ACC Amendment; and the supporting Commission Resolution.

RESOLUTION: XX-XX

RE: Authorization to Submit the FFY 2015 Capital Fund Program Grant Annual Contributions Contract Amendment and Supporting Documentation

WHEREAS, the Housing Opportunities Commission of Montgomery County ("Commission") will receive $1,788,963 in FFY 2015 Capital Fund Program grant funds from the U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, staff has identified $1,788,963 in needs based upon the Commission's Five Year Capital Fund Program Plan; and

WHEREAS, by submitting the FFY 2015 CFP Annual Statement, the CFP Five-Year Action Plan, and the signed FFY 2015 ACC Amendment, the Commission is agreeing that capital and management activities will be carried out in accordance with all HUD regulations.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director or his designee is hereby authorized to submit to the U.S. Department of Housing and Urban Development the FFY 2015 Annual Statement outlining how the Capital Fund Program grant funds will be expended to make improvements to public housing units during FFY 2015; HOC's CFP Five-Year Action Plan outlining the Agency's expectations for Capital Fund expenditures from FFY 2014-FFY 2018; the signed FFY 2015 Annual Contributions Contract Amendment in the amount of $1,788,963; and the supporting Commission Resolution.

BE IT FURTHER RESOLVED, that the Executive Director is hereby authorized and directed to take all actions necessary and proper to accomplish the activity contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on March 4, 2015.

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Patrice Birdsong
Special Assistant to the Commission

2015 Capital Fund

Capital Fund Program (CFP) Amendment
To The Consolidated Annual Contributions Contract (form **HUD-53012**)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

Whereas, (Public Housing Authority) HOUSING OPPRTY COM OF MONTGOMERY CO | MD004 | (herein called the "PHA")

and the United States of America, Secretary of Housing and Urban Development (herein called "HUD") entered into Consolidated Annual Contributions Contract(s) ACC(s) Numbers(s) P-189 dated 7/10/1967

Whereas, HUD has agreed to provide CFP assistance, upon execution of this Amendment, to the PHA in the amount to be specified below for the purpose of assisting the PHA in carrying out development, capital and management activities at existing public housing projects in order to ensure that such projects continue to be available to serve low-income families. HUD reserves the right to provide additional CFP assistance in this FY to the PHA. HUD will provide a revised ACC Amendment authorizing such additional amounts.

$ $1,788,963.00 for Fiscal Year 2015 to be referred to under Capital Fund Grant Number MD39P00450115
PHA Tax Identification Number (TIN): On File DUNS Number: On File

Whereas, HUD and the PHA are entering into the CFP Amendment Number 2015 - 1

Now Therefore, the ACC(s) is (are) amended as follows:
1. The ACC(s) is (are) amended to provide CFP assistance in the amount specified above for development, capital and management activities of PHA projects. This CFP Amendment is a part of the ACC(s).

2. The PHA must carry out all development, capital and management activities in accordance with the United States Housing Act of 1937 (the Act), 24 CFR Part 905 (the Capital Fund Final rule) published at 78 Fed. Reg. 63748 (October 24, 2013), as well as other applicable HUD requirements, except that the limitation in section 9(g)(1) of the Act is increased such that of the amount of CFP assistance provided for under this CFP amendment only, the PHA may use no more than 25 percent for activities that are eligible under section 9(e) of the Act only if the PHA's HUD-approved Five Year Action Plan provides for such use; however, if the PHA owns or operates less than 250 public housing dwelling units, such PHA may continue to use the full flexibility in section 9(g)(2) of the Act.

3. The PHA has a HUD-approved Capital Fund Five Year Action Plan and has complied with the requirements for reporting on open grants through the Performance and Evaluation Report. The PHA must comply with 24 CFR 905.300 of the Capital Fund Final rule regarding amendment of the Five Year Action Plan where the PHA proposes a Significant Amendment to the Capital Fund Five Year Action Plan.

4. For cases where HUD has approved a Capital Fund Financing Amendment to the ACC, HUD will deduct the payment for amortization scheduled payments from the grant immediately on the effective date of this CFP Amendment. The payment of CFP funds due per the amortization scheduled will be made directly to a designated trustee within 3 days of the due date.

5. Unless otherwise provided, the 24 month time period in which the PHA must obligate this CFP assistance pursuant to section 9(j)(1) of the Act and 48 month time period in which the PHA must expend this CFP assistance pursuant to section 9(j)(5) of the Act starts with the effective date of this CFP amendment (the date on which CFP assistance becomes available to the PHA for obligation). Any additional CFP assistance this FY will start with the same effective date.

6. Subject to the provisions of the ACC(s) and paragraph 3, and to assist in development, capital and management activities, HUD agrees to disburse to the PHA or the designated trustee from time to time as needed up to the amount of the funding assistance specified herein.

7. The PHA shall continue to operate each public housing project as low-income housing in compliance with the ACC(s), as amended, the Act and all HUD regulations for a period of twenty years after the last disbursement of CFP assistance for modernization activities for each public housing project or portion thereof and for a period of forty years after the last distribution of CFP assistance for development activities for each public housing project and for a period of ten years following the last payment of assistance from the Operating Fund to each public housing project. However, the provisions of Section 7 of the ACC shall remain in effect for so long as HUD determines there is any outstanding indebtedness of the PHA to HUD which arose in connection with any public housing project(s) under the ACC(s) and which is not eligible for forgiveness, and provided further that, no disposition of any project covered by this amendment shall occur unless approved by HUD.

8. The PHA will accept all CFP assistance provided for this FY. If the PHA does not comply with any of its obligations under this CFP Amendment and does not have its Annual PHA Plan approved within the period specified by HUD, HUD shall impose such penalties or take such remedial action as provided by law. HUD may direct the PHA to terminate all work described in the Capital Fund Annual Statement of the Annual PHA Plan. In such case, the PHA shall only incur additional costs with HUD approval.

9. Implementation or use of funding assistance provided under this CFP Amendment is subject to the attached corrective action order(s).
(mark one) : ☐ Yes ☒ No

10. The PHA is required to report in the format and frequency established by HUD on all open Capital Fund grants awarded, including information on the installation of energy conservation measures.

11. If CFP assistance is provided for activities authorized pursuant to agreements between HUD and the PHA under the Rental Assistance Demonstration Program, the PHA shall follow such applicable statutory authorities and all applicable HUD regulations and requirements.
For *total conversion* of public housing projects, the provisions of Section 7 of the ACC shall remain in effect for so long as HUD determines there is any outstanding indebtedness of the PHA to HUD which arose in connection with any public housing projects(s) under the ACC(s) and which is not eligible for forgiveness, and provided further that, no disposition or conversion of any public housing project covered by these terms and conditions shall occur unless approved by HUD. For *partial conversion*, the PHA shall continue to operate each non-converted public housing project as low-income housing in accordance with paragraph 7.

12. CFP assistance provided as an Emergency grant or a Safety and Security grant shall be subject to a 12 month obligation and 24 month expenditure time period. CFP assistance provided as a Natural Disaster grant shall be subject to a 24 month obligation and 48 month expenditure time period. The start date shall be the date on which such funding becomes available to the PHA for obligation. The PHA must record the Declaration(s) of Trust within 60 days of the effective date or HUD will recapture the funds.

The parties have executed this CFP Amendment, and it will be effective on 4/13/2015. This is the date on which CFP assistance becomes available to the PHA for obligation.

U.S. Department of Housing and Urban Development	**PHA (Executive Director or authorized agent)**
By Date:	By Date: 02/26/2015
Title	Title Stacy L. Spann, Executive Director

Previous versions obsolete form **HUD-52840-A** 03/04/2003

Part I: Summary

PHA Name/Number	Locality (City/County & State)	Original 5-Year Plan ☒ Revision No:
Housing Opportunities Commission of Montgomery County (MD004)	Kensington (Montgomery County) Maryland	

A.	Development Number and Name	Work Statement for Year 1 FFY - **2014**	Work Statement for Year 2 FFY - **2015**	Work Statement for Year 3 FFY - **2016**	Work Statement for Year 4 FFY - **2017**	Work Statement for Year 5 FFY - **2018**
B.	Physical Improvements Subtotal	Please see Annual Statement	$ 818,584	$ 418,584		
C.	Management Improvements		$ 280,000	$ 200,000		
D.	PHA-Wide Non-dwelling Structures and Equipment					
E.	Administration		$ 175,000	$ 175,000	$ 175,000	$ 175,000
F.	Other					
G.	Operations					
H.	Demolition					
I.	Development		$ 500,000	$ 900,000	$ 1,598,584	$ 1,598,584
J.	Capital Fund Financing – Debt Service					
K.	Total CFP Funds		$ 1,773,584	$ 1,773,584	$ 1,773,584	$ 1,773,584
L.	Total Non-CFP Funds					
M.	Grand Total		$ 1,773,584	$ 1,773,584	$ 1,773,584	$ 1,773,584

Part I: Summary (Continuation)

PHA Name/Number		Locality (City/county & State)		**Original 5-Year Plan**	**Revision No:**
	Development Number and Name	Work Statement for Year 1 FFY _______	Work Statement for Year 2 FFY	Work Statement for Year 3 FFY	Work Statement for Year 4 FFY	Work Statement for Year 5 FFY
		Annual Statement				

Part II: Supporting Pages – Physical Needs Work Statement(s)

Work Statement for Year 1 FFY 2014	Work Statement for Year: 2 FFY 2015 Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost	Work Statement for Year: 3 FFY 2016 Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost
See	MD004511402 – Elizabeth House			MD004511402 – Elizabeth House		
Annual	(B.) Repairs Needed As Property Completes RAD Transition with significant rehab / new construction		$ 204,646	(B.) Repairs Needed As Property Completes RAD Transition with significant rehab / new construction		$ 209,292
Statement	MD004511413 – Holly Hall			MD004511413 – Holly Hall		
	(B.) Repairs Needed As Property Completes RAD Transition with significant rehab / new construction		$ 204,646	(B.) Repairs Needed As Property Completes RAD Transition with significant rehab / new construction		$ 209,292
	MD004511415 – Arcola Towers					
	(B.) Repairs Needed As Property Completes RAD Transition with significant rehab / new construction		$ 204,646			
	MD004511417 – Waverly House					
	(B.) Repairs Needed As Property Completes RAD Transition with significant rehab / new construction		$ 204,646			
	Portfolio Wide			Portfolio Wide		
	(I.) CFP Funds in RAD Transactions		$ 500,000	(I.) CFP Funds in RAD Transactions		$ 900,000
	Subtotal of Estimated Cost		$ 1,318,584	Subtotal of Estimated Cost		$ 1,318,584

Part II: Supporting Pages – Physical Needs Work Statement(s)

Work Statement for	Year: 4		Work Statement for	Year: 5	
FFY	2017		FFY	2018	
Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost	Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost
Portfolio Wide			Portfolio Wide		
(I.) CFP Funds in RAD Transactions		$1,598,584	(I.) CFP Funds in RAD Transactions		$1,598,584
Subtotal of Estimated Cost		$1,598,584	Subtotal of Estimated Cost		$1,598,584

Part III: Supporting Pages – Management Needs Work Statement(s)

Work Statement for Year 1 FFY 2014	Work Statement for FFY	Year: 2 2015		Work Statement for FFY	Year: 3 2016	
	Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost	Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost
	Portfolio Wide			Portfolio Wide		
See Annual Statement	(C.) System upgrades to maintenance and management systems for the transition to new requirements of RAD - including requirements associated with partial year Op Sub Funding		$ 280,000	(C.) System upgrades to maintenance and management systems for the transition to new requirements of RAD - including requirements associated with partial year Op Sub Funding		$ 200,000
	Subtotal of Estimated Cost		$ 280,000	Subtotal of Estimated Cost		$ 200,000

Part III: Supporting Pages – Management Needs Work Statement(s)					
Work Statement for	Year: 4		Work Statement for	Year: 5	
FFY	2017		FFY	2018	
Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost	Development Number/Name General Description of Major Work Categories	Quantity	Estimated Cost
Portfolio Wide			Portfolio Wide		
Subtotal of Estimated Cost			Subtotal of Estimated Cost		

Information Exchange

Report of the Executive Director

Stacy L. Spann

March 4, 2015

HOC Academy

HOC Academy Worksessions Held

On Wednesday, February 11, 2015, HOC Academy staged two separate worksessions for clients; one on IT and Cybersecurity and one on Construction.

Additionally, fifteen clients have enrolled in Montgomery College classes through HOC Academy and five more are joining Montgomery Works programs in the near future.

The feedback from the worksessions has been overwhelmingly positive and the HOC Academy team has received several appreciative e-mails in the days since. Below is a representative sampling of the comments:

"The session was very useful for me. I like the fact that the team cares about people's futures. You could not do better...it was well presented." - Sandra Idore

"I want to say thank you very much for preparing this type of fair. I found the session informative and educational about the current job market." - Sileshi Boru

Our presenter from Montgomery College, Silvia Vargas, was equally impressed. "It was a great pleasure. It's inspiring to see that your clients are motivated to make a difference in their lives."

There is much to be done, but I'm very pleased with the progress of HOC Academy and the job that Gina Smith has done in terms of organizational oversight and leadership of the Academy.

Public Affairs

Housing Day in Annapolis

The Legislative and Public Affairs team organized a large contingent of HOC employees to participate in advocacy efforts in support of the Maryland Affordable Housing Coalition's Housing Day in Annapolis.

Staff spoke with nearly ten different legislators from the Montgomery County delegation, urging support of full funding for Rental Housing Works, DHCD programs and also provided updates on the RAD initiative.

Town Hall Meeting

The first Town Hall Meeting of 2015 will be held on Monday, March 9th at the National 4H Center. This meeting is open to all HOC clients but intended to be convenient for those living or working near Council District 1.

Property Management

Winter Weather Damage Update

Although this winter has been comparatively mild in terms of snowfall accumulations, our region has endured some record cold temperatures. The agency has experienced roughly 25 weather-related damage events across the portfolio, nearly all relating to frozen water in pipes.

These events took place across 11 different multifamily properties and 12 scattered site units. Two residents were displaced at scattered site units, and several properties were placed on temporary fire watches. However, given the extreme low temperatures, our clients and the agency emerged relatively unscathed and I am pleased with the response of our Property Management team.\

Housing Opportunities Commission of Montgomery County

March 2015

4	HOC Regular Meeting *(All)*	4:00 p.m.
5	Montgomery County Coalition for the Homeless 25th Anniversary Gala *(All)*	
9	Town Hall Meeting *(All)*	6:00 p.m.
15-18	NAHRO Legislative Conference (Renaissance Hotel, Washington, DC)	
16	Resident Advisory Board *(Banks)*	7:00 p.m.
20	Development and Finance Committee Meeting *(Lindstrom, Simon, McFarland)*	9:30 a.m.
20	Executive Session *(All)*	11:30 a.m.
23	Agenda Formulation *(Roman, Piñero)*	1:00 p.m.
24	Legislative and Regulatory Committee Meeting *(Banks, Roman, Simon)*	2:00 p.m.
31	Banor Board Meeting (*Roman*)	7:30 p.m.

April 2015

1	HOC Regular Meeting *(All)*	4:00 p.m.
15	Town Center Board Meeting *(Simon)*	2:00 p.m.
17	Development and Finance Committee Meeting *(Lindstrom, McFarland, Simon)*	9:30 a.m.
17	Executive Session *(All)*	11:30 a.m.
20 - 21	Commission & Executive Staff Retreat (All) (MetroPointe, 11175 Georgia Ave., Silver Spring, MD 20902)	
20	Resident Advisory Board (Banks)	7:00 p.m.
23	Budget, Finance and Audit Committee Meeting *(Roman, Piñero, Nelson)*	1:00 p.m.
27	Agenda Formulation *(Roman, Lindstrom)*	1:00 p.m.
29 – May 2	NALHFA Annual Conference (Miami, FL – Epic Miami Hotel)	

May 2015

6	HOC Regular Meeting *(All)*	4:00 p.m.
12	Legislative and Regulatory Committee Meeting (Banks, Roman, Simon)	2:00 p.m.
15	Development and Finance Committee Meeting *(Lindstrom, McFarland, Simon)*	9:30 a.m.
15	Executive Session (All)	11:30 a.m.
18	Agenda Formulation *(Roman, Lindstrom)*	1:00 p.m.
18	Resident Advisory Board (Banks)	7:00 p.m.
19	Budget, Finance and Audit Committee Meeting *(Roman, Piñero, Nelson)*	10:00 a.m.
19 - 22	MARC-NAHRO Conference (Clarion Resort Fontainebleau Hotel, Ocean City, MD)	

June 2015

3	HOC Regular Meeting *(All)*	4:00 p.m.
15	Resident Advisory Board *(Banks)*	7:00 p.m.
16	Planning Committee (Roman, Lindstrom)	2:00 p.m.
19	Development and Finance Committee Meeting (Lindstrom, McFarland, Simon)	9:30 a.m.
19	Executive Session (All)	11:30 a.m.

22	Agenda Formulation (Roman, Nelson)	1:00 p.m.

July 2015

1	HOC Regular Meeting *(All)*	4:00 p.m.
13	Town Hall Meeting	6:00 p.m.
20	Resident Advisory Board *(Banks)*	7:00 p.m.
21	Legislative and Regulatory Committee Meeting (Banks, Roman, Simon)	2:00 p.m.
24	Development and Finance Committee Meeting (Lindstrom, McFarland, Simon)	9:30 a.m.
24	Executive Session (All)	11:30 a.m.
27	Agenda Formulation (Roman, Nelson)	1:00 p.m.
30-Aug. 1	NAHRO Summer Conference (Austin, TX)	

August 2015

5	Tony Davis Scholarship Award Reception *(Award Presentation 4:00 p.m.)*	3:00 p.m.
5	HOC Regular Meeting *(All)*	4:30 p.m.
11	Budget, Finance and Audit Committee Meeting *(Roman, Piñero, Nelson)*	10:00 a.m.
18	Planning Committee (Roman, Lindstrom)	2:00 p.m.
21	Development and Finance Committee Meeting (Lindstrom, McFarland, Simon)	9:30 a.m.
21	Executive Session *(All)*	11:30 a.m.
24	Agenda Formulation (Roman, McFarland)	

Activities of Interest		Hearing Board
TBD	Joint Meeting with Commission on People with Disabilities	
01/15/2015	Joint Meeting with the Planning Board(done)	
TBD	Property Tour III	
04/20-21/2015	Commissioners & Executive Staff Retreat	

TO DO / ACTION

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

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

ACCEPTANCE OF SECOND QUARTER FY'15 BUDGET TO ACTUAL STATEMENTS

March 4, 2015

- **The Agency ended the second quarter with a net cash surplus of $1,544,151 which was $588,528 less than anticipated.**

- **The General Fund experienced lower than anticipated income which was partially offset by savings in expenses through the second quarter.**

- **At the end of the second quarter, many of 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 surplus as a result of higher than anticipated subsidy and savings in expenses. The surplus will be restricted to the program.**

- **The Housing Choice Voucher (HCV) Program had a smaller than anticipated administrative deficit through December 31, 2014 due to higher administrative fees coupled with savings in expenses.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
Terri Fowler Ext. 9507

RE: Acceptance of Second Quarter FY'15 Budget to Actual Statements

DATE: March 4, 2015

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To assess the Agency's financial performance for FY'15

BACKGROUND:
In accordance with the Commission's budget policy, the Executive Director will present budget to actual statements and amendments to the Budget, Finance and Audit Committee on a quarterly basis. The Budget, Finance and Audit Committee will review any proposed budget amendments and make a recommendation to the full Commission.

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Agency for the second quarter of FY'15.

BUDGET IMPACT:
A second quarter budget amendment was discussed with the Budget, Finance and Audit Committee at the February 26, 2015 meeting. The Commission will be asked to approve the second quarter budget amendment at the March 4, 2015 Commission meeting. Future amendments will be presented to the Commission as necessary.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the Second Quarter Budget to Actual Statements at the February 26, 2015 Committee meeting. Action is requested at the March 4, 2015 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
To accept the Second Quarter FY'15 Budget to Actual Statements.

<u>DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS</u>

This review of the Budget to Actual Statements for the Agency through the second quarter of FY'15 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

<u>HOC overall (see Attachment A)</u>

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

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

The Commission approves the revenue and expenses and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'15 Second Quarter Capital Budget to Actual Comparison.

The Agency ended the second quarter with a net cash surplus of $1,544,151. This surplus resulted in a second quarter budget to actual negative variance of $588,528. The primary contributors to this negative variance were lower income in the General Fund (see General Fund) as well as by lower income in the Opportunity Housing portfolio (see Opportunity Housing Fund). These negative variances were partially offset by savings in administrative costs in the Housing Choice Voucher Program which reduced the projected deficit in the program administration (see Public Fund).

<u>Explanations of major variances by fund</u>

The General Fund consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of $3,038,486, which resulted in a negative variance of $386,390. As of December 31, 2014, income in the General Fund was $589,530 less than budget. The primary contributor to the negative income variance was a delay in the receipt of funds due to revised timing on the RAD 6 closing. Although the closing did occur before quarter end, the income which will be taken from the capital reimbursement will not be recognized until the third quarter of FY'15.

Expenses in the General Fund were $203,140 lower than budget at quarter-end. The positive variance was primarily the result of savings in administrative salaries and benefits as well as maintenance contract expenses. A portion of these savings are the result of timing issues and staff does not anticipate the full savings to be realized at year end.

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

The Opportunity Housing Fund

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

- The first group includes properties that we budgeted to provide unrestricted net cash flow toward the Agency's FY'15 Operating Budget. This group ended the quarter with cash flow of $5,072,335 or $996,754 more than projected. It should be noted that we can only recognize revenue up to the amount budgeted for each property. Many of the properties in this portfolio exceeded budgeted income; however, when we exclude the extra income earned on properties exceeding their budgets, the quarter's recognizable cash flow is $3,699,959 or $375,622 below budget.

Unrestricted Development Corporations

	(3 Months) Budget	(3 Months) Actual	Variance		(3 Months) Adjusted
Alexander House	$662,942	$970,224	$307,282	(1)	$662,942
The Barclay	$67,715	$40,818	($26,897)		$40,818
Chevy Chase Lake	$98,200	$53,033	($45,167)		$53,033
Glenmont Westerly	$150,119	$145,673	($4,446)		$145,673
Magruder's Discovery	$258,551	$282,272	$23,721	(1)	$258,551
The Metropolitan	$1,069,241	$968,961	($100,280)		$968,961
Montgomery Arms	$167,526	$111,073	($56,453)		$111,073
TPM - 59 MPDUs	$80,232	$101,640	$21,408	(1)	$80,232
Paddington Square	$262,440	$394,449	$132,009	(1)	$262,440
TPM - Pomander Court	$76,695	$82,747	$6,052	(1)	$76,695
Pooks Hill High-Rise	$210,885	$230,291	$19,406	(1)	$210,885
Scattered Site One Dev. Corp. ..	$165,023	$39,286	($125,737)		$39,286
Scattered Site Two Dev. Corp. ..	($18,391)	($12,092)	$6,299	(1)	($18,391)
Sligo Development Corp.	$32,740	$16,098	($16,642)		$16,098
TPM - Timberlawn	$278,201	$341,013	$62,812	(1)	$278,201
VPC One Dev. Corp.	$294,553	$830,861	$536,308	(1)	$294,553
VPC Two Dev. Corp.	$218,909	$475,988	$257,079	(1)	$218,909
Subtotal	**$4,075,581**	**$5,072,335**	**$996,754**		**$3,699,959**
		Recognizable Cash Flow			**($375,622)**

Notes:
(1) - Properties exceeding budgeted cash flow.

- The positive cash flow variance at **Alexander House** was primarily the result of lower debt service payments due to the prepayment of the mortgage using the $90M PNC Line of

Credit (LOC). **The Barclay** has a negative variance of $26,897 driven by higher than projected vacancy loss at the property. **Chevy Chase Lake** is experiencing a negative cash flow variance of $45,167 as tenants vacate the property in anticipation of the impending development plans. Cash flow at **The Metropolitan** is $100,280 under budget as a result of lower gross rent potential and non-dwelling rent. The loss of income has been partially offset by savings in utilities. **Montgomery Arms** experienced lower gross rent potential and higher vacancies which resulted in a negative cash flow variance of $56,453 through quarter-end. **Paddington Square Apartments** cash flow exceeded budget by $132,009 largely due to a delay in the refinancing resulting in lower debt service expense. **Scattered Site One Development Corporation** is experiencing a negative cash flow variance of $125,737 as a result of higher than anticipated vacancies coupled with an error in the budget for late fees at one of the HUBs. Both **VPC One Development Corporation** and **VPC Two Development Corporation** exceeded budget projections as a result of a delay in the borrowing for renovations. The savings in debt service payments was partially offset by the higher vacancies experience at both properties.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'14 Operating Budget. Cash flow from this group of Development Corporation properties was $64,802 more than budgeted. The primary contributor to the positive variance was **MetroPointe**. The year-to-date deficit was lower than projected by $51,920 driven primarily from an approved rate change from the Washington Suburban Sanitary Commission (WSSC) that resulted in a refund of payments from prior years and a credit to the current year utility costs. It should be noted that the FY'15 Adopted Budget anticipated that the closing for the **RAD 6** Properties (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square) would occur in September 2014 resulting in a transfer of the properties from the Public Housing Portfolio to the Opportunity Housing Portfolio in October 2014. As a result, this chart reflects a three month budget for the properties. However, the second quarter actuals for the properties continue to be reflected in the Public Housing Portfolio (See Public Fund).

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

- The first group consists of properties whose unrestricted net cash flow will be used for the Agency's FY'15 Operating Budget. This group ended the quarter with cash flow of $987,415 or $70,350 less than budget. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter's recognizable cash flow for this group is $887,939 or $169,826 below budget.

Unrestricted Opportunity Housing Properties

	(3 Months) Budget	(3 Months) Actual	Variance		(3 Months) Adjusted
64 MPDUs	$67,371	($1,401)	($68,772)		($1,401)
Chelsea Towers	($8,168)	$3,178	$11,346	(1)	($8,168)
Fairfax Court	$48,613	$44,208	($4,405)		$44,208
Greenhills Apartments ..	$125,847	$125,286	($561)		$125,286
Holiday Park	($20,416)	($35,189)	($14,773)		($35,189)
Jubilee Falling Creek	$3,384	$1,783	($1,601)		$1,783
Jubilee Hermitage	$3,830	$4,276	$446	(1)	$3,830
Jubilee Woodedge	$2,475	$7,033	$4,558	(1)	$2,475
McHome	$51,374	$30,322	($21,052)		$30,322
McKendree	$1,453	$14,858	$13,405	(1)	$1,453
MHLP II	$0	($413)	($413)		($413)
MHLP III	$0	($6,530)	($6,530)		($6,530)
MHLP VII	$83,571	$33,151	($50,420)		$33,151
MHLP VIII	$121,678	$125,733	$4,055	(1)	$121,678
MPDU 2007 Phase II	$14,610	$13,311	($1,299)		$13,311
Pooks Hill Mid-Rise	$96,289	$98,361	$2,072	(1)	$96,289
Southbridge	$93,827	$132,336	$38,509	(1)	$93,827
Strathmore Court	$372,027	$397,112	$25,085	(1)	$372,027
Subtotal	**$1,057,765**	**$987,415**	**($70,350)**		**$887,939**
		Recognizable Cash Flow			**($169,826)**

Notes:
(1) - Properties exceeding budgeted cash flow.

- Two properties within this group, **64 MPDUs** and **Holiday Park**, are showing year-to-date deficits as a result of timing that is not anticipated for year-end. Cash flow for **64 MPDUs** was $68,772 less than budget primarily as a result of lower gross rent potential coupled with higher vacancies. **Fairfax Court** experienced lower than anticipated cash flow through the second quarter largely as a result of higher utility costs and unanticipated repairs of ceiling fans in the laundry room. **Holiday Park** ended the quarter with a negative cash flow variance of $14,773 primarily due to higher vacancies coupled with the erroneous exclusion of the budget for solid waste tax. Cash flow for **McHome** was $21,052 below budget primarily as a result of higher vacancies and maintenance costs. **MHLP II** and **MHLP III** both have units remaining to be sold. Although the units are vacant, the Agency still has to pay Home Owner Association (HOA) fees and minimal utility costs at both properties. Cash flow at **MHLP VII** was $50,420 below budget as a result of higher vacancies and tax expenses. Staff is researching the tax bills to determine the reason for the higher cost and will seek a refund if warranted. Cash flow for **Southbridge** was $38,509 more than anticipated as a result of income received to reimburse the property for costs incurred during Hurricane Irene.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'15 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was $59,114 higher than budget for the quarter. **The Ambassador** had a positive cash flow variance of $159,182 mainly due to higher gross rents and lower debt service payments due to the prepayment of the mortgage using the $90M PNC Line of Credit (LOC) which were partially offset by higher vacancies. Cash flow for **Brooke Park** was $9,646 lower than anticipated as a result of higher maintenance costs coupled with the payment of taxes that were not accounted for in the budget process. **Brookside Glen** experienced a negative variance for the quarter as a result of lower gross rents and higher vacancies. Cash flow for **Diamond Square** ended the quarter $56,881 above budget which was driven by lower vacancies coupled with savings in administrative, utility and maintenance expenses. The **CDBG**, **NCI** and **NSP Units** are all exceeding budget as a result of lower vacancies coupled with savings in maintenance expenses. It should be noted that these property groups have individual budgets for each unit that include a standard annual amount for maintenance related expenses. Any cash flow at year-end resulting from savings in expenses and/or additional earned income is restricted to the respective property's Operating Reserves. Cash flow for **State Rental Combined** was $70,871 below budget mainly due to lower gross rents and higher vacancies coupled with higher maintenance contract expenses. **Westwood Towers** also experienced a negative variance of $88,820 due to lower gross rent potential and higher than projected vacancy loss coupled with higher maintenance expenses.

<u>The Public Fund</u> (Attachment D)

- The Public Housing Rental Program ended the quarter with a surplus of $1,292,193 which resulted in a positive variance of $1,552,700 when compared to the projected deficit of $260,507. Income was $2,018,531 more than budget primarily as a result of the continued subsidy received for the scattered sites that converted to VPC One Development Corporation and VPC Two Development Corporation. A portion of the subsidy was received as an Asset Repositioning Fee (ARF) and will be used to reimburse the Agency for the start-up costs related to the Section 18 scattered site disposition that was funded by the Opportunity Housing Reserve Fund (OHRF). In addition, a delay in the closing of the RAD 6 properties (See Opportunity Housing Fund) resulted in their continuing to be reported in the Public Housing Portfolio for the second quarter whereas the budget for this period resides in Opportunity Housing.

  Expenses were $465,831 higher than budget as a result of a delay in the transfer of the remaining scattered sites that had not yet converted to the VPC properties and the delay in the RAD 6 closing. The higher expenses in these properties were partially offset by savings in utilities and maintenance expenses at the elderly buildings. Any cash surplus at year-end will be restricted to the program.

- The Housing Choice Voucher Program (HCVP) ended the quarter with a surplus of $1,418,503 which resulted in a positive variance of $3,927,996 when compared to the projected shortfall of $2,509,493. The surplus was comprised of Housing Assistance Payments (HAP) revenue that exceeded HAP expenses by $1,423,764 and an administrative deficit of $5,261. The HAP surplus will be restricted for future HAP payments. The administrative deficit was $343,310 less than projected due to higher than anticipated revenue of $81,267 and savings in administrative expenses of $262,043. The higher revenue was the result of a higher proration factor of 79% compared to the budgeted proration factor of 75%. The savings in expenses were primarily due to savings in administrative salaries and benefits, and management fee expenses which are now based on utilization.

Tax Credit Partnerships

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

The Capital Budget (Attachment E)

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

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

Resolution No. **Re: Acceptance of Second Quarter FY'15 Budget to Actual Statements**

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

WHEREAS, the Commission reviewed the Second Quarter FY'15 Budget to Actual Statements during its March 4, 2015 meeting.

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

____
Patrice Birdsong
Special Assistant to the Commission

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FY 15 Second Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (6 Months) Budget	(6 Months) Actual	Variance
General Fund			
General Fund	($2,652,096)	($3,038,486)	($386,390)
Administration of Mutlifamily and Single Family Fund			
Multifamily Fund	$699,383	$628,670	($70,713)
Single Family Fund	($299)	$162,346	$162,645
Excess Bond Fund Cash Flow	($699,084)	($791,016)	($91,932)
Opportunity Housing Fund			
Opportunity Housing Properties	$1,057,765	$887,939	($169,826)
Development Corporation Property Income	$4,075,581	$3,699,959	($375,622)
OHRF			
OHRF Balance	$518,227	($353,954)	($872,181)
Excess Cash Flow Restricted	($518,227)	$0	$518,227
Draw from existing funds	$0	$353,954	$353,954
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$2,481,250**	**$1,549,412**	**($931,838)**
Public Fund			
Public Housing Rental (1)	($260,507)	$1,292,193	$1,552,700
Housing Choice Voucher Program HAP (2)	($2,160,922)	$1,423,764	$3,584,686
Housing Choice Voucher Program Admin (3)	($348,571)	($5,261)	$343,310
Total -Public Fund	**($2,770,000)**	**$2,710,696**	**$5,480,696**
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	$260,507	($1,292,193)	($1,552,700)
(2) Draw from / Restrict to HCV Program Cash Reserves	$2,160,922	($1,423,764)	($3,584,686)
(3) Draw from / Restrict to HCV Program Excess Admin Fee	$0	$0	$0
Total -Public Fund Reserves	**$2,421,429**	**($2,715,957)**	**($5,137,386)**
SUBTOTAL - Public Funds	**($348,571)**	**($5,261)**	**$343,310**
TOTAL - All Funds	**$2,132,679**	**$1,544,151**	**($588,528)**

FY 15 Second Quarter Capital Budget to Actual Comparison

	(12 Months) Budget	Capital Expenses (6 Months) Actual	Variance
General Fund			
East Deer Park	$81,000	$51,743	$29,257
Kensington Office	$393,300	$234,371	$158,929
Information Technology	$1,298,000	$206,194	$1,091,806
Opportunity Housing Fund	$4,240,462	$1,791,109	$2,449,353
TOTAL - All Funds	**$6,012,762**	**$2,283,417**	**$3,729,345**

FY 15 Second Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(6 Months) Budget	Variance Income	Variance Expense	(6 Months) Actual	Variance
Properties with unrestricted cash flow for FY14 operating budget					
Alexander House	$662,942	($57,706)	$364,987	$970,224	$307,282
The Barclay	$67,715	($46,729)	$19,832	$40,818	($26,897)
Chevy Chase Lake	$98,200	($104,430)	$59,262	$53,033	($45,167)
Glenmont Westerly	$150,119	($28,560)	$24,114	$145,673	($4,446)
Magruder's Discovery	$258,551	($44,225)	$67,946	$282,272	$23,721
The Metropolitan	$1,069,241	($210,407)	$110,127	$968,961	($100,280)
Montgomery Arms	$167,526	($71,591)	$15,138	$111,073	($56,453)
TPM - 59 MPDUs	$80,232	($10,177)	$31,585	$101,640	$21,408
Paddington Square	$262,440	($34,400)	$166,408	$394,449	$132,009
TPM - Pomander Court	$76,695	($6,780)	$12,831	$82,747	$6,052
Pooks Hill High-Rise	$210,885	($30,594)	$50,001	$230,291	$19,406
Scattered Site One Dev. Corp.	$165,023	($155,918)	$30,181	$39,286	($125,737)
Scattered Site Two Dev. Corp.	($18,391)	($23,878)	$30,177	($12,092)	$6,299
Sligo Development Corp.	$32,740	($18,020)	$1,378	$16,098	($16,642)
TPM - Timberlawn	$278,201	($35,544)	$98,356	$341,013	$62,812
VPC One Dev. Corp.	$294,553	($764,625)	$1,300,933	$830,861	$536,308
VPC Two Dev. Corp.	$218,909	($766,192)	$1,023,270	$475,988	$257,079
Subtotal	**$4,075,581**	**($2,409,776)**	**$3,406,526**	**$5,072,335**	**$996,754**
Properties with restricted cash flow (external and internal)					
Glenmont Crossing	$94,743	$2,992	$19,688	$117,423	$22,680
Ken Gar	$4,072	($51,134)	$46,679	($383)	($4,455)
MetroPointe	($123,810)	$8,699	$43,221	($71,890)	$51,920
Oaks at Four Corners	($12,049)	($6,137)	$10,117	($8,070)	$3,979
Parkway Woods	$5,052	($63,645)	$58,331	($262)	($5,314)
Sandy Spring Meadow	$3,847	($116,798)	$112,127	($824)	($4,671)
Seneca Ridge	($14,492)	($195,527)	$209,945	($74)	$14,418
Towne Centre Place	$220	($99,109)	$98,631	($258)	($478)
Washington Square	$9,886	($144,100)	$130,823	($3,391)	($13,277)
Subtotal	**($32,531)**	**($664,759)**	**$729,562**	**$32,271**	**$64,802**
TOTAL ALL PROPERTIES	**$4,043,050**	**($3,074,535)**	**$4,136,088**	**$5,104,606**	**$1,061,556**

FY 15 Second Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(6 Months) Budget	Variance Income	Variance Expense	(6 Months) Actual	Variance
Properties with unrestricted cash flow for FY14 operating budget					
64 MPDUs	$67,371	($62,206)	($6,566)	($1,401)	($68,772)
Chelsea Towers	($8,168)	$2,163	$9,184	$3,178	$11,346
Fairfax Court	$48,613	$2,098	($6,502)	$44,208	($4,405)
Greenhills Apartments	$125,847	($10,395)	$9,835	$125,286	($561)
Holiday Park	($20,416)	($15,229)	$456	($35,189)	($14,773)
Jubilee Falling Creek	$3,384	$294	($1,895)	$1,783	($1,601)
Jubilee Hermitage	$3,830	($167)	$613	$4,276	$446
Jubilee Woodedge	$2,475	$0	$4,558	$7,033	$4,558
McHome	$51,374	($15,953)	($5,099)	$30,322	($21,052)
McKendree	$1,453	($8,133)	$21,538	$14,858	$13,405
MHLP II	$0	$1	($415)	($413)	($413)
MHLP III	$0	$407	($6,937)	($6,530)	($6,530)
MHLP VII	$83,571	($24,784)	($25,636)	$33,151	($50,420)
MHLP VIII	$121,678	($11,328)	$15,383	$125,733	$4,055
MPDU 2007 Phase II	$14,610	($920)	($380)	$13,311	($1,299)
Pooks Hill Mid-Rise	$96,289	($28,657)	$30,729	$98,361	$2,072
Southbridge	$93,827	$35,549	$2,960	$132,336	$38,509
Strathmore Court	$372,027	($49,280)	$74,365	$397,112	$25,085
Subtotal	**$1,057,765**	**($186,540)**	**$116,191**	**$987,415**	**($70,350)**
Properties with restricted cash flow (external and internal)					
The Ambassador	($120,267)	$94,166	$65,016	$38,915	$159,182
Brooke Park	$640	($1,337)	($8,309)	($9,006)	($9,646)
Brookside Glen (The Glen)	$95,645	($30,849)	($9,748)	$55,048	($40,597)
CDBG Units	($2,485)	$3,223	$3,833	$4,571	$7,056
Dale Drive	$11,108	($125)	($3,283)	$7,700	($3,408)
Diamond Square	$56,979	$6,940	$49,941	$113,860	$56,881
NCI Units	($11,962)	$7,726	$9,307	$5,071	$17,033
NSP Units	($5,523)	$7,671	$5,139	$7,287	$12,810
Paint Branch	($9,981)	$13,183	$5,811	$9,013	$18,994
State Rental Combined	$121,177	($63,001)	($7,870)	$50,306	($70,871)
Westwood Tower	$136,343	($75,986)	($12,334)	$48,023	($88,320)
Subtotal	**$271,674**	**($38,389)**	**$97,503**	**$330,788**	**$59,114**
TOTAL ALL PROPERTIES	**$1,329,439**	**($224,929)**	**$213,694**	**$1,318,203**	**($11,236)**

FY 15 Second Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(6 Months) Budget	(6 Months) Actual	Variance
Public Housing Rental			
Revenue	$2,621,963	$4,640,494	$2,018,531
Expenses	$2,882,470	$3,348,301	($465,831)
Net Income	**($260,507)**	**$1,292,193**	**$1,552,700**
Housing Choice Voucher Program			
HAP revenue	$40,719,232	$42,222,031	$1,502,799
HAP payments	$42,880,154	$40,798,267	$2,081,887
Net HAP	**($2,160,922)**	**$1,423,764**	**$3,584,686**
Admin.fees & other inc.	$3,046,348	$3,127,615	$81,267
Admin. Expense	$3,394,919	$3,132,876	$262,043
Net Administrative	**($348,571)**	**($5,261)**	**$343,310**
Net Income	**($2,509,493)**	**$1,418,503**	**$3,927,996**

FY 15 Second Quarter Operating Budget to Actual Comparison

For Public Housing Rental Programs - Net Cash Flow

	(6 Months) Budget	Variance Income	Variance Expense	(6 Months) Actual	Variance
Elizabeth House	($51,308)	$13,658	$45,668	$8,018	$59,326
Holly Hall	($15,297)	$9,830	$45,142	$39,675	$54,972
Arcola Towers	($35,128)	$9,321	$82,447	$56,640	$91,768
Waverly House	$2,742	$15,428	$33,406	$51,576	$48,834
Seneca Ridge	($2,608)	$141,933	($138,144)	$1,180	$3,788
Emory Grove / Washington Square	($107,647)	$236,656	($46,903)	$82,106	$189,753
Towne Centre Place / Sandy Spring Meadow	($31,859)	$182,508	($104,292)	$46,357	$78,216
Ken Gar / Parkway Woods	($18,889)	$83,215	($47,121)	$17,205	$36,094
Scattered Sites Central	$0	$231,954	($77,883)	$154,070	$154,070
Scattered Sites East	$0	$227,042	($33,230)	$193,812	$193,812
Scattered Sites Gaithersburg	$0	$354,428	($72,409)	$282,019	$282,019
Scattered Sites North	$0	$254,408	($83,587)	$170,820	$170,820
Scattered Sites West	$0	$251,867	($58,884)	$192,983	$192,983
Resident Services	($513)	$6,284	($10,040)	($4,270)	($3,757)
TOTAL ALL PROPERTIES	**($260,507)**	**$2,018,532**	**($465,830)**	**$1,292,191**	**$1,552,698**

FY 15 First Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(6 Months) Actual	Variance
General Fund			
East Deer Park	$81,000	$51,743	$29,257
Kensington Office	$393,300	$234,371	$158,929
Information Technology	$1,298,000	$206,194	$1,091,806
Subtotal	**$1,772,300**	**$492,308**	**$1,279,992**
Opportunity Housing			
Ambassador	$12,636	$52,400	($39,764)
Alexander House	$232,440	$180,694	$51,746
The Barclay	$28,412	$6,209	$22,203
Brooke Park	$0	$0	$0
Brookside Glen (The Glen)	$116,551	$20,666	$95,885
CDBG Units	$0	$496	($496)
Chelsea Towers	$13,600	$3,747	$9,853
Chevy Chase Lake	$64,250	$682	$63,568
Dale Drive	$2,412	$1,571	$841
Diamond Square	$157,670	$54,040	$103,630
Fairfax Court	$25,650	$3,966	$21,684
Glenmont Crossing	$62,536	$54,780	$7,756
Glenmont Westerly	$48,285	$31,155	$17,130
Greenhills Apartments	$0	$28,796	($28,796)
Holiday Park	$40,200	$8,240	$31,960
Jubilee Falling Creek	$500	$1,269	($769)
Jubilee Hermitage	$2,900	$1,651	$1,249
Jubilee Woodedge	$2,625	$0	$2,625
Magruder's Discovery	$66,100	$11,333	$54,767
McHome	$80,201	$37,458	$42,743
McKendree	$15,424	$7,614	$7,810
MetroPointe	$33,700	$12,393	$21,307
The Metropolitan	$266,048	$112,311	$153,737
Montgomery Arms	$186,771	$21,341	$165,430
MHLP VII	$18,635	$8,592	$10,043
MHLP VIII	$27,897	$23,249	$4,648
MPDU 2007 Phase II	$11,000	$12	$10,988
64 MPDUs	$158,841	$28,721	$130,120
TPM - 59 MPDUs	$77,398	$30,198	$47,200
Oaks at Four Corners	$231,643	$232,309	($666)
NCI Units	$0	$400	($400)
NSP Units	$0	$0	$0
Paddington Square	$79,693	$37,249	$42,444
Paint Branch	$24,240	$6,293	$17,947
TPM - Pomander Court	$28,160	$5,300	$22,860
Pooks Hill High-Rise	$1,005,800	$139,648	$866,152
Pooks Hill Mid-Rise	$107,500	$59,778	$47,722
Scattered Site One Dev. Corp. ..	$122,991	$112,267	$10,724
Scattered Site Two Dev. Corp. ..	$67,063	$38,534	$28,529
Southbridge	$3,448	$414	$3,034
Sligo Development Corp.	$80,710	$21,344	$59,366
State Rental Combined	$97,666	$78,856	$18,810
Strathmore Court	$381,806	$18,376	$363,430
TPM - Timberlawn	$27,640	$26,482	$1,158
VPC One Dev. Corp.	$0	$154,425	($154,425)
VPC Two Dev. Corp.	$0	$10,421	($10,421)
Westwood Tower	$229,420	$105,429	$123,991
Subtotal	**$4,240,462**	**$1,791,109**	**$2,449,353**
TOTAL	**$6,012,762**	**$2,283,417**	**$3,729,345**

APPROVAL OF FY'15 SECOND QUARTER BUDGET AMENDMENT

March 4, 2015

- **The net effect of the FY'15 Second Quarter Budget Amendment is a balanced budget.**
- **Total operating budget for the Agency has increased from $247.0 million to $247.6 million.**
- **Total capital budget for the Agency has increased from $94.1 million to $94.4 million.**
- **Personnel Complement remains unchanged.**
- **No policy changes are reflected in the budget amendment.**

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
Terri Fowler Ext. 9507

RE: Approval of FY'15 Second Quarter Budget Amendment

DATE: March 4, 2015

STATUS: Committee Reports: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To amend the FY'15 Budget so that it reflects an accurate plan for the use of the Agency's financial resources for the remainder of the year

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BACKGROUND:
The HOC Budget Policy provides for the Executive Director to propose any budget amendments for the Commission to consider that may better reflect the revenues and expenses for the remainder of the year.

ISSUES FOR CONSIDERATION:

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

- **General Fund:**
  - **Zoning Consultant:** Each year during the budget process, the Commission authorizes funds from the Opportunity Housing Reserve Fund (OHRF) to pay for zoning consultant costs related to real estate acquisition and development. At the end of FY'14, $89,711 of the approved $250,000 had not been spent. Staff is requesting that the unspent obligation be rolled forward to FY'15 to help cover the ongoing cost associated with zoning consulting related to real estate acquisition and development. Both income and expenses in the General Fund will increase by $89,711 to reflect the source and use of the funds to pay for the zoning consultant expenditures.
  - **General Fund Operating Reserve:** In December 2014, HOC received $1,958,000 from Bank of America Merrill Lynch (BAML) as a result of selling back five years of optionality on its swap agreements. Caine Mitter was paid $45,000 from the proceeds for their consulting services on the transaction. This resulted in net

proceeds of $1,913,000. With this unplanned receipt of funds, staff is requesting that $513,000 be set aside in the General Fund Operating Reserve (GFOR) to address future economic uncertainties. Both income and expenses in the General Fund will increase by $513,000 to reflect the addition of the revenue and restriction to the GFOR.

- **Bond Funds:** Bond draws are made each year to fund the administrative costs associated with the Multifamily and Single Family Bond Funds. As a result of expense savings over the past few years, remaining money from the draws have been restricted to cover future program costs. Staff is recommending that the FY'15 budgeted draws for these funds be reduced by the accumulated savings in each fund.

  - **Multifamily Bond Funds:** Accumulated savings in the Multifamily Bond Fund is $82,222. The projected draw of $1,387,463 will be reduced by this amount and the savings will be used towards FY'15 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be $1,305,241.

  - **Single Family Bond Funds:** Accumulated savings in the Single Family Bond Fund is $249,291. The projected draw of $1,497,781 will be reduced by this amount and the savings will be used towards FY'15 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be $1,248,490.

- **Opportunity Housing Reserve Fund (OHRF):**

  - **Zoning Consultant:** Staff is requesting that the unspent obligation for zoning consultant costs be rolled forward to FY'15 to help cover the ongoing cost associated with zoning consulting related to real estate acquisition and development (See General Fund). Expenses in the OHRF will increase by $89,711 to reflect the obligation of the funds to pay for the zoning consultant expenditures.

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

- **Capital Improvements:**

  - **Greenhills Apartments:** During the development of the FY'15 Budget, staff anticipated that Greenhill Apartments would be under renovations and therefore did not adopt a capital budget. As a result of a delay in the renovations/refinancing, the property has experienced various capital costs. Staff is recommending that a capital budget of $65,000 be established for FY'15 and funded by the property replacement reserves.

  - **The Oaks at Four Corners:** The Oaks at Four Corners incurred capital expenditures in preparation for their REAC inspection that could not be paid for by FY'14 year-end.

Staff has requested that $185,186 in FY'14 unspent funding authority be rolled forward and included in the FY'15 Budget to cover the anticipated total cost of capital for the year. This work will be funded from property replacement reserves and the Opportunity Housing Fund Property Reserve.

BUDGET IMPACT:

The net effect of the FY'15 Second Quarter Budget Amendment maintains a balanced budget. The total FY'15 Operating Budget for HOC increased from $247,000,589 to $247,603,300. This is an increase of $602,711. The total FY'15 Capital Budget for HOC has increased from $94,104,856 to $94,355,042. This is an increase of $250,186. Approval by the Commission of any budget amendments will revise the FY'15 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

The FY'15 Second Quarter Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the February 26, 2015 meeting. Action is requested at the March 4, 2015 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

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

Resolution No. **Re: Approval of FY'15 Second Quarter Budget Amendment**

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'15 Operating Budget by increasing total revenues and expenses for the Agency from $247.0 million to $247.6 million.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY'15 Capital Budget by increasing revenues and expenses for the Agency from $94.1 million to $94.4 million.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on March 4, 2015.

Patrice Birdsong
Special Assistant to the Commission

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FY 2015 Adopted Operating Budget Second Quarter Amendment	Revenues	Expenses	First Quarter Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	Second Quarter Budget Amendment
General Fund								
General Fund	$20,932,177	$22,005,238	($1,073,061)	$602,711	$89,711	$21,534,888	$22,094,949	($560,061)
Restrict to GFOR	$0	$0	**$0**	$0	$513,000	$0	$513,000	($513,000)
Multi-Family & Single Family Bond Funds								
Multi-Family Fund	$24,572,602	$24,572,602	**$0**	$0	$0	$24,572,602	$24,572,602	**$0**
Single Family Fund	$15,054,282	$15,054,282	**$0**	$0	$0	$15,054,282	$15,054,282	**$0**
Opportunity Housing Fund								
Opportunity Housing Reserve Fund (OHRF)	$2,374,918	$1,080,920	**$1,293,998**	$0	$89,711	$2,374,918	$1,170,631	**$1,204,287**
Restricted to OHRF	$0	$1,293,998	($1,293,998)	$0	($89,711)	$0	$1,204,287	($1,204,287)
Opportunity Housing & Development Corps	$72,129,210	$70,623,955	**$1,505,255**	$0	$0	$72,129,210	$70,623,955	**$1,505,255**
Public Fund								
Public Housing Fund	$4,372,371	$4,702,800	($330,429)	$0	$0	$4,372,371	$4,702,800	($330,429)
County Contributions towards Public Housing	$370,000	$0	**$370,000**	$0	$0	$370,000	$0	**$370,000**
Restrict to Public Housing Reserves	$0	$39,571	($39,571)	$0	$0	$0	$39,571	($39,571)
Housing Choice Voucher Program	$91,825,856	$93,126,764	($1,300,908)	$0	$0	$91,825,856	$93,126,764	($1,300,908)
County Contributions towards HCVP Administration	$868,714	$0	**$868,714**	$0	$0	$868,714	$0	**$868,714**
Federal , State and Other County Grants	$14,500,459	$14,500,459	**$0**	$0	$0	$14,500,459	$14,500,459	**$0**
TOTAL - ALL FUNDS	**$247,000,589**	**$247,000,589**	**$0**	**$602,711**	**$602,711**	**$247,603,300**	**$247,603,300**	**$0**

FY 2015 Adopted Capital Budget Second Quarter Amendment	Revenues	Expenses	First Quarter Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	Second Quarter Budget Amendment
Capital Improvements								
East Deer Park	$81,000	$81,000	**$0**	$0	$0	$81,000	$81,000	**$0**
Kensington Office	$393,300	$393,300	**$0**	$0	$0	$393,300	$393,300	**$0**
Information Technology	$1,298,000	$1,298,000	**$0**	$0	$0	$1,298,000	$1,298,000	**$0**
Opportunity Housing Properties	$4,240,462	$4,240,462	**$0**	$255,186	$255,186	$4,495,648	$4,495,648	**$0**
Public Housing Properties	$2,223,530	$2,223,530	**$0**	$0	$0	$2,223,530	$2,223,530	**$0**
Capital Development Projects								
Timberlawn / Pomander Court	$17,983,720	$17,983,720	**$0**	$0	$0	$17,983,720	$17,983,720	**$0**
Greenhills Apartments	$19,650,240	$19,650,240	**$0**	$0	$0	$19,650,240	$19,650,240	**$0**
Rental Assistance Demonstration (RAD) Properties	$15,219,626	$15,219,626	**$0**	$0	$0	$15,219,626	$15,219,626	**$0**
Arcola Towers	$16,414,648	$16,414,648	**$0**	$0	$0	$16,414,648	$16,414,648	**$0**
Waverly House	$16,100,330	$16,100,330	**$0**	$0	$0	$16,100,330	$16,100,330	**$0**
Chevy Chase Lake	$500,000	$500,000	**$0**	$0	$0	$500,000	$500,000	**$0**
TOTAL - ALL FUNDS	**$94,104,856**	**$94,104,856**	**$0**	**$255,186**	**$255,186**	**$94,360,042**	**$94,360,042**	**$0**

Footnotes - explanation of changes

GF I Roll forward FY'14 unspent obligation from OHRF for zoning consultant costs - $89,711
GF I Add funds received from selling back optionality on swap agreements - $500,000
GF E Increase budget for zoning consultant costs - $89,711
GF E Restrict funds received from selling back optionality on swap agreements to GFOR - $500,000

MF I Add carryover of cumulative savings in Multifamily Bond Fund administrative costs - $89,711
MF I Reduce draw from Multifamily bond funds to cover administrative costs of the program - ($89,711)

SF E Add carryover of cumulative savings in Single Family Bond Fund administrative costs - $249,291
SF E Reduce draw from Single Family bond funds to cover administrative costs of the program - ($249,291)

OHRF E Roll forward FY'14 unspent obligation from OHRF for zoning consultant costs - $89,711
OHRF E Reduce restriction of excess income in the OHRF - ($89,711)

Capital Improvements

OH E Add capital budget for Greenhills - $70,000
Add roll over budget from FY'14 for Oaks at Four Corners - $185,186

APPROVAL OF CY'15 FIRST QUARTER BUDGET AMENDMENT

March 4, 2015

- **The CY'15 Tax Credit Budgets for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP were adopted on October 14, 2014 and later ratified at the November 5, 2014 Commission meeting.**

- **The CY'15 First Quarter Budget Amendment increases the Capital Budgets for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP as follows:**

    - **Manchester Manor - $114,000**
    - **The Metropolitan - $17,946**
    - **Strathmore Court - $48,886.**

M E M O R A N D U M

TO:	Housing Opportunities Commission			
VIA:	Stacy L. Spann, Executive Director			
FROM:	Staff:	Gail Willison Terri Fowler	Division: Finance	Ext. 9480 Ext. 9507
RE:	Approval of CY'15 Second Quarter Budget Amendment			
DATE:	March 4, 2015			

STATUS: Committee Reports: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To amend the CY'15 Tax Credit Budget for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP so that they reflect an accurate plan for the use of the Agency's financial resources for the remainder of the year.

BACKGROUND:
The HOC Budget Policy provides for the Executive Director to propose any budget amendments for the Commission to consider that may better reflect the revenues and expenses for the remainder of the year.

ISSUES FOR CONSIDERATION:

Capital Budget Amendments:

- **Manchester Manor LP:** During the development of the CY'15 budget, Property Management requested that the capital budget for Manchester Manor LP include the cost of replacing the chiller at the property. Staff requested that both the cooling tower and the chiller system be inspected to ensure that the correct action was taken. The plan was to determine what the total cost for the necessary work would be and to come back to the Commission with a budget amendment that would identify the cost and recommended funding source since the property replacement reserves did not have sufficient funds for the proposed replacement.

  The systems were inspected and it was determined that the cooling tower system, which was replaced in 2006, would only need to be serviced and cleaned. It was confirmed, however, that the chiller would need to be replaced. The piping from the cooling tower to the chiller had separated underground in the past year and was replaced with PVC piping running outside the building. It was further recommended that the contractor selected to replace the chiller reroute the piping either back underground or find another suitable route to the boiler room and the chiller.

The estimated cost for the replacement of the chiller is $114,000 which includes a 5% contingency. Staff proposes that the replacement be funded with a combination of property replacement reserves and Opportunity Housing Fund Replacement Reserves (OHFRR). Based on the unobligated available property replacement reserves, the proposed split would be $25,000 from the property and up to $89,000 from the OHFRR. The unobligated balance of the OHFRR as of December 31, 2014 was just under $2 million.

- **Capital Roll Over for Tax Credit 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. The FY'15 First Quarter Budget Amendment included the rollover of unspent funding for the market side of both The Metropolitan and Strathmore Court. The partnership agreements for both properties provide for a fiscal year consistent with HOC's fiscal year; however, the reporting for the tax credit side is done on a calendar year basis. The proposed budget amendment includes the requested rollover for the capital work that will be paid for by the tax credit side of the properties. This work will be funded from property replacement reserves and the Opportunity Housing Fund Property Reserve.

    - The Metropolitan - $17,946
    - Strathmore Court - $48,886

BUDGET IMPACT:
The CY'15 First Quarter Budget Amendment reflects the amendment of the capital budgets for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP.

TIME FRAME:
The CY'15 First Quarter Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the February 26, 2015 meeting. Action is requested at the March 4, 2015 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Commission approve the proposed amendment to the CY'15 Budgets for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP.

Resolution No. **Re: Approval of CY'15 First Quarter Budget Amendment**

WHEREAS, the Housing Opportunities Commission ratified the CY'15 Budgets for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP on November 5, 2014; and

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

WHEREAS, the Commission has reviewed the proposed budget amendments to the CY'15 Capital Budgets for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the CY'15 Capital Budgets for Manchester Manor Apartments LP, The Metropolitan LP, and Strathmore Court LP by increasing revenues and expenses for the partnerships as follows:

- Manchester Manor - $114,000
- The Metropolitan - $17,946
- Strathmore Court - $48,886.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on March 4, 2015.

Patrice Birdsong
Special Assistant to the Commission

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Development
and
Finance Committee

Adoption of an Inducement Resolution for the Acquisition and Renovation of Lakeview House Apartments

Bethesda, Maryland

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
UGONNA IBEBUCHI

March 4, 2015

Table Of Contents

Executive Summary

- Standard Property Company, Inc., a multi-state real estate investment and management firm, proposes to purchase and renovate (at $25,000/unit) Lakeview House Apartments located at 10250 Westlake Drive in Bethesda, Maryland.
- The property currently provides 152 units of affordable housing for seniors. Currently, 100% of units are supported by Section 8.
- The acquisition and renovation estimated at $45 million, will be financed using tax-exempt bonds, Low Income Housing Tax Credit (LIHTC) equity, deferred developer fees, and cash-flow during construction.
- Since this is a privately-owned development, bond cap will be required in the amount of the tax-exempt loan, estimated to be $33 million. An inducement Resolution in the amount of up to $39,930,000 is requested.
- Credit enhancement will not be required as the bonds will be privately placed with Citibank, N.A.
- The proposed renovation includes ADA improvements, plumbing and HVAC upgrades, new common area finishes and furniture, upgraded amenities, new carpeting, and other unit interior updates.

TIMING

Finance Committee	Development & Finance Committee	Commission
Recommendation of Inducement Resolution February 13, 2015	Recommendation of Inducement Resolution February 20, 2015	Adoption of Inducement Resolution March 4, 2015
Approval of Public Purpose and Feasibility April 7, 2015	Approval of Public Purpose and Feasibility April 17, 2015	Approval of Public Purpose and Feasibility May 6, 2015
Recommendation of Bond Authorizing Resolution May 5, 2015	Recommendation of Bond Authorizing Resolution May 15, 2015	Approval of Bond Authorizing Resolution June 3, 2015

PROPERTY DESCRIPTION

Unit Mix and Bedroom Counts

Unit Type	# of Units	Average Unit Size	Proposed Rent	Utility Allowance	% of Units
1 BR	152	615	$1,810	$0 – Owner pays all utilities	100%
Total	152				100%

- Lakeview House Apartments is a nine-story apartment building containing a total of 152 units. It is located on Westlake Drive in Bethesda, Maryland. To the west and south of the property sits two low-rise residential properties and a high-rise residential property located to the north. Westfield Montgomery Mall is directly across Westlake Drive, to the east.

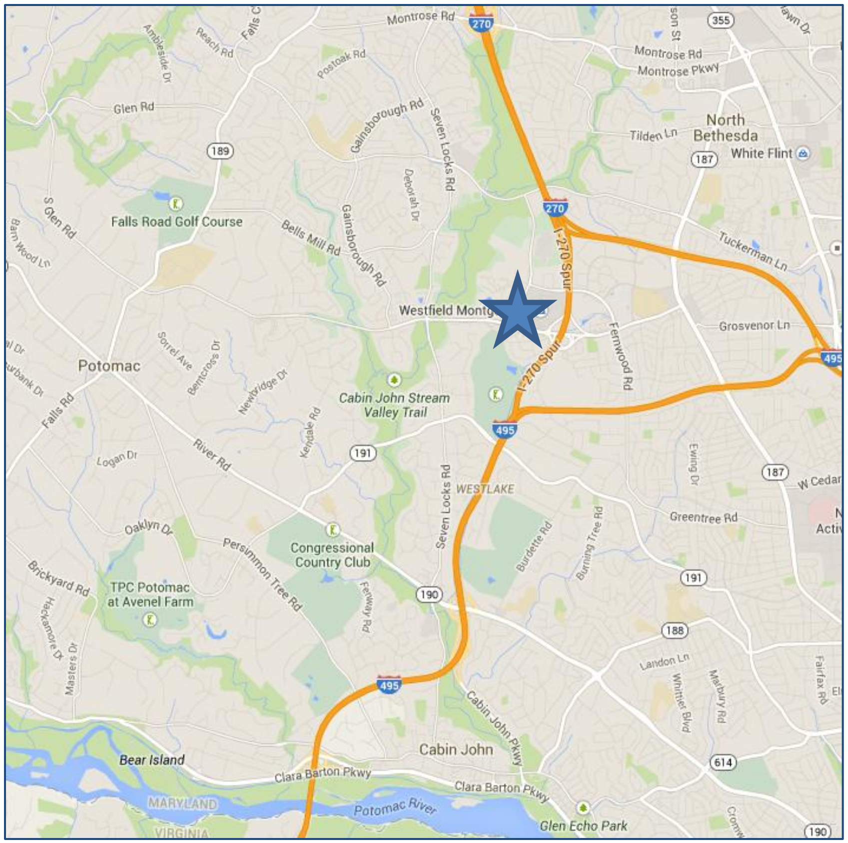
- The property is in the process of renewing its Section 8 contract and has engaged a rent comparability study to support the proposed rent of $1,810/unit. Residents will continue to pay 30% of their income on rent.

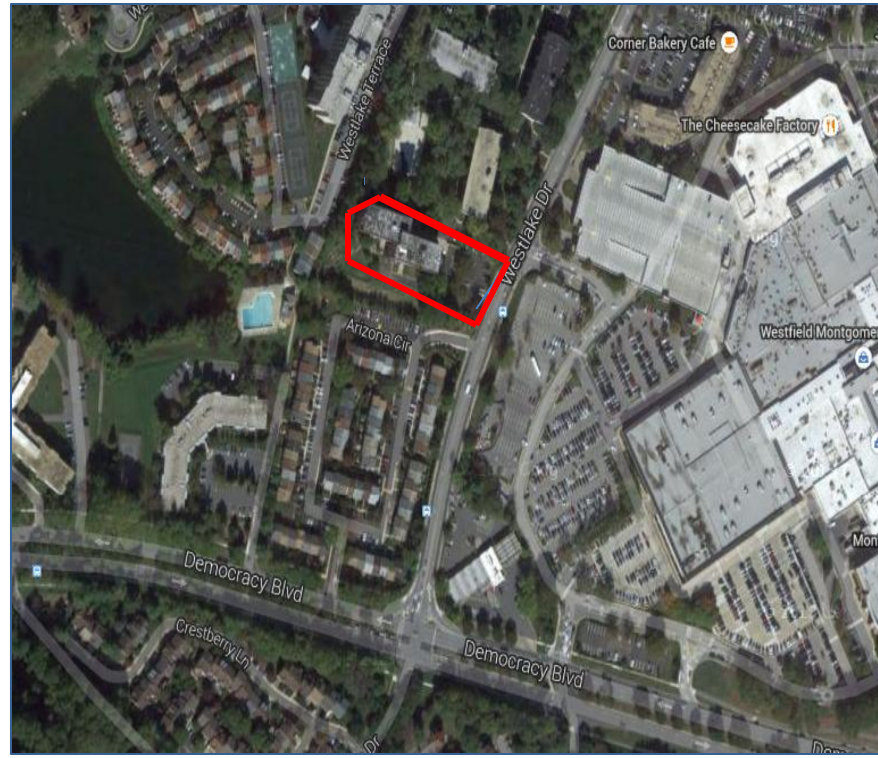
- The property provides comfortable and affordable housing to seniors and persons with disabilities.

- Renovation costs are estimated at $3.8 million ($25,000 per unit).

AERIAL VIEW

- The site is a tract of land covering approximately 2.93 acres. It is located to the west of Westlake Drive, just north of the intersection with Democracy Blvd.





- Pedestrian access to the site is via sidewalks and ramps on the west side of Westlake Drive.
- Vehicle access to the site is via a curb driveway from Westlake Drive and provides access to parking areas.

CAPITAL STRUCTURE

Summary Sources & Uses

Sources	Amount	Per Unit
Primary Financing from Bond Proceeds	$32,999,845	$217,104
LIHTC Equity	$11,128,706	$73,215
Deferred Developer Fee	$57,028	$375
Cash Flow During Construction	$213,454	$1,404
Total	**$44,399,033**	**$292,099**

Uses	Cost	Per Unit
Acquisition Costs	$34,200,000	$225,000
Construction Costs	$3,800,000	$25,000
Financing Expense	$870,079	$5,724
Settlement Costs	$697,050	$4,586
Reserve	$1,428,831	$9,400
Taxes & Insurance	$213,454	$1,404
Developer Fee[1]	$3,189,619	$20,984
Total	**$44,399,033**	**$292,099**

[1] CDA maximum developer fee for a tax credit transaction is $2,500,000. The developer has applied for a waiver which is pending.

Transaction Rationale

County Interest

- Financing of this property preserves affordable housing for persons with disabilities and seniors in the county, specifically in Bethesda.

Public Purpose

- Lakeview House Apartments provides 152 (100%) affordable units supported by Section 8 subsidy. All units will continue to be occupied by seniors or persons with disabilities.

Development Team

- **Developer**: Standard Property Company, a full service multifamily real estate and investment firm. Standard Property Company owns 4,500 residential units including 2,300 affordable units.
- **Principals:**

  Jeffrey E. Jaeger - co-founder of Standard Property Company. Mr. Jaeger is also the co-founder and former COO of Jackson Square Properties, an investment company with 10,000 apartments and 1,000 mobile home park units. Mr. Jaeger is a licensed real estate broker in California.

  Scott Alter - co-founder of Standard Property Company. Mr. Alter was an investment professional with Stockbridge Real Estate Funds and previously worked as a Financial Analyst with Merrill Lynch's Real Estate, Hospitality, and Leisure Investment Banking Division.

Transaction Rationale (cont.)

General Contractor

- United Renovations Specialty Group (URSG), a subsidiary of United Renovations (UR), a general contractor operating in 20 states with 6,000 projects completed. URSG was founded in 2013 and specializes in redesigning and renovating existing affordable housing properties. The company advertises its specialty in senior housing renovations with minimal disruptions.

Architect

- Blumentals/Architecture, Inc. was established in 1976 in Minneapolis, Minnesota and specializes in various types of residential and light commercial projects.

Property Management

- Apartment Management Company, LLC (AMC), is a full service property and asset management services company that manages over 300 properties and 70,000 apartment units, including a 181-unit LIHTC property with Section 8 HAP contracts in Catonsville, MD.

Financial Processing Agent

- Citibank, N.A.

Recommendation and Commission Action

Issues For Consideration

- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve an Inducement Resolution for Lakeview House Apartments for up to $39,930,000?
- The project enables preservation of an important asset in a highly desirable location.

Budget Impact

- The transaction will pay an upfront financing fee of 1% of the bond amount ($330,000) and an ongoing Loan Management fee of .25% of the original bond amount ($82,500) yearly for the life of the loan.

Time Frame

- Action at the March 4, 2015 meeting of the Commission.

Staff Recommendation & Commission Action Needed

- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the Adoption of an Inducement Resolution for Lakeview House Apartments in the amount of $39,930,000.

- Lakeview House Apartments will be in a positive financial position its first stabilized year with a NOI of $2,197,732 and a DSCR of 1.16.

- A preliminary review of the projected stabilized operations concludes that the transaction is feasible as presented but is subject to final underwriting review.

RESOLUTION No.: **Re:** **Adoption of an Inducement Resolution for the Acquisition and Renovation of Lakeview House Apartments**

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

WHEREAS, one of the public purposes of the Commission is to promote the construction and acquisition of multifamily rental housing developments in Montgomery County to be occupied by eligible persons and families; and

WHEREAS, the Commission is authorized to issue tax-exempt bonds to provide for the acquisition, construction and permanent financing for such developments; and

WHEREAS, the Commission has been asked by Standard Property Company, Inc. to consider the issuance of tax-exempt bonds to finance a loan to acquire and renovate a multifamily rental housing development known as Lakeview House Apartments (a 152-unit development located at 10250 Westlake Drive, Bethesda, Montgomery County, Maryland 20817), which is intended for occupancy by independent elderly residents (the "Project"); and

WHEREAS, in the opinion of the Commission, this financing arrangement will serve as an opportunity to further its goals in meeting its public purposes.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes the staff to proceed with the review and processing of the necessary financing application.

BE IT FURTHER RESOLVED that it is the intention of the Commission to issue tax-exempt bonds in the maximum principal amount of $33,000,000 to provide financing for the acquisition and renovation of the Project.

BE IT FURTHER RESOLVED that the foregoing represents an expression of intent in order to satisfy the provision of Section 1.150-2 of the United States Income Tax Regulations and is not a commitment by the Commission to issue said bonds, and the issuance of said bonds shall: 1) be at the discretion of the Commission; 2) be subject to the final satisfactory underwriting and approval of all documents, provisions, covenants, and all other provisions as may be required by the Commission; and 3) be subject to final acceptance of the same by the owner of the Project.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on March 4, 2015.

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Patrice Birdsong
Special Assistant to the Commission

ARCOLA TOWERS & WAVERLY HOUSE

PARTIAL TRANSFER OF ASSISTANCE

Stacy L. Spann, Executive Director

Kayrine Brown
Zachary Marks

March 4, 2015

Proposal Overview

On January 14, 2015, the Commission approved the Development Plan for Arcola Towers ("Arcola Plan") and the Development Plan for Waverly House ("Waverly Plan"). Both the Arcola Plan and Waverly Plan outlined the comprehensive renovation of the two buildings and the use of 4% Low Income Housing Tax Credit ("LIHTC") equity, along with tax-exempt bond financing and HOC seller financing, to fund project costs.

The primary approach to implementing the scope of renovations is to create at least 12 units of vacancy at each property. This allows, via the initial consolidation of residents on other floors, for the temporary decommissioning of an individual floor for renovations. Arcola, where vacancy stands at 11 units already, is nearly to that threshold. Waverly, however, has only four units vacant. So, staff is beginning to install options to create additional vacancy – whether temporarily, during construction; or permanently, preceding construction. In the case of any option, resident participation would only ever be voluntary.

The first of those options would be similar to the option to permanently relocate given to Washington Square residents: voluntary relocation to other HOC-controlled housing in concert with the transferring of rental assistance from their existing units to their newly selected units. This option saw tremendous demand from residents at Washington Square, where nearly 70% of residents chose to voluntarily relocate to newly renovated, HOC-owned scattered-site units.

Given that resident satisfaction at Arcola Towers and Waverly House is much higher than that at Washington Square, as is the burden of physical relocation, staff expects a much less demand from residents of Arcola Towers and Waverly House. However, some demand is likely:

Geography
- No HOC elderly Public Housing north of Wheaton.
- For some residents, the rest of their families live north of I-370 (often similarly for reasons of affordability).

Newer Product
- Average age of HOC elderly Public Housing is nearly 47 years old.
- Despite comprehensive renovations to Arcola Towers and Waverly House, new construction opportunities may be more desirable.

Available Product
- Historical occupancy at HOC elderly Public Housing is extremely high.
- Residents have been limited to four properties, themselves with minimal availability.

The challenges to this approach are twofold: 1) finding compellingly attractive housing opportunities – particularly tough for Waverly House given its downtown Bethesda location; and 2) finding such opportunities that are also ready for occupancy prior to the conversions of Arcola Towers and Waverly House, which are projected for mid-to-late July. While Washington Square residents who volunteered to permanently relocate were all satisfied by newly renovated, HOC-owned housing, residents of HOC's elderly Public Housing communities are much less likely to find desirable housing that matches their household composition. HOC's portfolio is notable for its dearth of one-bedroom units, particularly those deeply affordable. While the Commission has already begun development of, and has secured units to be produced by other developers of, new elderly housing which comprise a significant percentage of one-bedroom units, it will be nearly a year before those communities will begin to deliver.

Proposal Overview

Fortunately, staff recently received notices of MPDU availability from two developers set to deliver new multifamily rental properties. Both properties boast numerous amenities, energy efficiency, and compatible locations for elderly residents. MPDU master leases are a typically unattractive use of resources, particularly given the 99-year use restriction put in place as part of the program.

However, just as with the conversions of its now-former family Public Housing properties via the Rental Assistance Demonstration ("RAD") program, HOC's demand for senior housing to which rental assistance may be transferred and residents relocated is high. The relatively low payment standard (approximately 40%-45% of the Area Median Income ("AMI") for the Washington Metropolitan Statistical Area) of the Project Based Voucher generated by RAD conversion makes use of market rate units for the purposes of assistance transfer and permanent relocation expensive. These available MPDUs are priced around 60% of the AMI. While not as cost effective as the LIHTC units (ranging from 30%-60% of the AMI) that HOC has secured for its Holly Hall relocations, the opportunity is still comparatively a good one.

The LIHTC units secured for HOC's Holly Hall relocations likely represent the last major, single-site solutions for our RAD repositioning efforts. Moving forward, staff still expects to find additional locations to continue the de-concentration of converted RAD units. Those additional locations will simply bear fewer available units – usually about a dozen. Incidentally, the decreased volume of units allows the Commission to take smaller risks as it relates to marginal demand at its elderly Public Housing properties. By the end of 2015, only Elizabeth House and Holly Hall will remain. With 79 units already headed to new-construction LIHTC properties, Holly Hall only has 17 units left to place.

HOC Elderly Public Housing -- Current Occupancy

	Arcola Towers	***Elizabeth House***	***Holly Hall***	***Waverly House***	**Total Count**
Occupied	130	145	86	155	**516**
Vacant	11	12	7	4	**34**
*Off-line/Administrative**	0	2	2	0	**4**
Employee Unit	1	1	1	1	**4**
	142	**160**	**96**	**160**	**558**

*Elizabeth House and Holly Hall Offline/Administrative units will revert to resident units at new sites.

Should no existing residents wish to relocate, HOC may opt to transfer assistance from units vacant at the time of conversion. The Commission used this same approach at five of its recently converted family Public Housing properties where no residents relocated off the property but assistance was transferred from 29 vacant units. Among the four elderly Public Housing properties, there are already 38 vacant units. This is double the request made here to master lease our limit of a combined 19 MPDUs at two new multifamily rental properties.

Target Properties

Upon completion of renovations, staff recommends the transferring of assistance for the vacant units to other HOC-controlled properties. To be in position to do so, staff has identified an initial two locations where the assistance would be sent. Both target properties are newly constructed multifamily projects scheduled to open within the next 60 days:

7001 Arlington

- Developer: Associated Estates
- Availability Date: March 1, 2015
- Potential HOC MPDUs: Seven

Alta Liberty Mill

- Developer: Wood Partners
- Availability Date (Unit Count): June 1, 2015 (8) & August 1, 2015 (4)
- Potential HOC MPDUs: Twelve

Property Overview: 7001 Arlington

Developed by Associated Estates, 7001 Arlington at Bethesda is set to open for occupancy at the end of February. The property – consisting of 140 rental units – is elevator served, within walking distance of the Bethesda Metro, and located less than a quarter mile from two grocery stores, a CVS pharmacy, Caroline Freeland Park, and numerous other services. Units have Energy Star appliances, washers and dryers, and walk-in closets.

The developer has set aside seven Moderately Priced Dwelling Units ("MPDUs") available to HOC at a price point of $1,175 for a one-bedroom unit.

Common Area Amenities

- Clubroom with TVs and WiFi access.
- Controlled building access.
- Garage parking.
- Bocce ball court.
- Fitness center
- Adjacent to Capital Crescent Trail

Square-footage Comparison

Type	WH SF	7A SF	Incr. (%)
1/1	560	665.5	19%

MPDU Carry Cost (Per Unit Per Month)

Unit Type	MPDU Rent	RAD PBV	Net Income	Util. Carry	Gain/ (Loss)
1/1	$1,175	$910	($265)	($144)	($409)

As usual, the RAD voucher payment standard for one-bedroom units at Waverly House is well below the MPDU rent (which is about 60% AMI). Additionally, because Waverly House residents do not pay utilities, the total carry cost includes the projected monthly utility expenses for gas heating, water, and sewer; for which residents are responsible at 7001 Arlington.

With elevators available in multiple locations throughout the building, MPDUs on any floor can be comfortably accessed by elderly residents. Should HOC master lease all seven units, the monthly shortfall would be approximately $3,000 and the annual shortfall about $35,000.

Additionally, HOC must take control of these seven units in March even though assistance (and, perhaps, existing Public Housing residents) will not be available for transfer until August. So, the Commission must carry the cost of these units for approximately five months at an interim cost of $15,000. Upon close of construction financing, the Commission would be reimbursed by project proceeds from Waverly House.

Property Overview: Alta Liberty Mill

Project Highlights

- In Pursuit of LEED certification
- Elevators.
- A quarter-mile from the MARC station

Common Area Amenities

- Clubhouse w/ demonstration kitchen
- Swimming pool
- Business center
- Movie theater
- Fitness center
- Plaza fountain with outdoor seating

Unit Amenities

- Fully equipped kitchen
- Washers and dryers
- Balconies

Square-footage Comparison

Type	*AT SF*	*ALM SF*	*Incr. (%)*
1/1	408	709	74%
1/1	508	777	53%

Approximately three miles from HOC's Seneca Ridge, Alta Liberty Mill is a 304-unit, three-building multifamily rental property at Germantown's town center delivery beginning February 2015. Developed by Wood Partners, a Top-Five national apartment builder in Multifamily Executive's 2014 Top-25 Builders list, Alta Liberty Mill boasts large units and modern finishes, fixtures, and equipment. Twelve one-bedroom MPDUs are available to HOC at $1,175.

While the first building delivers in February, HOC's target MPDUs would not be ready for occupancy until June. Again, as residents of our elderly Public Housing properties do not pay utilities, the total carry cost includes the projected monthly utility expenses for gas heating, water, and sewer; for which residents are responsible at Alta Liberty Mill.

MPDU Carry Cost (Per Unit Per Month)

Unit Type	*MPDU Rent*	*RAD PBV*	*Net Income*	*Util. Carry*	*Gain/ (Loss)*
1/1	$1,175	$910	($265)	($133)	($398)

Should HOC master lease all 12 units, the monthly shortfall would be approximately $5,000 and the annual shortfall about $60,000. Because only eight of the 12 units will be available prior to August, the Commission will only incur an interim carry cost of about $7,000.

Transfer Economics

Typically, staff would not recommend HOC use time and resources to control MPDUs. The 99-year term of affordability already guarantees preservation. However, HOC's current need to incentivize relocation, desire to de-concentrate deep affordability, and opportunity to use RAD conversions to increase the variety and quality of housing available to residents long trapped in a small network of only four properties make the MPDUs at these properties worth considering. In addition to qualitative and mission-focused benefits, the transfer out of assistance allows the unit to which that assistance was attached to be rented at underlying LIHTC rents (which are between 30%-60% higher than the RAD rents at the four elderly Public Housing properties).

Arcola Towers (Post-transfer)	
LIHTC Unit (+$1,572/Year)	**RAD Unit**
RAD Unit	**RAD Unit**
RAD Unit	**RAD Unit**
Leveraged: $19,265 in additional proceeds.	

Elizabeth House (Post-transfer)	
LIHTC Unit (+$3,408/Year)	**RAD Unit**
RAD Unit	**RAD Unit**
RAD Unit	**RAD Unit**
Leveraged: $41,765 in additional proceeds.	

Holly Hall (Post-transfer)	
LIHTC Unit (+$4,104/Year)	**RAD Unit**
RAD Unit	**RAD Unit**
RAD Unit	**RAD Unit**
Leveraged: $50,294 in additional proceeds.	

Waverly House (Post-transfer)	
LIHTC Unit (+$5,712/Year)	**RAD Unit**
RAD Unit	**RAD Unit**
RAD Unit	**RAD Unit**
Leveraged: $70,000 in additional proceeds.	

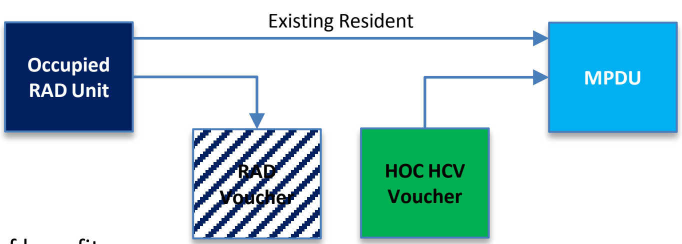
The increased rent of the unencumbered unit thus offsets at least some of the $5,000/per-year MPDU shortfall. In the case of Waverly House, because the unencumbered one-bedroom unit can then be converted into a two-bedroom unit, the increased rent more than offsets the cost of the MPDU to which rental assistance is transferred. In all cases, the increased rent of the unencumbered units increase supportable debt proceeds available for the renovation and redevelopment of these properties. So, in exchange for the small, ongoing net cost of maintaining the MPDUs, the immediate need for renovation and redevelopment proceeds can be better met.

Alternative Implementation

Should the Commission wish to pursue master leases of these MPDUs in another fashion – one with a few potentially meaningful benefits – it could use a Housing Choice Voucher ("HCV") available through annual attrition for some, or all, of its replacement units. In lieu of transferring the rental assistance created by the conversion of the originating property via the RAD program, HOC could simply eliminate the one-for-one requirement using a "de mininis reduction" allowance given as part of portfolio RAD conversions. For a Public Housing Authority ("PHA") using RAD to fully exit Public Housing, that PHA may unilaterally elect to reduce the required one-for-one replacement by 5% of the portfolio unit count. For HOC, where it is seeking to convert 877 units, it may decline to replace up to 43 Public Housing units.

Applied to this MPDU master lease proposal, the Commission has three alternative options to fill one-for-one replacement:

- For a vacant unit, it could simply decline to replace the unit off site and forego the use of the "matching" MPDU.
- For a vacant unit, it could technically decline to replace the unit off site but project base an MPDU using an HCV from its base allotment; thereby still keeping the unit count even.
- For an occupied unit, it would allow for an existing tenant to voluntarily relocate and still be assisted by a Project Based Voucher, again by technically declining to replace the unit off site but project basing an MPDU using an HCV from its base allotment.



This alternative implementation has three chief benefits:

- HOC can avoid the HUD RAD vetting and approval process, which is cumbersome and unpredictable.
- As it is not an owner in these properties, HOC can avoid applying the RAD regulatory infrastructure to a private owner's property which would likely be a source of serious consternation.
- Using the HCV, with the normal payment standard (less utility allowances) approximately equal to the MPDU rent, HOC would see a net benefit from the transfer.

As a concluding note, this approach is not needed for properties like Elizabeth House III and the Holly Hall LIHTC relocation properties as those developers have already accepted the complexities of the RAD regulatory infrastructure.

Request for Commission Approvals

MPDU Master Lease #1: 7001 Arlington at Bethesda

- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee, which met on February 20, 2015, to authorize the Executive Director to execute all documents related to the creation of a master lease with Associated Estates:
  - Master lease terms would include a 99-year lease term with the option to terminate at any time with 90 days notice.
  - Funding for the master lease, anticipated to be $22,260 per year, would be paid for out of the interest income from the seller note for Waverly House's financing.
- Staff also recommends approval of a master utility agreement, anticipated to be $12,096 per year, with Pepco to be paid for out of the interest income from the seller note for Waverly House's financing.
- Lastly, staff recommends interim funding of $15,000 to carry the units from execution of master lease until rental assistance can be transferred in August. Funding would be provided by the Opportunity Housing Reserve Fund and reimbursed by project proceeds from Waverly House.

MPDU Master Lease #2: Alta Liberty Mill

- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee, which met on February 20, 2015, to authorize the Executive Director to execute all documents related to the creation of a master lease with Wood Partners:
  - Master lease terms would include a 99-year lease term with the option to terminate at any time with 90 days notice.
  - Funding for the master lease, anticipated to be $40,176 per year, would be paid for out of the interest income from the seller note for Arcola Towers' financing.
- In addition, staff recommends approval of a master utility agreement, anticipated to be $19,152 per year, with Pepco to be paid for out of the interest income from the seller note for Arcola Towers' financing.
- Lastly, staff recommends interim funding of $7,000 to carry the units from execution of master lease until rental assistance can be transferred in August. Funding would be provided by the Opportunity Housing Reserve Fund and reimbursed by project proceeds from Arcola Towers.

Budget/Fiscal Impact

- There is no direct impact on the Agency's fiscal year 2015 operating budget. Fiscal impact is limited to the decrease in annual net cash flows at the post-conversion Arcola Towers and Waverly House properties.

RESOLUTION: **RE: Authorization for the Executive Director to Negotiate and Execute Master Leases for Rental MPDUs in Bethesda and Germantown**

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

WHEREAS, the newly constructed multifamily rental property at 7001 Arlington Road in Bethesda, Maryland, ("7001 Arlington") owned by AERC 7001 Arlington Road, LLC has reserved 15% of its units as Moderately Priced Dwelling Units as defined by Montgomery County law ("MPDUs") as part of the development's Preliminary Plan approval; and

WHEREAS, the newly constructed multifamily rental property at 19520 Waters Road in Germantown, Maryland, ("Alta Liberty Mill") owned by WDF-3 Liberty Mill Owner, LLC has reserved 12.5% of its units as MPDUs required by Montgomery County law; and

WHEREAS, HOC, as outlined by Montgomery County law, may reserve and control up to a third of MPDUs at a new property upon initial construction delivery of units; and

WHEREAS, HOC's desire to control its allowable share of MPDUs at 7001 Arlington and Alta Liberty Mill ("HOC's MPDUs") is based on its need for relocation housing units to which residents, Project-Based Section 8 subsidy, or both, may be transferred from its existing Public Housing properties upon conversion from Public Housing via the US Department of Housing and Urban Development's Rental Assistance Demonstration ("RAD") program; and

WHEREAS, HOC's MPDUs will be available for lease prior to the conversion of HOC's existing Public Housing properties; and

WHEREAS, HOC must confirm its intent to control HOC's MPDUs by March 6, 2015.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to sign all documents related to the creation of master leases for HOC's MPDUs with owners or the owners designated operators of 7001 Arlington and Alta Liberty Mill.

BE IT FURTHER RESOLVED that:

1. The Housing Opportunities Commission of Montgomery County authorizes and directs 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 contemplated herein; and

2. HOC authorizes interim funding in the amount of $22,000 to pay the monthly rent on the MPDUs prior to the close of renovation financing for its Arcola Towers and Waverly House properties – with the source of the interim funding the Opportunity Housing Reserve Fund ("OHRF") and the reimbursement of that interim funding to be paid from proceeds from the close of renovation financing for Arcola Towers and Waverly House.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting on March 4, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO ESTABLISH AND FUND A REVOLVING WORKING CAPITAL FACILITY TO SUPPORT HOC'S REAL ESTATE ACQUISITION AND DEVELOPMENT ACTIVITIES

March 4, 2015

- In December 2004, the Commission entered into two interest rate swap agreements with Merrill Lynch Capital Services (now Bank of America Merrill Lynch (BAML)). These agreements were structured such that HOC had the unilateral right to terminate the agreements at par beginning on January 1, 2015. In December 2014, HOC agreed to sell back to Bank of America Merrill Lynch (BAML) five years of optionality, extending the optional par termination date to January 1, 2019. For this, BAML paid the Commission $1,958,000.

- The proceeds of this transaction are available to the Commission to use at its discretion and staff has identified three areas where a portion of these funds ($1.4 million) may be directed to facilitate timely and efficient decision making for real estate acquisition and development activities. They include legal services, due diligence expenditures and real estate closings.

- On May 7, 2014, the Commission created a pool of law firms to provide ongoing legal services in support of its real estate activities and approved funding of up to $350,000 from the Opportunity Housing Reserve Fund (OHRF). Such expenditures for legal services are anticipated to be reimbursed from the respective Commission-approved project budgets, thereby, making these funds revolving.

- To facilitate timely and efficient completion of preliminary due diligence for acquisition and development activities, staff is requesting that $300,000 be set aside and made available on a revolving basis to pay for third party reports such as appraisals, physical needs assessments, surveys, and other related studies to determine a project's feasibility. These funds are also intended to be revolving, though some of it may not.

  As transactions approach closing and prior to the availability of mortgage proceeds, it is often necessary to wire funds to the title company to pay for various closing items such as: mortgage insurance advances, title work, surveys, recordation among other related closing expenses. Staff is requesting that $750,000 be set aside to ensure that multiple closings may be completed simultaneously without impacting HOC's normal operations. These funds would revolve as such costs would have already been approved and financed for the development.

- Staff recommends that the Commission accept the recommendation of the Development and Finance which met on February 20, 2015 and approve the allocation of $1.4 million from the proceeds of the BAML payout, herein described, to create a revolving working capital fund for certain real estate acquisition and development expenditures.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy Spann, Executive Director

FROM: Staff: Brown/Willison Ext. 9589/9480
Division: Real Estate/Finance

RE: Approval to Establish and Fund a Revolving Working Capital Facility to Support HOC's Real Estate Acquisition and Development Activitie**s**

DATE: March 4, 2014

STATUS: Committee Report Deliberation _X_

OVERALL GOAL & OBJECTIVE:
To obtain establish a revolving working capital facility to support HOC's real estate acquisition and development activities.

BACKGROUND:
In December 2004, the Commission entered into two interest rate swap agreements with Merrill Lynch Capital Services (now Bank of America Merrill Lynch (BAML)). These agreements were structured such that HOC had the unilateral right to terminate the agreements at par, beginning on January 1, 2015. In December 2014, HOC agreed to sell back five years of optionality on these swap agreements to BAML, extending the par termination date to January 1, 2019 instead of January 1, 2015. This decision, as provided for in the documents, does not have any adverse impact on the Commission, and for which BAML paid the Commission $1,958,000.

With this unplanned receipt of funds, staff is requesting approval from the Commission to allocate $1.4 million to fund working capital for certain real estate acquisition and development activities as HOC continues its efforts to preserve, expand, and maintain the affordable housing in accordance with its strategic plan and mission.

The Commission continues to demonstrate its support for these activities by allocating its resources and making decisions geared toward the successful implementation of a plan that enables HOC to continue to serve the residents of Montgomery County. The decisions made to date have both increased the value of HOC's assets and ensured HOC's viability into the future.

Staff has identified three areas where the Commission's funds may be directed to facilitate timely and efficient decision making.

Legal ($350,000)

On May 7, 2014, the Commission created a pool of law firms to provide ongoing legal services in support of its real estate activities. The firms covered several areas of legal practice, including but not limited to those shown below:

Land Use & Zoning	Construction	Environmental	Fair Housing	General Real Estate
Linowes & Blocher	Schnader	Linowes & Blocher	Reno & Cavanaugh	Reno & Cavanaugh
Miller Miller & Canby	McManus Darden	Kutak Rock	Gallagher	Gallagher
Lerch Early	Holland & Knight	Holland & Knight	Ballard Spahr	Ballard Spahr
Ballard Spahr	Gallagher			Kutak Rock
				Bocarsly Emden
				Klein Hornig
				Hessel & Aluise
				Holland & Knight

The Commission also approved funding of up to $350,000 from the Opportunity Housing Reserve Fund (OHRF) to provide interim funds for legal expenses. The creation of a working capital facility releases the obligation and un-restricts $350,000 in the OHRF. Any funds drawn from this working capital facility for legal services are anticipated to be reimbursed to the facility once the Commission approves a predevelopment/development budget for the real estate matter for which the legal services were engaged. To the extent that staff determines not to pursue the redevelopment matter for which the legal services were engaged, these funds may not revolve.

Due Diligence/Working Capital Funds ($300,000)

In order to meet ongoing milestones during the real estate due diligence process, staff is requesting that $300,000 be set aside and made available on a revolving basis to pay for ongoing studies such as: appraisals, physical needs assessments, surveys, and other related items.

These expenses may be incurred prior to a formal approval by the Commission and are typically small cost items ranging from less than $5,000 to $10,000, but no single expenditure would exceed $25,000 without prior Commission approval which would be contained in pre-development plan. Staff will continue its practice of obtaining Commission approval for feasibility funding, predevelopment and development funding by taking projects through its normal decision Committee/Commission approval process. This request is for smaller expenditures for HOC-owned properties which if not used for redevelopment decisions, will inform staff of market and physical condition of properties on the HOC portfolio. Funds may also be used to obtain studies for potential acquisition projects to determine if further pursuit is warranted. It is possible that not all of these funds will revolve.

Closing Funds ($750,000)

As transactions approach closing and prior to the availability of mortgage proceeds, it is often necessary for HOC to wire funds to the title company to pay various closing items such as: mortgage insurance advances, title work, surveys, recordation among other related closing things.

Staff is requesting that $750,000 be set aside to ensure that multiple closings may be completed simultaneously without impacting HOC's normal operations. Funds for closing would have already been approved and financed in the development projects. This facility is being established so that funds may be remitted to facilitate timely closing and prior to HOC's ability to draw down financing proceeds. Any funds so used will be repaid after closing of the real estate transaction.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the recommendation of the Development and Finance Committee and establish and fund a revolving working capital facility in the amount of $1.4 million to support HOC's real estate acquisition and development activities?

PRINCIPALS:

N/A

BUDGET IMPACT:

None.

TIME FRAME:

Action at the March 4, 2015 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Development and Finance which met on February 20, 2015 and approve the allocation of $1.4 million from the proceeds of the BAML payout, herein described, to create a revolving working capital fund for certain real estate acquisition and development activities as HOC continues its efforts to preserve, expand, and maintain the affordable housing in accordance with its strategic plan and mission.

RESOLUTION No: **RE:** Approval to Establish and Fund a Revolving Working Capital Facility to Support HOC's Real Estate Acquisition and Development Activities

WHEREAS, in December 2004, the Housing Opportunities Commission of Montgomery County ("HOC") entered into two interest rate swap agreements with Merrill Lynch Capital Services (now Bank of America Merrill Lynch and hereinafter referred to as "BAML") which were structured such that HOC had the unilateral right to terminate the agreements at par, beginning on January 1, 2015; and

WHEREAS, in December 2014, HOC agreed to sell back to BAML five years of optionality on these swap agreements so that the two affected swap agreements may now be terminated at par on January 1, 2019 instead of January 1, 2015 and, as a result, BAML paid the Commission $1,958,000 as consideration; and

WHEREAS, the net proceeds in the amount of $1,913,000 are available to HOC to use at its discretion and staff has identified three areas where a portion of these funds ($1.4 million) may be directed to fund, on an interim basis, certain costs associated with real estate acquisition and development activities including legal services, due diligence expenditures and other payments to facilitate real estate closings; and

WHEREAS, on May 7, 2014, the Commission created a pool of law firms to provide ongoing legal services in support of its real estate activities and allocated $350,000 from the Opportunity Housing Reserve Fund (OHRF) which may now be released by allocating the equivalent amount from the payment received from BAML; and

WHEREAS, to cover feasibility studies prior to the approval of a development budget, it is requested that the Commission allocate $300,000 from the BAML payment as working capital for preliminary studies such as: appraisals, physical needs assessments, surveys, and other related items; and

WHEREAS, as transactions approach closing and prior to the ability to spend mortgage proceeds, it is often necessary to wire funds to the title company to pay for various closing items for which staff is requesting that $750,000 of the BAML payment be set aside.

NOW THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves establishing a revolving working capital fund for interim expenditures for legal fees and costs in the amount of $350,000, due diligence costs in the amount of $300,000, and closing expenses in the amount of $750,000.

BE IT FURTHER RESOLVED that no single expenditure for due diligence cost shall exceed $25,000 without prior Commission approval of a pre-development or other plan.

BE IT FURTHER RESOLVED that by establishing this working capital fund, the prior OHRF obligation in support of the real estate legal pool is hereby released.

BE IT FURTHER RESOLVED that the Executive Director is hereby authorized and directed to take such other actions necessary and proper to accomplish the transaction contemplated herein, including, but not limited to, establishing a fund in HOC's name to be called the Real Estate Working Capital Fund, and depositing and crediting such Real Estate Working Capital Fund with $1,400,000 from the BAML payment.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting on March 4, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO SELECT
REAL ESTATE DEVELOPMENT AND FINANCING CONSULTANT POOL
PURSUANT TO RFQ #1938

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN

March 4, 2015

Table of Contents

Executive Summary

- HOC is reviewing its entire real estate portfolio and anticipates undertaking the rehabilitation and redevelopment of a significant portion of the properties it owns or will acquire. To ensure the efficient and effective execution, staff proposes the use of Real Estate Development Consultants and Finance Consultants (together, "Consultants") to supplement its current staff.

- On September 16, 2014, HOC issued RFQ #1938 for Real Estate Development and/or Financing Consultant services and received nine responses. After review, staff recommends creating a pool of professionals consisting of seven firms.

- This pool of consultants will assist HOC staff in the real estate development and financing activities to ensure that the Commission achieves its affordable housing goals and that the best housing options are delivered to its residents. The pool will be created in lieu of adding full time staff to handle the real estate work load. Consultants would be engaged as needed and funded from respective real estate development budgets that would be approved by the Commission through its normal Committee and Commission review process; therefore, is not expected to have adverse financial impact on the Agency's operating budget.

- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee which met on February 20, 2015 and approve the firms selected to the pool of professionals to provide development and financing services to the Commission. Applicants from this pool can be engaged for pre-development work and approved for participation in future development projects. Firms may compete for specific assignment during which staff will evaluate each firm's suitability and the proposed pricing.

- Staff also recommends that the Executive Director be authorized to execute individual contracts for an aggregate amount of $1 million and assign assignments with contract values of up to $225,000 without further Commission action

- Staff further recommends a maximum contract term of four years consisting of an initial two-year term with two additional one-year optional renewals.

Minimum Qualifications

On September 16, 2014, HOC issued a Request for Qualifications fro Real Estate Development and/or Financing Consultant with responses due on October 7, 2014. Nine firms responded. Each firm was required to meet the minimum qualifications outlined below. Of the nine firms who submitted proposals, one firm was disqualified due to the dissolution of the partnership (Cornerstone DC) and one firm was not recommended to the pool (AMA Consulting) because of insufficient depth of experience and capacity. Seven firms are recommended to the pool.

Qualification Criteria	Requirement	Status
Prior Experience	The offeror must be experienced in multifamily housing finance, development, or both within the private sector or public agencies.	Review of the proposals confirmed that all the firms recommended to the pool meet this qualification criterion.
Professional Liability Insurance	The offeror shall agree to maintain in full force and effect during the term of the Contract professional liability insurance in an aggregate amount of not less than $2 million.	All firms have submitted the requested insurance information. No contracts would be executed without proof of ongoing insurance coverage.
Procurement	The offeror must demonstrate its knowledge and experience working within a public housing authority or housing financing agency that is governed by strict procurement policy, guidelines, and practices.	All firms recommended to the pool have provided information confirming its knowledge of working within procurement guidelines of public housing authorities, housing or redevelopment agencies.
Technology	Each offeror must demonstrate sufficient capacity to produce complex financial models efficiently and in appropriate formats that are compatible with the corresponding HOC technology. Such materials must be distributable electronically through use of appropriate technologies.	Each firm provided descriptive narrative evidencing the availability of appropriate technology to perform under this engagement. Firms also provided sample financial analysis confirming ability to deliver similar product under the engagement.

Evaluation Criteria

Once a firm was determined to have met the minimum qualifications, it was further evaluated on the criteria listed below (total point value is 100). Qualification and experience, especially in Real Estate Finance and related areas of development were the two most important factors. Further consideration was given to minority firms, the location of the firms, the clarity of the presentation as well as the compensation required for performing under the engagement.

Evaluation Criteria	Point Value	
Qualification and Experience	30	Each firm is evaluated on the qualifications, expertise, and general reputation of the individual(s) who will be responsible for the performance of the services as required by the RFQ with focus on expertise in the field of real estate acquisition and development in general and multifamily development in particular.
Price	20	As submitted, proposed prices were evaluated and scored; however, when projects are assigned, staff will negotiate the appropriate price for each assignment.
General Experience in Real Estate Finance and Related Areas of Development	30	Each firm is evaluated on the quality and quantity of the experience and expertise in the area of real estate finance and related areas of development as required by the RFQ with emphasis on prior experience in the acquisition, rehabilitation, financing and development of multifamily real estate, especially the delivery of mixed-income and market rate developments.
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.
Presentation	10	An evaluation of the clarity, completeness, and responsiveness of the offeror's written proposal and oral presentation as required by the RFQ.
Location of Place of Business	5	The location of an office in Montgomery County or elsewhere in the Baltimore, MD and Washington, DC metropolitan area.

Firms

- **Mission First: Development, Financing**
  - Served the Washington Metro area for the past 15 years
  - Specializes in affordable and mixed-income housing
  - 501(c)(3) non-profit organization
  - Local reputation for completing difficult projects
  - Successfully built 1,590 units in the past 5 years
  - 171 units are in construction and 531 units are in the pipeline

- **Municipal Resource Advisors: Financing**
  - Founded in 2011
  - MFD Certified Enterprise
  - Named advisor to HOC's $110 Million interest rate swap portfolio in 2012
  - Executed over $125 Million in multifamily housing transactions for Howard County
  - Track record of bringing unsolicited, value added ideas to its clients

- **Morrison Avenue Capital Partners: Financing**
  - Over $1 billion of equity raised for public and/or affordable housing
  - 12 years of experience working directly with PHAs
  - Strong relationship and proven work product, expertise, and flexibility displayed through current engagement with HOC
  - Particular strengths include strategic planning, market research, and optimizing financing options

Firms

- **AMA Consulting**: **Development**
  - Founded in 2010
  - Montgomery County-based
  - Project Management and Technical Assistance in Real Estate, Construction, Social Services, and Economic and Community Development
  - MFD Certified firm
  - Sole proprietor with 12 years of experience in real estate development

- **Walker & Dunlop: Financing**
  - Founded in 1937
  - Montgomery County-based
  - Freddie Mac Program Plus Seller/Servicer, Fannie Mae DUS and MAP- and LEAN-approved FHA lender
  - Strong relationships with several HUD offices, Fannie Mae and Freddie Mac
  - Originated a total of $8.4 Billion in total financing in 2013
  - Specializes in multifamily lending

- **Audubon Enterprises: Development, Financing**
  - Founded in 2012
  - Specializes in the structuring and closing of financing related to affordable housing in the DC Metro area
  - Qualifies as Section 3 Business concern in Montgomery County
  - Extensive tax credit experience as well as with a variety of Federal funds as sources of capital
  - Structured or worked on 6,600 units totaling over $1.5 billion in development costs

Firms

- **The Concourse Group: Development, Financing**
  - Founded in 2001
  - 9,000 mixed-income and affordable housing units
  - Consulted on successful development projects worth over $3 Billion
  - Specializes in real estate consulting
  - Extensive experience working with PHAs
  - RAD consulting services to the HA of the City of El Paso

- **TAG Associates: Development, Financing**
  - Founded in 1991
  - Consulting team with over 50 years of experience
  - Specializes in strategic planning and working with PHAs
  - Committed to ensuring the future affordability of developed units
  - Public housing management and development
  - Successful work with various Federal housing and mixed finance programs, RAD, commercial development and real estate development and funding

Summary of Scores

Firm Name	Services	Reviewer #1	Reviewer #2	Reviewer #3	Reviewer #4	Overall Score	Average Score
Walker and Dunlop	F	83	91	76	85	335	84
The Concourse Group	F, D	80	77	74	86	317	79
Municipal Resource Advisors	F	84	84	71	80	319	80
TAG Associates	F, D	82	76	74	85	317	79
Mission First	F, D	85	78	76	70	309	77
Audubon Enterprises	F, D	74	79	70	79	302	76
Morrison Avenue Capital	F	77	84	71	69	301	75
AMA Consultant	D	61	70	66	74	271	68

F= Financing Consultant
D = Development Consultant

- Staff from the following divisions participated in scoring the proposals: Real Estate, Mortgage Finance, Human Resources, Operations.
- The highest overall score was awarded to Walker & Dunlop.
- The lowest overall score was awarded to AMA Consultant.
- The highest score for Financing Services only, was awarded to Municipal Resource Advisors.
- One proposal was submitted for Development services only which returned the lowest overall score (AMA Consulting).
- When requested, each firm will submit its proposal for an engagement based on the type of project, scope of work, the firm's expertise, and price.

Summary of Scores

- Seven of the eight qualified firms are recommended for the pool.
- AMA Consulting is not recommended to the pool because the panel determined that it did not have the capacity and depth to fully perform the requirements of the HOC engagement.
- A firm's experience in real estate finance and development, especially experience of individuals in the firm were the most important factors.
- Because of the narrow spread from one firm to another, staff evaluated the sensitivity of the ranking by zeroing out scores for MFD, location, and presentation resulting in TAG Associates with the highest score and AMA Consulting with the lowest.

Firm	Services	Qualification & Experience	Pricing	FE Finance & Development	MFD	Presentation	Location	TOTAL
Walker and Dunlop	F	27.75	15.5	27.25	0	8.25	5	84
Municipal Resource Advisors	F	24.5	11.75	26.25	5	7.25	5	80
The Concourse Group	F, D	25.75	14.25	25.5	0	8.75	5	79
TAG Associates	F, D	29	13.5	28.25	0	7.75	0.75	79
Mission First	F, D	25	14.25	25.25	0.75	7	5	77
Audubon Enterprises	F, D	21	15.75	24.25	4.5	5	5	76
Morrison Avenue Capital	F	27	13.5	27	0	7.5	0.25	75
AMA Consultant	D	15.75	17.25	19	5	5.75	5	68

F= Financing Consultant
D = Development Consultant

Summary/Conclusion

- Having met HOC's threshold requirements qualifying them for the pool, when needed, proposals will be solicited from the appropriate firms based on its pool designation. Firms may compete based on the type of services requested and price.

- Staff is requesting approval to enter into individual contracts for an aggregate amount of $1 million and authorization for the Executive Director to assign specific tasks of up $225,000 each without further approval of the Commission. Funding of such projects would have been approved by the Commission in each development budget.

- Real estate development is cyclical and highly market driven. By creating a pool of consultants, HOC avoids staffing up and incurring large overhead costs only to undergo reduction in force when the pipeline is reduced or market conditions are unfavorable for development activities.

- The firms listed below have been determined to qualify based on their proposals. The following table shows staff's designation of specialty within the pool.

Firm	Specialty	Pool Designation
Mission First *	Financing, Development	Development
Municipal Resource Advisors	Financing	Financing
Morrison Avenue Capital	Financing	Financing
Walker & Dunlop	Financing	Financing
Audubon Enterprises*	Financing, Development	Development
The Concourse Group*	Financing, Development	Development
TAG Associates*	Financing, Development	Development

* Though designated by HOC as Development Consultant, firm may provide accompanying Financing Consultant services for a development engagement. Firm may also provide Financing Consultant services as HOC's needs dictate.

Summary and Recommendations

Issues for Consideration

- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve to create a pool of seven firms to provide Real Estate Development and Financing services to the Commission?
- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve seven individual contracts for an aggregate of $1,000,000 and for the Executive Director to assign tasks for up to $225,000 each without further Commission approval?

Fiscal / Budget Impact

- There is no direct impact on HOC's operating budget. Services will be sought on as needed project specific basis and paid for from respective development budgets that would be approved by the Commission.

Time Frame

- Action at the March 4, 2015 meeting of the Housing Opportunities Commission.

Staff Recommendation

- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee to establish a pool of Development and Financing Consultants consisting of the following seven firms: Mission First, Morrison Avenue Capital Partners, Municipal Resource Advisors, Walker & Dunlop, Audubon Enterprises, The Concourse Group, and TAG Associates.
- Staff also recommends that the Commission authorize the Executive Director to execute seven individual contracts for an aggregate of $1,000,000 and assign tasks for up to $225,000 each without further Commission approval.
- The initial term of each contract is proposed for two years with two one-year optional renewals for a maximum term of four years.

RESOLUTION No.:	**RE:**	**Approval to Select a Real Estate Development and Financing Consultant Pool Pursuant to RFQ #1938**

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

WHEREAS, the Commission continues to review its real estate portfolio as well as pursue acquisition and development opportunities to expand and preserve the Montgomery County housing stock that is affordable to households of eligible income; and

WHEREAS, on September 16, 2014, the Commission solicited proposals from qualified firms or individuals to form a pool of professionals which would provide Development and Financing Consultant services to supplement the current staff of the Commission's Real Estate Division and obviate the need to add full time staff; and

WHEREAS, nine firms responded to the solicitation, and after review by members of the review panel comprised of representatives from various Commission divisions, one firm was disqualified due to the dissolution of the partnership since it submitted its proposal, one was determined to lack the depth and staffing needed for Development Services for which it applied, and seven were deemed to meet the requirements of the solicitation; and

WHEREAS, of the seven firms qualified for the pool, three firms applied as Financing Consultants <u>only</u> and four applied to serve as both Development and Financing; and

WHEREAS, Development Consultants will perform all the work necessary for acquisition, preservation, rehabilitation, or construction opportunities as well as provide accompanying Financing Consultant services and Financing Consultants will advise, source, and structure debt and equity to enhance the Commission's existing debt products, all under the direction of the Commission's real estate staff; and

WHEREAS, each Consultant will be selected as needed from the pool after it submits its proposal to the Commission in response to the requested scope of work and would be compensated accordingly from the respective Commission-approved project development budget, such approved project budget having gone through the normal Development and Finance Committee and Commission approval processes for a development.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes and directs the Executive Director, without further action on their respective parts, to execute seven individual contracts with Audubon Enterprises, The Concourse Group, Mission First, Morrison Avenue Capital, Municipal Resources Advisors, TAG Associates, and Walker & Dunlop, for an aggregate amount of $1 Million for an initial contract term of two years each with two optional one-year renewals for a maximum contract term of four years.

BE IT FURTHER RESOLVED that the Executive Director is hereby authorized to assign and approve individual tasks of up $225,000 without further Commission approval or action.

BE IT FURTHER RESOLVED that the Executive Director is hereby authorized and directed to take all actions necessary and roper to carry out the transactions as contempa.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of RAD 6 Development Corporation, at a regular open meeting conducted on March 4, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

Deliberation

and/or

Action

REDEVELOPMENT OPPORTUNITY

HOLLY HALL APARTMENTS

RELOCATION HOUSING

Stacy L. Spann, Executive Director

Kayrine Brown
Zachary Marks

March 4, 2015

Executive Summary

On September 3, 2014, the Commission authorized the Executive Director to execute non-binding letters of intent ("LOIs") with the developers of two potential relocation sites, both proposed new construction senior communities financed with Low Income Housing Tax Credit ("LIHTC") equity. Victory Crossing, developed by Victory Housing, Inc., will be a 105-unit age-restricted rental apartment property to be built on excess land from a new County police station in White Oak. Park View at Aspen Hill, developed by The Shelter Group, will be a 120-unit age-restricted rental apartment property built nearby to Leisure World and HOC's Georgian Court. At conversion via the Rental Assistance Demonstration ("RAD") program, the Public Housing subsidy currently funding Holly Hall Apartments would be transferred with existing residents to the new communities and continue to serve households of limited incomes. Both projects were already being developed as LIHTC properties when HOC staff proposed using some of the units for the purposes of relocating 39 elderly households to Victory Crossing and 40 elderly households to Park View at Aspen Hill. So, much of the negotiations have revolved around the costs and benefits of their providing these properties as RAD relocation sites.

Victory Crossing

Park View at Aspen Hill

The general structure of each arrangement to be contained in the non-binding LOIs included 1) a make-whole payment (to account for the aggregate shortfall between the RAD vouchers and the rents at which the LIHTC units upon which they would be applied could be rented); and 2) an incentive fee sized at 15% of the underwritten development fee.

Costs as of September 3, 2014

Project	*Make-whole*	*Incentive*	*Total*
ParkView at Aspen Hill	$800,000	$330,000	$1,130,000
Victory Crossing	$1,800,000	$318,000	$2,118,000
	$2,600,000	$648,000	$3,248,000

Given staff valuation of the unencumbered land at Holly Hall of $6,500,000, the cost of $3,248,000 could be borne without permanent HOC expenditure.

Executive Summary

Since September 2014, as the predevelopment of Park View at Aspen Hill has proceeded, The Shelter Group has seen an increase of $2.5MM in projected construction costs. Additionally, as discussed during the September 3, 2014, meeting, The Shelter Group was using assumptions in its underwriting of Park View at Aspen Hill that HOC staff viewed as more conservative than necessary. In light of both issues, HOC staff and The Shelter Group revisited the original proposal toward the end of 2014. All agreed upon a revised set of business terms:

Comparison of Business Terms – Past and Present

Term	9/3/2014	3/4/2015
Make-whole	$800,000	$860,000
Incentive	$330,000	$0
Gap Financing	$0	$1,250,000
HOC Ownership	0.0%	9.9%

The $1.25MM in gap financing would be provided at the closing of the transaction in the form of a loan from HOC at the applicable Federal Interest Rate at the time (2.39% currently). While HOC staff continues to believe that much of the identified gap stems from more conservative underwriting, it understands the comfort that the Commission's commitment to fund provides to the developer. Given that The Shelter Group has not asked HOC to take any development risk on the project while still offering it ownership, staff recommends to the Commission that it agree to the new business terms as outlined above and to be included in the non-binding letter of intent. Park View at Aspen Hill remains an integral part of the RAD conversion plan for Holly Hall.

Costs as of March 4, 2015

Project	Make-whole	Incentive	Gap Loan	Total
Park View at Aspen Hill	$860,000	$0	$1,250,000	$2,110,000
Victory Crossing	$1,650,000*	$318,000	$0	$1,968,000
	$2,510,000	$318,000	$1,250,000	$4,078,000

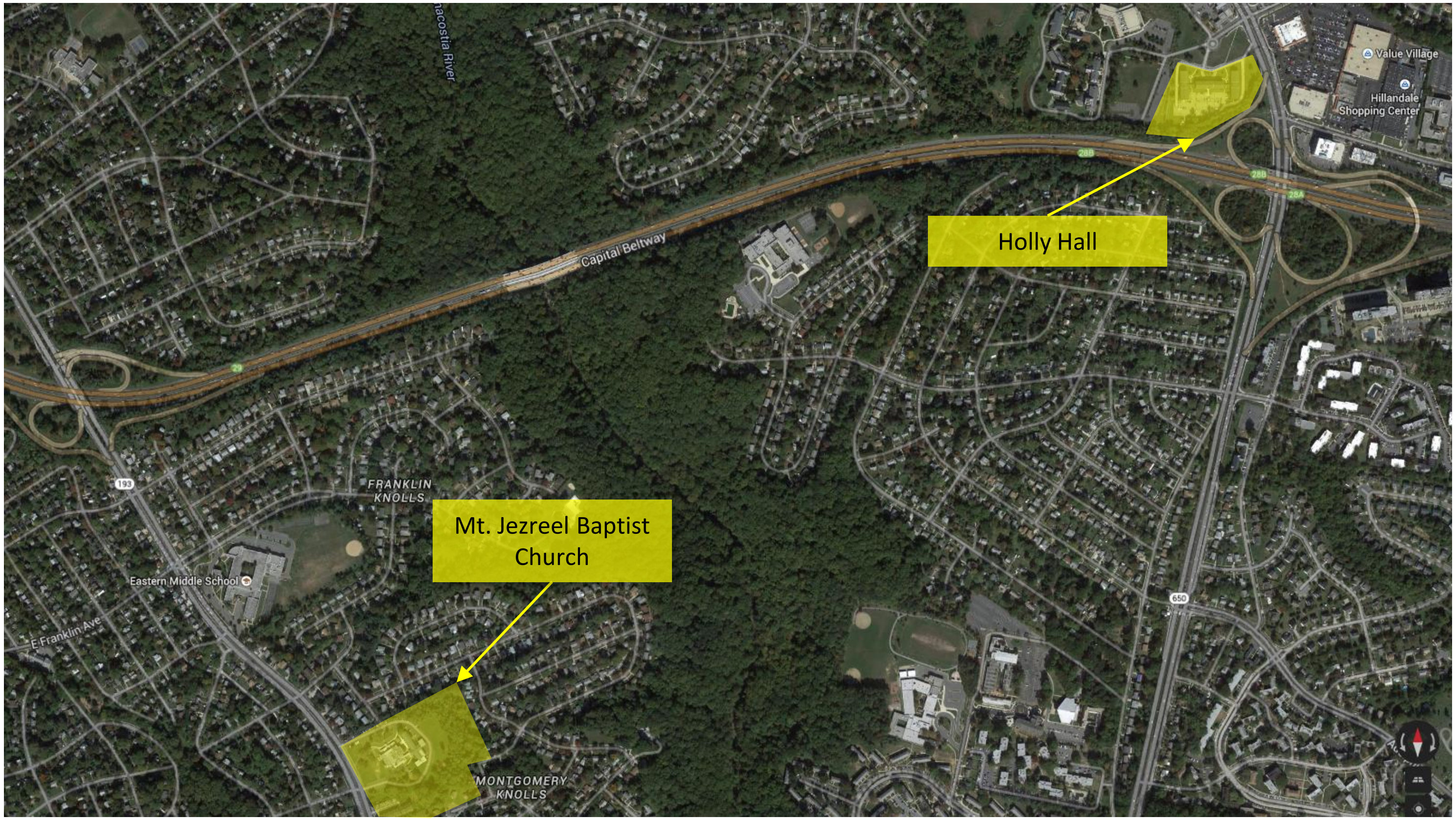
*The make-whole payment to Victory Crossing fell $150,000 since September 3, 2014.

Based on these new terms, there is a nominal increase in net cost to HOC of $830,000 over the original approval given in September 2014. The new total of $4,078,000 is still well below the staff valuation of the unencumbered Holly Hall property. Other new benefits will offset these increased costs over time:

- **Ownership** — HOC will now receive development fee, annual cash flow, and ultimately sales/refinancing proceeds.
- **Repayment** — All of the additional cost is in the form of a loan which will ultimately be repaid and upon which HOC will earn interest.
- **Fee Elimination** — All of the additional cost is now driven by project need that may turn out to be less than projected.

A New Opportunity

Staff has also identified a third new construction property to which existing Holly Hall residents and their rental assistance can be sent. Mission First Housing, a non-profit affordable housing developer headquartered in Philadelphia (but with an office in Washington, D.C.), is well into the process of developing and financing a new 75-unit senior community located on land owned by Mt. Jezreel Baptist Church approximately two miles from Holly Hall.



The County has provided the project $2.0MM in HOME funds and recently asked Mission First to approach HOC about the potential for the development to provide RAD relocation housing. Given recent comments from the Chair of the County's Department of Planning encouraging HOC to look at placing affordable housing on excess church land, staff agreed to speak with Mission First and consider the possibilities. Mission First had recently applied on behalf of the Mt. Jezreel development but been turned down for 9% Low Income Housing Tax Credits ("LIHTCs"). The County's contribution of HOME funds was made to help the project proceed funded only with 4% LIHTCs.

A New Opportunity

Despite the change to 4% credits, Mission First did not change the deep affordability in the Mt. Jezreel Senior Apartments, including a total of nine units that will serve households at 30% of Area Median Income ("AMI") and 40% of AMI. Set on approximately 3.2 acres along University Boulevard, Mt. Jezreel Senior Apartments boasts high efficiency heating, ventilation, and cooling systems with resident-controlled thermostats; Energy Star kitchen appliances; and WiFi availability in the community room. The community will be accessed by a looped driveway with tree foliage buffering the building from traffic noise. Both Metrobus and RideOn serve the site with a bus stop located at the edge of the property. The Long Branch Senior Center is located about three-fourths of a mile away.

Mt. Jezreel

Unit Mix Details

Count	*Type*	*30%*	*40%*	*50%*	*60%*	*Market*
56	1/1	2	3	10	35	6
5	2/1	2	2	1	0	0
14	2/2	0	0	0	12	2
75		**4**	**5**	**11**	**47**	**8**

Architect: Grimm + Parker

General Contractor: Harkins Builders

Common Area Amenities

- Multipurpose community room
- Fitness room
- Library
- Cyber café
- Wellness center

Square Footage Comparison

Type	HH SF	MJ SF	Incr. (%)
0/1	380	N/A	N/A
1/1	490	659	34%
2/1	670	848	27%

Unit Amenities

- Microwave
- Dishwasher & disposal
- Grab bars in bathrooms
- Ample storage closets
- Common laundry room.

Operationally, a strong emphasis will be placed on resident services and activities focused on nutrition, in-home safety, health and fitness, entertainment, continuing education, and cultural outings.

A New Opportunity

Established in 1997, Mission First is a 501(c)3 nonprofit organization registered in the District of Columbia and is an affiliate of the 501(c)3 nonprofit 1260 Housing Development Corporation (1260 HDC) based in Philadelphia, PA. Since its founding, Mission First has helped to build or preserve over 1,700 units of high quality affordable and mixed income housing in the mid-Atlantic region, with a total development value of $340 million. The current pipeline includes over 500 units with a total development value of $150 million. Since becoming an affiliate of 1260 HDC in 2010, Mission First's capacity for executing projects has grown with the addition of property management affiliate Columbus Property Management. Mission First currently has a development staff of 18, and property management, legal, IT and accounting staff bring Mission First's total staff to 116, of which six are located in the Washington, D.C. office.

In the past five years, the DC office has successfully built 1,590 housing units in the Washington Metro area, with 171 in construction and 531 in the pipeline. Mission First has completed one project with Maryland DHCD / CDA, Fells Point Station in Baltimore, MD, and has three other projects in the Maryland pipeline: Mount Jezreel Senior Housing and Up-County Senior Housing, both in Montgomery County, and Belnor Senior Housing in Prince George's County, all of which are anticipated to be financed through 4% tax credits and other Maryland state affordable housing finance programs.

Mission First strategically strengthened its position to engage in Maryland projects when, in 2012, Donna Creedon joined the company. Prior to joining Mission First, Donna Creedon served as Project Director on over $70 million of affordable and mixed-income residential multifamily construction in Maryland including the $30 million redevelopment of Guilford Gardens into the award-winning Monarch Mills community, a successful public/private partnership with Howard County Housing.

Value Proposition

While the payment standard for the Project-Based Section 8 vouchers created by the conversion of Holly Hall via the RAD program is fairly low, it does pay enough to create a net benefit to income for units at 30% of AMI and 40% of AMI. The availability of nine such units at Mt. Jezreel Senior Apartments allows HOC to shift RAD vouchers from nine units at Victory Crossing that are 60% AMI units. This lowers HOC's required make-whole payment for that property to only $1MM, a savings of approximately $650,000*. This reduces the total cost to HOC back to nearly equal that of its September 3, 2014 decision (again, with the possibility the Park View at Aspen Hill gap loan need is overstated). Because the RAD vouchers produce an aggregate net benefit to the Mt. Jezreel project, HOC need not provide any further cash incentive.

Project	*Make-whole*	*Incentive*	*Gap Loan*	*Total*
Mt. Jezreel	$0	$0	$0	$0
Parkview at Aspen Hill	$800,000	$0	$1,250,000	$2,050,000
Victory Crossing	$1,000,000	$318,000	$0	$1,318,000
	$1,800,000	$318,000	$1,250,000	$3,368,000

*The make-whole payment also fell an additional $150,000 since September 3, 2014, for unrelated reasons.

Request for Commission Approvals

Park View at Aspen Hill: Commitment to Fund Up to $1.25MM in Gap Financing

- Staff recommends the Commission authorize HOC to commit to fund up to $1.25MM in gap financing for the construction of Park View at Aspen Hill:
  - Gap financing would be in the form of a cash-flow contingent note with a rate equal to the Applicable Federal Rate at closing (currently 3.25%).
  - Commitment to fund is contingent on Park View at Aspen Hill closing at substantially the same terms as are presented herein.
- In exchange for its commitment, HOC is given a 9.9% ownership share of Park View at Aspen Hill.

Mt. Jezreel Senior Apartments: Authorization to Enter into a Non-binding Letter of Intent with Mission First, Inc.

- Staff recommends approval to enter into a non-binding letter of intent with Mission First, Inc. based on the following key terms:
  - HOC agrees to deliver nine Project-Based Section 8 vouchers to the Mt. Jezreel Senior Apartments project prior to the close of full financing.
  - Mission First, Inc. agrees to place those nine vouchers on nine units at Mt. Jezreel Senior Apartments upon completion.
- No other exchange of value is anticipated.

Budget/Fiscal Impact

- The loan commitment comes from the OHRF, so the outlay impacts neither the budget nor the fiscal health of the agency. The interest on the commitment and development fee, cash flow, and sales proceeds from its ownership share in the project will ultimately increase annual income to HOC.
- Staff proposes that multifamily funds in the OHRF be reserved to fund this obligation as a loan which would be repaid from the recapitalization of Holly Hall upon redevelopment. The unobligated balance of these funds as of December 31, 2014 is $11,304,203.
- Should the Commission proceed with the Mission First opportunity, the proposed obligation against the OHRF presented in concept to the Commission on September 3, 2014 (but not yet approved) for the "make whole" payment for Victory Crossing is reduced by approximately $800,000. With the addition of the $1.25MM commitment to Park View at Aspen Hill, the net increase to the obligated amounts for the two properties proposed on September 3, 2014 would be only $425,000.

RESOLUTION: **RE:** Approval to Issue a Commitment Letter for a Cash-flow Contingent Loan in the Amount of $1,250,000 to Fund the Construction of Park View at Aspen Hill

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

WHEREAS, Shelter Development ("Developer") has control, via an executed purchase and sale agreement, of a six-acre parcel – to be carved out of excess land owned by Wheaton Seventh Day Adventist Church – located in Aspen Hill, Maryland, along Bel Pre Drive; and

WHEREAS, the Developer proposes to construct a new, 120-unit independent senior living affordable rental apartment community called Park View at Aspen Hill ("PVAH") for which it plans to submit an application to the Maryland Department of Housing and Community Development ("DHCD") for an allocation of 4% Low Income Housing Tax Credits ("LIHTC"); and

WHEREAS, the total sources of funds already committed and otherwise projected are insufficient to fully finance the total development costs for PVAH and the shortfall in funds is projected to be as much as $1,250,000; and

WHEREAS, HOC's participation in the proposed development is based on its need of 40 units at PVAH as relocation housing to which residents and/or Project-Based Section 8 subsidy will be transferred from Holly Hall Apartments upon its conversion from Public Housing via the US Department of Housing and Urban Development's Rental Assistance Demonstration ("RAD") program; and

WHEREAS, a commitment for a cash-flow contingent loan of $1,250,000 from HOC will enable the Developer to submit the LIHTC application to DHCD; and

WHEREAS, the funding of the loan shall be funded simultaneously with the closing and funding of the PVAH project's LIHTC equity financing and other construction financing; and

WHEREAS, in the event that equity generated by the sale of the LIHTC, proceeds generated by the senior mortgage, or both equity and loan proceeds generated for the financing of the construction of PVAH exceed the amounts included in the LIHTC application submitted by the Developer to DHCD for funding for PVAH, less any increases in total development costs for PVAH over those included in the LIHTC application, the $1,250,000 commitment would be reduced by the net amount of proceeds increase less cost increase; and

WHEREAS, the Developer has offered HOC a substantial interest of 9.9% in the general partner of the project in return for HOC's financial support.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to issue a commitment letter to the Developer and its affiliate assignee for a cash-flow contingent loan for the Park View at Aspen Hill project in the amount of $1,250,000, bearing interest at the long-term annual Applicable Federal Rate as of the time of the construction loan closing, which loan will be funded from the Opportunity Housing Reserve Fund and shall be funded simultaneously with the closing and/or funding of the project's LIHTC equity and other construction financing.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes and directs 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 contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting of the Commission on March 4, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

Future Action

Information Exchange

New Business

Executive Session Findings

Adjourn

Executive Session