

**EXPANDED AGENDA**

**May 6, 2015**

4:00 p.m.	<b>I. <u>CONSENT ITEMS</u></b>	
Page 4 17  19	<ul style="list-style-type: none"> <li>A. Approval of Minutes of April 1, 2015</li> <li>B. Ratification of Action Taken in Executive Session on April 1, 2015; Approval to Complete the Acquisition of the Avondale Street Properties Pursuant to the County's Right of First Refusal Law, with Funding of the Acquisition from the PNC Bank, N.A. Real Estate Line of Credit and Authorization of Other Related Actions</li> <li>C. Authorization to Amend the Amounts of the Executive Director's Contractual Authority for Architectural Services Related to the Renovation of Arcola Towers and Waverly House</li> </ul>	
4:15 p.m.	<b>II. <u>INFORMATION EXCHANGE</u></b>	
Page 28 31	<ul style="list-style-type: none"> <li>A. Report of the Executive Director</li> <li>B. Calendar and Follow-up Action</li> <li>C. Correspondence and Printed Matter</li> <li>D. Commissioner Exchange</li> <li>E. Resident Advisory Board</li> <li>F. Community Forum</li> <li>G. Status Report</li> </ul>	
4:35 p.m.	<b>III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u></b>	
Page 36  70 75	<ul style="list-style-type: none"> <li>A. Development and Finance Committee – <i>Com. Simon, Chair</i> <ul style="list-style-type: none"> <li>1. Approval of the Final Development Plan for Timberlawn Crescent and Pomander Court (the "Properties"), Authorization to Select General Contractors for the Renovation of the Properties, and Authorization of a loan of Approximately \$7.5 million from the Real Estate Line of Credit (\$90M) with PNC Bank, N.A. to fund the Renovation</li> <li>2. Approval to Increase the Permanent Loan for Tanglewood &amp; Sligo LP</li> <li>3. Authorization to Extend the Current Financial Advisor Contract with Caine Mitter &amp; Associates Incorporated for Two Years</li> </ul> </li> </ul>	
4:55 p.m.	<b>IV. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u></b>	
	A.	
	<b>V. <u>*FUTURE ACTION ITEMS</u></b>	
	<b>VI. <u>INFORMATION EXCHANGE (continued)</u></b>	
	A. Community Forum	
	<b>VII. <u>NEW BUSINESS</u></b>	
	<b>VIII. <u>EXECUTIVE SESSION FINDINGS</u></b>	
5:00 p.m.	<b><u>ADJOURN</u></b>	
	<b><u>RECESS</u></b>	
5:05 p.m.	<b><u>WORKSESSION</u></b>	
	<b><u>EXECUTIVE SESSION</u></b>	

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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](mailto:Patrice.birdsong@hocmc.org).*
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# Consent Items

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Minutes**

April 1, 2015

15-04

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, April 1, 2015 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:16 p.m. Those in attendance were:

**Present**

Sally Roman, Chair  
Jackie Simon, Vice Chair  
Christopher Hatcher  
Richard Y. Nelson, Jr.  
Roberto Piñero

**Not Present**

Jean Banks, Chair Pro Tem  
Margaret McFarland

**Also Attending**

Stacy Spann, Executive Director

Gina Smith

Kayrine Brown

Vivian Benjamin

Clarence Landers

Christopher Donald

Belle Seyoum

Bonnie Hodge

Brenda Curay

Ugonna Ibebuchi

Charnita Robinson

Mary Ellen Ewing

Dean Tyree

Christine Quinto

Scott Ewart

Ken Tecler, Staff Counsel

Gail Willison

Terri Fowler

Zachary Marks

Rita Harris

Elizabeth Harrington

Ethan Cohen

Patrick Mattingly

Scott Ellinwood

Denise Sadler

Lola Knight

Sheryl Hammond

Gio Kaviladze

Saundra Boujai

**RAB**

Kathleen Flanagan, RAB

**Guest**

Valerie Battle

Nancy Scull

**Guest Cont'd**

David Scull  
Sybil Walston

**Commission Support**

Patrice Birdsong, Spec. Asst. to Comm.

**IT Support**

Nick Monaco  
Dominique Laws

Prior to the convening of the Commission meeting, Chair Roman opened the meeting at 4:18 p.m. with the HOC Retiree Award Ceremony and Welcoming of New Commissioners. She began by acknowledging and thanking Commissioner Roberto Piñero for a wonderful job serving as Commission Chair to the Board for five years. She welcomed the three newest Commissioners to the Board, Margaret McFarland, Rick Nelson, and Christopher Hatcher. The HOC Retirees Award Ceremony immediately followed. Awards were presented to Sybil Walston – 29 years of service; Nancy Scull – 22 years of service, Valerie Battle – 15 years of service, and Susan Cheney – 13 years of service.

Immediately following the Welcoming of New Commissioners and HOC Retiree Award Ceremony, the Commissioners took a brief recess. At 4:46 p.m., Chair Roman reconvened the monthly meeting of the Housing Opportunities Commission.

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

**I. CONSENT ITEMS**

**A. Approval of Minutes of Regular Meeting of March 4, 2015** – The minutes were approved as submitted.

**B. Authorization to Submit FY 2016 Annual PHA Plan** - The following resolution was approved.

**RESOLUTION: 15-27**

**RE: Authorization to Submit  
FY 2016 Annual PHA Plan**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County must and desires to implement the mandatory Annual and Five-Year PHA Plan requirements of the Quality Housing and Work Responsibility Act of 1998 (QHWRA); and

**WHEREAS**, the submission of the FY 2016 Annual PHA Plan is mandatory under law and regulation.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves the FY 2016 Annual PHA Plan and its submission to HUD no later than April 17, 2015, as required by federal regulation.

**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.

## **II. INFORMATION EXCHANGE**

**A. Report of the Executive Director** – Provided an update on meeting with the County Council meeting regarding Rental Assistance Development (RAD) and Chevy Chase Lake. He thanked staff for the hard work that went in to making the meeting with Council and PHED Committee successful.

**B. Commissioner Exchange** – Commissioner Simon and Kayrine Brown, Chief Investment & Real Estate Officer attended a meeting with a group to address concerns of impact on the loss of FHA approvals which would cause inability for condos to be sold.

Commissioner Piñero attended the Innovation & Entrepreneurship in Real Estate Awards Ceremony at the University of Maryland. Commissioner McFarland was a part of organizing the event. Very good event and well represented by HOC staff.

**C. Resident Advisory Board** – Kathleen Flanagan addressed Board, thanking the Board and Legislative & Regulatory Committee for directing the mandated changes to the restructuring and reorganization of the Resident Advisory Board (RAB). Special thanks to Rita Harris, Special Assistant to the Director of Resident Services, for her assistance during the changes. Especially happy about a seat designated for the Supportive Housing clients.

**D. Community Forum** – None

**E. Status Report** – None

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

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

**1. Approval to Select R4 Capital and Boston Capital as Low Income Housing Tax Credit Investors for Waverly House and Arcola Towers**

Kayrine Brown, Chief Investment & Real Estate Officer, and Zachary Marks, Asst. Director of New Development were presenters.

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

**RESOLUTION: 15-28**

**RE: Approval to Select Boston Capital as  
Low Income Housing Tax Credit Investor  
for Arcola Towers Apartments**

**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**, Arcola Towers Apartments (the “Property”) consists of 141 age-restricted, high-rise apartment units in a single building located on a 3.25-acre parcel in Silver Spring, Maryland; and

**WHEREAS**, the Property is wholly owned by the Housing Opportunities Commission; and

**WHEREAS**, there has been no major renovation to the buildings, originally constructed in 1972; and

**WHEREAS**, a development plan, approved on January 14, 2015, has been prepared to conduct a substantial renovation to the Property; and

**WHEREAS**, the renovation plan is proposed to be financed with a combination of 4% Low Income Housing Tax Credits and a permanent loan secured by the Property; and

**WHEREAS**, HOC expects to receive a Letter of Reservation of Federal Low Income Housing Tax Credits which will enable HOC to raise approximately \$8.0 million in equity to pay part of the development costs; and

**WHEREAS**, HOC received four proposals from prospective Low Income Housing Tax Credit (“LIHTC”) syndicators; and

**WHEREAS**, after review of all the submissions and further inquiries of the investors, Boston Capital has been determined to be the strongest investor syndicator among the four respondents; and

**WHEREAS**, HOC intends to negotiate a limited partnership agreement with Boston Capital for the ownership of the property with HOC as the general partner.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves the selection of Boston Capital as the low income housing tax credit investor syndicator for the Property.

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

**RESOLUTION: 15-29**

**RE: Approval to Select R4 Capital as Low Income Housing Tax Credit Investor for Waverly House Apartments**

**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**, Waverly House Apartments (the “Property”) consists of 158 age-restricted, high-rise apartment units in a single building located on a 40,000-square foot parcel in Bethesda, Maryland; and

**WHEREAS**, the Property is wholly owned by the Housing Opportunities Commission; and

**WHEREAS**, there has been no major renovation to the buildings, originally constructed in 1970; and

**WHEREAS**, a development plan, approved on January 14, 2015, has been prepared to conduct a substantial renovation to the Property; and

**WHEREAS**, the renovation plan is proposed to be financed with a combination of 4% Low Income Housing Tax Credits and a permanent loan secured by the Property; and

**WHEREAS**, HOC expects to receive a Letter of Reservation of Federal Low Income Housing Tax Credits which will enable HOC to raise approximately \$14.5 million in equity to pay part of the development costs; and

**WHEREAS**, HOC received four proposals from prospective Low Income Housing Tax Credit (“LIHTC”) syndicators; and



**WHEREAS**, after review of all the submissions and further inquiries of the investors, R4 Capital has been determined to be the strongest investor syndicator among the four respondents; and

**WHEREAS**, HOC intends to negotiate a limited partnership agreement with R4 Capital for the ownership of the property with HOC as the general partner.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves the selection of R4 as the low income housing tax credit investor syndicator for the Property.

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

**2. Approval of a Modified Financing Plan and Adoption of a Resolution Authorizing the Issuance of a Tax-Exempt Note for the Financing of The Crossing at Olde Towne Apartments**

Kayrine Brown, Chief Investment & Real Estate Officer, and Vivian Benjamin, Asst. Director of Mortgage Finance were presenters.

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

**RESOLUTION: 15-30**

**Re: Adoption of Bond Authorizing Resolution for The Crossing at Olde Towne Project**

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, AUTHORIZING THE EXECUTION AND DELIVERY BY THE COMMISSION OF ITS MULTIFAMILY HOUSING REVENUE NOTE, 2015 ISSUE A (THE CROSSING AT OLDE TOWNE) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$25,525,000 FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF A MULTIFAMILY RENTAL HOUSING DEVELOPMENT LOCATED IN MONTGOMERY COUNTY, MARYLAND AND INTENDED FOR OCCUPANCY, IN PART, BY PERSONS OF ELIGIBLE INCOME AND KNOWN AS THE CROSSING AT OLDE TOWNE; AUTHORIZING THE PUBLIC PURPOSE SET-ASIDE COVENANTS; AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF THE FUNDING LOAN AGREEMENT, THE BORROWER LOAN AGREEMENT, THE REGULATORY AGREEMENTS AND THE OTHER

COMMISSION DOCUMENTS AS DESCRIBED HEREIN; AUTHORIZING ONGOING DETERMINATIONS BY THE EXECUTIVE DIRECTOR; AUTHORIZING THE EXECUTION AND DELIVERY OF ANY OTHER DOCUMENTS NECESSARY TO DELIVERY OF THE GOVERNMENTAL LENDER NOTE; AUTHORIZING THE CHAIRMAN, THE VICE CHAIRMAN OR THE CHAIRMAN PRO TEM AND THE EXECUTIVE DIRECTOR OF THE COMMISSION TO PROCEED WITH THE DELIVERY OF THE GOVERNMENTAL LENDER NOTE TO CITIBANK, N.A. OR TO AN AFFILIATE THEREOF UPON THE EXECUTION OF THE REQUIRED TRANSFEREE REPRESENTATIONS; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE GOVERNMENTAL LENDER NOTE; RATIFYING AND APPROVING THE ACTIONS OF THE STAFF OF THE COMMISSION IN ACCORDANCE WITH THE COMMISSION'S PROCUREMENT POLICY TO SECURE A FISCAL AGENT AND THE APPOINTMENT BY THE EXECUTIVE DIRECTOR OF A FISCAL AGENT; APPROVING CERTAIN COMMISSION FEES; AND PROVIDING AN EFFECTIVE DATE.

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

**WHEREAS**, the Act declares that there exists within Montgomery County (the "County") a critical shortage of decent, safe, and sanitary housing that "persons of eligible income" (within the meaning of the Act) can afford to rent; and

**WHEREAS**, the Act empowers the Commission to make loans to qualified sponsors to provide for the acquisition, construction, rehabilitation, equipping and permanent financing of multifamily residential housing units in the County for occupancy by persons of eligible income and to perform any other duties that the Commission considers necessary in carrying out the purposes of the Act; and

**WHEREAS**, at the request of Olde Towne Associates, LP, a Virginia limited partnership (the "Borrower"), and to provide a source of funds to fulfill its purposes authorized by and pursuant to the Act and that certain Funding Loan Agreement, dated as of April 1, 2015 (the "Funding Loan Agreement"), by and among the Commission, Citibank, N.A. (the "Funding Lender") and Manufacturers and Traders Trust Company (the "Fiscal Agent"), the Funding Lender will advance funds in an aggregate amount not to exceed \$25,525,000 (the "Funding Loan") to or for the account of the Commission; and

**WHEREAS**, to evidence the Funding Loan, the Commission will execute and deliver to the Funding Lender its Multifamily Housing Revenue Note 2015 Issue A (The Crossing at Olde Towne) (together with one or more related series of notes as may be required in the best interest of the Commission, the "Governmental Lender Note"); and

**WHEREAS**, the Commission will lend the proceeds of the Governmental Lender Note (the "Borrower Loan") to the Borrower pursuant to that certain Borrower Loan Agreement, dated as of April 1, 2015 (the "Borrower Loan Agreement"), by and between the Commission and the Borrower, for the purpose of financing a portion of the costs of the acquisition, construction and equipping of an 199-unit multifamily residential rental development (consisting of 199 affordable units) to be owned and operated by the Borrower and occupied in substantial part by eligible persons, located in Montgomery County, Maryland, and known as The Crossing at Olde Towne (the "Project"); and

**WHEREAS**, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Commission a Multifamily Note (the "Borrower Note") dated the date of delivery of the Governmental Lender Note (the "Closing Date"); and

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

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

**WHEREAS**, as set forth in the staff written presentation dated the date hereof, recommending to the Commission the adoption of this resolution, additional funds received from a tax credit investor and from a subordinate loan made by Citibank, N.A. to the Borrower will be applied to the financing of the Project; and

**WHEREAS**, the Borrower has covenanted to rent or hold available for rent at least 40% of the units in the Project to persons with incomes that do not exceed 60% of the Washington Metropolitan Statistical Area median income for the applicable family size (the "Public Purpose Set-Aside Covenants"); and

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

**WHEREAS**, the Commission has determined that the execution and delivery of the Governmental Lender Note, the application of the proceeds of the Borrower Loan to finance a portion of the costs of the acquisition, construction and equipping of the Project, and the Public Purpose Set-Aside Covenants are feasible and will accomplish a valid public purpose for the Commission; and

**WHEREAS**, in consideration of the execution and delivery of the Governmental Lender Note and the financing of the Project, the Borrower has agreed to make payments of principal and interest to the Funding Lender, as directed by the Commission in the Borrower Loan Agreement, in amounts fully sufficient to pay the principal of, premium, if any, and interest on the Governmental Lender Note as the same become due and payable; and

**WHEREAS**, in further consideration of the execution and delivery of the Governmental Lender Note and the financing of the Project, the Borrower has agreed to enter into and comply with the provisions of the Land Use Restriction Agreement, dated as of April 1, 2015, by and among the Commission, the Fiscal Agent and the Borrower (the "Land Use Restriction Agreement"), the Regulatory Agreement, dated as of April 1, 2015, by and between the Commission and the Borrower (the "Regulatory Agreement") and the Tax Regulatory Agreement and No Arbitrage Certificate relating to the Governmental Lender Note (the "Tax Regulatory Agreement," and collectively with the Land Use Restriction Agreement and the Regulatory Agreement, the "Regulatory Agreements"); and

**WHEREAS**, there will be prepared in connection with the financing documents to be entered into by the Commission in connection with the execution and delivery of the Governmental Lender Note and the financing of the Project, including but not limited to, (a) the Funding Loan Agreement, (b) the Borrower Loan Agreement and (c) the Regulatory Agreements (collectively, with all other documents to be executed by the Commission in connection with the execution and delivery of the Governmental Lender Note and the financing of the Project, the "Commission Documents").

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

1. ***The Governmental Lender Note.*** The Governmental Lender Note is authorized to be issued pursuant to and under the Funding Loan Agreement in an aggregate principal amount not to exceed \$25,525,000 for the purpose of making funds available for the Borrower Loan for financing the costs of the acquisition, construction and equipping of the Project. The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director (hereinafter, "Executive Director" shall be interpreted to include any Acting Executive Director appointed by the Commission) or the Authorized Representative (defined below) of the Commission are authorized to establish the dates, maturities, interest payment dates, denominations, terms of redemption, registration privileges, security and other terms, and to approve the interest rate on the Governmental Lender Note, all of the foregoing to be specified in the Funding Loan Agreement. The Governmental Lender Note shall be a limited obligation of the Commission, secured by and payable solely from security pledged therefor under the Funding Loan Agreement.

2. ***Approval of Financing.*** The Commission hereby approves the financing of the Project pursuant to the terms and conditions set forth in the Funding Loan Agreement, the Borrower Loan Agreement and such other Commission Documents

approved hereby and executed and delivered pursuant to this resolution and hereby finds that such financing as approved hereby is feasible.

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

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

5. **Authorizing Ongoing Determinations under Commission Documents.** The Executive Director is hereby authorized, without further authority from the Board of Commissioners, to perform any act, to execute any documents, and to make any ongoing determinations as may be required to be made on behalf of the Commission from time to time pursuant to the terms of the Commission Documents, including, but not limited to, the determination of other terms to be in effect with respect to the Governmental Lender Note, the giving or withholding of consents, and the selection and removal of purchasers of the Governmental Lender Note and other professionals.

6. **Execution and Delivery of Governmental Lender Note.** The Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director of the Commission or a person designated by the Executive Director to act on his behalf (the "Authorized Representative") is authorized to proceed with the delivery of the Governmental Lender Note to the Funding Lender or to an affiliate thereof or to any other initial purchaser of the Governmental Lender Note as shall be determined to be in the best interest of the Commission, which Funding Lender shall be required to execute transferee representations in the form approved by the Commission to be attached to the Funding Loan Agreement.

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

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

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

10. ***Financing Fee; Ongoing Monitoring Fee.*** A fee (the "Financing Fee") in an amount equal to 1% of the original principal amount of the Governmental Lender Note, to be paid by the Borrower to the Commission in connection with the execution and delivery of the Governmental Lender Note, is hereby approved. The Financing Fee shall be payable on the date of execution and delivery of the Governmental Lender Note. The Borrower pursuant to the requirements of the Regulatory Agreement shall also pay to the Commission a monitoring fee equal to 0.25% of the original principal amount of the Borrower Loan (the "Monitoring Fee"), which Monitoring Fee is hereby approved, or such greater amount as shall be approved by the Commission and agreed to by the Borrower. The Monitoring Fee shall be payable annually, in monthly installments, on the first day of each month commencing with the first month following the Closing Date.

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

12. ***Action Approved and Confirmed.*** All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this resolution and in the furtherance of the execution and delivery of the Governmental Lender Note and the financing of the Project approved hereby and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

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

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

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

**A. Approval to Extend the Term of the Management Agreement for Brookside Glen and Timberlawn Crescent**

Gina Smith, Chief Operating Officer and Clarence Landers, Special Assistant to the Director of Property Management were presenters.

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

**RESOLUTION: 15-31**

**RE: Approval to Extend the Term of the Management Agreements of Brookside Glen and Timberlawn Crescent**

**WHEREAS**, HOC as the Owner Entity for Brookside Glen and Timberlawn Crescent is authorized to enter into third-party Management Agreements for the properties; and

**WHEREAS**, the Commission authorized the Executive Director to execute a contract for Property Management Services (the "Management Agreements") with The Bozzuto Group ("Bozzuto") for Brookside Glen and Timberlawn Crescent; and

**WHEREAS**, the authorized contract terms expired; and

**WHEREAS**, staff is requesting that the Commission authorize the Executive Director of the Housing Opportunities Commission to approve the extension of the term of the Management Agreements for Brookside Glenn and Timberlawn Crescent for six months, with a single six month renewable term.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission that the Executive Director is hereby authorized to extend the term of the Management Agreements for Brookside Glen and Timberlawn Crescent for six months, with a single six month renewable term.

**B. FUTURE ACTION ITEMS**

**None**

**C. INFORMATION EXCHANGE (CONT'D)**

**None**

**D. NEW BUSINESS**

**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 5:09 p.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb



**RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION  
ON APRIL 1, 2015:**

**APPROVAL TO COMPLETE ACQUISITION OF AVONDALE STREET  
PROPERTIES PURSUANT TO THE COUNTY'S RIGHT OF FIRST REFUSAL  
LAW WITH FUNDING FROM THE PNC BANK, N.A. REAL ESTATE LINE OF  
CREDIT AND AUTHORIZATION OF OTHER RELATED TRANSACTIONS**

**AND**

**APPROVAL OF A TAX-EXEMPT DRAW OF UP TO \$7.25MM BY HOC FROM  
THE PNC BANK, N.A. REAL ESTATE REVOLVING LINE OF CREDIT (\$90  
MILLION) TO ACQUIRE 4500-02, 450406, 4508-10, AND 4527  
AVONDALE STREET**

**MAY 6, 2015**

- At a closed Executive Session on April 1, 2015, the Commission approved the acquisition and renovation of a multi-family property known as Avondale Street Properties.
- The Commission approved drawing the acquisition funds from the \$90 Million PNC Bank, N.A. Real Estate Line of Credit (RELOC).
- The Commission drew on the RELOC and acquired Avondale Street Properties on April 17, 2015.
- The Commission wishes to ratify and affirm, in an open meeting, the action undertaken at the April 1, 2015 Executive Session and the subsequent transaction on April 17, 2015.

**RESOLUTION: 15-\_\_\_-R**

**RE: Ratification of (1) Approval to Complete Acquisition of Avondale Street Properties Pursuant to the County’s Right of First Refusal Law with Funding From the PNC Bank, N.A. Real Estate Line of Credit and Authorization of Other Related Transactions; and (2) Approval of a Tax-Exempt Draw of Up To \$7.25mm by HOC From The PNC Bank, N.A. Real Estate Revolving Line Of Credit (\$90 Million) to Acquire 4500-02, 450406, 4508-10, and 4527 Avondale Street**

**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 April 1, 2015, with a quorum being present, the Commission duly adopted two resolutions: Resolution 15-32ES (“Acquisition Approval Resolution”) and Resolution 15-33ES (“RELOC Draw Approval Resolution”), each of which authorized a draw on funds from the PNC Bank, N.A. Real Estate Line of Credit (RELOC) for the purpose of financing the acquisition of 25 units located at 4500-02, 4504-06, 4508-10 and 4527 Avondale Street in Bethesda, Maryland (“Property”); and

**WHEREAS**, on April 17, 2015, the Commission drew on the RELOC for the purpose of acquiring the Property and took title to the Property; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission in adopting the Acquisition Approval Resolution and RELOC Draw Approval Resolution and in executing the transactions contemplated therein.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Acquisition Approval Resolution, the RELOC Draw Approval Resolution and the acquisition of the Property are 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 May 6, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

# ARCOLA TOWERS & WAVERLY HOUSE

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SILVER SPRING & BETHESDA

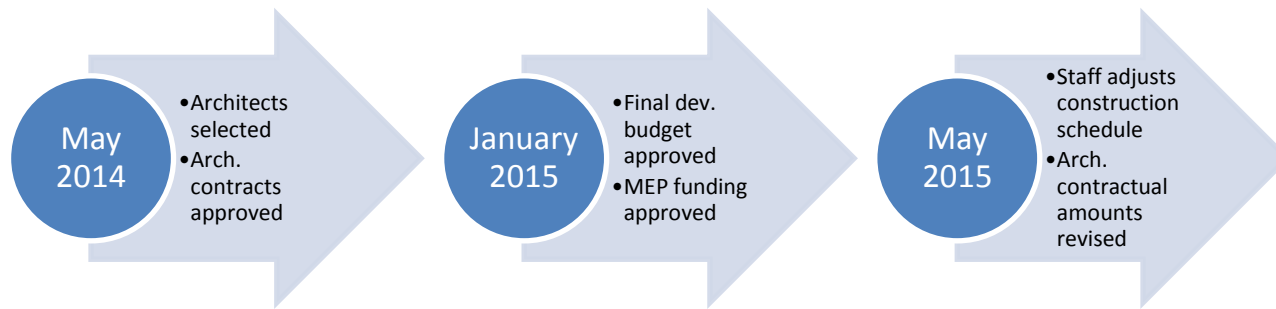


STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
JAY SHEPHERD  
ZACHARY MARKS

# Executive Summary

The procurement of the architects for the renovation of Arcola Towers and Waverly House occurred approximately a year ago. In that time; as due diligence progressed; staff's augmented understanding of the renovation details, its improvements to HOC forms of contract, and HOC's refinements to certain policies have incidentally produced a need for minor amendments to the architectural contractual authorizations.



The procurement began with the issuance of the Request For Proposals #1916 (“RFP”) on April 1, 2014. On May 7, 2014, the Commission approved the selections of Miner Feinstein Architects (“MFA”) as the architect of record for the Arcola Towers renovation and Architecture by Design (“ABD”) as the architect of record for the Waverly House renovation. At that same meeting, the Commission approved authorization to execute contracts with both architects; as well as the Preliminary Development Plan for the two projects, which included projected costs for architectural services.

The Final Development Plan, however, was not approved until January 14, 2015; as staff required several additional months to establish the legal and financial structures most advantageous to the Commission. At the January 14, 2015, meeting; the Commission also approved interim funding for architectural services as well as for reimbursement of the mechanical, electrical, plumbing, and other critical subcontracts that were required by the RFP (and each required subcontractor was identified in all respondents’ submissions).

# Executive Summary

Both of the general contractors for the renovation of Arcola Towers and Waverly House have consistently represented that construction can be completed within 12 months. Further, the continued organic increase in vacancy at both properties is creating a critical mass where the initial plan to conduct renovations with tenants in place will be replaced with renovations conducted on individual floors (or stacks) where vacancy has been consolidated.

Starting at the top of the building, renovation of the first six floors should take approximately four weeks each to complete. As the general contractors develop a familiarity with the floor plans and get a sense of likely unforeseen conditions in a given unit, the time required per floor should shrink to three weeks.

At that pace, Arcola Towers' renovation would be complete in a little less than 11 months. The renovation of Waverly House would be complete in slightly more than 11 months. Added to that active renovation time would be two weeks on either side for mobilization, consolidation, punch walks, and demobilization (clean-up). This is the basis of the 12 months suggested by the general contractors.

Having met with the residents of the two properties more than a dozen times and given that under the new “non-in place” renovation all residents will relocate within the building, staff felt it prudent to add an additional two months to allow time for residents to comfortably and safely make the transition into their new units. However, the Community Development Administration (“CDA”), which – by dint of its allocating the Low Income Housing Tax Credits funding a substantial part of the project – requires that the length of the architecture contract match the length of the construction contract.

	Arcola	Waverly
<i>Floor</i>	<i>Weeks</i>	<i>Weeks</i>
14	4	4
13	N/A	4
12	4	4
11	4	4
10	4	4
9	4	4
8	4	3
7	3	3
6	3	3
5	3	3
4	3	3
3	3	3
2	3	3
Ground	4	4
	<b>46</b>	<b>49</b>

# Executive Summary

The extension of the architectural contracts to include an additional two months each of construction administration adds approximately \$6,000 to the contractual amount required for Arcola Towers and \$15,000 to that required for Waverly House. Additionally, there are revisions in costs for revised Section 3 guidance, as these procurements took place prior to the full development of HOC's Section 3 protocols. Once developed, the guidelines were shared with the architects. Staff then worked with them to develop a modified budget for compliance with the new protocols. Lastly, since the time of the RFP, staff developed a more proprietary form of architectural contract, which necessitated additional legal review for the architects. Incremental costs associated with that is also included.

New

Arcola	Commission Approvals		
	May-14	Jan-15	May-15
Design	\$130,799		
MEP Subcontract		\$105,000	
Structural Subcontract		\$5,000	
Civil Subcontract		\$31,000	
Elevator Contract		\$20,000	
Revised Section 3 Guidance			\$3,924
Construction Period Change			\$6,000
	\$130,799	\$161,000	\$9,924

Total: \$301,723

New

Waverly	Commission Approvals		
	May-14	Jan-15	May-15
Design	\$218,000		
MEP Subcontract		\$66,000	
Structural Subcontract		N/A	
Civil Subcontract		N/A	
Elevator Contract		N/A	
Revised Section 3 Guidance			\$6,540
Construction Period Change			\$15,000
Modifications to Contract Form*			\$5,000
	\$218,000	\$66,000	\$26,540

\*Modifications ultimately used by both architects.

Total: \$310,540

The pro forma development budget approved in January as part of the final development plan included all of the above costs. So, this approval does not increase the overall cost of the renovation projects as presented to the Commission. As well, the increased amounts of contractual authorization would neither change the scoring of the Pricing category for the RFP nor the overall scoring upon which selection was based. At any rate, these are changes that would have eventually been applied against any of the bids.

# Commission Request & Next Steps

## Issues for Consideration

Does the Commission wish to approve the modification of contractual authority for architecture services related to the renovation of Arcola Towers and Waverly House:

- For Arcola Towers, to \$301,723; inclusive of architectural fees of \$140,723 and reimbursements for subcontractors of \$161,000?
- For Waverly House, to \$310,540; inclusive of architectural fees of \$244,540 and reimbursements for subcontractors of \$66,000?

## Updated LIHTC Timing

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



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

# Commission Request & Next Steps

## Timing of Approval

Action at the May 6, 2015, Commission meeting.

## Budget Impact

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

## Staff Recommendation and Commission Action Needed

Staff recommends that the Commission approve the modification of contractual authority for architecture services related to the renovation of Arcola Towers and Waverly House :

- For Arcola Towers, to \$301,723; inclusive of architectural fees of \$140,723 and reimbursements for subcontractors of \$161,000.
- For Waverly House, to \$310,540; inclusive of architectural fees of \$244,540 and reimbursements for subcontractors of \$66,000.



**RESOLUTION:**

**RE: Authorization to Amend the Amounts of the Executive Director’s Contractual Authority for Architectural Services Relates to the Renovation of Arcola Towers and Waverly House**

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

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

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

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

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

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

**WHEREAS**, on May 7, 2014, the Commission approved the selection of Miner Feinstein Architects as the architect of record for the rehabilitation of Arcola Towers and authorized the Executive Director to execute a contract with the aforementioned for its architectural and design services; and

**WHEREAS**, on May 7, 2014, the Commission approved the selection of Architecture By Design, Inc. as the architect of record for the rehabilitation of Waverly House and authorized the Executive Director to execute a contract with the aforementioned for its architectural and design services; and

**WHEREAS**, on January 14, 2015, the Commission approved a final development plan for Arcola Towers, including approximately \$459,848 in development period expenditures; and

**WHEREAS**, on January 14, 2015, the Commission approved a final development plan for Waverly House, including approximately \$440,802 in development period expenditures; and

**WHEREAS**, to align with the funding approved on January 14, 2015, and to account for minor changes in the project plan, the Commission wishes to amend the amount of the contractual authority for architectural services related to the renovation of Arcola Towers given to the Executive Director on May 7, 2014; and

**WHEREAS**, to align with the funding approved on January 14, 2015, and to account for minor changes in the project plan, the Commission wishes to amend the amount of the contractual authority for architectural services related to the renovation of Waverly House given to the Executive Director on May 7, 2014.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director to execute a contract for architectural and related services with Miner Feinstein Architects for \$301,723.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director to execute a contract for architectural and related services with Architecture By Design, Inc. for \$310,540.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on May 6, 2015.

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**Patrice M. Birdsong**  
**Special Assistant to the Commission**

# Information Exchange

## HOC Academy

### *HOC Works Receives \$10,000 Donation*



On Wednesday, April 8th, HOC Works received a \$10,000 donation from Capital Building Partners (CBP) President Robert Hooten. CBP recently completed an eight-week survey course for HOC clients to teach them the basics of the construction industry and discuss the types of positions available and the pros and cons of different construction careers.

Eleven students took and successfully completed the course. The \$10,000 donation

will assist the students in pursuing a formal construction training program of their choice at Montgomery College.

The course and partnership with CBP are just the first chapter in what I believe will be a long-term fruitful partnership for the agency and our clients.

### *HOC Works Employment Placements Off to a Fast Start*

Hamel Builders has committed to hiring as many as 12 HOC Works participants for work on RAD construction projects. To date, three have been hired and interviews are ongoing.

In addition to the Hamel hirings, Capital Building Partners has committed to hiring HOC Works participants over the next month.

HOC Works is off to an exciting start in terms of employment placements, but the surface has only been scratched. I look forward to providing you with more job placement news in the weeks and months ahead.

## **Legislative and Public Affairs**

### *Meeting with Councilmember Hucker*

On Thursday, March 26th, Scott Ellinwood and I met with Councilmember Tom Hucker (District 5) to provide an overview of HOC's role in the community and current initiatives.

I thought the meeting went very well. Councilmember Hucker asked some insightful questions and was pleased that he reported no complaints about HOC within his district.

### *Joint Staff Meeting with ARHA*

On Monday, April 6th, CEO Roy Priest and his executive team from the Alexandria Redevelopment and Housing Authority (ARHA) joined HOC executive staff for a joint meeting and tour of selected HOC properties. The meeting was a follow-up to the HOC visit to Alexandria in February.

The group saw a wide range of properties, from our flagship mixed-income properties such as Metropolitan to those most in need of redevelopment such as the Ambassador. Following the tour, the group had lunch in the Strathmore Court community room and I led a PowerPoint presentation on HOC initiatives.

The joint meetings have been very productive and informative. Although we serve very different communities with different sets of challenges, there is tremendous experience and creativity happening in Alexandria.

### *Town Hall Meeting – May 11th*

The next Town Hall Meeting is scheduled for Monday, May 11th at 6:30 p.m. in the Seneca Valley High School cafeteria.

Seneca Valley High School is located at 19401 Crystal Rock Dr, Germantown, MD 20874.

## **Information Technology**

### *Departure of Scott Ewart*

Chief Information Officer Scott Ewart submitted his resignation, effective April 24th. Scott intends to expand his business, ScottE Software, into a full-time consulting shop.

During his tenure, Scott oversaw several key agency initiatives including the re-design of the agency website in 2012, the creation of 22 cloud computing centers at sites throughout the portfolio, and the first online Wait List application in HOC history in 2004. IT also received several NAHRO Awards of Excellence under his leadership.

Scott offered a statement to share with the Commission: "It's been an honor to have worked for a wonderful Board of Commissioners, with an excellent staff and serving the residents of Montgomery

County over the past 15 years. While I am excited about the growth of ScottE Software, I will truly miss all those I have worked with at HOC."

I'd like to thank Scott for his years of service and wish him all the best as he grows his business.

Ken Goldstraw will serve as Acting Chief Information Officer.

### **Mortgage Finance**

#### *Crossing at Olde Towne Closes*

After a brief delay in processing, on Thursday, April 9th, the Commission, the developer, the funding bank, bond counsel, HOC's Financial Advisor and many other participants gathered on the telephone to sign-off on the closing for the Crossing at Olde Towne transaction.

This \$45,918,843 transaction will provide 199 one, two, and three bedroom units of housing at or below 60% of the area median income in the City of Gaithersburg. The transaction is supported by a number of resources including a \$25,525,000 tax exempt loan from HOC, \$12,571,516 in tax credit equity, developer equity, subordinate debt from Citibank, and a PILOT from DHCA. The financing was arranged through a private note from Citibank. The rate for the financing was locked on Tuesday, April 7, 2015, at 4.31%, 84 bps (basis points) under the 5.15% underwritten rate.

This is a two year new construction property, which is due to reach stabilized occupancy in calendar year 2018. The property is required to provide public purpose for this transaction for at least 15 years (qualified project period) or as long as the tax-exempt note is outstanding. HOC is required by tax law to monitor the transaction during this period. The total fee to be collected by HOC for this property is \$1,340,063.

Closing this transaction is the culmination of outstanding teamwork from all involved.

# HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

## May 2015

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Apr. 29 - 2	NALHFA Annual Conference (Miami, FL – Epic Miami Hotel)	
4	Affordable Housing Conference Summit ( <i>All</i> ) (Bethesda North Marriot Conference Center, 5701 Marinelli Road, N. Bethesda, MD)	8 a.m. – 3 p.m.
5	History of Toby Town ( <i>Simon</i> )	11-12:30 p.m.
6	HOC Regular Meeting ( <i>All</i> )	4:00 p.m.
6	Worksession – RAD Update ( <i>All</i> )	5:00 p.m.
11	Town Hall Meeting (Seneca Valley High School, 19401 Crystal Rock Dr., Germantown, MD 20874)	6:30 p.m.
12	Legislative and Regulatory Committee Meeting ( <i>Banks, Hatcher, Simon</i> )	2:30 p.m.
13	Budget, Finance and Audit Committee Meeting (Roman, Piñero, Nelson)	10:00 a.m.
15	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
15	Executive Session ( <i>All</i> )	11:30 a.m.
18	Agenda Formulation ( <i>Roman, Simon</i> )	12:00 p.m.
18	Resident Advisory Board ( <i>Banks</i> )	7:00 p.m.
19	Budget, Finance and Audit Committee Meeting (Quarterly) ( <i>Roman, Piñero, Nelson</i> )	10:00 a.m.
19 - 22	MARC-NAHRO Conference (Clarion Resort Fontainebleau Hotel, 10100 Coastal Hwy., Ocean City, MD)	

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## June 2015

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3	HOC Regular Meeting ( <i>All</i> )	4:00 p.m.
10	HOC Day of Service	
11	Staff Appreciation Day ( <i>All</i> )	
15	Resident Advisory Board ( <i>Banks</i> )	7:00 p.m.
18	Tony Davis Scholarship Committee Meeting ( <i>Simon</i> )	11:00 a.m.
19	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
19	Public Hearing – re: Changes to HOC Administrative Plan and Admissions and Continued Occupancy Policy (ACOP) ( <i>Simon</i> )	11:30 a.m.
19	Executive Session ( <i>All</i> )	12:00 p.m.
22	Agenda Formulation ( <i>Roman, McFarland</i> )	12:00 p.m.
23	HAND 2015 Annual Meeting & Housing Expo ( <i>All</i> ) (Omni Shoreham Hotel, 2500 Calvert St., NW, Washington, DC)	8 a.m. – 3 p.m.

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## July 2015

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3	Independence Day ( <i>Observed</i> )( <i>HOC Offices Closed</i> )	
8	HOC Regular Meeting	4:00 p.m.
13	Town Hall Meeting ( <i>All</i> )	6:00 p.m.
20	Resident Advisory Board ( <i>Banks</i> )	7:00 p.m.
21	Legislative and Regulatory Committee Meeting ( <i>Banks, Hatcher, Simon</i> )	2:00 p.m.
24	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
24	Executive Session ( <i>All</i> )	11:30 a.m.
27	Agenda Formulation ( <i>Roman, McFarland</i> )	12:00 p.m.
30-Aug. 1	NAHRO Summer Conference (Austin, TX)	

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## August 2015

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5	Tony Davis Scholarship Award Reception ( <i>Award Presentation 4:00 p.m.</i> )	3:00 p.m.
5	HOC Regular Meeting ( <i>All</i> )	4:30 p.m.
11	Budget, Finance and Audit Committee Meeting ( <i>Roman, Piñero, Nelson</i> )	10:00 a.m.
21	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
21	Executive Session ( <i>All</i> )	11:30 a.m.
24	Agenda Formulation ( <i>Roman, Nelson</i> )	12:00 p.m.

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## September 2015

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2	HOC Regular Meeting ( <i>All</i> )	4:00 p.m.
14	Town Hall Meeting	6:00 p.m.
15	Legislative and Regulatory Committee Meeting ( <i>Banks, Hatcher, Simon</i> )	2:00 p.m.
18	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
18	Executive Session ( <i>All</i> )	11:30 a.m.
21	Resident Advisory Board ( <i>Banks</i> )	7:00 p.m.
22	Budget, Finance and Audit Committee Meeting ( <i>Roman, Piñero, Nelson</i> )	10:00 a.m.
28	Agenda Formulation ( <i>Roman, Nelson</i> )	12:00 p.m.

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### Activities of Interest

Hearing Board

TBD	Joint Meeting with Commission on People with Disabilities
TBD	Property Tour III
04/20-21/2015	Commissioners & Executive Staff Retreat (done)

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# TO DO / ACTION

<b>Ref. #</b>	<b>DUE DATE</b>	<b>ACTION</b>	<b>STAFF</b>	<b>STATUS</b>
TD-14-03	April 2015	Status of HOC Reorganization	SS	Complete
TD-14-04	April 2015	Annual Evaluation of the HUBs – what things are working and what needs improvement	GS/BD	Complete
TD-14-05	April 2015	HOC Academy	GS	Complete
TD-14-07	Spring/Summer 2015	Procurement Policy & Personnel Policy	KM-BA/PM	

# Committee Reports and Recommendations for Action

# Development and Finance Committee

**Approval of the Final Development Plan for Timberlawn Crescent and Pomander Court (the “Properties”), Authorization to Select and Enter into Contract Negotiation with General Contractors for the Renovation of the Properties, and Authorization of a Loan of Approximately \$7.5 Million from the \$90 Million Real Estate Line of Credit with PNC Bank, N.A. to Fund the Renovation**

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STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
RICHARD D. HANKS  
SHERYL HAMMOND

May 6, 2015

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# Executive Summary: Background

- TPM Development Corporation (“Corporation”) – an entity wholly controlled by the Housing Opportunities Commission of Montgomery County (“HOC”) – consists of Timberlawn Crescent (“Timberlawn”), a 107-unit development located in North Bethesda; Pomander Court (“Pomander”), a 24-unit, clustered-townhome community located in Silver Spring; and MPDU II, a collection of 59 scattered site units.
- In April 2013, staff was alerted to health and safety issues involving the structural deficiencies of the outdoor decking system at Timberlawn. Since the property was in need of a more comprehensive renovation; staff proposed, as part of the remediation of these issues, an update to the building envelope.
- On July 17, 2013, HOC approved the Preliminary Development Plan, Predevelopment Budget, and Interim Renovation Financing Plan for Timberlawn Crescent and Pomander Court (under Resolution No. 13-047).
- On January 8, 2014, TPM Development Corporation approved the acceptance of an HOC subordinate loan to fund pre-development and exterior renovation cost (under Resolution No. 14-01).
- The exterior renovation of the 107 units at Timberlawn Crescent (exclusive of exterior doors) started in FY 2014 and finished in FY 2015. The scope and funding for the interior renovation of Timberlawn and the full renovation of Pomander are now prepared, identified, and recommended herein for Commission approval.
- On September 3, 2014, TPM Development Corporation approved the acceptance of a loan from the PNC Bank Real Estate Line of Credit (“RELOC”) to prepay the first mortgage for TPM Development Corporation.
- MPDU II contains 59 scattered site units that were acquired by HOC between 1986 and 1989. We anticipate the renovation of these units at a later date following the completion of the 669 Scattered Site Units in FY2016.

# Executive Summary: Recommendations

The Development and Finance Committee recommends approval to the Commission on several staff proposals:

1. Approval of the interior renovation plans for both Timberlawn and the full renovation of Pomander to provide high-quality, well-designed, and energy-efficient affordable housing consistent with new HOC standards.
2. Approval to selection Hamel Builders, Inc. (“Hamel”) and CBP Constructors, LLC (“CBP”) as general contractors for the renovation of Timberlawn and Pomander, respectively; and authorization of the Executive Director to enter into contract negotiations and to execute contracts for an aggregate amount not to exceed \$7.5 million with the selected general contractors.
3. Approval to use the remaining funds from the previous approval of the exterior renovations for safety upgrades to the exterior lighting at both properties, upgrades to energy efficiency, as well as improved playground/outdoor space.
4. Authorization of a tax-exempt draw on the Real Estate Line of Credit (RELOC) with PNC Bank, N.A. as an interim funding source for the renovations. At completion, the Commission can place a permanent mortgage of its choosing on the property. It is anticipated that the Commission will issue tax-exempt governmental bonds under the Multifamily Housing Bond Indenture to finance a permanent mortgage.

# Timberlawn and Pomander: Existing Development

Timberlawn Crescent is located in North Bethesda off Tuckerman Lane across from Georgetown Preparatory School, was developed in two phases between 1988 and 1990, and consists of 107 garden style units. The apartments offer eat-in kitchens with pantry, wood cabinets, frost-free refrigerator with ice maker, dishwasher and disposal. In addition, each unit has an individual washer and dryer, patio or deck, private entrance, and ceiling fans. The apartments are conditioned by heat pumps. The property offers easy access to Route 355 and I-270 as well as Metro's Red line (Grosvenor Station). The school assignments for this property are Garrett Park Elementary, Tilden Middle, and Walter Johnson High – all highly rated schools.

Pomander Court was built in 1967 and purchased by HOC in 1975 to prevent the units from being converted to condominiums. It is a 24-unit clustered townhome community. Each unit contains approximately 2,100 square feet of living space primarily consisting of 3-bedrooms, 2.5 bathrooms, and a basement. The property is located on University Blvd, convenient to bus transportation, and within an easy drive and 15 minute walk to the Wheaton Metro station. The property has 43 parking spaces. The buildings have flat front brick facades with shingled roofs. The living areas are ample but, consistent with the floor plans of the era in which they were built, do not have an open layout. The property offers easy access to I-495 as well as Metro's Red line (Wheaton Station).

## Case For Repositioning The Properties

By maintaining these properties as affordable units and upgrading to the new HOC standards, the Agency provides not only affordable housing but does so in very desirable neighborhoods for low- and moderate-income families. The Timberlawn school cluster is one of the best in the nation. Both properties provide immediate access to shopping and other lifestyle amenities. However, property finishes at both are over 25 years old. The renovation will enhance both our residents' lives and the Agency's operations in the long term.

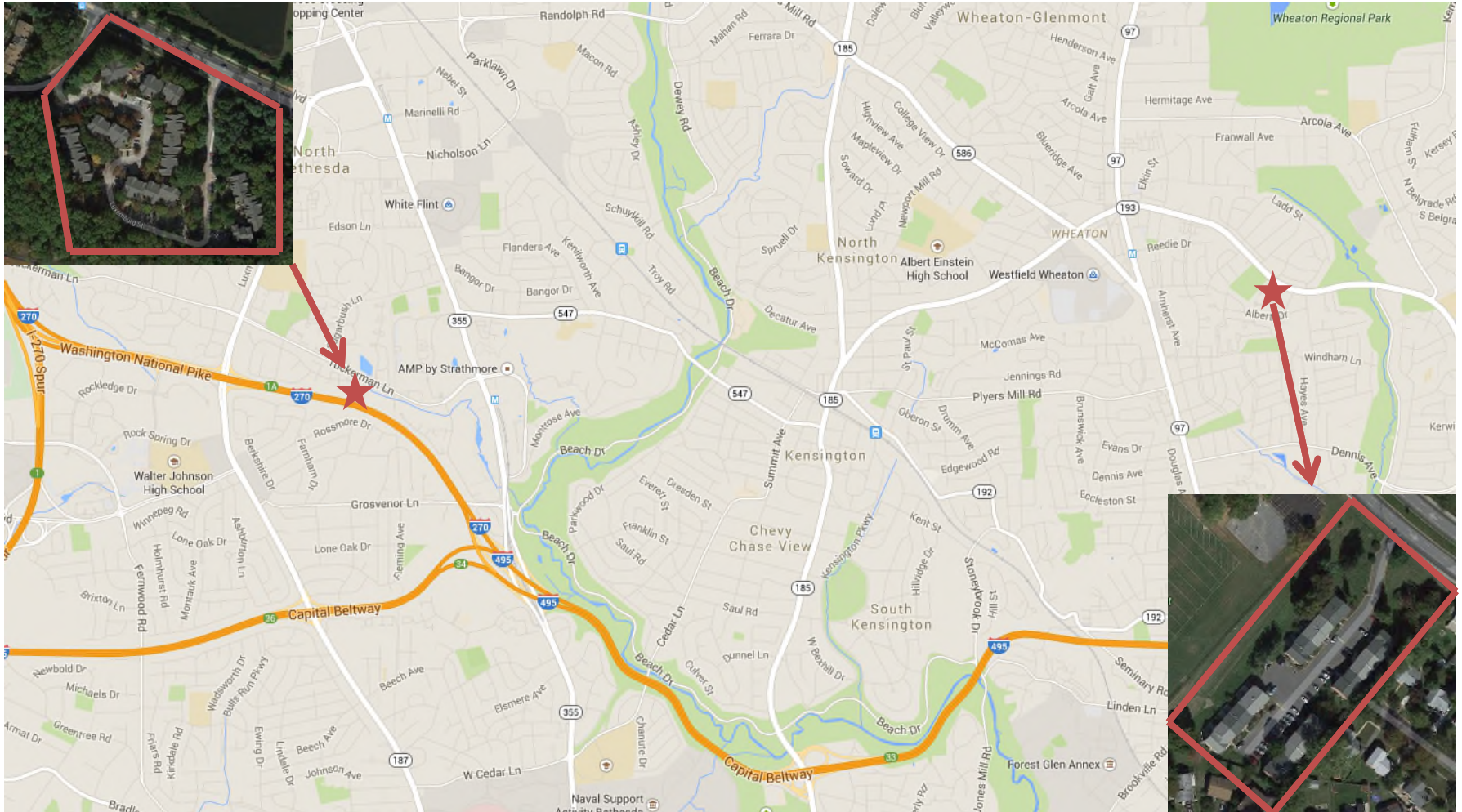




# Timberlawn and Pomander: Location Map

Timberlawn

Pomander



# Transaction Rationale

## HOC Benefits

- Brings Timberlawn and Pomander in line with the new HOC standard of high quality, well designed, energy efficient affordable housing
- Meets Agency's mission for maintaining affordable housing
- Ensures properties are financially sustainable and competitive within the rental marketplace

## Serving our Residents

- Provides a much improved living standard at modest rental increases
- Lowers utility expenses by upgrading to energy efficient systems
- Improves amenities and overall community through capital investment

## Public Purpose

- Provides high quality affordable housing across a broad income spectrum in highly desired neighborhoods
- Preserves approximately 58 units affordable to residents earning less than 60% AMI
- Provides family sized units in the Walter Johnson high school cluster; one of the nation's best
- Provides nine units of affordable housing to families earning 30% or less of the area median income (AMI)

# Final Development Plan: Summary

- **Exterior renovations (Phase I)** were completed at Timberlawn Crescent in fall 2014 with the exception of exterior lighting, doors, and playground/exercise equipment. The replacement of these items will be completed along with the interior upgrades in Phase II.
- **Interior Renovation (Phase II)** – Staff proposes a substantial interior renovation similar to VPC One/Two and the RAD 6 properties. This would include: new energy efficient HVAC system and appliances paired with renovated kitchens, baths as well as new flooring, painting and lighting.



- **General Contractor Selection** - Staff has received responses from several General Contractors (three for Timberlawn and eight for Pomander) to perform the interior renovations. Based on its review, staff seeks authorization to select Hamel Builders, Inc. for Timberlawn Crescent and CBP Constructors for Pomander Court.
- **Public Purpose** - The current rental tiers at Timberlawn have unintended consequences. Placing hard restrictions by specific units unduly burdens the residents: as incomes increase they can be required to leave their unit. Staff supports a reduction in the income tiers to four (30%, 50%, 60% and Market) and allowing the designations to float across units. This will allow residents to move from one income tier to the next without changing units or being required to leave; instead, the next similarly sized vacant unit would be rented at the old income level.
- **Funding** - Proposed from the Real Estate Line of Credit with PNC Bank, N.A.

# Final Development Plan: Scope

As part of HOC's continuing effort to provide its residents with higher quality and amenity-rich affordable housing, staff proposes an interior renovation similar in scope to the Scattered Sites / 669 renovations. The existing conditions at both properties feature unit interiors that are either original or nearly two decades old. They are both outdated and inefficient. The recently completed exterior renovations combined with the proposed improvements to the units and improved outdoor amenities will create a compelling rental opportunity for existing and future residents – both assisted and market rate alike.



- Kitchens (appliances, cabinets, fixtures, finishes)
- Bathrooms (shower/tub tile, vanities, fixtures, finishes)
- Interior lighting
- Flooring and painting
- Entry doors
- HVAC systems, water heater, electrical modifications (as necessary)
- Open floor plan layout revisions (Pomander kitchen and living areas)

In the previous approval, staff was authorized to replace exterior doors at Timberlawn. Due to the nature of the work, staff felt it more appropriate to replace the exterior doors as part of the interior renovations.

During the exterior renovations, it became clear the playground / exercise equipment and picnic area are neither in a desirable location nor functional and inviting. Staff proposed replacing and relocating these as well.

The exterior globe-style lighting fixtures have become cracked and discolored with time, diminishing the output of light. Replacing these fixtures with energy efficient LED fixtures will provide a brighter, safer and more updated atmosphere.



# Final Development Plan: Team Assembly

## Architect

- Miner Feinstein Architects, LLC:
  - Selected from the Architectural Pool based on its proven track record with multifamily renovation and like-kind replacements
  - This Architect is also working on the rehabilitation of Waverly House

## Property Management

- Both properties have existing property management in place. Staff does not recommend changes at this time:
  - Timberlawn – Bozzuto Management Company
  - Pomander - Housing Opportunities Commission of Montgomery County (Arcola HUB)

# Final Development Plan: Relocation Plan

The proposed renovation of Timberlawn Crescent and Pomander Court will be done on a rolling basis. The general contractors will start with a set of vacant units and upon completion residents will be moved into the renovated units. There may be occasions where tenant-in-place renovation will occur; however, this would be limited and only when other options are exhausted. Staff will use similar protocols as established for the 669 and RAD 6 redevelopments.

- Timberlawn
  - Primarily rolling renovations
  - 8 – 12 vacant units to be renovated at a time
  - No mandatory displacement
  - Residents will be allowed to move to other HOC properties if so requested
  - Estimated completion of project in fall of 2016
- Pomander
  - Primarily rolling renovations
  - 4 – 6 vacant units to be renovated at a time
  - No mandatory displacement
  - Residents will be allowed to move to other HOC properties if so requested
  - Estimated completion of project in fall of 2016

*URA does not apply as there is no anticipated displacement of residents.*

# Selection of General Contractors

## Qualifications

- Staff issued two requests for proposals (“RFPs”) for general contractors to perform the renovation of Timberlawn Crescent and Pomander Court (under RFPs #1948 and #1942).
- The scoring team (consisting of staff from Mortgage Finance, Real Estate Development and Property Management) reviewed the responses on March 2, 2015, based on several criteria:
  - Project of Similar Scope (residential townhouse, tenant in place)
  - Demonstrated ability for on-time completion
  - Certificate of Insurance Coverage
  - Federal and State Licensing
  - Projects of Similar Size
  - Familiarity with Montgomery County Building Codes
  - Financial Capacity and Bonding
  - HOC Policy: Section 3 and Section 504 adherence
  - Written Procedures for Handling Tenant Personal Property

# Selection of General Contractors

## RFP# 1948 Summary: Timberlawn Court

- **RFP 1948: Timberlawn Crescent.** Received three responses and two were considered qualified proposals, both of which ranked highly:

Contractor	Total Average Rank
<b>Hamel Builders, Inc.</b>	<b>91%</b>
CBP Constructors, LLC.	85%

- Firvida Construction Corporation did not provide the information requested in order to qualify.
- Staff recommends Hamel Builders, Inc. for this renovation.



# Selection of General Contractors

## RFP# 1942 Summary: Pomander Court

- **RFP 1942: Pomander Court.** Received eight responses and four were considered qualified proposals. The ranking of the qualified respondents:

Contractor	Total Average Rank
Hamel Builders, Inc.	95%
<b>CBP Constructors, LLC.</b>	<b>89%</b>
R&A Contractors Group, Inc.	77%
Efficient Home, LLC.	52%

- B&J Triangle Enterprises d/b/a ARC Contracting, Boulevard Contractors Corp., Firvida Construction Corporation, and Simon Development and Construction Corp. did not provide the information requested in order to qualify.
- Staff recommends the selection of CBP Constructors, LLC, despite its placing second in scoring:
  - The difference in pricing included in the proposals (see Slide 18) is less than 5%.
  - This small difference is even less significant given that CBP is likely to be the more accurate bid given all the like-kind work the firm is performing for HOC right now.
  - Awarded the 107-unit Timberlawn project, Hamel would then be ramping up on approximately 500 HOC units, including the RAD 6 project which is composed of six project sites.
  - Lastly, awarding Pomander to CBP is in keeping with the expressed desire of the Commission and the County to support small businesses with split awards where possible.

Actual/Projected Work	CBP	Hamel
<i>Scattered Site 669</i>	175	125
<i>RAD 6</i>	0	268
<i>Timberlawn</i>	0	107
<i>Pomander</i>	24	0
	<b>199</b>	<b>500</b>

# Qualification and Selection of General Contractors

## RFP #1948 – Timberlawn – Scoring Summary\*<sup>1</sup>

There were three respondents to the Timberlawn RFP. Of the two qualified firms, Hamel Builders scored the highest. Additionally, its pricing was significantly better than the other qualified firm, CBP Constructors. Staff recommends Hamel for the project and reserves the right to negotiate for better pricing.

RANK	General Contractor	Experience with Government Agencies and Housing Authorities (Baltimore-Washington Area) (10%)	On time Completion Handling Personal Property Supporting Materials (20%)	Price (30%)	Successful Completion of Similar Projects (40%)	Total AVG.
1	Hamel Builders, Inc.	10%	18%	28%	36%	<b>91%</b>
2	CBP Constructors, LLC.	9%	17%	25%	35%	<b>85%</b>
3	Firvida Construction Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				

\*<sup>1</sup> Evaluated by: Mortgage Finance, Property Management and Real Estate Development

# Qualification and Selection of General Contractors

## RFP #1948 – Timberlawn – Pricing Summary\*1

RANK	General Contractor	Base Price	Including Alternates*2	HOC 11% Contingency*3 + Relocation Costs	Total	Percentage Difference
1	Hamel Builders, Inc.	\$ 4,891,557.00	\$ 5,052,134.07	\$ 301,364.02	\$ 5,353,498.09	N/A
2	CBP Constructors, LLC.	\$ 5,556,723.00	\$ 5,759,671.00	\$ 322,590.13	\$ 6,082,261.13	13.6%
3	Firvida Construction Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				

\*1 Evaluated by: Mortgage Finance, Property Management and Real Estate Development

\*2 Alternates include additional items that were added to the original scope after the construction documents were complete (e.g. replacing the entry doors, using tile in lieu of shower liners etc.). These items are part of our building standards that were not established at the time the documents were completed.

\*3 HOC Contingency included to cover unforeseen costs. Moving expenses estimated at \$1,400 per unit.

# Qualification and Selection of General Contractors

## RFP #1942 – Pomander – Scoring Summary\*1

Of the eight respondents to the Pomander Court RFP, Hamel Builders (Hamel) scored the highest of the four qualified firms; however, staff recommends CBP Constructors, Inc. (CBP), the second highest ranking firm. Staff believes that with Hamel’s recent award of 525 units (268 units in RAD 6, 150 units in the 669 Scattered Sites, and 107 units at Timberlawn) we do not yet have the proven history of on-time, within budget completion that CBP has demonstrated over time. Staff would like to continue to employ multiple general contractors as this ensures healthy competition and limits pricing increases. There is less than a 5% difference between Hamel and CBP’s pricing. Staff believes that CBP’s success on the 669 Scattered Site renovations (its on-time and within budget delivery of their assigned 25% of the units) merits additional consideration. Staff believes it would be in the Agency’s best interest to engage CBP for this project, thereby minimizing exposure to a single firm.

RANK	General Contractor	Experience with Government Agencies and Housing Authorities (B/W Area) (10%)	On-time Completion / Handling Personal Property / Supporting Materials (20%)	Price (30%)	Successful Completion of Similar Projects (40%)	Total Points AVG.
1	Hamel Builders, Inc.	10%	20%	25%	40%	95%
2	CBP Constructors, LLC.	10%	18%	27%	35%	89%
3	R&A Contractors Group, Inc.	8%	8%	29%	32%	77%
4	Efficient Home, LLC.	10%	12%	5%	25%	52%
5	B&J Triangle Enterprises d/b/a ARC Contracting	Not Qualified – Contractor did not provide documentation to meet our specified requirements				
6	Boulevard Contractors Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				
7	Firvida Construction Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				
8	Simon Development and Construction Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				

\*1 Evaluated by: Mortgage Finance, Property Management and Real Estate Development

# Qualification and Selection of General Contractors

## RFP #1942 – Pomander – Pricing Summary\*<sup>1</sup>

RANK	General Contractor	Base Price	Including Alternates* <sup>2</sup>	HOC 11% Contingency* <sup>3</sup> + Relocation Costs	Total	Percentage Difference
1	Hamel Builders, Inc.	\$ 1,675,290	\$ 1,872,206.48	\$ 89,766.19	\$ 1,961,972.67	N/A
2	CBP Constructors, LLC.	\$ 1,786,265	\$ 1,961,701.00	\$ 92,451.03	\$ 2,054,152.03	4.7%
3	R&A Contractors Group, Inc.	\$ 1,599,010	\$ 2,096,501.25	\$ 96,495.04	\$ 2,192,996.29	11.8%
4	Efficient Home, LLC.	\$ 2,679,654	\$ 2,943,414.00	\$ 121,902.42	\$ 3,065,316.42	56.2%
5	B&J Triangle Enterprises d/b/a ARC Contracting	Not Qualified – Contractor did not provide documentation to meet our specified requirements				
6	Boulevard Contractors Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				
7	Firvida Construction Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				
8	Simon Development and Construction Corporation	Not Qualified – Contractor did not provide documentation to meet our specified requirements				

\*<sup>1</sup> Evaluated by: Mortgage Finance, Property Management and Real Estate Development

\*<sup>2</sup> Alternates include additional items that were added to the original scope after the construction documents were complete (e.g. replacing the entry doors, using tile in lieu of shower liners etc.). These items are part of our building standards that were not established at the time the documents were completed.

\*<sup>3</sup> HOC Contingency included to cover unforeseen costs. Moving expenses estimated at \$1,400 per unit.

# Timeline and Financing Summary

## Design and Renovation

- **Design Documents:** December 2014
- **Team Assembly:** January - May 2015
- **Renovation Kickoff:** May/June 2015
- **Construction Completion:** Fall 2016

*It is anticipated that 10-15 units will be in production at any one point during the renovation.*

## Construction Financing (PNC Real Estate Line of Credit)

- **Term:** July 2015 – fall 2016 (~16 months)
- **Amount:** \$7.5 million
- **Interest Rate (RELOC):** 68.5% of 1-month LIBOR + 58 basis points (bps)  
*(currently 70 basis points based on 1-month LIBOR of 18bps)*

## Permanent Financing (FHA Risk Shared Mortgage)

- **Term:** 35 years
- **Amount (estimated):** \$18 million
- **Interest Rate:** 6.5% (includes 0.5% MIP)
- **Due Diligence:** February/March 2017
- **Permanent Financing Plan:** HOC Bonds with FHA Risk Sharing Insurance
- **Estimated Permanent Closing:** Fourth Quarter FY 2017

# Financing Plan: Public Purpose/Unit Mix

## Current Unit Mix and Proposed Unit Mix

### Timberlawn Crescent

Unit (Program)	Current # of Units	Proposed # of Units
Below or at 15.9 % of AMI	5	0
16% to 30% of AMI	4	9
31% to 45% of AMI	4	4
45% to at 60% of AMI	53	40
Above 60% of AMI	41	54
<b>Total Units</b>	<b>107</b>	<b>107</b>

### Pomander Court

Unit (Program)	Current # of Units	Proposed # of Units
Below or at 60% of AMI	5	5
Above 60% of AMI	19	19
<b>Total Units</b>	<b>24</b>	<b>24</b>
<b>TOTAL UNITS</b>	<b>131</b>	<b>131</b>

# Financing Plan: Public Purpose/Unit Mix

## Current Unit Mix and Proposed Unit Mix

### Combined Affordable Units (Timberlawn Crescent & Pomander Court)

Unit (Program)	Current # of Units	% of Total Units	Proposed # of Units	% of Total Units
Below or at 15.9 % of AMI	5	4%	0	0%
16% to 30% of AMI	4	3%	9	7%
31% to 45% of AMI	4	3%	4	3%
45% to at 60% of AMI	58	44%	45	34%
<b>Total Units</b>	<b>71</b>	<b>54%</b>	<b>58</b>	<b>44%</b>

### Combined Market Units (Timberlawn Crescent & Pomander Court)

Unit (Program)	Current # of Units	% of Total Units	Proposed # of Units	% of Total Units
Market Units (above 60% of AMI)	60	46%	73	56%
<b>Total Units</b>	<b>60</b>	<b>46%</b>	<b>73</b>	<b>56%</b>
<b>TOTAL UNITS</b>	<b>131</b>	<b>100%</b>	<b>131</b>	<b>100%</b>



# Financing Plan: Public Purpose/Unit Mix

## Current Unit Mix and Proposed Unit Mix – Timberlawn Crescent

Property/ Unit Type	# of Units	Average Current Rent	Projected Unit Type	Projected # of Units	Projected Average Rents (FY2017)*
<b>Affordable Units</b>			<b>Affordable Units</b>		
<b>16% of AMI</b>					
2 BR	3	\$360			
3 BR	2	\$374			
<b>30% of AMI</b>			<b>30% of AMI</b>		
2 BR	3	\$718	2 BR	6	\$556
3 BR	1	\$829	3 BR	3	\$543
<b>45% of AMI</b>			<b>50% of AMI</b>		
1 BR	1	\$862	1 BR	1	\$896
2 BR	2	\$1,035	2 BR	2	\$1,076
3 BR	1	\$732	3 BR	1	\$761
<b>52% of AMI</b>					
2 BR	3	\$1,298			
3 BR	1	\$1,446			
<b>60% of AMI</b>			<b>60% of AMI</b>		
1 BR	1	\$1,156	1 BR	1	\$1,202
2 BR	45	\$1,394	2 BR	35	\$1,437
3 BR	3	\$1,608	3 BR	4	\$1,630
<b>Total/Average</b>	<b>66</b>	<b>\$1,250</b>	<b>Projected Total/Average</b>	<b>53</b>	<b>\$1,260</b>
<b>Market Units</b>			<b>Market Units</b>		
1 BR	6	\$1,606	1 BR	6	\$1,735
2 BR	26	\$2,090	2 BR	39	\$2,098
3 BR	9	\$1,941	3 BR	9	\$2,096
<b>Total/Average</b>	<b>41</b>	<b>\$1,981</b>	<b>Projected Total/Average</b>	<b>54</b>	<b>\$2,058</b>
<b>Total</b>	<b>107</b>	<b>\$1,530</b>	<b>Total</b>	<b>107</b>	<b>\$1,663</b>

# Financing Plan: Public Purpose/Unit Mix

## Current Unit Mix and Proposed Unit Mix – Pomander Court

Property/ Unit Type	# of Units	Average Current Rent	Projected Unit Type	Projected # of Units	Projected Average Rents (FY2017)*
<b>Affordable Units</b>			<b>Affordable Units</b>		
<b>60% of AMI</b>			<b>60% of AMI</b>		
3 BR	5	\$1,304	3 BR	5	\$1,356
<b>Total/Average</b>	<b>5</b>	<b>\$1,304</b>	<b>Projected Total/Average</b>	<b>5</b>	<b>\$1,356</b>
<b>Market Units</b>			<b>Market Units</b>		
3 BR	19	\$1,441	3 BR	19	\$1,556
<b>Total/Average</b>	<b>19</b>	<b>\$1,441</b>	<b>Projected Total/Average</b>	<b>19</b>	<b>\$1,556</b>
<b>Total</b>	<b>24</b>	<b>\$1,412</b>	<b>Total</b>	<b>24</b>	<b>\$1,514</b>

- Proposed rents are shown exclusive of utility allowance to provide accurate comparison of proposed rental increases. However, the proforma assumes utility allowances as it is required as part of the proposed FHA risk sharing financing strategy.
- Proposed rents (FY2017) increase by 4% for Affordable Units and by 8% for Market Units over current rents. FY2018, staff projects 4% increase from FY2017 rent.
- First full stabilized year is FY2018 with occupancy projected at 93%, rent and expense growth rates at 2% and 3%, respectively.

# Financing Plan: Interim and Permanent Financing

## Sources and Uses – Interim Financing

Sources	Amount	Per Unit
\$90M PNC Line of Credit	\$7,200,000	\$54,962
<b>Total Sources</b>	<b>\$7,200,000</b>	<b>\$54,962</b>
Uses	Amount	Per Unit
Construction Costs (incl. Relocation Costs and HOC Contingency 11%)	\$7,200,000	\$54,962
<b>Total Uses</b>	<b>\$7,200,000</b>	<b>\$54,962</b>

- Staff requests an interim loan from the Real Estate Line of Credit with PNC Bank, N.A. to fund the renovation costs. The estimated cost is estimated at \$7.2 million including, relocation costs and HOC contingency 11%); the request is for an amount not to exceed \$7.5 million.

## Sources and Uses – Permanent Financing

Sources	Amount	Per Unit
Tax-Exempt Mortgage	\$17,920,969	\$136,801
<b>Total Sources</b>	<b>\$17,920,969</b>	<b>\$136,801</b>
Uses	Amount	Per Unit
Outstanding Balance (PNC-RELOC (Bond))	\$7,252,687	\$55,364
Repay County Revolving Fund	\$2,355,000	\$17,977
Construction Cost (PNC-RELOC)	\$7,200,000	\$54,962
Reimbursement of Capital Expenses	\$114,425	\$873
Financing Expenses	\$448,024	\$3,420
Soft Costs <sup>1</sup>	\$357,084	\$2,726
Reserves	\$193,750	\$1,479
<b>Total Uses</b>	<b>\$17,920,969</b>	<b>\$136,801</b>

- Estimated \$17.9 million tax-exempt bond financing with a mortgage insured under the FHA Risk Sharing Program.
- The estimated total development cost is \$17,920,969 (\$136,801 per unit)
- Repay County Revolving Fund \$2,355,000.
- Initial Deposit Replacement Reserves: \$1,479/unit

<sup>1</sup> Soft Costs include: Settlement Costs, Appraisal, PNA, and Engineering & Environmental.

# Financing Plan: Summary of Stabilized Operations

Stabilized Proforma	FY2018	Per Unit
Income	\$2,477,878	\$18,915
Expenses <sup>(1)</sup>	\$898,125	\$6,856
<b>NOI (Net Operating Income)</b>	<b>\$1,579,753</b>	<b>\$12,059</b>
Debt Service	\$1,316,044	\$10,046
<b>Cash Flow<sup>(2)</sup></b>	<b>\$263,709</b>	<b>\$2,013</b>
Debt Service Coverage Ratio Target	<b>1.20</b>	

<sup>(1)</sup> Includes \$36,015 (\$275 per unit annually) in Replacement Reserves.

<sup>(2)</sup> Loan Management Fee will be collected \$44,825 annually (0.25% of mortgage amount) and Asset Management Fee (\$92,945); Net Cash Flow is equal to \$125,939.

## Debt Facility

<b>Max Mortgage Amount</b>	<b>\$17,929,873</b>
Term (in years)	35
Interest Rate	6.00%
Debt Service Constant	6.84%
MIP (Mortgage Insurance Premium)	0.50%
"All-In" Rate	7.34%
Debt Service Coverage Ratio Target (FY2018)	1.20
NOI (Net Operating Income)	\$1,579,753
Debt Service	\$1,316,044

- The permanent financing plan anticipates a 35-year mortgage insured under the FHA Risk Sharing Program.
- First full stabilized year is FY 2018 with occupancy projected at 93%, rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be \$898,125 in FY 2018 including funding of annual replacement reserves of \$275 per unit, per year and escalating at 3% annually.
- The net operating income (NOI) of \$1,579,753 in FY 2018 supports the permanent debt which is underwritten at 6.00% plus 50 basis points of mortgage insurance premium (MIP) costs pursuant to the FHA Risk Sharing Mortgage Insurance Program.
- Interim Income for fiscal years FY16 and FY17 of operations is projected to be \$845,986 and \$1,066,786, respectively.
- Annual Replacement Reserves: \$275 per unit.

# Financing Plan: PNC Line of Credit

Staff believes it prudent to use the PNC line of credit over other funding options at this time.

- Staff would be afforded the opportunity to start renovations sooner. This allows us to complete the bulk of the renovations during the summer months when schedules are not revolving around school.
- The renovation is not subject to Davis Bacon wage rates or payroll certifications that would add time and additional costs.
- The PNC line of credit will be repaid upon completion of the project and permanent financing through FHA Risk Sharing Bonds.

<b>PNC \$90M Line of Credit</b>		<b>\$ 90,000,000.00</b>
Alexander House	Bond Prepay	\$ 20,271,301.57
Ambassador Apartments	Bond Prepay	\$ 1,862,494.55
Greenhills Apartments	Bond Prepay	\$ 4,200,000.00
Timberlawn/Pomander	Bond Prepay	\$ 7,252,686.76
Avondale Street	Acquisition	\$ 7,037,703.64
<b>Total Obligations</b>		<b>\$ 40,624,186.52</b>
<b>Pending Obligation(s)</b>		N/A
<b>Available</b>		<b>\$ 49,375,813.48</b>
<b>Proposed Timberlawn Pomander Draw</b>		\$7,200,000.00
<b>Projected Remaining</b>		<b>\$42,175,813.48</b>

# Summary and Recommendations

## Issues for Consideration

Does the Commission wish to accept the recommendations of the Development and Finance Committee which met on April 17, 2015, to:

1. Approve the Final Development Plan for Timberlawn Crescent and Pomander Court (the “Property”)?
2. Approve the selection of Hamel Builders, Inc. and CBP Constructors, LLC. as general contractors for Timberlawn Crescent and Pomander Court, respectively and authorize the Executive Director to enter into contract negotiations, and execute contracts for the renovation of the Property?
3. Authorize a loan of up to \$7.5 million from the \$90M real estate line of credit with PNC Bank, N.A. to complete the renovation of the Property?

## Time Frame

For action at the May 6, 2015 Commission Meeting.

## Budget Impact

- There is no adverse impact for the Agency’s FY 2015 operating budget.
- The final development plan is reflected in the FY2016 budget which will be approved in June 2015.

# Summary and Recommendations

## Staff Recommendation and Commission Action Needed

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

1. Approve the Final Development Plan for Timberlawn Crescent and Pomander Court;
2. Approve the selection of Hamel Builders, Inc. and CBP Constructors, LLC. as general contractors for Timberlawn Crescent and Pomander Court, respectively and authorize the Executive Director to enter into contract negotiations and execute contracts for the renovation of the Property; and
3. Authorize a tax-exempt loan of up to \$7.5 million from the \$90M real estate line of credit with PNC Bank, N.A. to complete the renovation of the Property. The loan is estimated to be outstanding for approximately 18 months.

**RESOLUTION:**

**RE: Approval of Final Development Plan, General Contractor Selection, and Interim Renovation Financing for Timberlawn Crescent and Pomander Court 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 construction, rehabilitation and/or financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

**WHEREAS**, the Commission entered into an Agreement with Montgomery County, Maryland (the “County”), effective July 1, 2014, as amended (together, the “Act”), and is authorized thereby to issue its notes and bonds from time to time to fulfill its corporate and public purposes; and

**WHEREAS**, to fulfill its mission, the Commission engages in activities to ensure the proper maintenance of its properties; and

**WHEREAS**, Timberlawn Crescent, a 107-unit development located in North Bethesda and Pomander Court, a 24-unit clustered townhome community located in Silver Spring (together, the “Projects”) are two properties owned by TPM Development Corporation (“TPM”), a wholly controlled corporate instrumentality of the Commission, and are in need of renovation and rehabilitation; and

**WHEREAS**, on July 17, 2013, the Commission approved preliminary renovation and rehabilitation plans for the Projects, including exterior renovation at Timberlawn Crescent which was funded from an interim loan from the County Revolving Fund; and

**WHEREAS**, the Commission has been presented with a final development plan that represents Phase II of the development of the development plan, which includes the interior renovation at Timberlawn Crescent and full renovation of Pomander Court and the selection of the general contractors; and

**WHEREAS**, the proposed public purpose includes 58 units (44%) to be available to households with incomes at or below 60% of the area median income (AMI), within which nine (9) will be at or below 30% of the AMI, four (4) will be at or below 50% of the AMI, and 45 will be at or below 60% of the AMI; and



**WHEREAS**, to complete the proposed renovations, staff has solicited the services of general contractors for Timberlawn Crescent and Pomander Court and recommends two contractors, Hamel Builders, Inc. for Timberlawn Crescent and CBP Constructors, LLC. for Pomander Court; and

**WHEREAS**, a permanent financing plan is not proposed at this time, however, it is necessary to access interim funding to hire the general contractors to complete the renovations and the Commission and TPM desire to fund the final development plan's renovation work and tenant relocation expenses by drawing on the RELOC; and

**WHEREAS**, the Commission would advance the funds drawn from the RELOC to TPM, to be repaid by TPM upon TPM's future refinancing of the Projects.

**WHEREAS**, staff recommends a tax-exempt draw on the RELOC in an amount not to exceed \$7.5 Million until the permanent financing plan for the Projects can be implemented at the completion of the renovations, which completion is expected to occur in or around year 2016.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of TPM Development Corporation, that:

1. The Commission approves the final development plan for the renovation of Timberlawn Crescent and Pomander Court.
2. The Commission approves the selection of general contractors Hamel Builders, Inc. and CBP Constructors, LLC. for the renovation of Timberlawn Crescent and Pomander Court, respectively.
3. The Executive Director of the Commission is authorized to execute the appropriate documents to negotiate renovation and rehabilitation contracts not to exceed \$5,345,000 with Hamel Builders, Inc. for Timberlawn Crescent and not to exceed \$2,155,000 with CBP Constructors, LLC. for Pomander Court.
4. The Commission approves the proposed draw under the PNC Bank, N.A. \$90 Million Real Estate Line of Credit as the interim funding source for the renovation of Timberlawn Crescent and Pomander Court for a combined amount not to exceed \$7,500,000 via a tax-exempt draw on the facility.
5. All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related to the Projects as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

6. Affirms that it is the intention of the Commission to issue tax-exempt obligations in the maximum principal amount of approximately \$19,000,000 as part of the Project's projected permanent financing for the purpose of repaying any and all outstanding amounts drawn from the RELOC, repaying the County Revolving Fund, reimbursing capital expenditures and other financing costs incurred with respect to the Projects, and paying future capital expenditures incurred with regard to the Projects.
7. All prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Projects, shall be and the same hereby are in all respects ratified, approved and confirmed.
8. All prior resolutions of the Commission, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the *extent* of such inconsistency.

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

**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 TPM Development Corporation, at a regular open meeting conducted on May 6, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

**RESOLUTION:**

**RE:** Approval of Tax-Exempt Draw of up to \$7,500,000 by the Commission from the PNC Bank, N.A. Real Estate Line of Credit (\$90 Million), the Commission's Advance of Such Funds to TPM Development Corporation ("TPM"), and TPM's Acceptance of Such Funds as Interim Financing for the Renovation of Timberlawn Crescent and Pomander Court

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

**WHEREAS**, the Commission entered into an Agreement with Montgomery County, Maryland (the "County"), effective July 1, 2014, as amended (together, the "Act"), and is authorized thereby to issue its notes and bonds from time to time to fulfill its corporate and public purposes; and

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

**WHEREAS**, on July 17, 2013, the Commission approved a preliminary renovation and rehabilitation plan for the Projects, including exterior renovation at Timberlawn Crescent which was funded from an interim loan from the County Revolving Fund; and

**WHEREAS**, concurrently herewith, the Commission has approved a final development plan that represents Phase II of the development plan, which includes the interior renovation at Timberlawn Crescent and full renovation of Pomander Court and the selection of the general contractors; and

**WHEREAS**, the Commission negotiated a Real Estate Revolving Line of Credit (RELOC) with PNC Bank, N.A. (PNC) and may use the RELOC to provide short-term financing for the pre-development, rehabilitation, and acquisition of multifamily properties in Montgomery County; and

**WHEREAS**, the Commission has the option to draw funds on a tax-exempt basis with an interest rate at an optional 30-day, 60-day, or 90-day London Interbank Offered Rate (LIBOR); and

**WHEREAS**, a permanent financing plan is not proposed at this time, however, it is necessary to access interim funding to hire the general contractors to complete the renovations and the Commission and TPM desire to fund the final development plan's renovation work and tenant relocation expenses by drawing on the RELOC which has an unobligated balance of \$49,375,813.48; and

**WHEREAS**, the Commission would advance the funds drawn from the RELOC to TPM, to be repaid by TPM upon TPM's future refinancing of the Projects; and

**WHEREAS**, staff recommends a tax-exempt draw on the RELOC in an amount not to exceed \$7.5 Million until the permanent financing plan for the Projects can be implemented at the completion of the renovations, which completion is expected to occur in or around year 2016.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of TPM Development Corporation, that it approves a tax-exempt draw on the RELOC for an amount up to \$7,500,000 (the "Loan") and the subsequent advance of such Loan funds to TPM for the purpose of implementing final development plan for the Projects for a maximum term of 24 months.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of TPM Development Corporation, that TPM Development Corporation is authorized and directed to accept the advance of the Commission's Loan funds and apply such funds for rehabilitation and relocation expenses in accordance with the final development plan.

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

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of TPM Development Corporation, that it affirms all prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance thereof, the same are hereby in all respects ratified, approved and confirmed.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of TPM Development Corporation that all other resolutions of the Commission, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

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

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Patrice M. Birdsong  
Special Assistant to the Commission

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## **APPROVAL TO INCREASE THE PERMANENT LOAN FOR TANGLEWOOD & SLIGO LIMITED PARTNERSHIP**

**MAY 6, 2015**

- On April 6, 2011, the Commission approved a development plan to renovate Tanglewood and Sligo Hills Apartments (the “Property”) to be financed with proceeds from the syndication of 9% Low Income Housing Tax Credit (LIHTC) equity and a mortgage.
- On September 5, 2012, the Commission approved a Financing Plan whereby Capital One would provide the construction financing for the renovation and HOC would provide permanent financing in the approximate amount of \$9,671,091, amortized over 30-years for a term of 5-years at 5.5% interest rate. Notwithstanding the HOC commitment, staff continued to explore other available options for achieving an optimal financing solution for permanent financing to support the Commission’s goals.
- On September 3, 2014, the Commission adopted a resolution, amending the Financing Plan, to allow for permanent financing through the sale of GNMA securities and mortgage insurance through the FHA Section 223(f) Program for loan in the amount of \$12,033,000. Utilizing the 223(f) insurance allowed for an increase in the mortgage, a longer term (35-years), and a better interest rate (underwriting assumed a very conservative 5%) with Debt Service Coverage Ratio (DSCR) of 1.35:1.00 (target DSCR is 1.18:1.00).
- Staff continues to monitor the financing market, which reflects interest rates moving favorably for GNMA taxable securities. Today, the use of the GNMA reflects an even lower interest rate, allowing for an increased mortgage in the amount of \$12,510,000, while still achieving a DSCR of 1.36:1.00.
- Staff recommends that the Commission, acting on behalf of and as General Partner for Tanglewood and Sligo, LP, authorize an increase in the permanent mortgage loan for an amount not to exceed \$13,000,000.

**MEMORANDUM**

**TO:** Housing Opportunities Commission

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Kayrine Brown, Chief Real Estate & Finance Officer      Ext. 9589  
Vivian Benjamin, Assistant Director of Mortgage Finance      Ext. 9590  
Ugonna Ibebuchi, Financial Analyst      Ext. 9615

**RE:** Approval to Increase the Permanent Loan for Tanglewood & Sligo, LP

**DATE:** May 6, 2015

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**STATUS:** COMMITTEE REPORT: Deliberation X

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**OVERALL GOAL & OBJECTIVE:**

To obtain the Commission’s approval to adopt the attached resolution that approves an increase in the permanent loan amount from \$12,033,000 to an amount not to exceed \$13,000,000 for Tanglewood and Sligo Apartments.

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**BACKGROUND:**

Tanglewood and Sligo Hills Apartments (the “Property”) consists of six buildings containing 132 units along the west side of Manchester Road and the south side of Schuyler Road bordering Sligo Creek Parkway in the Long Branch section of Silver Spring. Built in the 1940s, Tanglewood and Sligo Hills were acquired by HOC in 1988 and 1993. On April 6, 2011, the Commission approved a development plan to renovate Tanglewood and Sligo Hills Apartments to be financed with proceeds from the syndication of 9% Low Income Housing Tax Credit (LIHTC) equity and a mortgage.

The rehabilitation and preservation of Tanglewood and Sligo Hills has transformed the development into 132 newly-renovated apartment homes for current and prospective members of HOC’s community. In this 9% tax credit transaction, all of the units are now affordable to households with incomes at or below 30%, 50% and 60% of Area Median Income (AMI) in the Long Branch neighborhood of Silver Spring. The property is a mix of efficiencies, 1-, 2-, and 3-bedroom units. In addition, 10 units are wheelchair accessible and four more units will be hearing and visually impaired compliant.

Construction was completed in January 17, 2014, and as of August 1, 2014, occupancy remains at 100%.

While the original Financing Plan, approved by the Commission in September 5, 2012, called for Capital One Bank, N.A. (CONA) to provide the construction financing for the renovation and HOC to use its own resources to fund the permanent loan, on September 3, 2014, the Commission approved a resolution and an amendment to the Financing Plan to secure a permanent mortgage through the sale of GNMA taxable securities, insured by the FHA Section 223(f) Program. Doing so would allow for an increase in the mortgage amount (from \$9,671,091 to \$12,033,000), a longer term length (from 15 to 35 years) and a better interest rate (from 5.5% to 5.0%).

As of today, interest rates for the Section 223(f) program, utilizing GNMA's, continue to move downward (the current rate without cushion is 3.15%); therefore, the project would benefit by capitalizing on this trend and increasing its mortgage amount within the parameters of the program. Underwriting still assumes a cushion of 135 basis points.

	2012 HOC Risk Sharing Reserve Account	2014 Amended Financing Plan FHA Section 223(f)	2015 FHA Section 223 (f)
Loan Amount	\$9,671,091	\$12,033,076	\$12,510,000
Debt Service Coverage Ratio	1.20	1.35	1.36
Term in Years	15	35	35
Interest Rate	5.50%	5.00%	4.50%
Loan Fee	1.00% (\$96,710)	None	None
Prepayment Fee	None	None	None

Based on the Property's FY 2015 stabilized operations with an anticipated Net Operating Income of \$1,043,765, it will support a new 35-year permanent mortgage in the amount of \$12,510,000 with a fixed interest rate of 4.50% plus 45 basis points for Mortgage Insurance Premium. Operations will exceed the target Debt Service Coverage Ratio (DSCR) of 1.15:1.00, reaching 1.36:1.00. Below is a revised Sources & Uses.

Sources	2015 Amount	Per Unit
FHA Mortgage	\$12,510,000	\$94,773
<b>Total Sources</b>	<b>12,510,000</b>	<b>\$94,773</b>
Uses	Amount	Per Unit
Construction Loan – CONA	\$9,379,001	\$71,053
HOC GP Loan	\$1,323,617	\$10,027
Davis Bacon Wage Escrow	\$767,161	\$5,812
Additional Deposit to Reserve	\$47,000	\$356
CDA Loan Reduction	\$500,000	\$3,788
Required Repairs	\$5,585	\$42
Survey & Inspection Fees	\$7,500	\$57
Financing Fees	\$326,493	\$2,473
Legal & Organization	\$48,003	\$364
Escrows	\$105,641	\$800
<b>Total Uses</b>	<b>\$12,510,000</b>	<b>\$94,773</b>



Staff met with CDA on Friday March 13, 2015 to discuss funding for previously submitted draw requests. At closing of the construction loan in December 2012, CDA provided a \$2 million state loan to fund construction related costs. Of this amount, CDA has funded \$1,395,834 (\$604,162 unfunded).

The project is now completed and stabilized with the actual results outperforming the projections. As such, CDA has concluded that the project is overfunded and did not need the entire \$2 million state loan. Believing the project can support an additional \$1 million, CDA has notified HOC that they will not fund the remaining \$604,162 owed to the project but will reduce its loan to \$1,395,838. As a result, HOC must now defer a little over \$104,000 of its developer fee. This fee would be repaid from cash flow, and the Agency would be made whole within approximately 1.5 years.

**Conclusion**

Utilizing the FHA Section 223(f) mortgage insurance program allows for an increase in the mortgage (\$12,510,000), due to favorable market conditions and strong operations, which is expected to achieve a Debt Service Coverage Ratio of 1.36:1.00 which far exceeds the programs target DSCR of 1.15:1.00.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to accept the recommendation of the Development and Finance Committee and adopt a resolution to approve an increase in the permanent financing for Tanglewood and Sligo Apartments from \$12,033,076 to an amount not exceeding \$13 million?

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**PRINCIPALS:**

Tanglewood Sligo LP  
Housing Opportunities Commission of Montgomery County (HOC)

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**FISCAL / BUDGET IMPACT:**

None.

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**TIME FRAME:**

Action at the May 6, 2015 meeting of the Commission.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee to adopt the attached resolution that approves an increase in the permanent loan amount from \$12,033,000 to an amount not to exceed \$13,000,000 for the Tanglewood and Sligo Apartments.

Resolution # \_\_\_\_\_

Re: **Approval to Increase the Permanent Loan for Tanglewood & Sligo, L.P.**

**WHEREAS**, on September 3, 2014, the Housing Opportunities Commission of Montgomery County (“Commission”) approved an amendment to the financing plan for Tanglewood Apartments (“Property”) to permit Tanglewood and Sligo L.P. (“Partnership”) to obtain permanent financing for the Property from AGM Financial Services, Inc. (AGM Financial), or its assignee, through the U.S. Federal Housing Administration (FHA) Section 223(f) Low Income Housing Tax Credit (LIHTC) Pilot Program in the amount of \$12,033,076 (“Permanent Loan”); and

**WHEREAS**, the Commission is the sole member of HOCCMC, LLC (the “Company”), which is the general partner of the Partnership, and Hudson Tanglewood LLC is the limited partner and tax credit investor of the Partnership (“Tax Credit Investor”); and

**WHEREAS**, the Tax Credit Investor previously approved a loan in the amount of \$12,510,000; and

**WHEREAS**, the Commission’s staff has determined that the Project can support a higher loan amount than the amount approved by the Commission in September 2014, and wishes to increase the Permanent Loan amount to such a higher amount as the Tax Credit Investor will approve, but not to exceed \$13,000,000.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for the Company in its own capacity and as the general partner of and on behalf of the Partnership, that the Partnership is authorized to increase the amount of the Permanent Loan from AGM Financial, or its assignee, to such amount as the Tax Credit Investor will approve, but not to exceed \$13,000,000.

**BE IT FURTHER RESOLVED** that the Executive Director is hereby authorized and directed, without further action on the part of the Commission or Company, to take any and all other actions necessary and proper to carry out the transaction contemplated herein including, without limitation, the negotiation and execution of commitments and other related loan documents.

**I HEREBY CERTIFY** that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County acting for HOCCMC, LLC in its own capacity and as general partner of and acting on behalf of Tanglewood and Sligo L.P. at an open meeting conducted on May 6, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

**AUTHORIZATION TO EXTEND THE CURRENT FINANCIAL  
ADVISOR CONTRACT WITH CAINE MITTER & ASSOCIATES  
INCORPORATED FOR TWO YEARS**

**MAY 6, 2015**

- The Commission's Financial Advisor, Caine Mitter and Associates Incorporated has served the Commission since the inception of its bond financing programs in 1979.
- On June 1, 2011, the Commission adopted a Resolution authorizing Caine Mitter and Associates Incorporated to continue to serve the Commission as Financial Advisor for a new four-year term with two optional two-year extensions for a maximum contract term of eight years. The current contract expires on June 30, 2015.
- CMA possesses in-depth knowledge of HOC, its mission, financial condition, and operational framework, and continues to provide a high level of professionalism and industry expertise. It provides a full array of financial advisory and quantitative services to HOC and structures its financing programs to maximize the resources within the single family and multifamily housing bond programs.
- Staff is satisfied with the services CMA provides. With the anticipated financing activities in 2015, staff recommends that the Commission accept the recommendation of the Development & Finance Committee, which met on April 17, 2015, and approve extending the current financial advisor contract with CMA for two years ending on June 30, 2017.
- Staff further recommends approval of an annual contract amount of \$500,000 for an aggregate of \$1 million.

## MEMORANDUM

**TO:** Housing Opportunities Commission

**VIA:** Stacy L. Spann, Executive Director

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

**RE:** Authorization to Extend the Current Financial Advisor Contract with Caine Mitter & Associates Incorporated for Two Years

**DATE:** May 6, 2015

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**STATUS:** COMMITTEE REPORT: Deliberation  X

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### **OVERALL GOAL & OBJECTIVE:**

To extend the contract for financial advisory services with Caine Mitter & Associates Incorporated (CMA) for two years, enabling HOC to manage its single family and multifamily bond programs and achieve its affordable housing goals through continued access to the capital markets.

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### **BACKGROUND:**

On June 1, 2011, the Commission approved the selection of CMA to continue to serve as its financial advisor after completing a solicitation for such services. This selection began a new contract term of an initial four years with two optional two-year extensions, for a maximum of eight years. The initial four-year term expires on June 30, 2015.

### **The Financial Advisor**

The Financial Advisor (the "FA") to the Commission provides services that enable it to structure and sell tax-exempt and taxable securities to optimize the Commission's resources and fund its multifamily and single-family programs. In addition, the FA prepares quantitative analyses for each transaction and for each indenture under which single family and multifamily housing bonds are issued to ensure that the bond ratings remain strong and that the programs comply with IRS yield requirements. If cash flow services and transaction structuring are not provided by the Financial Advisor, they would be contracted out, as HOC has elected to procure these services from a third party instead of adding staff.

The Financial Advisor also coordinates the team that is responsible for various aspects of the bond issuance process such as investment bankers who serve as the underwriters, bond counsel, trustees, rating agency, Commission staff, and other professionals as needed.

CMA, acting as our current Financial Advisor, takes control of the drafting of official statements (equivalent to a prospectus) for each HOC bond issuance. The Financial Advisor interacts with key housing finance industry participants and has direct access to changes in the industry; therefore, the Commission is provided with real time and accurate information about a dynamic and evolving municipal bond markets and financial market conditions in general. This includes information on investment strategies, regulatory and statutory compliance, and market trends.

### **CMA's Experience and History with HOC**

CMA has served the Commission successfully since the inception of its bond financing program in 1979 and is responsible for the issuance of over \$4 billion of new and refunding single family and multifamily program bonds. It guided the Commission through the worst financial crisis in its history. CMA continues to provide advice on a myriad of related issues.

CMA possesses deep institutional knowledge about HOC, its mission, financial condition, and operational framework, and continues to provide a high level of professionalism and industry expertise. CMA provides a full array of financial advisory and sophisticated quantitative services to HOC. The firm understands HOC's financing goals and structures financing programs to maximize its resources.

The team assigned to HOC's account is responsive, innovative and protects the programs' assets to ensure longevity of the Commission's bond programs by applying strategies to lower program costs and maximize revenues. CMA employs a team approach to its coverage of the HOC account, enabling issues to be addressed by just about any member of the staff. This is important for responsiveness and again speaks to the firm's depth of knowledge of and commitment to HOC.

Most recently in 2012, CMA worked with HOC to design and implement a Mortgaged Backed Securities (MBS) program in response to challenges if issuing single family mortgage revenue bonds in the current climate. In addition to mitigating market risks from delinquencies, entry into the secondary market enabled the Commission to continue to provide mortgages and closing cost assistance to first time home buyers. CMA constantly brings new ideas to the Commission and seeks new ways to improve its financing programs.

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### **ISSUES FOR CONSIDERATION:**

Does the Commission wish to accept the recommendation of the Development and Finance Committee to extend the current financial advisory contract with Caine Mitter and Associates Incorporated for two years?

Does the Commission wish to approve annual fees of \$500,000 for an aggregate of \$1 million for two years? During the initial four years, the Commission approved an annual contract amount of \$500,000, but not exceeding \$2 million in aggregate. During the contract period, CMA was paid \$1.2 million for its services.

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**PRINCIPALS:**

Housing Opportunities Commission  
Caine Mitter & Associates Incorporated

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**BUDGET IMPACT:**

There is no impact for the Commission's operating budget. The Financial Advisor is paid from revenues in the single family and multifamily indentures or from financing proceeds.

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**TIME FRAME:**

Action at the May 6, 2015 meeting of the Commission.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Commission accept the Development and Finance Committee's recommendation and approve extending the contract with Caine Mitter & Associates to serve as its Financial Advisor for an additional two years through June 30, 2017.

Staff also recommends that the Commission approve annual fees of \$500,000 but not exceeding \$1 million in aggregate.

Resolution # \_\_\_\_\_

**Re: Authorization to Extend the Current Financial Advisor Contract with Caine Mitter & Associates Incorporated for Two Years**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and the Agreement by and between the Housing Opportunities Commission of Montgomery County and Montgomery County, Maryland (the "County"), effective July 1, 2014, as amended (together, the "Act"), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

**WHEREAS**, to continue its mission and operate a successful bond financing program, the Commission engages the services of a number of industry professionals, one of which is the Financial Advisor; and

**WHEREAS**, Caine Mitter and Associates Incorporated (CMA) has successfully served the Commission since 1979 as its financial advisor and continues to provide a high level of professionalism; and

**WHEREAS**, the existing procurement policy allows for the selection of a financial advisor to serve for an initial four-year term plus two additional two-year extensions for a maximum contract term of eight years; and

**WHEREAS**, CMA's contract, which has been in place since July 1, 2001, expires on June 30, 2015 completing the initial four year term; and

**WHEREAS**, given the high level of performance of CMA over many years, staff is satisfied with the services provided by the Commission's Financial Advisor.

**NOW THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Caine Mitter and Associates Incorporated is approved to serve the Commission as Financial Advisor for an extended two-year term.

**BE IT FURTHER RESOLVED** that the Commission approved an annual contract amount of \$500,000 or an aggregate of \$1 million for the extended term ending on July 1, 2017.

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Patrice Birdsong  
Special Assistant to the Commission

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# Deliberation and/or Action



# Future Action

# Information Exchange

# New Business

# Executive Session Findings

# Adjourn