

**EXPANDED AGENDA**

**November 3, 2015**

10:00 a.m.	<p><b>I. <u>CONSENT ITEMS</u></b></p>
<p>Page 4 20 Separate Cover Separate Cover 24  26  28  30  33  54</p>	<p>A. Approval of Minutes: <ul style="list-style-type: none"> <li>• HOC Regular Meeting – October 7, 2015</li> <li>• Special Vote by Mail – October 14, 2015</li> <li>• Executive Session Minutes – October 7, 2015</li> <li>• Special Vote by Mail – October 26, 2015</li> </ul> </p> <p>B. Ratification of Authorization to Issue a \$250,000 Note and Complete the Acquisition of 900 Thayer Avenue, and to Execute Documents Related Thereto</p> <p>C. Ratification of Action Taken in Executive Session on October 7, 2015: Approval to Execute Amended and Restated Land Development Agreement for Elizabeth House III Contemplating a Revised Condominium Plan and a Space Lease, and Authorization to Explore Alternative Private Funding</p> <p>D. Ratification of Approval to Advance up to \$100,000 from the Opportunity Housing Reserve Fund for Feasibility and Predevelopment Costs for the Potential Redevelopment of Westwood Towers Site</p> <p>E. Ratification of Approval of a Taxable Draw of up to \$6,875,000 by the Commission from the Original PNC Bank, N.A. Line of Credit (\$60 Million) and the Commission’s Advance of Such Funds to Chevy Chase Lake Development Corporation to Prepay the First Mortgage Loan</p> <p>F. Ratification of Recommendation Adopted by the Budget, Finance and Audit Committee on October 20, 2015: Approval of CY’16 Tax Credit Partnership Budgets</p> <p>G. Ratification of Action Taken as of October 26, 2015 Via a Vote by Mail to Approve a Revised Unit Mix for Elizabeth House III</p>
10:05 a.m.	<p><b>II. <u>INFORMATION EXCHANGE</u></b></p>
<p>Page 62</p>	<p>A. Report of the Executive Director B. Calendar and Follow-up Action C. Correspondence and Printed Matter D. Commissioner Exchange E. Resident Advisory Board F. Community Forum G. Status Report</p>
10:15 a.m.	<p><b>III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u></b></p>
<p>Page 65 69  73  80  92  97</p>	<p>A. Budget, Finance and Audit Committee – <i>Com. Piñero, Chair</i> <ol style="list-style-type: none"> <li>1. Authorization to Submit FY’17 County Operating Budget</li> <li>2. Approval to Submit FFY 2016 Public Housing Operating Subsidy Calculations to HUD for the Period January 1, 2016 through December 31, 2016</li> <li>3. Authorization to Advance Funds for Housing Choice Voucher Payments in the Event of a Government Shutdown</li> <li>4. Authorization to Enter into a Property Assistance Contract with Edgewood-Vantage Management Company</li> </ol> </p> <p>B. Development and Finance Committee – <i>Com. Simon, Chair</i> <ol style="list-style-type: none"> <li>1. Authorization of a One-Year Extension to the Current Bond Counsel Contract with Kutak Rock LLP through April 2, 2017</li> <li>2. Approval to Select Bennett Frank McCarthy Architects, Inc. as Architect for the Rehabilitation of Brooke Park Apartments and Authorization for the Executive Director to Negotiate and Execute a Contract for \$220,138</li> </ol> </p>

Page 112	3. Approval of the Final Development Plan for Chevy Chase Lake Apartments and Authorization of Additional Development Loan from the Opportunity Housing Reserve Fund to the Chevy Chase Lake Development Corporation for the Development of the Proposed Multifamily Building	
10:40 a.m.	<b>IV. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u></b>	
Page 132	A. Acceptance of the U.S. Department of Health and Human Services Family Initiative Grant funding the HOC Family Program	
	<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>	
10:50 a.m.	<b><u>RECESS</u></b>	
Page 145	<b><u>Development Corporation Meeting</u></b> <ul style="list-style-type: none"> <li>Chevy Chase Lake Development Corporation – Approval of the Final Development Plan for Chevy Chase Lake Apartments, Authorization of Chevy Chase Lake Development Corporation to Accept an Additional Development Loan from the Opportunity Housing Reserve Fund, and Approval to Expend those Funds for Development of the Proposed Multifamily Building</li> </ul>	
10:45 a.m.	<b><u>ADJOURN</u></b>	
11:00 a.m.	<b><u>EXECUTIVE SESSION</u></b> A.	

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NOTES:

- This Agenda is subject to change without notice.
  - Public participation is permitted on Agenda items in the same manner as if the Commission was holding a legislative-type Public Hearing.
  - Times are approximate and may vary depending on length of discussion.
  - \*These items are listed "For Future Action" to give advance notice of coming Agenda topics and not for action at this meeting.
  - 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.*
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# Consent Items

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Minutes**

October 7, 2015

15-10

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, October 7, 2015 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:07 p.m. Those in attendance were:

**Present**

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

**Absent**

Margaret McFarland

**Also Attending**

Stacy Spann, Executive Director

Ken Goldstraw

Kayrine Brown

Eugene Spencer

Terri Fowler

Lola Knights

Jennifer Arrington

Bonnie Hodge

Dean Tyree

Belle Seyoum

Richard Hanks

Tiffany Jackson

Ugonna Ibebuchi

Hyunsuk (Wilson) Choi

Sheryl Hammond

Kelly McLaughlin, General Counsel

Jim Atwell

Gail Willison

Ethan Cohen

Zachary Marks

Brian Kim

Ellen Goff

Bill Anderson

Bobbie DaCosta

Lynn Hayes

Mary Ellen Ewing

Clarence Landers

Gina Smith

**Commission Support**

Patrice Birdsong, Spec. Asst. to the Commission

**Guest**

**None**

**IT Support**

Irma Rodriguez

Prior to the meeting convening an election was held to nominate Chair Pro Tem due to the passing of Jean Banks. A motion was made by Commissioner Piñero to nominate Richard Y. Nelson, Jr., as Chair Pro Tem, and seconded by Vice Chair Simon. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, Nelson and Pinero. Commissioner McFarland was necessarily absent and did not participate in the vote.

The Consent Calendar was adopted with minor edits to the Internal Audit Policy, Process and Procedure document. A motion was made by Chair Pro Tem Nelson and seconded by Commissioner Piñero. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, Nelson and Piñero. Commissioner McFarland was necessarily absent and did not participate in the vote.

**I. CONSENT ITEMS**

**A. Approval of Minutes of Regular Meeting of September 2, 2015** – The minutes were approved as submitted.

**B. Approval of Internal Audit Policy, Process and Procedures**

**RESOLUTION No. 15-75:**

**RE: Approval of Revised Internal Audit Policy and Internal Audit Process and Procedure**

**WHEREAS**, in the late 1990s, the Housing Opportunities Commission created the position of Internal Auditor; and

**WHEREAS**, with the creation of the position, the Commission approved an Internal Audit Policy; and

**WHEREAS**, when the Internal Audit position was created a policy was written, but a procedure never was.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves a revision to the Internal Audit Policy to replace the existing Policy.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves the Internal Audit Process and Procedure.

## II. INFORMATION EXCHANGE

- A. **Report of the Executive Director** – The Executive Director updated on status of Housing Path – hotline remains busy with calls and emails. Chair Roman commented on an article in the Washington Post regarding the electronic waiting list process and how the article gave positive ratings for Montgomery County and services provided to the applicants. Commissioner Piñero requested demographic breakdown of the Wait List when available.
- B. **Calendar and Follow-up Action** – Commissioner Nelson informed the Board of the 2015 Governor’s Housing Conference in Baltimore to be held on November 4, 2015 which will be a conflict with the HOC regular meeting scheduled on that evening.

Commissioner Piñero requested that the Administrative Guide for Commissioners and Staff be added to the To Do/Action List.

- C. **Commissioner Exchange** – Commissioner Hatcher gave an update on the Bauer (Banor) Board meeting held on September 16, 2015. The next scheduled meeting is tentatively scheduled for November 2015.

Commissioner Piñero reported that he attended the Health Fair. He said it was a very nice event. Executive Director Spann acknowledged Mary Phillips, Resident Services Supervisor, as coordinate for the event as a part of the Leadership Tomorrow Team.

- D. **Resident Advisory Board (RAB)** – None
- E. **Community Forum** – None
- F. **Status Report** – None

## III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

- A. **Budget, Finance and Audit Committee – Com. Piñero, Chair**  
1. **Acceptance of Fourth Quarter FY’15 Budget to Actual Statements**

Gail Willison, Chief Financial Officer and Terry Fowler, Budget Officer, were presenters.

The following resolution was approved upon a motion by Commissioner Piñero and seconded by Chair Pro Tem Nelson. Affirmative votes were cast by Commissioners Roman,



**WHEREAS**, the Housing Opportunities Commission ratified the CY'15 Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP on November 5, 2014; and

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

**WHEREAS**, the Commission has reviewed the proposed budget amendments to the CY'15 Capital Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby amends the CY'15 Capital Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP by increasing revenues and expenses for the partnerships as follows:

- Georgian Court Silver Spring LP - \$70,754
- MV Affordable Housing Association (Stewartown) LP - \$48,068
- Shady Grove Apartments LP - \$57,350
- Spring Garden One Association LP - \$35,197
- The Willows of Gaithersburg Association LP - \$63,990

**3. Approval to Release Obligations Against the PNC Bank \$60 Million Line of Credit**

Gail Willison, Chief Financial Officer and Tiffany Jackson, Accounting Manager, were presenters.

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

**RESOLUTION No. 15-78:**

**RE: Approval to Release Obligations Against the PNC Bank \$60 Million Line of Credit**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County has a \$60 million Line of Credit with PNC Bank, N.A.; and



**WHEREAS**, the Commission has obligated \$10 million of the PNC Bank \$60 million Line of Credit to use for the Single Family Mortgage Purchase MBS Program; and

**WHEREAS**, the Commission has also obligated \$2.5 million of the PNC Bank \$60 million Line of Credit to use for the HOC/HOP Program; and

**WHEREAS**, the Commission has been advised by Caine Mitter, Bond Counsel, that an obligation of \$5 million is sufficient to fund the Single Family Mortgage Purchase MBS Program; and

**WHEREAS**, the Commission utilizes the County Revolving Fund for the HOC/HOP Program; and

**WHEREAS**, the Commission wishes to reduce the obligation against the PNC Bank \$60 million Line of Credit for the Single Family Mortgage Purchase MBS Program from \$10 million to \$5 million; and

**WHEREAS**, the Commission wishes to release the \$2.5 million obligation against the PNC Bank \$60 million Line of Credit for the HOC/HOP Program; and

**WHEREAS**, upon the reduction of the obligation for the Single Family Mortgage Purchase MBS Program to \$5 million and the release of the \$2.5 million obligation for the HOC/HOP Program, the unobligated balance of the PNC Bank \$60 million Line of Credit will be \$8,461,334.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Commission authorizes staff to reduce the obligation against the PNC Bank \$60 million Line of Credit for the Single Family Mortgage Purchase MBS Program from \$10 million to \$5 million and to release the \$2.5 million obligation against the PNC Bank \$60 million Line of Credit.

**B. Development and Finance Committee – Com. Simon, Chair**

- 1. Approval of a Predevelopment Budget in the Amount of \$1,195,000 for the Redevelopment of Holly Hall Through the End of Calendar Year 2016; Approval to Accept a Distribution of the Duffie Contribution from Hillandale Gateway, LLC and to Loan Hillandale Gateway, LLC \$546,000 in Predevelopment Funding; and Approval for Hillandale Gateway, LLC to Accept the Predevelopment Loan**

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

The following resolution was approved upon a motion by Vice Chair Simon and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman,

Simon, Hatcher, Nelson and Piñero. Commissioner McFarland was necessarily absent and did not participate in the vote.

**RESOLUTION No. 15-79:**

**RE: Approval of a Predevelopment Budget in the Amount of \$1,195,000 for the Redevelopment of Holly Hall Through the End of Calendar Year 2016; Approval to Accept a Distribution of the Duffie Contribution from Hillandale Gateway, LLC and to Loan Hillandale Gateway, LLC \$546,000 in Predevelopment Funding; and Approval for Hillandale Gateway, LLC to Accept the Predevelopment Loan**

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

**WHEREAS**, HOC is the sole member of HOC at Hillandale Gateway, LLC (“HOC’s JV Member”), which is a member of Hillandale Gateway, LLC the entity that will redevelop the Holly Hall site; and

**WHEREAS**, HOC recently contributed a 43,671-square foot parcel of land at the southwest corner of Powder Mill Road and New Hampshire Avenue, which HOC purchased from Capital One Bank, N.A. on July 11, 2014 (“CONA Site”), and was wholly owned by HOC, to Hillandale Gateway, LLC through HOC’s JV Member; and

**WHEREAS**, the location of Holly Hall and the CONA Site (together, the “Redevelopment Properties”) is at the corner of New Hampshire Avenue and Interstate 495 providing high visibility and access; and

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

**WHEREAS**, the Duffie Companies and HOC wish to form a venture to redevelop Holly Hall and the CONA Site where HOC would contribute the Redevelopment Properties and the Duffie Companies would contribute cash, purchasing an ownership interest in Hillandale Gateway, LLC; and

**WHEREAS**, on July 8, 2015, the Commission authorized the Executive Director to execute all documents associated with the creation of a venture between the Duffie Companies and HOC provided the terms in a letter agreement between the parties would be substantially the same as those originally presented to the Commission on October 22, 2014, and as revised and presented to the Commission on July 8, 2015; and

**WHEREAS**, on July 31, 2015, a letter agreement was signed by HOC and countersigned by The Duffie Companies with terms substantially the same as those originally presented to the Commission on October 22, 2014, and as revised and presented to the Commission on July 8, 2015; and

**WHEREAS**, the letter agreement committed HOC to the an initial contribution of the CONA site to Hillendale Gateway, LLC through HOC's JV Member and committed the Duffie Companies to an initial contribution of \$546,000 ("Duffie Contribution"); and

**WHEREAS**, the parties contemplate that through HOC's JV Member, HOC will take a distribution of the Duffie Contribution and subsequently loan such funds to Hillendale Gateway, LLC to cover predevelopment expenses ("Predevelopment Loan"); and

**WHEREAS**, the Predevelopment Loan must first repay the predevelopment costs incurred to date, estimated to be approximately \$60,000.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillendale Gateway, LLC acting for itself and for and on behalf of Hillendale Gateway, LLC that it approves a predevelopment budget for the redevelopment of the Redevelopment Properties for up to \$1,195,000 through the end of calendar year 2016.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillendale Gateway, LLC that it accepts the distribution of the Duffie Contribution for deposit into the Opportunity Housing Reserve Fund ("OHRF").

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillendale Gateway, LLC acting for itself and for and on behalf of Hillendale Gateway, LLC that it authorizes a loan to Hillendale Gateway, LLC from HOC's OHRF in the amount of \$546,000 and an acceptance by Hillendale Gateway, LLC of such loan, bearing interest at the Applicable Federal Rate and to be repaid from the proceeds of Hillendale Gateway, LLC's redevelopment construction-period financing.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillandale Gateway, LLC acting for itself and for and on behalf of Hillandale Gateway, LLC, that Hillandale Gateway, LLC is authorized to use Predevelopment Loan proceeds to repay predevelopment expenses incurred to date, estimated to be approximately \$60,000.

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

**2. Approval of a Tax-Exempt Draw of up to \$6,875,000 by the Commission from the Original PNC Bank, N.A. Line of Credit (\$60 Million) and the Commission's Advance of Such Funds to Chevy Chase Lake Development Corporation to Prepay the First Mortgage Loan**

Kayrine Brown, Chief Investment & Real Estate Officer, Zachary Marks, Asst. Director of New Developments, and Richard Hanks, Housing Acquisition Manager, were presenters.

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

**RESOLUTION No. 15-80a:**

**RE: Approval of a Tax-Exempt Draw of up to \$6,875,000 by the Commission from the Original PNC Bank, N.A. Line of Credit (\$60 Million) and the Commission's Advance of Such Funds to Chevy Chase Lake Development Corporation to Prepay the First Mortgage Loan**

**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**, Chevy Chase Lake Development Corporation (the "Corporation"), an entity

wholly controlled by the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”), is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the “CCL Site”); and

**WHEREAS**, on July 30, 2013, the Montgomery County Council approved the redevelopment plan for the CCL Site based on a proposed joint development for mixed-use housing providing between 20-40 affordable rental units and 30-40 workforce units in a 150-200 mixed income mid-rise building to be retained by the Corporation (the “Multifamily Building”) in addition to 50-60 for-sale townhomes (the “Townhouses”), of which 15% are slated to be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (MPDUs); and

**WHEREAS**, on January 23, 2014, the Commission and the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates (“EYA”) to sell a portion of the land for the development of the Townhouses (the “Townhouse Site”), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the “Multifamily Site”); and

**WHEREAS**, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the “MF Preliminary Plan Application”), so that it may be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and

**WHEREAS**, the Commission has authorized the permanent relocation of all existing residents and such relocation is expected to be completed by October 31, 2015, thereby availing the development for demolition in preparation for redevelopment; and

**WHEREAS**, as a result of vacating the property and as a precondition of EYA’s closing on the acquisition of the townhome portion of the site, HOC must also prepay the existing first mortgage and redeem the outstanding bonds; and

**WHEREAS**, the Commission may make draws on the original \$60 million PNC Bank, N.A. line of credit at a taxable rate of the London Interbank Offered Rate (LIBOR) plus 90 basis points or tax-exempt at 68.5% of the LIBOR plus 38 basis points.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves a tax-exempt draw on the original PNC Bank, N.A. line of credit for an amount up to \$6,875,000 (the “Loan”) and the subsequent advance of such Loan funds to the Corporation for the purpose of prepaying the existing first mortgage loan and redemption of the portion of the 2004 Series C Multifamily Housing Development Bonds

attributable to Chevy Chase Lakes Development Corporation for a maximum term of 24 months.

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

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

**RESOLUTION No. 15-80b:**

**RE:** Approval to Make a Predevelopment Loan of up to \$250,000 from the Opportunity Housing Reserve Fund to the Chevy Chase Lake Development Corporation to Fund Predevelopment Costs for the Proposed Multifamily Building

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

**WHEREAS**, Chevy Chase Lake Development Corporation (the “Corporation”), an instrumentality of HOC, is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the “CCL Site”); and

**WHEREAS**, on July 30, 2013, the Montgomery County Council approved the redevelopment plan for the CCL Site based on a proposed joint development for mixed-use housing providing between 20-40 affordable rental units and 30-40 workforce units in a 150-200 mixed income mid-rise building (the “Multifamily Building”) in addition to 50-60 for-sale townhomes (the “Townhouses”) of which 15% are slated to be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (MPDUs); and

**WHEREAS**, on January 23, 2014, the Commission and the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates (“EYA”) to sell a portion of the land for the development of the Townhouses (the “Townhouse Site”), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the “Multifamily Site”); and

**WHEREAS**, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the “MF Preliminary Plan Application”), so that it could be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and

**WHEREAS**, the Commission previously authorized predevelopment funding of \$1,350,000 which was funded from deposits received from EYA (\$750,000) and from the Opportunity Housing Reserve Fund (OHRF) (\$600,000) but, in order to cover the completion of the remaining design work, pre-closing site work, permit fees, and legal fees and costs through the date the Multifamily Site is acquired by the to-be-formed Commission-controlled entity with acquisition and construction financing; and

**WHEREAS**, it is estimated that additional predevelopment funding of approximately \$2.2 million is needed to complete the predevelopment expenditures of the Multifamily Building and that all such cost are attributable only to the Multifamily Building; and

**WHEREAS**, the Commission’s OHRF has an unobligated balance of \$14.06 million and such funds may be appropriated with Commission approval for among other things, the funding of predevelopment costs.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves a predevelopment loan of up to \$250,000 from the OHRF to the Chevy Chase Lake Development Corporation for predevelopment expenses for the Multifamily Building, reserving the right to approve any additional amount of the \$2.2 million that is anticipated to be needed to complete the predevelopment work when the final development plan and the request for funding are presented to the Commission for approval.

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

**3. Approval of Revised Development Plan and Authorization to Expend Additional Predevelopment Spending of up to \$750,000 of Opportunity Housing Reserve**

**Funds for the Submission of the Detail Site Plan for Elizabeth Square to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County**

Kayrine Brown, Chief Investment & Real Estate Officer and Brian Kim, Development Associate, were presenters.

Upon a motion by Vice Chair Simon and seconded by Commissioner Hatcher, the following resolution was approved, with revisions to condition the submission of the site plan on the Commission's subsequent approval of a revised unit mix. Commissioners requested to review changes prior to the next meeting for approval. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, Nelson and Piñero. Commissioner McFarland was necessarily absent and did not participate in the vote.

**RESOLUTION No.: 15-81**

**RE: Approval of Revised Development Plan and Authorization to Expend Additional Predevelopment Spending of up to \$750,000 of Opportunity Housing Reserve Funds for the Submission of the Detail Site Plan for Elizabeth Square to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County**

**WHEREAS**, Elizabeth Square is a 136,032 sq. ft. parcel located in downtown Silver Spring, bounded by Fenwick Street to the North, Second Avenue to the East, WMATA Rail Lines to the West and Apple Street to the South, consisting of three discrete properties, Alexander House owned by Alexander House Development Corporation, Elizabeth House owned by the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") and Fenwick Professional Park owned by Lee Development Group ("LDG"); and

**WHEREAS**, on February 18, 2014, HOC entered into a pre-development agreement and preliminary plan submittal phase with LDG, Inc., an affiliate of LDG, as authorized by Resolution 14-13, adopted on February 18, 2014 and ratified by Resolution 14-13-R, adopted on March 5, 2014; and

**WHEREAS**, on May 28, 2014, the Commission passed Resolution 14-34 approving the essential business terms of the ground lease and land development agreement and authorizing the Executive Director to negotiate and execute the land development agreement ("Agreement"), which Resolution 14-34 was ratified by the Commission on June 4, 2014 by Resolution 14-34-R; and

**WHEREAS**, HOC and LDG entered into the Agreement as of July 31, 2014; and



**WHEREAS**, on July 23, 2015, the preliminary and project plans for Elizabeth Square were unanimously approved by the County Planning Department; and

**WHEREAS**, preliminary and project plans approved up to 766,046 square feet of residential development with up to 907 dwelling units, up to 6,032 square feet of non-residential uses, and up to 63,896 square feet of public use facilities; and

**WHEREAS**, HOC has now completed the feasibility phase of Elizabeth Square and is prepared to develop the detail site plan for the increased building height on Alexander House and the construction of both Elizabeth House III, which will be constructed on the Fenwick Professional Park site, and Elizabeth House IV, which will be constructed on the existing Elizabeth House site; and

**WHEREAS**, as part of the detail site plan phase, the development consultants are prepared to initiate the site plan process by submitting an application to M-NCPPC and the County Planning Department; and

**WHEREAS**, the Commission previously approved predevelopment funding totaling \$2,240,949; and

**WHEREAS**, staff seeks approval for additional predevelopment funding estimated to cost \$4,500,000 to carry the development through the completion of design and engineering documents for both Elizabeth House III and Elizabeth House IV, issuance of permits for Elizabeth House III, and the closing on the construction financing for Elizabeth House III, with the additional funding request to be divided into four installments, each requiring Commission approval; and

**WHEREAS**, the first installment of \$750,000 can be funded out of the Opportunity Housing Reserve Fund from monies yielded by the sale of certain scattered site units and reserved for investment in multifamily development opportunities.

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

1. HOC is authorized to incur up to SEVEN HUNDRED FIFTY THOUSAND DOLLARS (\$750,000) in costs for the detail site plan, which shall be funded from the Opportunity Housing Reserve Fund; and
2. subject to a subsequent written approval by a majority of the Commissioners present herewith, which approval may be given in counterparts, of a revised unit mix and financial proforma for the Development, the Executive Director is authorized to execute all applications and submissions necessary for the approval of a detail site plan for the development of Elizabeth House III and Elizabeth House IV, and to file such applications and submissions with all of the required regulatory agencies,

including the Maryland-National Capital Park and Planning Commission and the County Planning Department.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized, without any further action on its part other than the subsequent written approval provided for herein, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including the execution of any documents related thereto.

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on October 7, 2015.

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

**A. None**

**V. FUTURE ACTION ITEMS**

**None**

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

**None**

**VII. NEW BUSINESS**

**None**

**VIII. EXECUTIVE SESSION FINDINGS**

**None**

The meeting recessed at 5:16 p.m. for a meeting of the Board of Chevy Chase Lake Development Corporation and Alexander House Development Corporation.

The Housing Opportunities Commission meeting reconvened at 5:20 p.m. to adjourn for an Executive Session called for the purpose of considering matters related to consultation with counsel for legal advice and personnel matter. 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.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Minutes of Vote by Mail Request**

October 14, 2015

On October 13, 2015, Chair Roman approved a special meeting to convene via electronic communication due to the expediency to obtain a resolution to address a need regarding Chevy Chase Lake Taxable Draw.

**Participant**

Sally Roman, Chair  
Richard Y. Nelson, Jr., Chair Pro Tem  
Christopher Hatcher  
Margaret McFarland  
Roberto Piñero

**Unavailable**

Jackie Simon, Vice Chair

**Also Participating**

Stacy L. Spann, Executive Director  
Kelly McLaughlin, General Counsel  
Gail Willison, Chief Financial Officer  
Kayrine Brown, Chief Investment and Real Estate Officer

**Commission Support**

Patrice Birdsong

**Explanation for New Resolution**

At its regular meeting on October 7, 2015, the Commission authorized staff to draw, on a tax-exempt basis, up to \$6,875,000 from the original PNC Bank, N.A. line of credit (\$60 million) to prepay the outstanding mortgage and redeem the related tax-exempt bonds (Resolution 15-80A). The interest rate on a tax-exempt draw is 68.5% of the London Interbank Offered Rate (LIBOR) plus 38 basis points.

While preparing to issue an opinion on the tax-exempt nature of the draw, HOC's bond counsel, Kutak Rock, LLP, advised that the draws on the PNC Bank, N.A. line of credit cannot be a tax-exempt draw because the sale of the portion of the site to EYA constitutes a change in use from a governmentally owned project to privately owned project under current IRS regulations.

Kutak Rock further outlined certain other conditions that would have to be met to qualify the draw for tax-exemption, but those conditions cannot be met, given the nature of the Chevy Chase Lake transaction with EYA—sale of the units to high income purchasers without price restrictions and the installment nature of the payments.

Staff agrees and therefore requests the Commission’s approval of Resolution 15-85SS to supersede Resolution 15-80A and to authorize the draw on a *taxable* basis, with interest payable at the contractual rate of LIBOR plus 90 basis points. No other change is requested; the loan is still projected to remain outstanding for 24 months and will be repaid from permanent financing proceeds of the multifamily building.

Commissioners were asked to vote via email by 2:00 p.m., Wednesday, October 14, 2015.

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

**RESOLUTION No.: 15-85SS**

**RE: Approval of a Taxable Draw of up to \$6,875,000 by the Commission from the Original PNC Bank, N.A. Line of Credit (\$60 Million) and the Commission’s Advance of Such Funds to Chevy Chase Lake Development Corporation to Prepay the First Mortgage Loan**

**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**, Chevy Chase Lake Development Corporation (the “Corporation”), an entity wholly controlled by the Commission, is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the “CCL Site”); and

**WHEREAS**, on July 30, 2013, the Montgomery County Council approved the redevelopment plan for the CCL Site based on a proposed joint development for mixed-use housing providing between 20-40 affordable rental units and 30-40 workforce units in a 150-200 mixed income mid-rise building to be retained by the Corporation (the “Multifamily

Building”) in addition to 50-60 for-sale townhomes (the “Townhouses”), of which 15% are slated to be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (MPDUs); and

**WHEREAS**, on January 23, 2014, the Commission and the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates (“EYA”) to sell a portion of the land for the development of the Townhouses (the “Townhouse Site”), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the “Multifamily Site”); and

**WHEREAS**, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the “MF Preliminary Plan Application”), so that it may be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and

**WHEREAS**, the Commission has authorized the permanent relocation of all existing residents and such relocation is expected to be completed by October 31, 2015, thereby availing the development for demolition in preparation for redevelopment; and

**WHEREAS**, as a result of vacating the property and as a precondition of EYA’s closing on the acquisition of the townhome portion of the site, HOC must also prepay the existing first mortgage and redeem the outstanding bonds; and

**WHEREAS**, the Commission may make draws on the original \$60 million PNC Bank, N.A. line of credit (“LOC”) at a taxable rate of the London Interbank Offered Rate (LIBOR) plus 90 basis points or a tax-exempt rate at 68.5% of the LIBOR plus 38 basis points; and

**WHEREAS**, on October 7, 2015, the Commission approved Resolution 15-80a which authorized a tax-exempt draw on the LOC, but now wishes to authorize a taxable draw at the recommendation of bond counsel.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves a taxable draw on the original PNC Bank, N.A. line of credit for an amount up to \$6,875,000 (the “Loan”) and the subsequent advance of such Loan funds to the Corporation for the purpose of prepaying the existing first mortgage loan and redemption of the portion of the 2004 Series C Multifamily Housing Development Bonds attributable to Chevy Chase Lakes Development Corporation for a maximum term of 24 months.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that this Resolution supersedes Resolution 15-80a, but that all other prior acts and doings of the officials, agents and employees of the Commission which are in conformity with

Minutes of Vote by Mail Request

October 14, 2015

Page 4 of 4

the purpose and intent of this Resolution, and in furtherance thereof, are in all respects hereby affirmed, ratified, approved and confirmed.

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

The meeting closed, Wednesday, October 14, 2015 at 2:00 p.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

**RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION  
ON OCTOBER 7, 2015:**

**AUTHORIZATION TO ISSUE A \$250,000 NOTE AND COMPLETE THE  
ACQUISITION OF 900 THAYER AVENUE, AND TO EXECUTE  
DOCUMENTS RELATED THERETO**

**NOVEMBER 3, 2015**

- At a closed Executive Session on October 7, 2015, the Commission adopted Resolution 15-82ES which approved the completion of the acquisition of 900 Thayer Avenue, Silver Spring, Maryland 20910.
- In connection with the acquisition, the Commission authorized the issuance of a \$250,000 promissory note as the second installment of the security deposit.
- The Commission wishes to ratify and affirm, in an open meeting, the action undertaken at the October 7, 2015 closed Executive Session any action taken since then with respect to the approved transaction.



**RESOLUTION: 15-82R**

**RE: Ratification of Authorization to Issue a \$250,000 Note and Complete the Acquisition of 900 Thayer Avenue, and to Execute Documents Related Thereto**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly created, organized and existing under the laws of the State of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland (the “Act”), to carry out and effectuate the purpose of providing affordable housing 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 a closed Executive Session duly called and held on October 7, 2015, with a quorum present, the Commission duly adopted Resolution 15-82ES titled: “Authorization to Issue a \$250,000 Note and Complete the Acquisition of 900 Thayer Avenue, and to Execute Documents Related Thereto”; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commissioners in adopting Resolution 15-82ES and any action taken since October 7, 2015 to effectuate the transaction contemplated therein.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 15-82ES Resolution and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

**RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION  
ON OCTOBER 7, 2015:**

**APPROVAL TO EXECUTE AMENDED AND RESTATED LAND  
DEVELOPMENT AGREEMENT FOR ELIZABETH HOUSE III  
CONTEMPLATING A REVISED CONDOMINIUM PLAN AND A SPACE  
LEASE, AND AUTHORIZATION TO EXPLORE ALTERNATIVE PRIVATE  
FUNDING**

**NOVEMBER 3, 2015**

- At a closed Executive Session on October 7, 2015, the Commission adopted Resolution 15-83ES which approved the execution of an Amended and Restated Land Development Agreement with Lee Development Group to replace use a space lease for Elizabeth House III in lieu of a ground lease in order to accommodate the contemplated condominium regime which will facilitate the plan to finance the development with low-income housing tax credits
- The Commission also authorized staff to explore the possibility of obtaining additional financing from alternative private capital sources.
- The Commission wishes to ratify and affirm, in an open meeting, the action undertaken at the October 7, 2015 closed Executive Session any action taken since then with respect to the approved transaction.

**RESOLUTION: 15-83R**

**RE: Ratification of Approval to Execute Amended and Restated Land Development Agreement for Elizabeth House III Contemplating Revised Condominium Plan and a Space Lease, and Authorization to Explore Alternative Private Funding**

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

**WHEREAS**, at a closed Executive Session duly called and held on October 7, 2015, with a quorum present, the Commission duly adopted Resolution 15-83ES titled: “Approval to Execute Amended and Restated Land Development Agreement for Elizabeth House III Contemplating a Revised Condominium Plan and a Space Lease, and Authorization to Explore Alternative Private Funding”; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commissioners in adopting Resolution 15-83ES and any action taken since October 7, 2015 to effectuate the transaction contemplated therein.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 15-83ES Resolution and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

**RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION  
ON OCTOBER 7, 2015:**

**APPROVAL TO ADVANCE UP TO \$100,000 FROM THE OPPORTUNITY  
HOUSING RESERVE FUND FOR FEASIBILITY AND PREDEVELOPMENT  
COSTS FOR THE POTENTIAL REDEVELOPMENT OF WESTWOOD  
TOWERS SITE**

**NOVEMBER 3, 2015**

- At a closed Executive Session on October 7, 2015, the Commission adopted Resolution 15-84ES which approved the use of \$100,000 from the Opportunity Housing Reserve Fund (OHRF) to perform feasibility due diligence work in connection with the development of the unused portions of the Westwood Towers site, and including obtaining a conceptual study for the potential collaboration with Equity One and revision of the Westward Master Plan
- The Commission wishes to ratify and affirm, in an open meeting, the action undertaken at the October 7, 2015 closed Executive Session any action taken since then with respect to the approved transaction.

**RESOLUTION: 15-84R**

**RE: Ratification of Approval to Advance up to \$100,000 from the Opportunity Housing Reserve Fund for Feasibility and Predevelopment Costs for the Potential Redevelopment of Westwood Towers Site**

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

**WHEREAS**, at a closed Executive Session duly called and held on October 7, 2015, with a quorum present, the Commission duly adopted Resolution 15-84ES titled: “Approval to Advance up to \$100,000 from the Opportunity Housing Reserve Fund for Feasibility and Predevelopment Costs for the Potential Redevelopment of Westwood Towers Site”; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commissioners in adopting Resolution 15-84ES and any action taken since October 7, 2015 to effectuate the transaction contemplated therein.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 15-84ES Resolution and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

**RATIFICATION OF ACTION TAKEN VIA A SPECIAL SESSION AND VOTE  
BY MAIL AS OF OCTOBER 14, 2015:**

**APPROVAL OF A TAXABLE DRAW OF UP TO \$6,875,000 BY THE  
COMMISSION FROM THE ORIGINAL PNC BANK, N.A. LINE OF CREDIT  
(\$60 MILLION) AND THE COMMISSION'S ADVANCE OF SUCH FUNDS  
TO CHEVY CHASE LAKE DEVELOPMENT CORPORATION TO PREPAY THE  
FIRST MORTGAGE LOAN**

**NOVEMBER 3, 2015**

- At an open Commission meeting on October 7, 2015, the Commission duly adopted Resolution 15-80A, which approved a tax-exempt draw of up to \$6,857,000 on the \$60 Million Real Estate Line of Credit (RELOC) with PNC Bank in order to repay the existing loan for Chevy Chase Lake Apartments.
- Thereafter, staff was advised by bond counsel to use a taxable draw on the RELOC instead of a tax-exempt draw.
- Since time was of the essence, the Commission held a Special Session whereby the Commission approved Resolution 15-85SS via a vote by mail that was concluded on October 14, 2015, authorizing a taxable draw on the RELOC of up to \$6,875,000 and the advance of such funds to Chevy Chase Lake Development Corporation for the purpose of prepaying its first mortgage loan.
- The Commission wishes to ratify and affirm, in an open meeting, its action undertaken as of October 14, 2015, as well as any action taken by the staff with respect to the transaction authorized by Resolution 15-85SS.

**RESOLUTION: 15-85R**

**RE: Ratification of Approval of a Taxable Draw of up to \$6,875,000 by the Commission from the Original PNC Bank, N.A. Line of Credit (\$60 Million) and the Commission’s Advance of Such Funds to Chevy Chase Lake Development Corporation to Prepay the First Mortgage Loan**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly created, organized and existing under the laws of the State of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland (the “Act”), to carry out and effectuate the purpose of providing affordable housing 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**, pursuant to a Special Session duly called on October 13, 2015, in which a quorum participated, the Commission conducted a vote by mail that concluded on October 14, 2015 and duly adopted Resolution 15-85SS titled: “Approval of a Taxable Draw of up to \$6,875,000 by the Commission from the Original PNC Bank, N.A. Line of Credit (\$60 Million) and the Commission’s Advance of Such Funds to Chevy Chase Lake Development Corporation to Prepay the First Mortgage Loan”; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission as of October 14, 2015 in adopting Resolution 15-85SS and any actions taken to effectuate the transaction authorized by Resolution 15-85SS.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 15-85SS and any actions to effectuate the transaction authorized thereby are hereby ratified and affirmed.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

**RATIFICATION OF RECOMMENDATION ADOPTED BY THE BUDGET,  
FINANCE AND AUDIT COMMITTEE ON OCTOBER 20, 2015: APPROVAL  
OF CY'16 TAX CREDIT PARTNERSHIP BUDGETS**

**November 3, 2015**

- The Budget, Finance and Audit Committee reviewed and approved the Tax Credit Partnership Budgets during the October 20, 2015 meeting.
- The budgets for the two MPDU Tax Credit Partnerships, Hampden Lane LP (Lasko Manor), Forest Oak Towers LP, Wheaton Metro LP (MetroPointe), Manchester Manor Apartments LP, Tanglewood/Sligo Hills LP, Barclay One LP, Georgian Court Silver Spring LP, MV Affordable Housing Associates LP (Stewartown), Shady Grove Apartments LP, Spring Garden One Associates LP, and The Willows of Gaithersburg Associates LP generate \$387,257 in net cash flow to the Agency for CY'14 which is comprised of \$221,247 in Ground Rent and \$166,010 in Partnership Management Fees.
- Rent increases for all properties are within the guidelines of HOC's current Rent Policy.
- The partnership documents for the tax credit portions of Strathmore Court and The Metropolitan provided for a partnership fiscal year that coincides with HOC's. Therefore, these budgets are not included with the calendar year partnership budgets.
- Resolution confirms action taken at the Budget, Finance and Audit Committee on October 20, 2015.



**MEMORANDUM**

**TO:** Housing Opportunities Commission

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

**FROM:** Staff: Gail Willison Division: Finance Ext. 9480  
Terri Fowler Ext. 9507  
Gio Kaviladze Ext. 9667  
Shaina Francis Ext. 9602

**RE:** Ratification of Recommendation Adopted by the Budget, Finance and Audit Committee on October 20, 2015: Approval of CY'16 Tax Credit Partnership Budgets

**DATE:** November 3, 2015

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**STATUS:** Consent [ X ]

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**OVERALL GOAL & OBJECTIVE:**

To ratify action taken in Budget, Finance and Audit Committee on October 20, 2015: Approval of CY'16 Tax Credit Partnership Budgets.

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**BACKGROUND:**

As Managing General Partner, HOC has a fiduciary responsibility for each of the Tax Credit Partnerships. The current HOC budget policy stipulates that the financial performance and budgets of the Tax Credit Partnerships should be reviewed on the same fiscal year as its partners (December 31). The Tax Credit Partnership Budgets require adoption by the Commission, separate from the Agency's general budget process.

The partnerships that own the scattered site properties MHLP IX, MHLP X, and the eleven multifamily properties are calendar year-end properties:

- Hampden Lane Apartments LP (Lasko Manor);
- Forest Oak Towers LP;
- Wheaton Metro LP (MetroPointe);
- Manchester Manor Apartments LP;
- Tanglewood/Sligo Hills LP;
- Barclay One Associates LP;
- Georgian Court Silver Spring LP;
- MV Affordable Housing Associates LP (Stewartown);
- Shady Grove Apartments LP;
- Spring Garden One Associates LP; and,
- The Willows of Gaithersburg Associates LP.

As general partner, HOC is responsible for submitting final copies of the CY'16 Budgets to the limited partners by November 1.

**Attachment 1** displays the compliance period end dates, status of charitable donation of property to HOC, and extended use after the compliance period for all our CY Tax Credit partnership properties.

The partnership agreements for The Metropolitan and Strathmore Court provide for a fiscal year consistent with HOC's fiscal year and, therefore, are exceptions to the tax credit process outlined herein. Their budgets are adopted with the budgets for the balance of HOC's properties.

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**ISSUES FOR CONSIDERATION:**

The budget forecasts the collection of \$221,247 in CY'16 in ground rent fees from MHLP IX and MHLP X. The budget also forecasts the collection of \$228,531 in CY'16 in asset and Partnership Management Fees from the multifamily properties (**Attachment 2**). At year end, the Asset Management Fees are paid to the limited partner. If sufficient funds remain, the Partnership Management Fees, or \$166,010 are paid to the general partner (HOC). All unpaid fees are accrued for payment in future years.

As the Managing General Partner, HOC is responsible for funding any cash deficits that occur in the operation of the tax credit projects. **Lasko Manor** is projecting a negative cash flow of \$37,979 for CY'16. The loss will be restricted from the projected ground rent fees during the FY'17 budget process. It should be noted that a portion of this deficit results from the Management Fee paid to HOC.

**Scattered Site Tax Credit Partnerships**

In CY'16, the projected ground rent for the portfolio is \$56,858 less than the CY'15 projection of \$278,105. The decrease in projected ground rent is a result of higher projected vacancy rates and operating expenses for the **MHLP IX** properties.

Rent increases for all scattered site properties are budgeted according to a rent calculation model with a 2.3% increase for both renewal and turnover units. The CY'16 Budget for the scattered site properties projects a slight decrease in operating income for **MHLP IX** and a slight increase for **MHLP X** compared to budgeted CY'15 projections (**Attachment 3**). Although rent potential is projected to increase slightly at both properties, the increases are offset by higher vacancy losses. The CY'15 actual vacancy loss is significantly higher than was budgeted. The projected vacancy loss for CY'16 is in line with the higher experienced losses.

Operating expenses on a per unit per annum (PUPA) basis for the scattered site properties are projected to increase in CY'16 mainly due to increases in Management Fees and Scattered Site Allocation expenses (**Attachment 4**).

The net effect on CY'16 of higher vacancy losses and higher budgeted operating expenses is that the Net Operating Income (NOI) on a PUPA basis is projected to decrease in CY'16 for each property in the portfolio (**Attachment 5**). It should be noted that projected operating results described above are comparing budgeted CY'16 figures with budgeted CY'15 figures. Comparison of CY'16 budgeted projections to CY'15 actual results would likely result in smaller variability in operating results between CY'15 and CY'16.

The minimum Debt Service Coverage Ratio (DSC) requirement of 1.10 or higher is achieved by all properties. Although the DSC ratio for both **MHLP IX** and **MHLP X**, driven by decreases in NOI, has decreased for CY'16 from CY'15 budgeted levels, they are still above the 1.10 level (**Attachment 6**).

**Attachment 7** shows the history of PUPA Replacement for Reserves (RfR) contributions for scattered sites MHLP IX and MHLP X. As you can see, the base required contribution has not changed over the years. However, the age of the portfolio has required additional pay-go contributions each year to meet the capital needs of the portfolio. The CY'16 projection for PUPA RfR deposits by property, including the base and pay-go amounts, is depicted on (**Attachment 8**).

### **Multifamily Tax Credit Partnerships**

As stated earlier, the rent policy for CY'16 allows for in-place AMI unit rental increases based on the higher of the County Guideline or the percentage of increase in AMI. However, this portfolio includes several properties that fall under superseding rental increase guidelines. Forest Oak Towers', which is a Project Based Section 8 property, rent increase is based on the change in the Operating Cost Adjustment Factor (OCAF). In addition, Georgian Court, Stewartown, and The Willows are all HUD 236 properties that by HUD regulations allow for rent increases to cover the cost of operating the property. The projected rent increase for these three properties is based on the HUD 236 rent calculator. Staff believes that the budgeted increases for each of the multifamily properties, which range from 0% for **Stewartown** to 2.3% for **Lasko Manor, The Barclay, Georgian Court, Manchester Manor, Spring Garden, and The Willows**, are both achievable and reasonable.

Income from this portfolio is restricted to the properties. The only revenue that comes to HOC is in the form of a Partnership Management Fee, which is projected to be \$166,010 for CY'16. HOC is no longer eligible to receive a Partnership Management Fee from **Georgian Court** based on the expiration of the tax credit compliance period. In addition, the proposed budgets for **Lasko Manor** and **Manchester Manor** project full or partial removal of the fees. The proposed CY'16 budgets reflect an increase of \$4,146 or 2.6% when compared to the CY'15 adopted budgets adjusted to exclude Georgian Court (\$161,864).

The CY'16 Budget for the multifamily properties project increases in operating income on a PUPA basis for all multifamily properties with the exception of Lasko Manor, which is projecting a 4.2% decrease, and **Stewartown** which remains flat (**Attachment 9**).

Operating expenses on a PUPA basis for the multifamily properties are projected to increase in the CY'16 Budget, with the exception of **Lasko Manor** which is projecting a reduction of 3.2% based on changes in staffing costs (**Attachment 10**). Increases in operating expenses for the multifamily properties range from 0.2% to 9.3%. The highest growth rates are at **Forest Oak Towers** and **Tanglewood/Sligo Hills** which project expense growth rates of 7.9% and 9.3% respectively. **Forest Oak Towers** has a 33.5% increase in operating expenses primarily due to the addition of the biennial Rental License Fee expense in CY'16 over CY'15. Additionally, there is a 14.4% increase in utilities due to an increase in electricity to reflect CY'15 actual spending and a 21% increase in general expenses due to the additional liability insurance required to be carried by the Management Company as a result of a change in the Property Management Agreement. For **Tanglewood/Sligo Hills**, there is a 20% increase in administrative personnel costs and a 25% increase in utilities primarily due to an increase in electricity to reflect CY'15 actual spending.

The net impact of the changes in operating income and expenses is reflected in the net operating income (NOI) for the Multifamily Tax Credit Portfolio (**Attachment 11**). From budgeted CY'15 to CY'16, all of the multifamily properties are projecting stagnant to decreasing NOIs in the range of 0% at **Shady Grove** up to a 4.8% decrease at **Manchester Manor** with the exception of **MetroPointe, Tanglewood/Sligo Hills, The Barclay, and The Willows** which are increasing between 0.4% and 1.7%.

The minimum Debt Service Coverage Ratio (DSC) requirement of 1.10 or higher is projected to be achieved for all multifamily properties (**Attachment 12**).

**Attachment 13** shows the history of PUPA Replacement for Reserves (RfR) contributions for the multifamily portfolio. As you can see, the base required contribution amount has remained relatively flat. Over the years, a few properties in the portfolio have required increases in their annual contributions as well as the use of residual cash to meet their capital needs. For CY'16, after an in-depth capital expense review process with Property Management, **Georgian Court, Stewartown, Shady Grove, and The Willows** continue to project the need for significant increases in RfR contributions to meet their current and future years capital expenditure needs. The CY'16 projection for RfR deposits by property, including the base and increased amounts, are depicted in **Attachment 14**.

## Capital

The age and condition of our portfolio continues to bring capital needs and the funding of those needs to the forefront.

**MHLP IX, MHLP X, Tanglewood/Sligo Hills, Georgian Court, Shady Grove, and The Willows** are all relying on current year RfR contributions, which have been increased for all but Tanglewood/Sligo Hills above their base required RfR escrow contributions in CY'16, to fund their capital needs (**Attachment 15**). For the scattered site properties, the reliance on current year RfR deposits is slightly higher in CY'16 when compared to CY'15. The reliance on increased

current year RfR deposits not only directly reduces the amount of ground rent fees available to HOC, but will also result in these properties having insufficient reserves available to meet capital needs beyond CY'16. For the multifamily properties, increased RfR contributions above the base requirement are intended to prevent the depletion of their reserves and support future capital needs denoted in each property's Five Year Capital Plans.

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**BUDGET IMPACT:**

Approval by the Commission of these budgets will allow the Tax Credit Partnerships to begin operations on January 1, the beginning of their calendar year.

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**TIME FRAME:**

The budgets were due to the limited partners by November 1, 2015. The CY'16 budgets were reviewed and approved by the Budget, Finance and Audit Committee at the October 20, 2015 meeting. Commission ratification of this action is requested at the November 3, 2015 meeting.

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**COMMISSION ACTION REQUESTED:**

To ratify action taken in Budget, Finance and Audit Committee to approve the CY'16 Budgets for the Tax Credit Partnerships.

RESOLUTION NO: **15-86R**

**Re:** Ratification of Recommendation Adopted by the Budget, Finance and Audit Committee on October 20, 2015: Approval of CY'16 Tax Credit Partnership Budgets

**WHEREAS**, the Housing Opportunities Commission of Montgomery County is the General Partner who manages the business and is liable for the debts of 13 Tax Credit Partnerships; and

**WHEREAS**, the limited partners in these 13 Tax Credit Partnerships have contributed money and share in profits but take no part in running the business and incur no liability with respect to the partnership beyond their contributions; and

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

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

**WHEREAS**, as the budgets were due to the limited partners by November 1, 2015, the Budget, Finance and Audit Committee reviewed and approved the CY'16 Budgets at the October 20, 2015 meeting.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby ratifies the action taken by the Budget, Finance and Audit Committee to approve the CY'16 Operating Budgets for the 13 Tax Credit Partnerships shown on Attachment 1 of this resolution.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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Patrice Birdsong  
Special Assistant to the Commission

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## TAX CREDIT COMPLIANCE PERIOD as of October 20, 2015

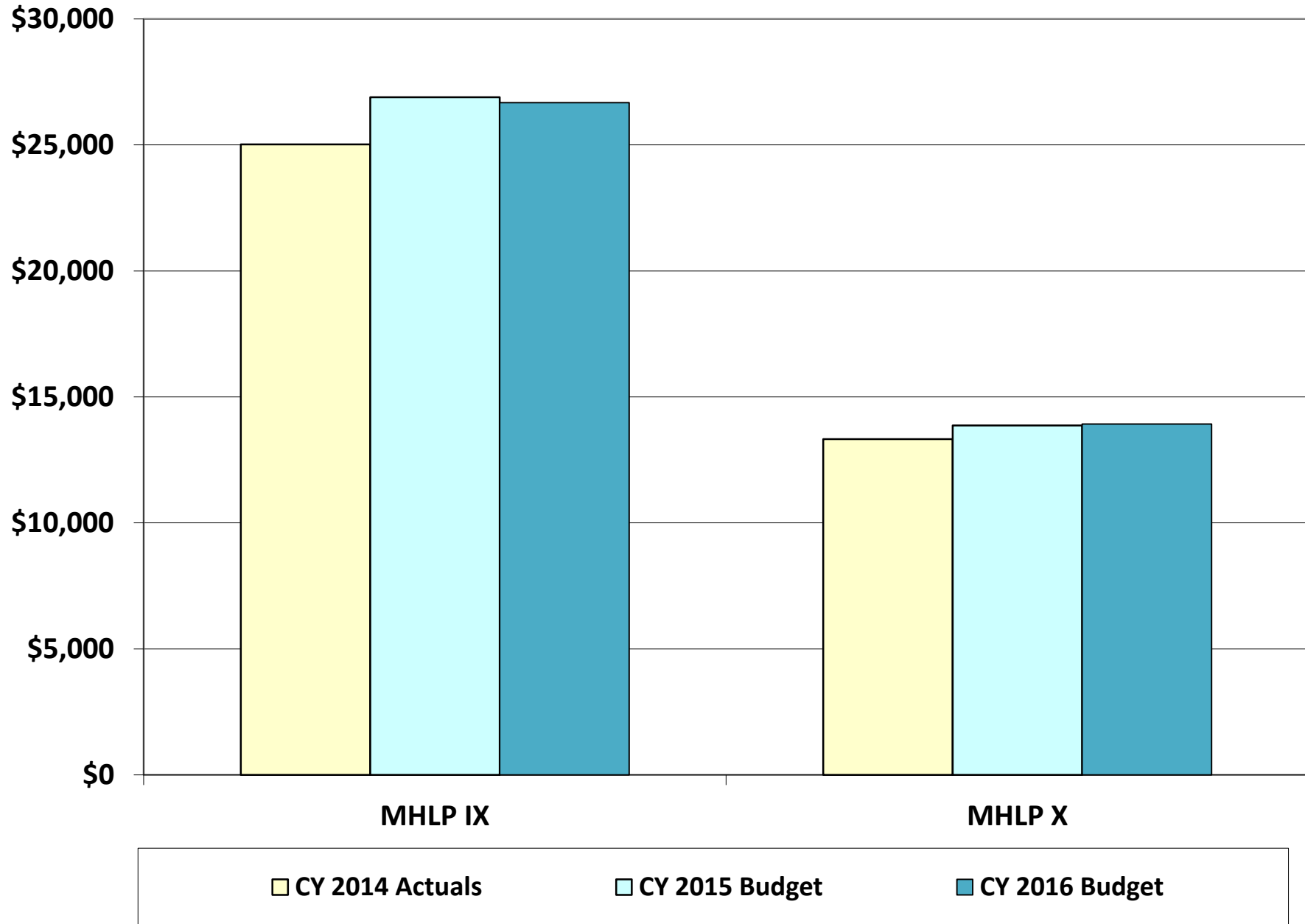
PROPERTIES	# of Units	END DATE: December	Status of Charitable Donation of Property to HOC	Extended Use after Compliance Period
MHLP IX -Pond Ridge	40	2013	Financial review indicated minimal to zero exit taxes - next step to coordinate legal steps with LP's.	84 Years
MHLP IX -MPDU Units	76	2013	Financial review indicated minimal to zero exit taxes - next step to coordinate legal steps with LP's.	84 Years
Shady Grove Apts. LP	144	2014	Beginning stages - conducting internal review of documentation and determining next steps in process.	15 Years
The Willows of Gaithersburg Assoc. LP	195	2014	Beginning stages - conducting internal review of documentation and determining next steps in process.	15 Years
MHLP X	75	2015	Beginning stages - conducted preliminary analysis and determining next steps in process.	30 Years
Manchester Manor Apts. LP	53	2015	Beginning stages - conducted preliminary analysis and determining next steps in process.	15 Years
Georgian Court Silver Spring LP	147	2015	Staff evaluating a possible redevelopment opportunity.	15 Years
MV Affordable Housing Assoc. LP (Stewartown)	94	2017		15 Years
Barclay One Assoc. LP	81	2021		40 Years
Spring Garden One Assoc. LP	83	2021		25 Years
Forest Oak Towers LP	175	2022		25 Years
Wheaton Metro LP (MetroPointe)	53	2023		25 Years
Hampden Lane Apts. LP (Lasko Manor)	12	2026		25 Years

Tax Credit CY'16 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Operating Cash Flow	Ground Rent	Net Cash Flow
MHLP IX	116	\$1,568,181	\$864,465	\$703,716	\$478,825	\$46,400	\$31,700	\$146,791	\$146,791	\$0
MHLP X	75	\$1,044,346	\$611,036	\$433,310	\$307,849	\$23,000	\$27,000	\$75,461	\$74,456	\$1,005
<b>Total Scattered Sites</b>	<b>191</b>	<b>\$2,612,527</b>	<b>\$1,475,501</b>	<b>\$1,137,026</b>	<b>\$786,674</b>	<b>\$69,400</b>	<b>\$58,700</b>	<b>\$222,252</b>	<b>\$221,247</b>	<b>\$1,005</b>

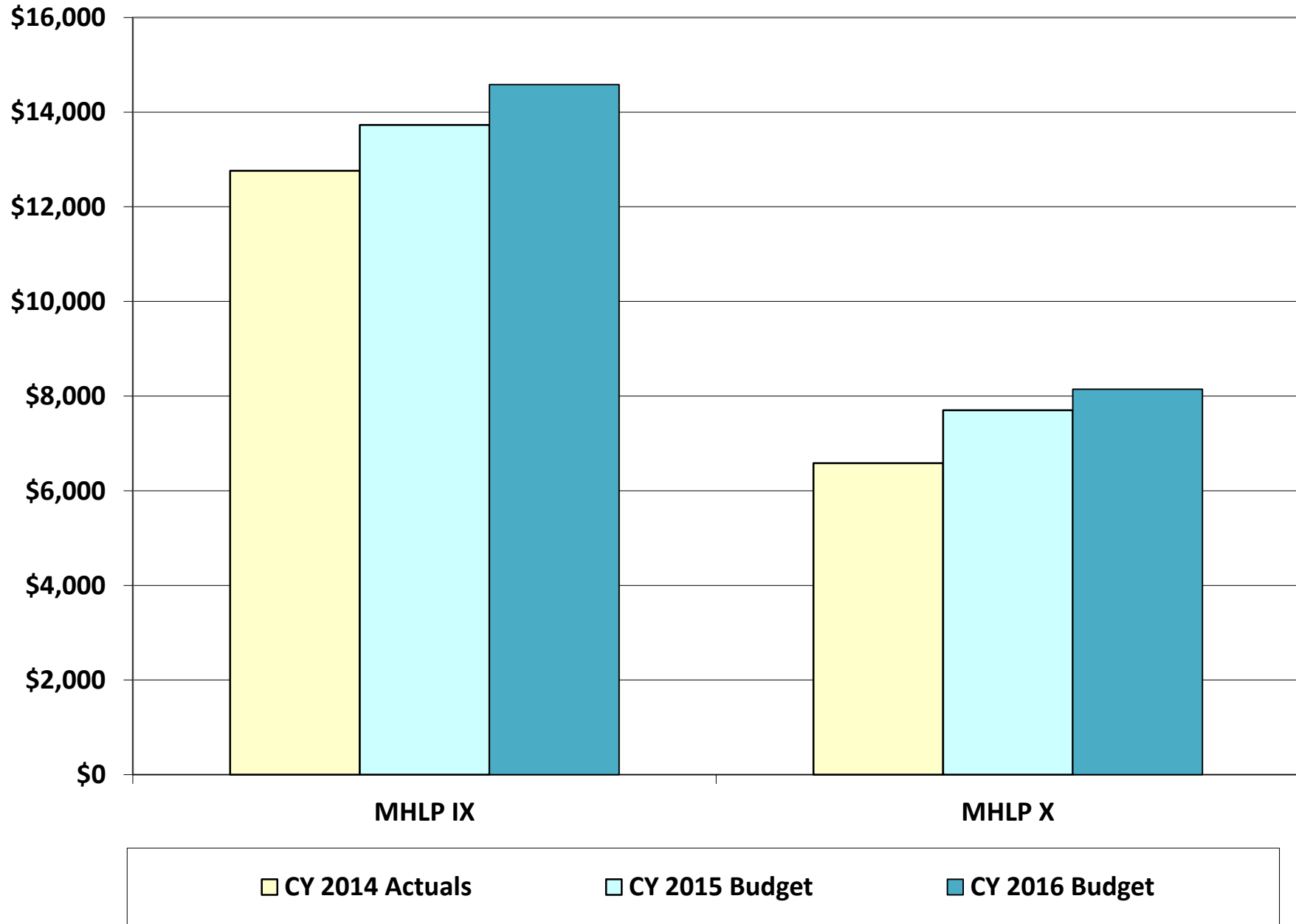
Tax Credit CY'16 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Partners Tax Expense	Loan Management Fees	Cash Flow Before Distribution	Asset Management/ Investor Service Fees	Partnership Management Fees	Net Cash Flow
Hampden Lane Apts. LP (Lasko Manor)	12	\$182,145	\$216,191	(\$34,046)	\$0	\$3,933	\$0	\$0	\$0	(\$37,979)	\$0	\$0	(\$37,979)
Forest Oak Towers LP	175	\$2,749,553	\$1,111,237	\$1,638,316	\$1,231,430	\$70,000	\$0	\$0	\$0	\$336,886	\$10,438	\$34,251	\$292,197
Wheaton Metro LP (MetroPointe)	53	\$692,008	\$431,582	\$260,426	\$222,759	\$13,250	\$0	\$0	\$0	\$24,417	\$6,336	\$15,840	\$2,241
Manchester Manor Apts. LP	53	\$688,825	\$472,471	\$216,354	\$169,637	\$21,409	\$0	\$0	\$6,132	\$19,176	\$0	\$19,176	\$0
Tanglewood & Sligo Hills LP	132	\$1,960,945	\$862,195	\$1,098,750	\$652,620	\$39,600	\$0	\$0	\$0	\$406,530	\$5,220	\$24,996	\$376,314
Barclay One Assoc. LP	81	\$1,063,046	\$452,931	\$610,115	\$441,742	\$35,969	\$0	\$0	\$0	\$132,404	\$17,760	\$10,728	\$103,916
Georgian Court Silver Spring LP	147	\$1,745,923	\$973,665	\$772,258	\$546,161	\$45,805	\$94,195	\$0	\$15,996	\$70,101	\$0	\$0	\$70,101
MV Affordable Housing Assoc. LP (Stewartown)	94	\$1,601,049	\$893,537	\$707,512	\$531,004	\$37,600	\$50,000	\$0	\$13,392	\$75,516	\$5,004	\$12,000	\$58,512
Shady Grove Apts. LP	144	\$2,059,070	\$1,043,840	\$1,015,230	\$582,021	\$68,400	\$117,600	\$0	\$21,096	\$226,113	\$0	\$19,256	\$206,857
Spring Garden One Assoc. LP	83	\$1,070,860	\$498,785	\$572,075	\$447,436	\$40,850	\$0	\$0	\$0	\$83,789	\$17,763	\$17,763	\$48,263
The Willows of Gaithersburg Assoc. LP	195	\$2,221,485	\$1,333,498	\$887,987	\$642,597	\$78,000	\$86,000	\$0	\$18,132	\$63,258	\$0	\$12,000	\$51,258
<b>Total Multifamily</b>	<b>1,169</b>	<b>\$16,034,909</b>	<b>\$8,289,932</b>	<b>\$7,744,978</b>	<b>\$5,467,407</b>	<b>\$454,816</b>	<b>\$347,795</b>	<b>\$0</b>	<b>\$74,748</b>	<b>\$1,400,212</b>	<b>\$62,521</b>	<b>\$166,010</b>	<b>\$1,171,681</b>



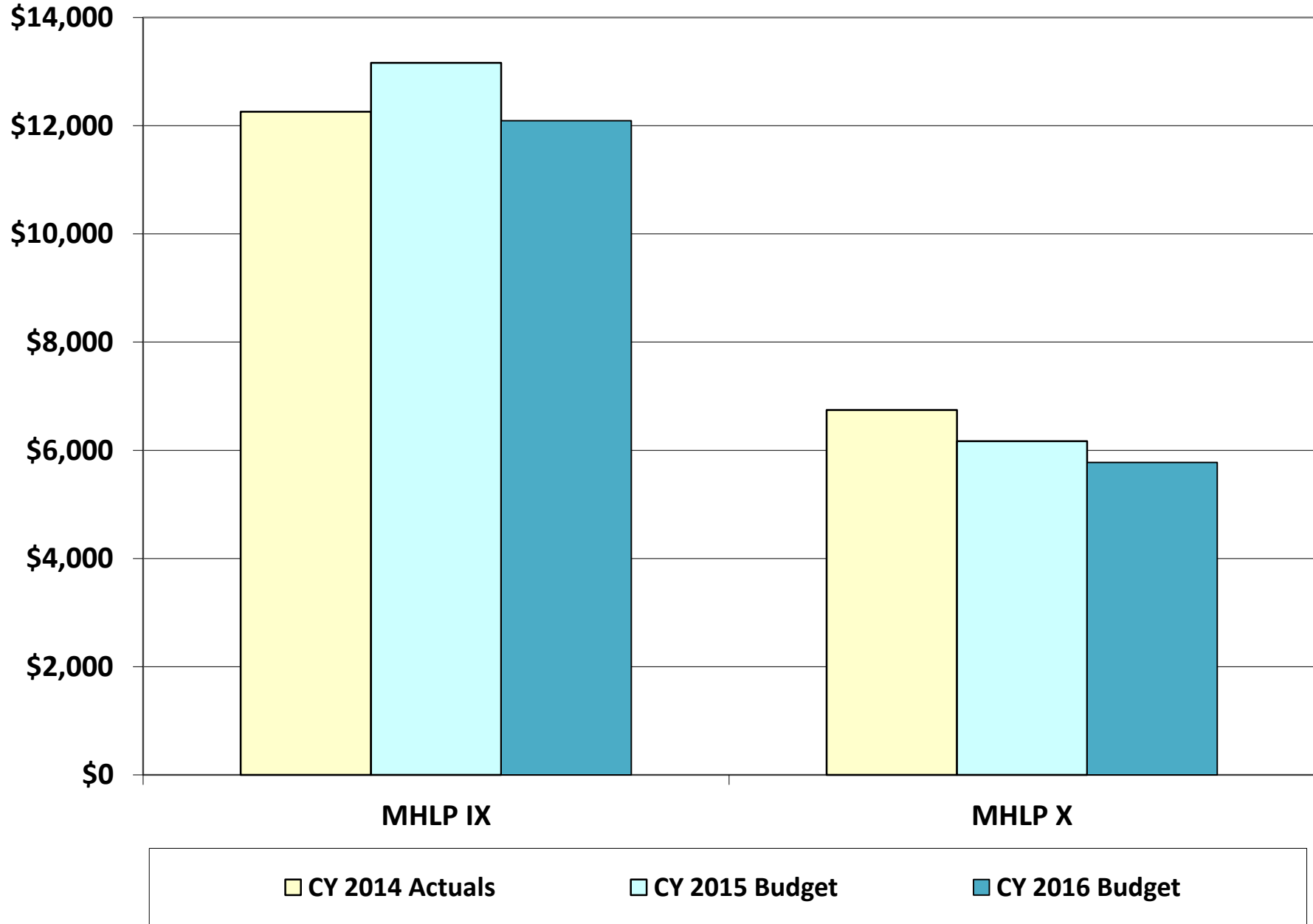
## Operating Income (PUPA) - Scattered Sites



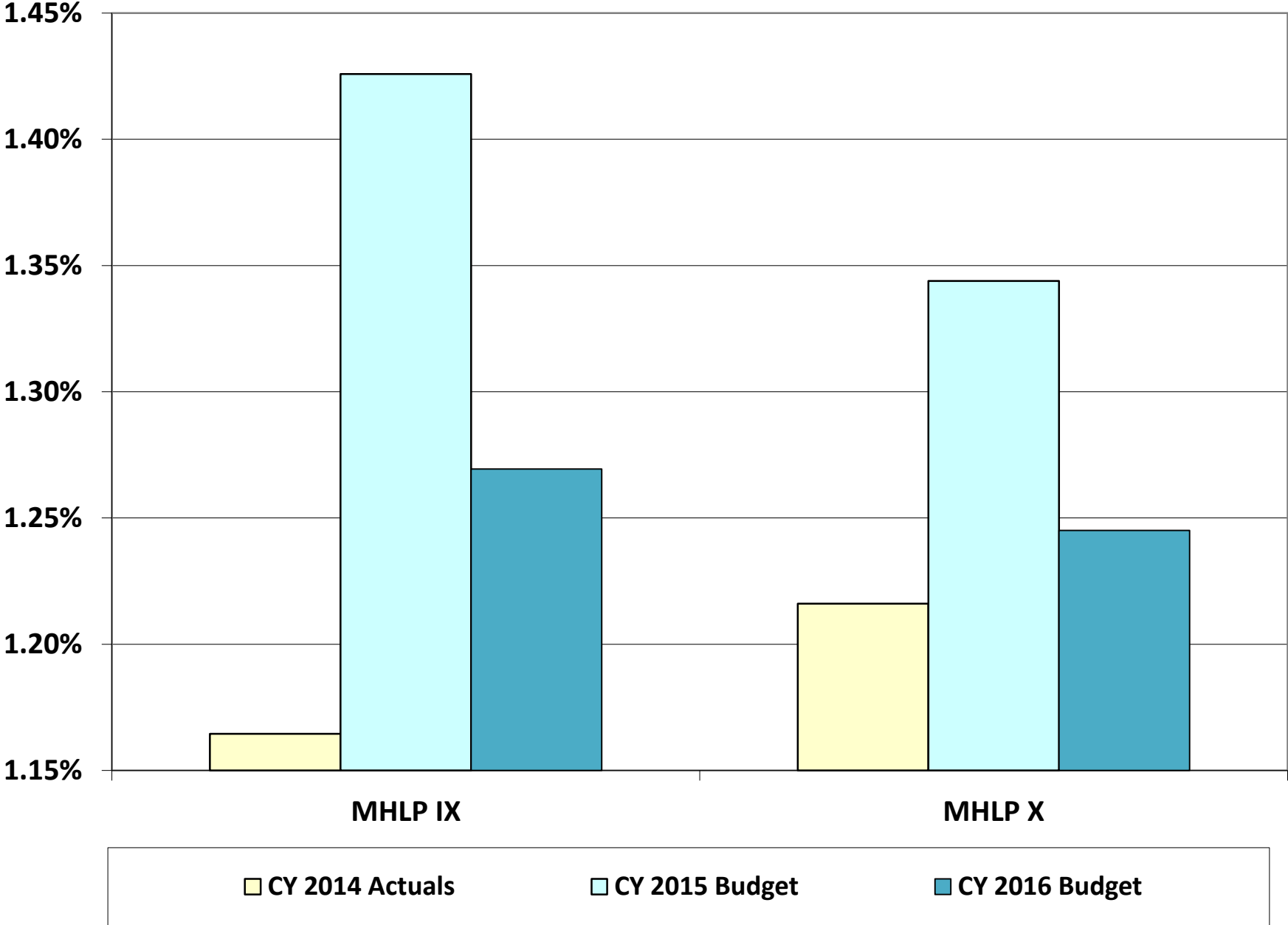
## Operating Expenses (PUPA) - Scattered Sites



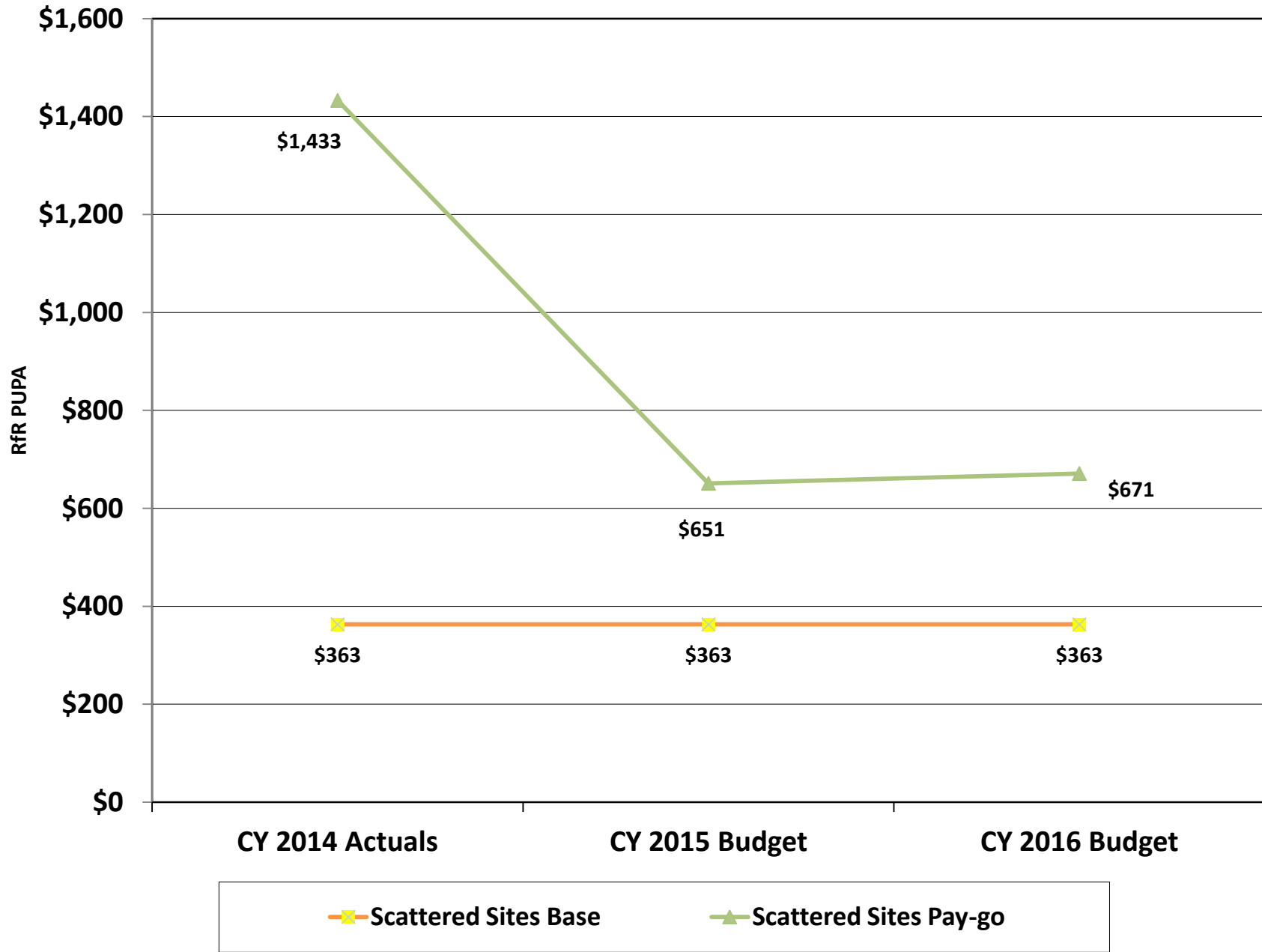
### Net Operating Income (PUPA) - Scattered Sites



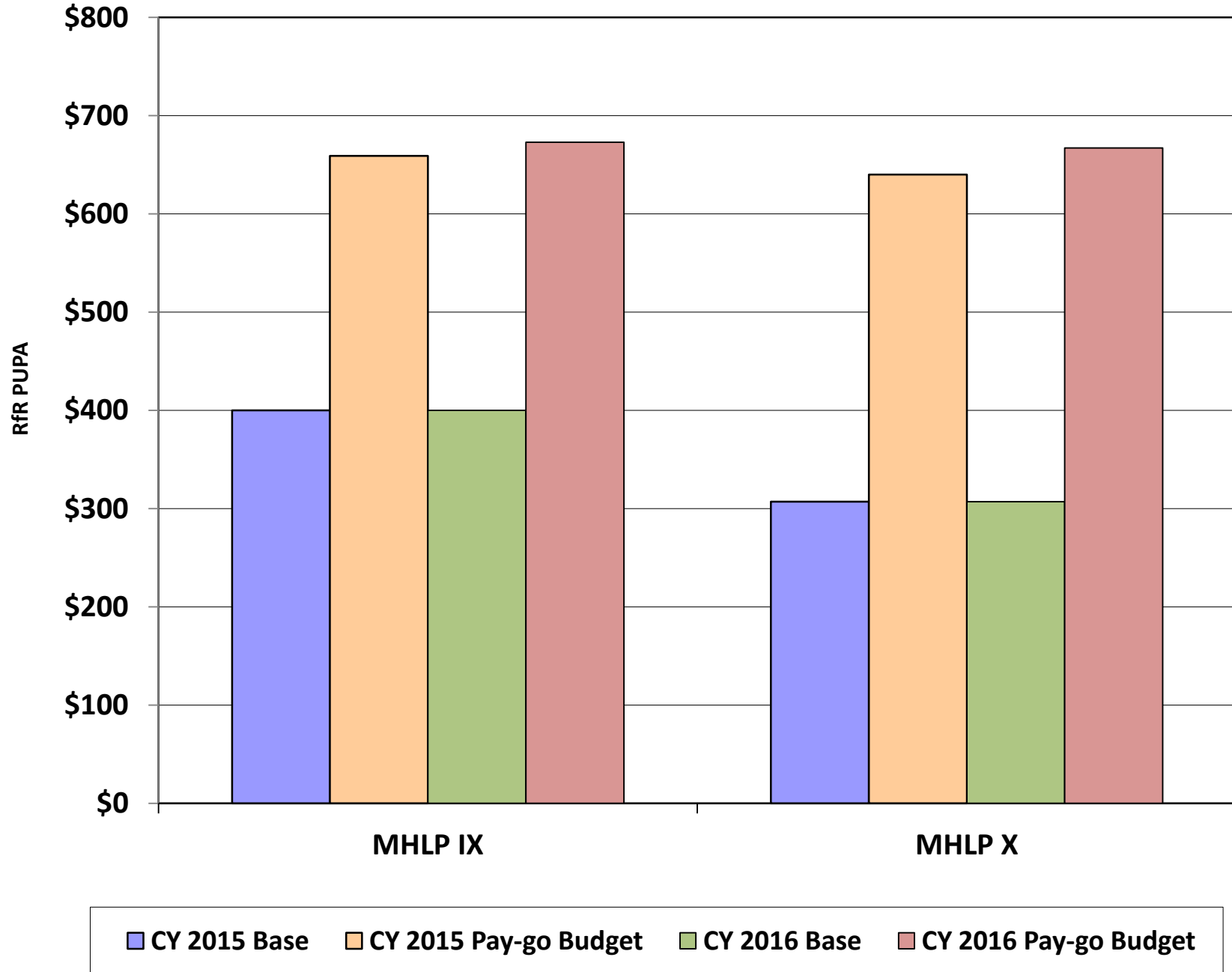
### Debt Service Coverage Ratios (DSC) - Scattered Sites



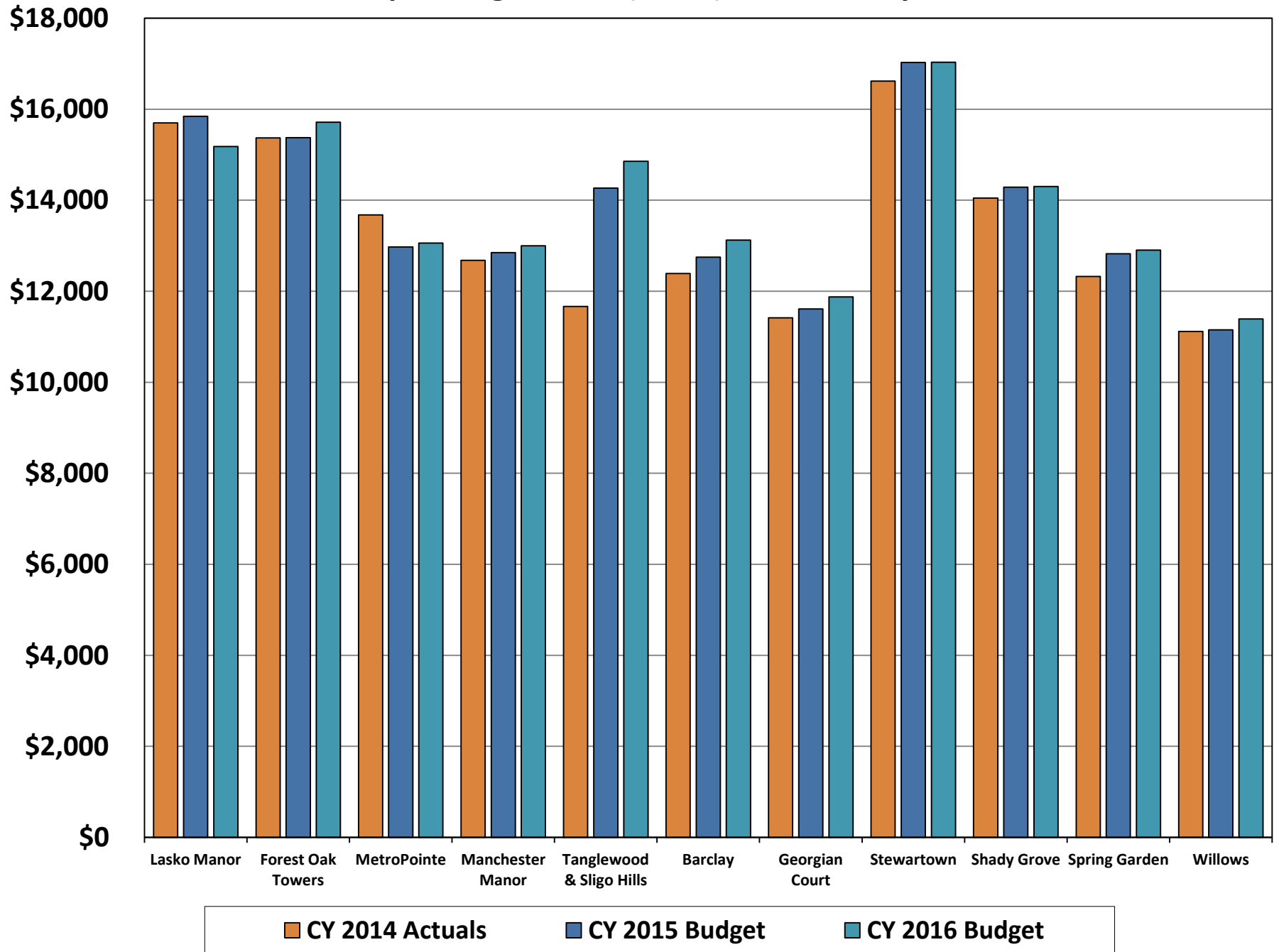
### RfR Contributions (PUPA) - Scattered Sites



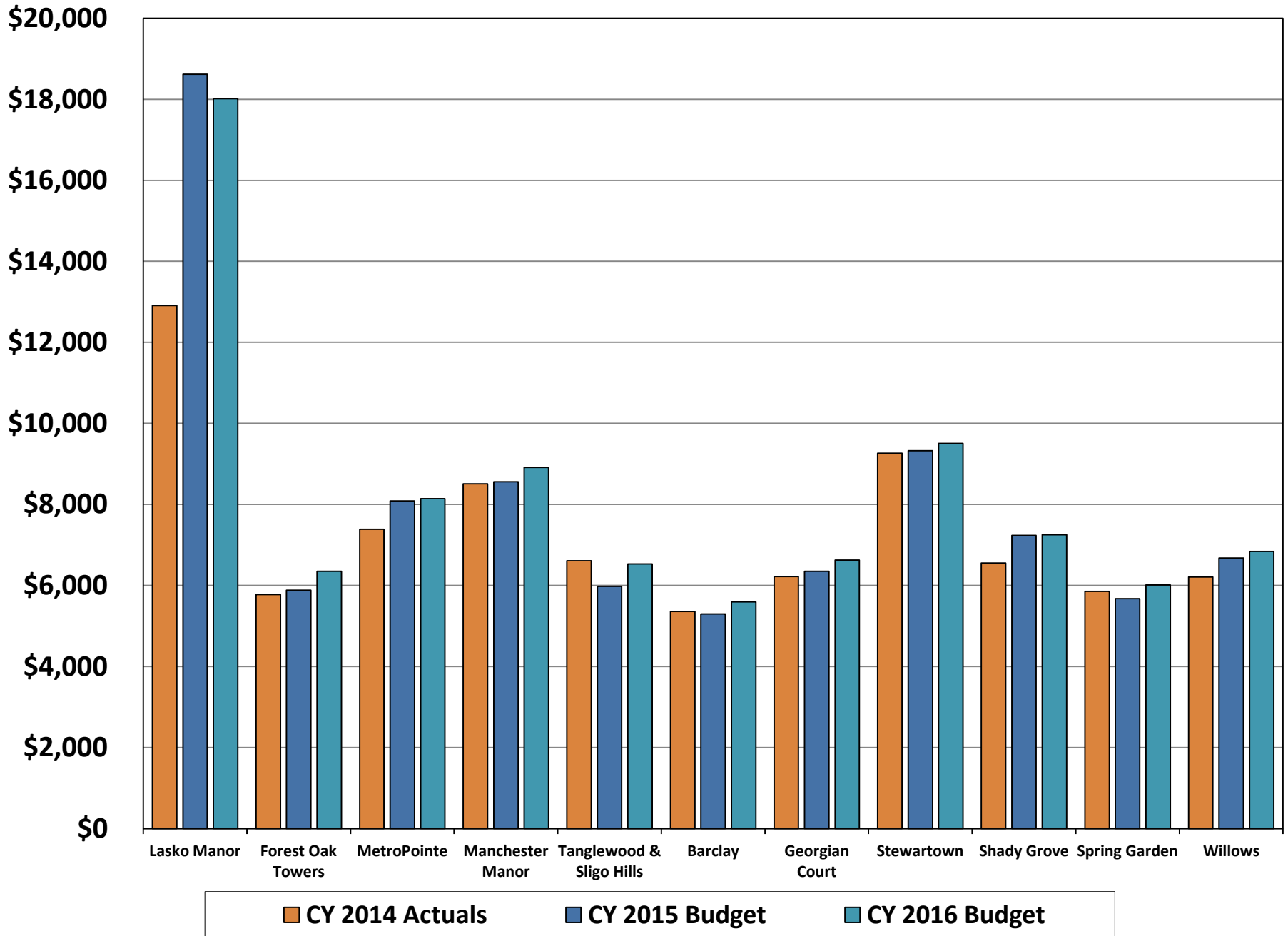
## CY 2015 and CY 2016 RfR Contributions (PUPA) - Scattered Sites



## Operating Income (PUPA) - Multifamily

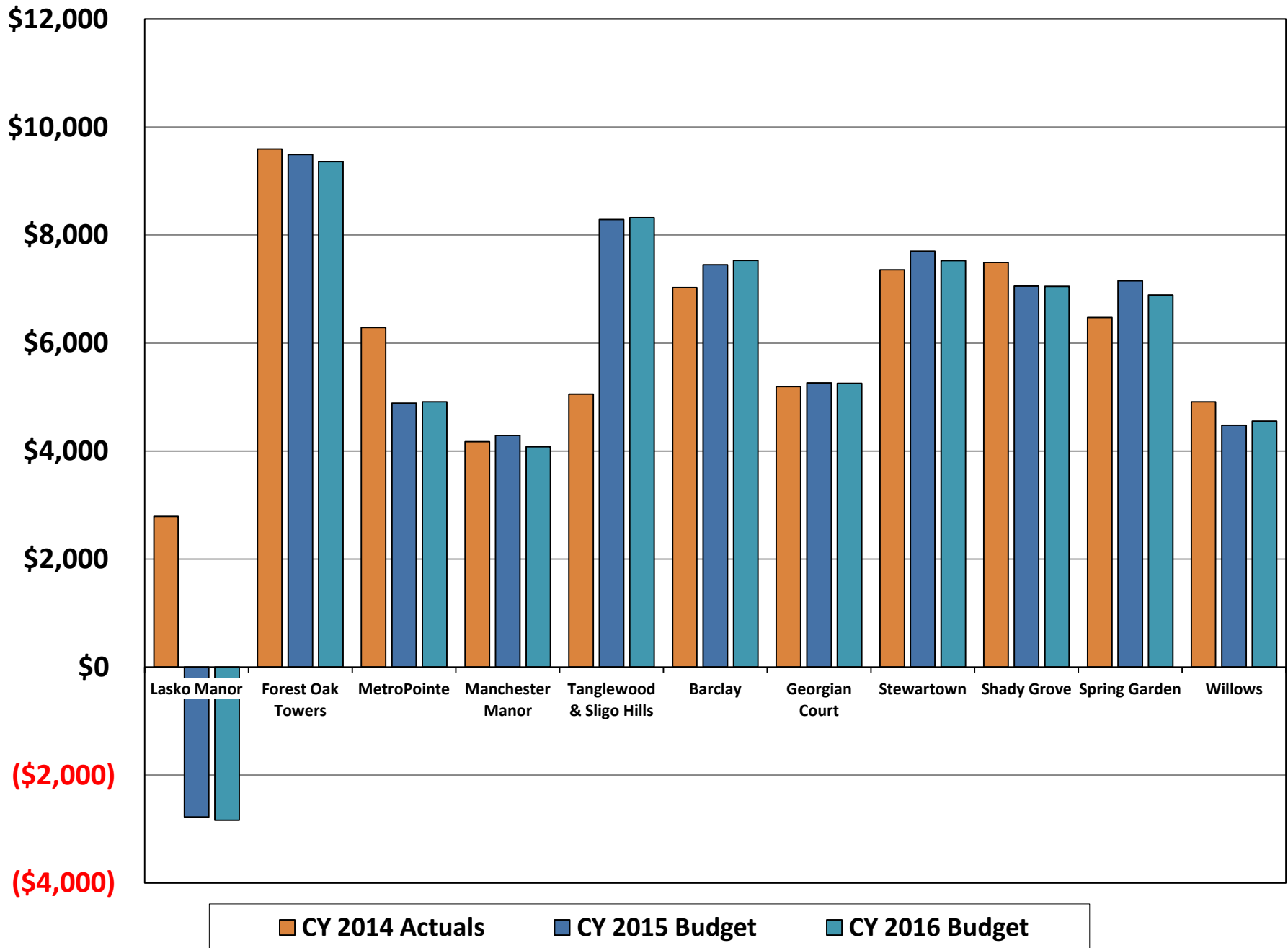


## Operating Expenses (PUPA) - Multifamily

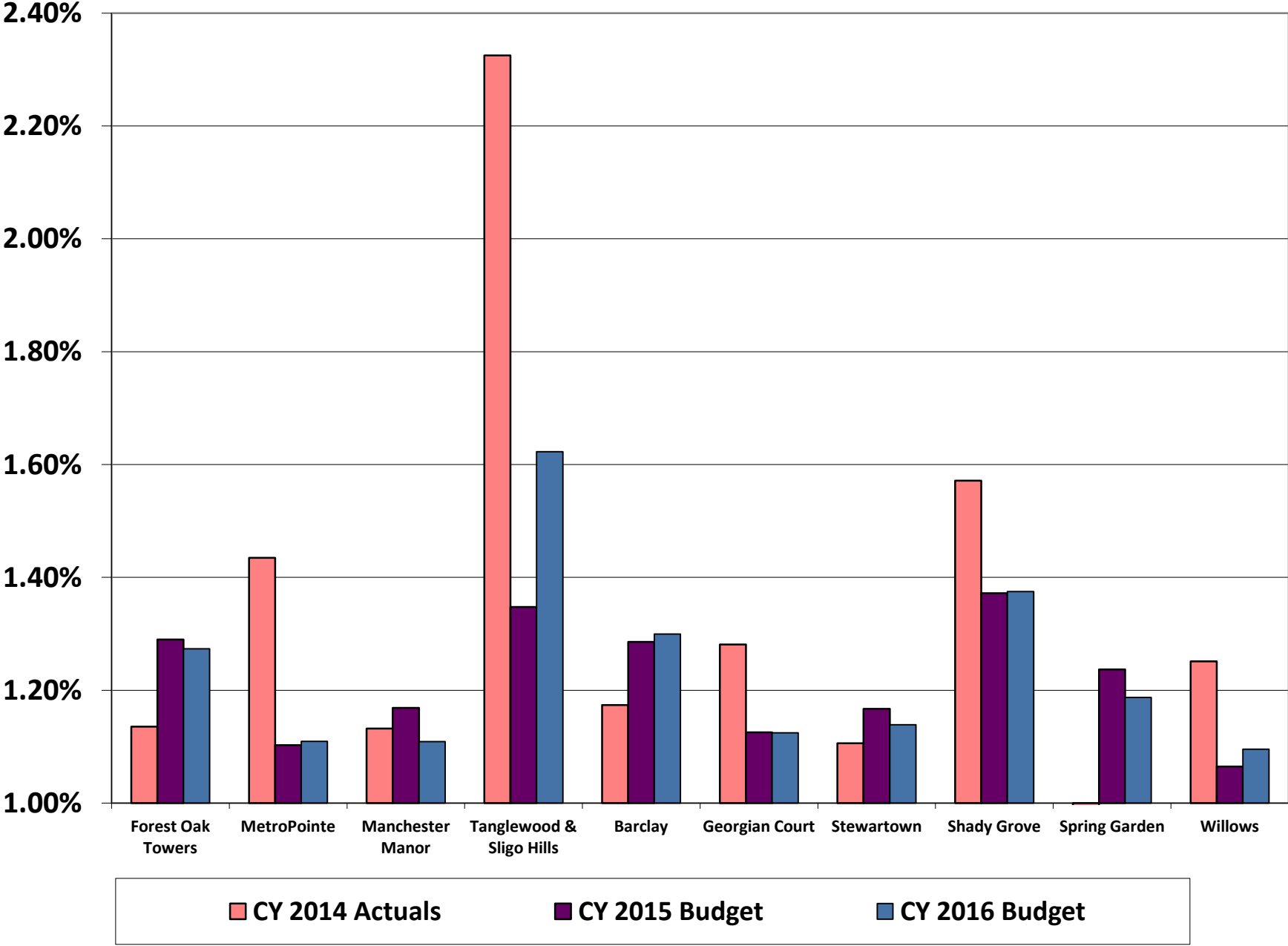




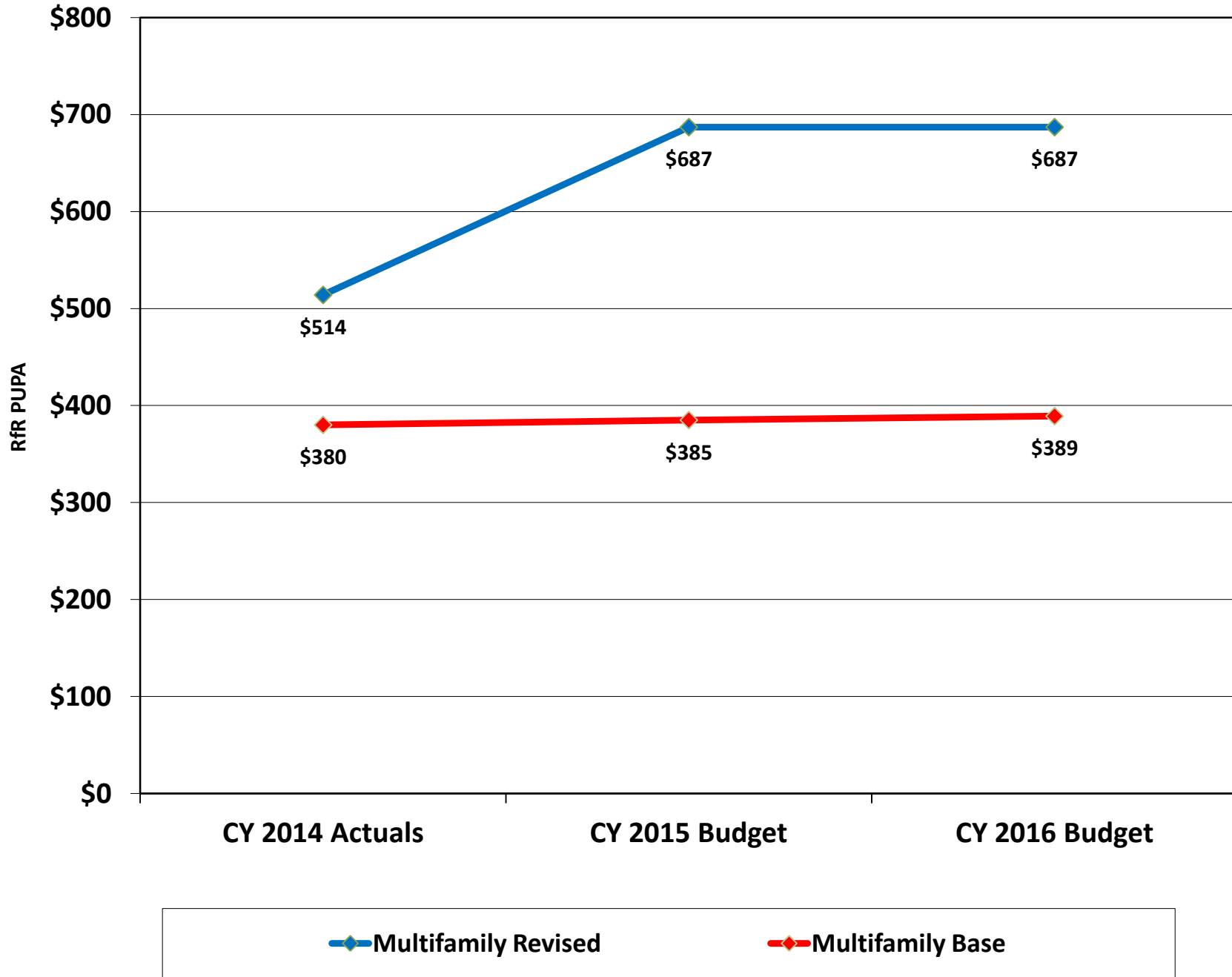
## Net Operating Income (PUPA) - Multifamily



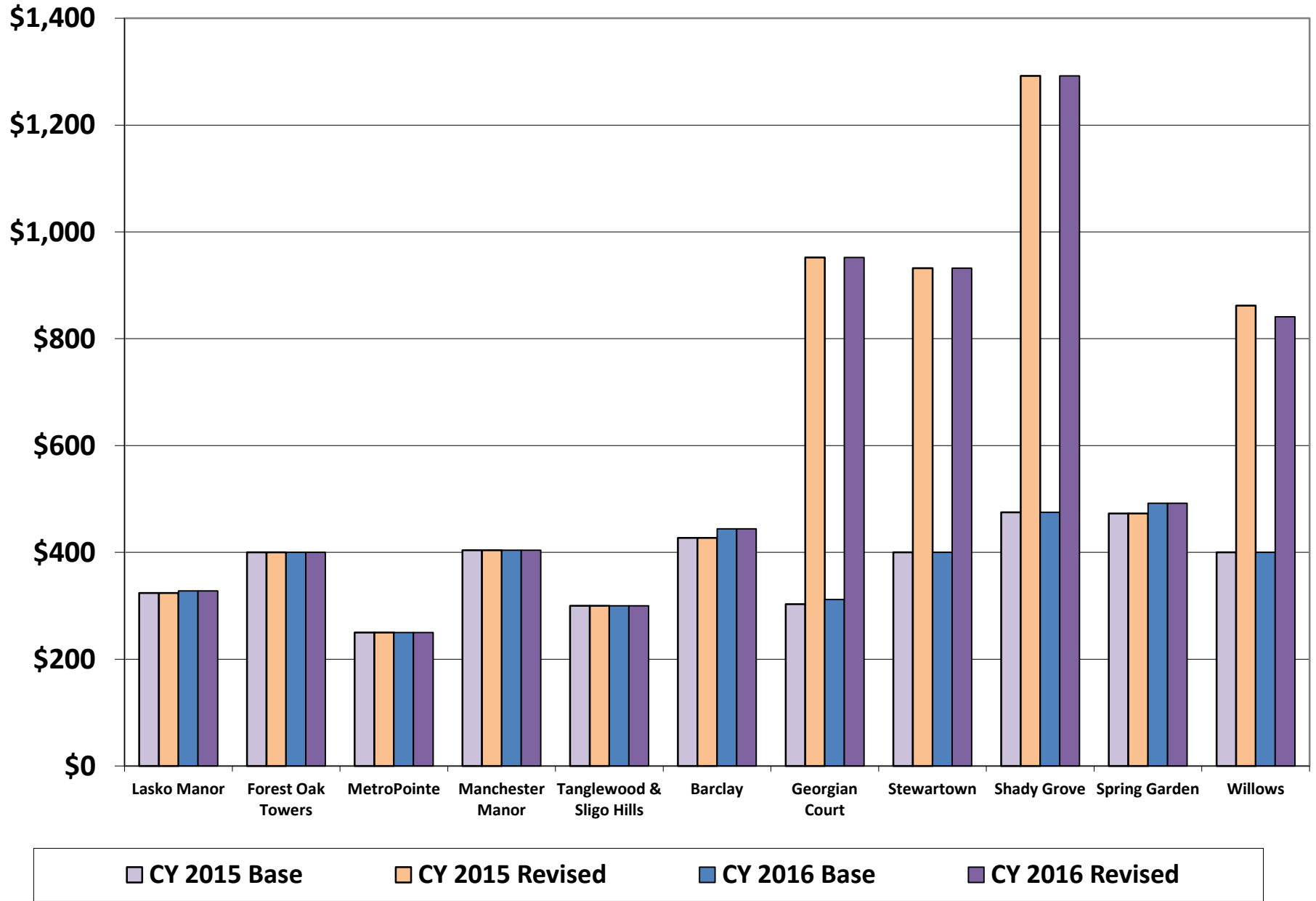
### Debt Service Coverage Ratios (DSC) - Multifamily



### RfR Contributions (PUPA) - Multifamily



### CY 2015 and CY 2016 RfR Contributions (PUPA) - Multifamily



Tax Credit CY'16 Capital Budget	Total Expenses	Revenue Sources		
		Property Reserves	OH Fund Property Reserve Loan	Current Year RfR Deposit
MHLP IX	\$191,990	\$113,999	\$0	\$77,991
MHLP X	\$109,599	\$59,699	\$0	\$49,900
<b>Total Scattered Sites</b>	<b>\$301,589</b>	<b>\$173,698</b>	<b>\$0</b>	<b>\$127,891</b>

Tax Credit CY'16 Capital Budget	Total Expenses	Revenue Sources		
		Property Reserves	Residual Cash	Current Year RfR Deposit
Hampden Lane Apts. LP (Lasko Manor)	\$4,600	\$4,600	\$0	\$0
Forest Oak Towers LP	\$220,897	\$220,897	\$0	\$0
Wheaton Metro LP (MetroPointe)	\$8,610	\$8,610	\$0	\$0
Manchester Manor Apts. LP	\$17,332	\$17,332	\$0	\$0
Tanglewood & Sligo Hills LP	\$35,244	\$12,465	\$0	\$22,779
Barclay One Assoc. LP	\$99,801	\$99,801	\$0	\$0
Georgian Court Silver Spring LP	\$139,965	\$72,026	\$0	\$67,939
MV Affordable Housing Assoc. LP (Stewartown)	\$87,093	\$87,093	\$0	\$0
Shady Grove Apts. LP	\$180,282	\$87,102	\$0	\$93,180
Spring Garden One Assoc. LP	\$95,620	\$95,620	\$0	\$0
The Willows of Gaithersburg Assoc. LP	\$126,340	\$118,219	\$0	\$8,121
<b>Total Multifamily</b>	<b>\$1,015,784</b>	<b>\$823,765</b>	<b>\$0</b>	<b>\$192,019</b>

**RATIFICATION OF ACTION TAKEN AS OF OCTOBER 26, 2015 VIA  
A VOTE BY MAIL TO APPROVE A REVISED UNIT MIX FOR  
ELIZABETH HOUSE III**

**NOVEMBER 3, 2015**

- At an open Commission meeting on October 7, 2015, the Commission adopted Resolution 15-81 which approved additional predevelopment funding and the submission of a site plan for Elizabeth Square.
- The Commission's authorization to submit the site plan was conditioned on the Commission's subsequent approval of a revised unit mix for Elizabeth House III and Elizabeth House IV which would reduce the number of efficiency units in favor of additional one-bedroom units.
- In adopting Resolution 15-81, in the interest of upholding the Elizabeth House III development schedule, the Commission agreed to take action on a revised unit mix for Elizabeth House III and the accompanying financing shortfall prior to the November Commission meeting.
- Staff presented a revised unit mix and corresponding funding shortfall for each of Elizabeth House III and Elizabeth House IV at the Development and Finance Committee on October 23, 2015. The Development and Finance Committee recommended approval of the revised unit mix for Elizabeth House III, but not the one Elizabeth House IV. Staff will present another revised unit mix for Elizabeth House IV at a future time.

- In accordance with Resolution 15-81, as revised to condition the site plan submission on the subsequent approval of the unit mix, the Commission reviewed a revised unit mix for Elizabeth House III (the memorandum is attached hereto) and approved a revised unit mix for Elizabeth House III via a vote by mail that was concluded on October 26, 2015. Commissioners Roman, Simon, Nelson and McFarland voted in favor of the revised unit mix for Elizabeth House III. Commissioners Pinero and Hatcher were unable to participate as of the October 26, 2015 deadline to conclude the vote.
- The Commission wishes to ratify and affirm, in an open meeting, its action undertaken as of October 26, 2015 to approve the unit mix for Elizabeth House III, as well as any action taken by the staff with respect to the transaction authorized by Resolution 15-81.

**M E M O R A N D U M**

**TO:** Housing Opportunities Commission  
**VIA:** Stacy L. Spann, Executive Director

**FROM:** Kayrine Brown, Chief Investment and Real Estate Officer  
Zach Marks, Assistant Director of New Development  
Brian Kim, development Associate  
Hyunsuk (Wilson) Choi, Senior Financial Analyst

**RE:** Financial Impact Analysis for Eliminating Studio Units at Elizabeth House III and Potential Increase in FAR for Elizabeth Square from Acquisition of Kramer Right of Way.

**DATE:** October 23, 2015

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**STATUS:** Consent  Deliberation  Status Report  Future Action

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**BACKGROUND:**

On October 7, 2015, staff presented to the Commission a revised development plan with a new unit mix and unit size for Elizabeth House III and Elizabeth House IV. The revised development plan enabled Elizabeth Square to be comparable to the current unit sizes in Downtown Silver Spring rental market. However, Commissioners raised genuine concerns regarding the marketability of Studio units in Elizabeth House III.

During Executive Session, staff presented to the Commission an option to acquire the Kramer Right of Way, an adjacent triangular green space contiguous to current Elizabeth House building. After conferring with Elizabeth Square consultants and Planning Board staff, acquisition of the Kramer Right of Way under the CBD2 zone can potentially add additional 100,000 square feet of additional FAR to Elizabeth Square development.

Upon Commission request, staff has analyzed the financial impact of changing all Studio units to 1-bedroom units at Elizabeth House III. Also, staff has analyzed the financial impact of adding the additional density to the Elizabeth Square development (see following exhibits).

**Exhibits**

- 1) Exhibit A – Elizabeth House III Sensitivity Analysis
- 2) Exhibit B – Kramer Right of Way Additional Density Calculation

The funding gap for Elizabeth House III increases due to the elimination of the Studio, increasing the number of one bedroom units, and adding back units previously contemplated for Thayer. However, the gap is offset by the proposed acquisition of the right of way adjacent to the existing Elizabeth House site.



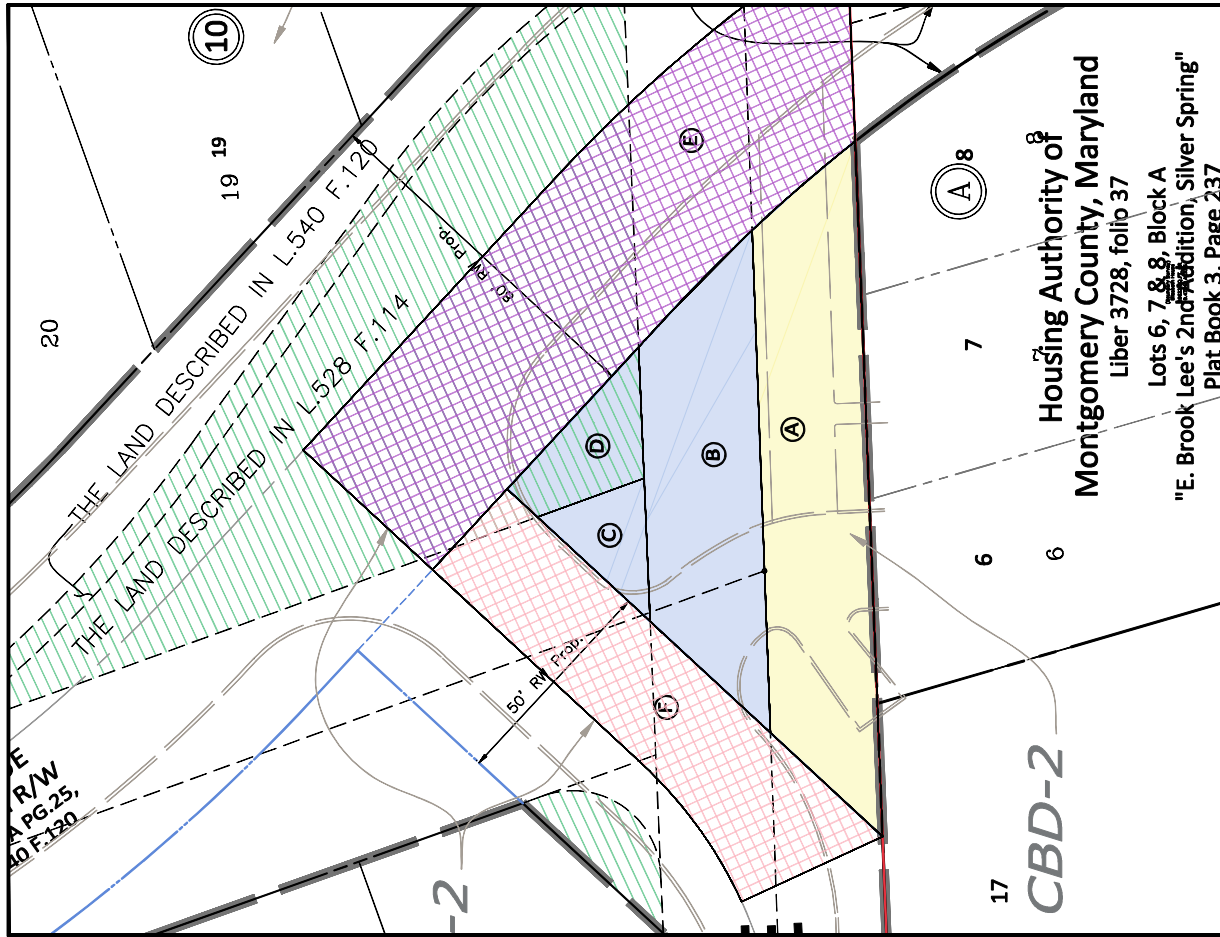
# Elizabeth House II: Development Plan

## Sensitivity Analysis

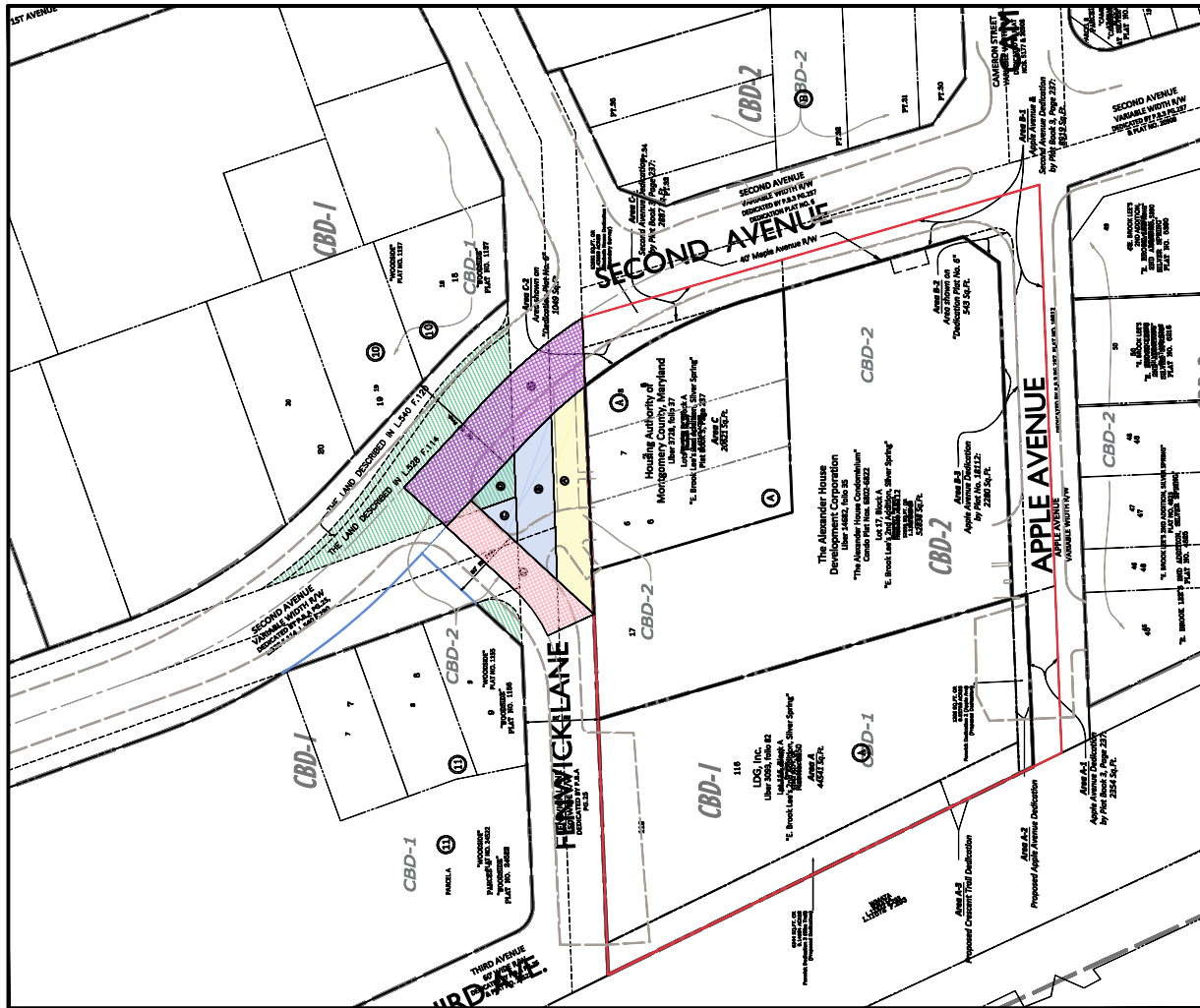
Elizabeth House III	Initial Plan	Proposed Plan October 7, 2015	Revised Plan October 23, 2015	ROW Acquisition October 23, 2015
<b>Unit Mix</b>				
<i>Studio</i>	47 Units (425 SF)	52 Units (509 SF)	0 Unit	0 Unit
<i>Jr. 1BR</i>	0 Unit	13 Units (581 SF)	26 Units (581 SF)	26 Units (581 SF)
<i>1BR</i>	217 Units (615 SF)	146 Units (730 SF)	172 Units (730 SF)	188 Units (730 SF)
<i>1BR + Den</i>	0 Unit	16 Units (806 SF)	16 Units (806 SF)	16 Units (806 SF)
<i>2BR</i>	13 Units (800 SF)	8 Units (960 SF)	8 Units (960 SF)	16 Units (960 SF)
<b>TOTAL</b>	<b>277 Units</b>	<b>235 Units</b>	<b>220 Units</b>	<b>246 Units</b>
<b>Public Purpose</b>				
<i>40% AMI</i>	110 Units	36 Units	106 Units	106 Units
<i>60% AMI</i>	0 Unit	24 Units	0 Unit	0 Unit
<i>80% AMI</i>	28 Units	12 Units	12 Units	12 Units
<b>TOTAL</b>	<b>138 Units</b>	<b>72 Units</b>	<b>118 Units</b>	<b>118 Units</b>
<b>Market Rate Units</b>	<b>139 Units</b>	<b>163 Units</b>	<b>104 Units</b>	<b>128 Units</b>
<b>Rent Projections</b>				
<i>WFHU</i>	\$1,300 - \$1,960	\$1,300 - \$1,960	\$1,300 - \$1,960	\$1,300 - \$1,960
<i>Market</i>	\$1,550 - \$2,750	\$1,400 - \$2,350	\$1,400 - \$2,350	\$1,400 - \$2,350
<b>GAP</b>	<b>(\$33,720,444)</b>	<b>(\$30,300,570)</b>	<b>(\$36,298,577)</b>	<b>(\$33,544,495)</b>

### Potential GAP Funding Sources

- 1) Public source for public use and purpose.
- 2) Equity proceeds from Alexander House - approximately \$20MM.
- 3) Proceeds from Arcola Towers and Waverly House.



Land Area	15,727.6
FAR	75.5
Units	1,185
SPRU	283
Work Force Housing	10%
Total FAR	100,798



Area A	3,327.9
Area B	2,354.9
Area C	5,027.0
Area D	261.8
Area E	6,172.9
Area F	2,897.6
Total (Square Corners)	15,727.6

Boon, K. Crum, P. J. Farnock, L. Lee, R. L. Lee, R. L. Lee, R. L. Lee  
**Elizabeth Square**  
 Silver Spring, MD  
 Montgomery County, Maryland  
 Scale: As Shown Date: April 2014

**Exhibit B**



**RESOLUTION: 15-97**

**RE: Ratification of Action Taken Via a Vote by Mail to Approve a Revised Unit Mix for Elizabeth House III and Other Actions taken to Effectuate the Transaction Authorized by Resolution 15-81**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly created, organized and existing under the laws of the State of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland (the “Act”), to carry out and effectuate the purpose of providing affordable housing 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 a Commission meeting held on October 7, 2015, the Commission duly adopted Resolution 15-81 titled: “Approval of Revised Development Plan and Authorization to Expend Additional Predevelopment Spending of up to \$750,000 of Opportunity Housing Reserve Funds for the Submission of the Detail Site Plan for Elizabeth Square to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County ,” which approved additional predevelopment funding and the submission of a site plan for Elizabeth Square, conditioning the authorization to submit the site plan on the Commission’s subsequent approval of a revised unit mix for Elizabeth House III and Elizabeth House IV reducing the number of efficiency units in favor of additional one-bedroom units; and

**WHEREAS**, the Development and Finance Committee recommended approval of a revised unit mix and corresponding funding shortfall for Elizabeth House III on October 23, 2015; and

**WHEREAS**, in order to uphold the development schedule for Elizabeth House III, Resolution 15-81, as revised, contemplated Commission action on the approval of a revised unit mix for Elizabeth House III prior to the November Commission meeting; and

**WHEREAS**, in accordance with Resolution 15-81, as revised, the Commission conducted a vote by mail on the matter, which vote commenced on October 24, 2015 and was concluded as of the end of the day on October 26, 2015, and by which vote the revised unit mix for Elizabeth House III was duly approved; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission as of October 26, 2015 in approving the unit mix for Elizabeth House III and any actions taken to effectuate the transaction authorized by Resolution 15-81.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the action taken by a vote by mail to approve the revised unit mix for

Elizabeth House III, and any action taken to effectuate the transaction authorized by Resolution 15-81 are hereby ratified and affirmed.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

# Information Exchange

# HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

## November 2015

2	Town Hall Meeting ( <i>All</i> ) <small>(Takoma Park Middle School, 7611 Piney Branch Rd., Silver Spring, MD 20910)</small>	6:30 p.m.
3	HOC Regular Meeting <small>(Rescheduled)</small> ( <i>All</i> )	10:00 a.m.
4	2015 Governor's Housing Conference ( <i>All</i> ) <small>(Baltimore Hilton, 401 W. Pratt St., Baltimore, MD)</small>	8:00 a.m.
5	Budget, Finance and Audit Committee Meeting (Roman, Piñero, Nelson)	10:00 a.m.
5	Special HOC Meeting (Approval of FY'15 Audit) ( <i>All</i> )	11:30 a.m.
13	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
13	<b>(Tentative) Property Tour</b> <small>(Renovated 669 RAD Units, Gallery Bethesda &amp; Westwood Towers)</small> ( <i>All</i> )	12:30 p.m.
16	Agenda Formulation ( <i>Roman, Hatcher</i> )	12:00 noon
16	Resident Advisory Board	7:00 p.m.
17	Legislative and Regulatory Committee Meeting ( <i>Hatcher, Simon</i> )	2:00 p.m.
26-27	Thanksgiving Holiday ( <i>HOC Offices Closed</i> )	

## December 2015

2	Longevity Awards Reception	3:00 p.m.
2	Longevity Awards Presentation	4:00 p.m.
2	HOC Regular Meeting ( <i>All</i> )	4:30 p.m.
8	Budget, Finance and Audit Committee Meeting ( <i>Roman, Piñero, Nelson</i> )	10:00 a.m.
11	Status/Lunch Meeting w/Executive Director ( <i>All</i> ) – <small>Location TBD</small>	12:00 noon
18	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
25	Christmas Holiday ( <i>HOC Offices Closed</i> )	

## January 2016

1	New Year's Holiday ( <i>HOC Offices Closed</i> )	
4	Agenda Formulation (Roman, Hatcher)	12:00 noon
13	HOC Regular Meeting ( <i>All</i> )	4:00 p.m.
18	Martin Luther King, Jr. Holiday ( <i>HOC Offices Closed</i> )	
19	Legislative and Regulatory Committee Meeting ( <i>Hatcher, Simon</i> )	2:00 p.m.
22	Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )	9:30 a.m.
25	Agenda Formulation (Roman, Hatcher)	12:00 noon

### Activities of Interest

Hearing Board

TBD Joint Meeting with Commission on People with Disabilities

TBD Property Tour III

# TO DO / ACTION

<b>Ref. #</b>	<b>DUE DATE</b>	<b>ACTION</b>	<b>STAFF</b>	<b>STATUS</b>
TD-14-07	Fall 2015	Procurement Policy & Personnel Policy	KM-BA/PM	
TD-15-01	Fall 2015	Property Tour – 669 Properties (Renovated Units) to include Westwood Towers	KB/PB	
TD-15-02	Fall/Winter 2015	Update Administrative Guide for Commissioners and Staff	SS	

# Budget, Finance & Audit Committee



**AUTHORIZATION TO SUBMIT  
FY'17 COUNTY OPERATING BUDGET**

**November 3, 2015**

- **The FY'17 County Operating Budget submission is due to the County Office of Management and Budget (OMB) on November 12, 2015.**
  
- **The Agency is required to submit a base budget or Maximum Agency Request Ceiling (MARC) for FY'17 not to exceed \$6,487,218 which is based on the current FY'16 MARC of \$6,401,408 plus an adjustment for health and retirement benefits of \$65,810 and an increase in rental license fees of \$20,000.**



submitting reductions, OMB is urging departments to begin identifying and developing potential reductions of 5% in anticipation of any target reductions that may be submitted in late November.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to authorize the submission of the FY'17 County Budget MARC of \$6,487,218?

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**BUDGET IMPACT:**

The County's Operating Grant is the primary funding source for the Agency's Resident Services Division. The County Operating Grant also funds a large part of the Housing Resources Division.

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**TIME FRAME:**

The Budget, Finance and Audit Committee reviewed the FY'17 County Operating Budget submission at the October 20, 2015 meeting. Action is requested at the November 3, 2015 Commission meeting. Once approved, the FY'17 County Operating Budget will be submitted to the County.

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**COMMISSION ACTION REQUESTED:**

Staff requests that the Budget, Finance and Audit Committee recommend to the full Commission authorization to submit the proposed FY'17 County Operating Budget of \$6,487,218 at the November 3, 2015 meeting in order to meet the submission deadline of November 12, 2015 for the County Operating Budget process.

**RESOLUTION NO: 15-89**

**RE: Authorization to Submit  
FY'17 County Operating Budget**

**WHEREAS**, the Housing Opportunities Commission (HOC) of Montgomery County wishes to submit a request for County funds for FY'17; and

**WHEREAS**, the County has instructed HOC to submit a base budget or "MARC" of \$6,487,218 for FY'17 by November 12, 2015.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby submits a request for FY'17 County funds in the amount of \$6,487,218.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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Patrice Birdsong  
Special Assistant to the Commission

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**APPROVAL TO SUBMIT FFY 2016 PUBLIC HOUSING OPERATING  
SUBSIDY CALCULATIONS TO HUD FOR THE PERIOD JANUARY 1, 2016  
THROUGH DECEMBER 31, 2016**

**November 3, 2015**

- **HOC is required by HUD to submit a calculation of its Public Housing Operating Subsidy for each Asset Management Project (AMP) for the period January 1, 2016 through December 31, 2016.**
- **Although the schedule for submission has not yet been posted, staff anticipates that the deadline will require a short turnaround.**
- **Staff recommends that the Chair or his designee be authorized to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2016 through December 31, 2016.**



256 units remaining in the Public Housing rental program by December 2015 and include only Elizabeth House and Holly Hall.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to authorize the Chair or his designee to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2016 through December 31, 2016?

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**BUDGET IMPACT:**

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

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**TIME FRAME:**

The schedule for submission of the FFY 2016 Public Housing Operating Subsidy Calculations has not yet been posted; however, staff anticipates that the deadline will require a short turnaround. The FFY 2016 Public Housing Operating Subsidy Calculations were discussed with the Budget, Finance and Audit Committee at the October 20, 2015 meeting. Commission action is requested at the November 3, 2015 meeting.

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**COMMISSION ACTION REQUESTED:**

The Budget, Finance & Audit Committee recommends that the Chair or his designee be authorized to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2016 through December 31, 2016.

**Resolution No. 15-90**

**Re:** Approval to Submit FFY 2016  
Public Housing Operating Subsidy  
Calculations to HUD for the Period  
January 1, 2016 through  
December 31, 2016

**WHEREAS**, HOC is required by HUD to submit a calculation of its Public Housing Operating Subsidy for each Asset Management Project (AMP) for the period January 1, 2016 through December 31, 2016.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Chair or his designee is hereby authorized to execute Form HUD-52723 (Calculation of Operating Subsidy) and Form HUD-52722 (Calculation of Utilities Expense Level) for the purpose of submitting staff's calculations of the Public Housing Operating Subsidy for the period January 1, 2016 through December 31, 2016.

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Tuesday, November 3, 2015.

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Patrice Birdsong  
Special Assistant to the Commission

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# **AUTHORIZATION TO ADVANCE FUNDS FOR HOUSING CHOICE VOUCHER PAYMENTS IN THE EVENT OF A GOVERNMENT SHUTDOWN**

**November 3, 2015**

- Congress has been unable to agree on terms for the upcoming federal fiscal year (FFY) operating budget, which begins October 1, 2015. On September 30, 2015, Congress passed a continuing resolution to prevent a government shutdown. This was a stopgap measure to extend spending authority through November 11, 2015. If Congress is unable to pass the necessary spending bills, the federal government could still face a potential shutdown.
- The Housing Choice Voucher Program is funded on a monthly basis from the Department of Treasury. The average monthly Housing Assistance Payment (HAP) cost is \$7.2 million. HOC maintains no reserves as they were recaptured by the federal government in June of 2014.
- Staff has identified two potential sources for covering these HAP costs should the government shutdown occur:
  - A bridge loan from the FHA Risk Sharing Fund, which is a Commission internally restricted fund, for December 2015.
  - An advance from the PNC \$60 Million Line of Credit for January 2016.
  - Should it appear that the shutdown will continue beyond January 2016, staff will return to the Commission for further discussion before the end of December 2015.

## MEMORANDUM

**TO:** Housing Opportunities Commission

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

**FROM:** Staff: Gail Willison                      Division: Finance              Ext. 9480

**RE:** Authorization to Advance Funds for Housing Choice Voucher Payments in the Event of a Government Shutdown

**DATE:** November 3, 2015

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**STATUS:** Committee Report: Deliberation [ X ]

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**OVERALL GOAL & OBJECTIVE:**

Authorization to Advance Funds for Housing Choice Voucher (HCV) Payments in the Event of a Government Shutdown.

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**BACKGROUND:**

Congress has been unable to agree on terms for the upcoming federal fiscal year (FFY) operating budget, which begins October 1, 2015. On September 30, 2015, Congress passed a continuing resolution to prevent a government shutdown. This was a stopgap measure to extend spending authority through November 11, 2015. If Congress is unable to pass the necessary spending bills, the federal government could still face a potential shutdown.

The Housing Choice Voucher Program is funded on a monthly basis from the Department of Treasury. The average monthly Housing Assistance Payment (HAP) cost is \$7.2 million. HOC maintains no reserves as they were recaptured by the Federal Government in June of 2014.

HOC disbursed 2,652 payments to landlords on October 1, 2015. If the shutdown were to occur, thousands of landlords would not receive monthly rental payments, potentially exposing them to financial hardship. If the Commission chooses, there are resources available to temporarily fund the HAP obligations.

Staff has identified two potential sources for covering these costs. The first available resource is the FHA Risk Sharing Fund which is a Commission internally restricted fund. The unobligated balance as of September 30, 2015 is \$11.4 million. Should a government shutdown occur, and it is necessary for HOC to advance HAP expenses, staff recommends a bridge loan from the FHA Risk Sharing Fund for December 2015. If the shutdown continues past December 2015, staff recommends an advance from the PNC \$60 Million Line of Credit for the January 2016 HAP payment. The current unobligated balance as of October 15, 2015 is \$7.9 million. Should it

appear that the shutdown will continue beyond January 2016, staff will return to the Commission for further discussion before the end of December 2015.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to advance HAP costs as follows:

- December 2015 – to be funded by a loan from the FHA Risk Sharing Fund.
- January 2016 – to be funded by an advance from the \$60 Million PNC Line of Credit.

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**BUDGET IMPACT:**

The unobligated balance of the FHA Risk Sharing Fund is \$11.4 million and will be reduced by approximately \$7.2 million. The unobligated balance of the \$60 Million PNC Line of Credit is \$7.9 million and will be reduced by \$7.2 million. The Commission will be obligated to pay interest on the PNC Line of Credit until the funds can be repaid. Interest will be calculated at current LIBOR rate plus 90 basis points.

Staff is researching the ability to pay the interest from the \$704,237 in excess HCV administrative fees received but not spent in FY'15. If the interest payments are not an eligible cost for administrative fees, the interest expense incurred would be charged to the General Fund.

The unspent FY'15 administrative fees have been restricted to pay for future administrative shortfalls in the program, which reduces the dependence on the General Fund. Should a government shutdown occur, these fees can also be used to fund the administrative costs of the program.

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**TIME FRAME:**

The authorization to Advance Funds for the Housing Choice Voucher (HCV) Payments in the event of a government shutdown was discussed with the Budget, Finance and Audit Committee at the October 20, 2015 meeting. Action is requested at the November 3, 2015 Commission meeting.

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**COMMISSION ACTION REQUESTED:**

Staff requests that the Budget, Finance and Audit Committee recommend to the full Commission authorization to Advance Funds for Housing Choice Voucher (HCV) Payments in the event of a government shutdown at the November 3, 2015 Commission meeting.

**RESOLUTION: 15-91**

**RE:** Authorization to Advance Funds from  
FHA Risk Sharing Fund for Housing Choice  
Voucher (HCV) Payments in the Event of a  
Federal Government Shutdown

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

**WHEREAS**, for each fiscal year, the Commission executes an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD) pursuant to which HUD agrees to provide the Commission with the incremental funds necessary to make Housing Assistance Payments to landlords under the Housing Choice Voucher Program (the "HCV Program");

**WHEREAS**, the Housing Assistance Payments under the Commission's HCV Program average approximately \$7.2 Million per month and are funded on a monthly basis from the Federal Government; and

**WHEREAS**, amounts in the Commission's HCV Program reserves were recaptured by the Federal Government in June of 2014; and

**WHEREAS**, in the event the Federal Government fails to pass an operating budget for the upcoming Federal fiscal year, which began on October 1, 2015, prior to the expiration of the temporary resolution which expires on November 11, 2015 (the "Government Shut-down"), the Commission will not receive the funds necessary to pay landlords each month under the HCV Program; and

**WHEREAS**, the Commission wishes to make provisions for the continuity of Housing Assistance Payments to landlords participating in the HCV Program in the event of a Government Shut-down in order to prevent potential hardships to HCV Program participants; and

**WHEREAS**, the Commission's FHA Risk Sharing Fund had an unobligated balance of \$11.4 Million as of September 30, 2015; and

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to draw up to \$7.2 Million from the FHA Risk Sharing Fund in order to make the December 2015 Housing

Assistance Payments to landlords participating in the HCV Program to the extent there is an ongoing Government Shut-down as of December 1, 2015.

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

**I HEREBY CERTIFY** that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on November 3, 2015.

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

**RESOLUTION:**

**RE:** Authorization to Advance Funds from PNC Bank \$60 Million Line of Credit for Housing Choice Voucher (HCV) Payments in the Event of a Federal Government Shutdown

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

**WHEREAS**, for each fiscal year, the Commission executes an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD) pursuant to which HUD agrees to provide the Commission with the incremental funds necessary to make Housing Assistance Payments to landlords under the Housing Choice Voucher Program (the "HCV Program");

**WHEREAS**, the Housing Assistance Payments under the Commission's HCV Program average approximately \$7.2 Million per month and are funded on a monthly basis from the Federal Government; and

**WHEREAS**, amounts in the Commission's HCV Program reserves were recaptured by the Federal Government in June of 2014; and

**WHEREAS**, in the event the Federal Government fails to pass an operating budget for the upcoming Federal fiscal year, which began on October 1, 2015, prior to the expiration of the temporary resolution which expires on November 11, 2015 (the "Government Shut-down"), the Commission will not receive the funds necessary to pay landlords each month under the HCV Program; and

**WHEREAS**, the Commission wishes to make provisions for the continuity of Housing Assistance Payments to landlords participating in the HCV Program in the event of a Government Shut-down in order to prevent potential hardships to HCV Program participants; and

**WHEREAS**, the Commission has a \$60 Million Line of Credit with PNC Bank, National Association (the "PNC \$60 Million LOC") which may be used to provide short-term financing and had an unobligated balance of \$7.9 Million as of October 15, 2015; and

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to draw up to \$7.2 Million from the PNC \$60 Million LOC in order to make the January 2016 Housing

Assistance Payments to landlords participating in the HCV Program to the extent there is an ongoing Government Shut-down as of January 1, 2016.

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

**I HEREBY CERTIFY** that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on November 3, 2015.

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

# **AUTHORIZATION TO ENTER INTO A PROPERTY ASSISTANCE CONTRACT WITH EDGEWOOD-VANTAGE MANAGEMENT COMPANY**

**November 3, 2015**

- HOC now offers greater numbers of mixed-income housing in HOC communities with quality amenities and upgrades.
- The marketing and operating of developments to mixed-income and market rate populations is new to the Commission and has resulted in a greater level of vacancy than desired or expected.
- A Request for Proposal was issued seeking a management company with experience in mixed-income property management to draw upon its brand and expertise to assist the Commission in marketing and operating units from five (5) HUBs.
- Staff recommends the Commission selects Edgewood-Vantage (“Edgewood”) Management to perform these services. Edgewood offered the best mix of fee, experience, and knowledge as well as assistance with compliance requirements.
- Edgewood also included a Section 3 plan in its proposal utilizing its training facility and property management staff to provide job readiness training through HOC Academy and workforce development to HOC staff.



**MEMORANDUM**

**TO:** Housing Opportunities Commission

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

<b>FROM:</b>	Staff: Bobbie DaCosta	Division: Property Management	Ext. 9524
	Gail Willison	Finance	Ext. 9480
	Kayrine Brown	Real Estate	Ext. 9589

**RE:** Authorization to Enter into a Property Assistance Contract with Edgewood-Vantage Management Company

**DATE:** November 3, 2015

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**STATUS:** Committee Report: Deliberation [ X ]

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**OVERALL GOAL & OBJECTIVE:**

EXECUTIVE SUMMARY

The Commission owns a broad portfolio of units throughout Montgomery County. As a result of changes authorized by the U.S. Department of Housing and Urban Development (HUD), many of HOC's properties are no longer subject to various income and rent restrictions imposed on them by Public Housing and other federal and state programs. The release from these restrictions has provided HOC the opportunity to renovate the units and offer greater numbers of mixed-income housing in HOC communities with quality amenities and upgrades.

The marketing and operating of developments to mixed-income and market rate populations is new to the Commission and has resulted in a greater level of vacancy than desired or expected. Recognizing this, a Request for Proposal (RFP) was issued seeking a management company with experience in mixed-income property management to draw upon its brand and expertise to assist the Commission in marketing and operating units from five (5) HUBs.

After a review of responses to the RFP, interviews and scoring, staff recommends that the Commission selects Edgewood-Vantage Management ("Edgewood") to perform these services. Among all the responders, Edgewood offered the best mix of fee, experience, and knowledge, as well as assistance with compliance requirements. Edgewood was also able to include a Section 3 plan in its proposal utilizing its training facility and property management staff to provide job readiness training through HOC Academy and workforce development to HOC staff.

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**BACKGROUND:**

For many years, HOC's self-managed portfolio consisted largely of Public Housing units, Low Income Housing Tax Credit (LIHTC) properties and other income-restricted developments. Even HOC's Opportunity Housing program includes income and rent restrictions depending on the financing utilized. Because the need has been so great for affordable units for those with few options, applicants were typically selected from lengthy waiting lists of families seeking deeply subsidized programs such as Housing Choice Voucher and Public Housing.

HUD's approval of the Section 18 Demolition/Disposition Application and Rental Assistance Demonstration Program (RAD) resulted in the disposition of most of the Commission's scattered, multifamily and senior Public Housing facilities. Since that time, HOC has undertaken financing activities to place these properties on firm financial footing and is performing renovations to ensure physical sustainability. These developments and scattered sites are now managed and marketed to families with mixed incomes, some as high as 80% of area median income (AMI) which, in some cases, represents the market within a given community. While the focus is now mixed income communities, HOC has not abandoned and will not abandon its core mission of providing deeply subsidized housing. It has simply scattered affordable housing units across the County, thereby achieving de-concentration of poverty in certain locations in the County.

Marketing and leasing rental units to mixed and market rate populations have been a challenge to Commission staff. The HOC brand presents a different connotation to persons and families with more housing options. To respond to this challenge, several months ago, a Request for Proposals (the "RFP") was issued to management companies for assistance to the Commission in operating a portfolio of approximately 1,800 units in five existing HUBs.

The Commission will remain manager of the properties, overseeing the activities of the selected property management company. The Commission will also perform auditing and reporting, budgeting, technical support for Yardi, compliance and tenant services. The existing maintenance staff will remain intact, continuing to provide maintenance of the rental units and expanding into all HOC facilities. HOC would enter into a contract for the remaining activities with the selected subcontractor that will apply its expertise in management of residential housing, including market rate rental facilities. The primary focus of the subcontractor would be marketing, establishing and complying with administrative and management plans for each property, providing daily instruction to HOC maintenance staff, developing operating and capital budgets in conjunction with HOC Finance staff and providing property reports. Initially, the subcontractor would operate five HUB offices located in existing multifamily buildings and provide the day to day property operating services to residents in those HUB service areas. Eventually, if the performance is successful, a larger portion of HOC's portfolio will be awarded to the subcontractor.

## BENEFITS AND RISKS TO THE COMMISSION

The Commission has experience in marketing affordable housing for a specific segment of the rental market. In the past, when HOC sought to provide mixed-income housing, it has employed the services of a private property manager to lease-up, manage, and maintain the development. This has been a successful process beginning at Timberlawn and then followed at The Metropolitan, Strathmore Court, Alexander House and MetroPointe. The private manager's brand presents a different orientation that makes a positive impact in mixed-income communities for both prospective and continuing tenants. Similar to the past, HOC is likely to benefit from subcontractor branding and operating expertise given the desired broader market reach. Perhaps as important is the understanding that the Commission has already and will continue to invest substantial sums in freeing these units from federal restrictions and making them first class, well maintained properties comparable to the highest level of privately owned housing stock in the community. This aligns with the Strategic Plan objective to provide superior housing in a wide range of market segments. Accordingly, management must be of the highest quality to preserve and maintain the physical and fiscal condition. This can best be accomplished by subcontracting certain elements of property operation while maintaining the Commission's management role with supervision of the subcontractor's services.

The Commission has experience with the division of property management and maintenance responsibilities at Paddington Square Apartments, Manchester Manor, Dale Drive, Southbridge, and Tanglewood Apartments. Management is provided by a private company but Commission employees perform maintenance functions as directed by the on-site manager. The Commission supervises, hires, trains and disciplines the maintenance staff; and conducts resident services activities. This is the model for the proposed contract along with performing IT functions and supervision of Yardi reports.

There are other positive benefits of the proposed subcontracting arrangement. The RFP requires the subcontractor to comply with Section 3 of the Housing and Urban Development Act of 1968 so that the potential for training and employment of residents exists, which is now a focal point for the Agency. Further, HOC Academy and HOC Works will be included so that training for staff and residents will be part of the contract, allowing HOC to take advantage of the expertise and facilities of the subcontractor. It also provides an opportunity for staff to grow and take advantage of the infrastructure offered by the subcontractor. The relationship provides for a uniform management philosophy across HUBs and allows staff to learn about the company's decision making process and strategies which can guide internal processes in the future for the Commission. This is expected to improve the Commission's workforce and provide opportunities for residents over time through Section 3 implementation and employment with Edgewood and companies that work with them.

In order to execute the proposed contract, with the least amount of risk to the Commission, its inventory and the staff, the discussions with Edgewood and the RFP contemplated a phased implementation starting with five (5) HUBs and expanding from there to the remaining HUBs and potentially other contract managed properties. At any time, if the transition is not

proceeding as well as anticipated it can be terminated or the expansion can be delayed to allow for improvement. HOC Property Management staff will maintain on-going oversight and interact with Edgewood on a daily basis. It is anticipated that Property Management will have a thorough understanding of the operations of the property portfolio. Therefore, if necessary, the Commission will have staff available to take over management of the initial phase at any time. However, Edgewood is a known entity with which HOC has worked for over 15 years. Time and attention has already been paid to the means and methodology for transfer of functions between the parties and if the Commission approves the concept, staff believes an efficient transition plan can commence immediately.

The RFP was written in a manner to have responders understand that all maintenance staff and Resident Services staff will remain Commission employees. While maintenance workers' work plan will be directed by Edgewood personnel, broad oversight, discipline and reviews will be conducted under Commission Personnel Policies and the Collective Bargaining Agreement. As previously noted, the Commission has had successful experience with this method at several of its current properties.

There is an acknowledged cost to the implementation of this agreement. Properties that have not paid directly for management services will now be obliged to do so. However, as discussed below in the Budget Impact section, the need to market to higher incomes as well as the elevated levels of vacancy necessitates this move. If we are able to target the appropriate market and lease the units, the Commission will be able to offset the added expense with the additional rental income.

#### THE RFP AND SELECTION PROCESS

An RFP was developed and issued to management companies who provide services in the County. It requested that bidders provide qualifications for consideration. These included:

- a) Company expertise in management of assisted housing of various types including market, low income housing tax credits and housing choice vouchers, with specifics on properties managed,
- b) Company Overview including minority, female or disabled owned certifications ("MFD"),
- c) Identification of key personnel and expertise in assisted housing.

The RFP explained that the Commission proposed to select a subcontractor based on scoring criteria. The primary factors were prior experience as a manager of mixed income housing, marketing and leasing properties, expertise in supervising capital improvements and renovations, and fee proposal. Points were also assigned for MFD ownership or subcontractors, and plans for the use of HOC Works and HOC Academy.

Responses were received from three experienced managers, Edgewood-Vantage Management, Equity Management and Avison Young. Edgewood was determined to be the most responsive

considering all the factors and criteria in the RFP. Edgewood has managed and continues to manage a number of Commission properties, including The Willows, Georgian Court and Stewartown which have complexities from the Section 236 Program, Low Income Housing Tax Credits (LIHTC), and tax-exempt financing, each having its own compliance requirements.

Edgewood, under its Vantage affiliate, also manages Pooks Hill Tower and Mid-Rise and has demonstrated an ability to market to a broader spectrum of incomes while simultaneously overseeing large capital projects.

Edgewood has substantial experience in the Montgomery County rental market and its submarkets. Its brand is well recognized and can provide a fresh and positive presence to prospective residents. While it manages a number of HOC properties and has experience with Yardi software, it also has a significant presence in market rate rental communities, such as the recently opened Gallery of Bethesda.

It manages a diverse portfolio of unit types and has strong company management and administration. Its staffing and contracting services are sensitive to minority, female and disabled employees and contractors. Its practice is to seek at least one bid from a minority, female or disabled owned company for any contract.

Opportunities for compliance with Section 3 are significant with Edgewood. Because it operates a number of subsidized housing facilities, its staff knows the law and the compliance requirements. Edgewood has pledged to offer its job opportunities through HOC Works and provide job training or other contributions to the HOC Works program. Section 3 qualified residents could seek jobs in maintenance work as well as administrative and management activities.

Edgewood already has a skills and education program for its existing staff that can be combined with the functions of HOC Academy. Currently, Edgewood has an eLearning system, sponsors webinars and does on-site training at its Gaithersburg office. These will be offered to resident participants in the HOC Academy and HOC staff under the response to the RFP.

Marketing of units will be performed under its name, although qualification of residents based on income and other criteria will continue to meet Commission standards or program restrictions. There are a number of reports and statistical data to be provided to HOC during a contract year to determine performance and to assist with developing budgets. Edgewood's knowledge and experience in Yardi software and familiarity with the Commission's processes will assist in the transition process. Edgewood understands that the maintenance staff at each HUB is represented by Municipal and County Government Employee Organization, United Food and Commercial Workers, Local 1994, AFL-CIO (MCGEO). Edgewood has had experience at its other sites with represented employees and does not anticipate any unusual difficulties or problems managing those workers, knowing that the Commission is responsible for discipline pursuant to the collective bargaining agreement.

It is anticipated that a team of HOC staff will guide Edgewood and provide training, as necessary, in the use of Yardi and inventory management. This will apply initially to the five HUBs at Seneca Ridge, Emory Grove, Towne Centre Place, Arcola Towers and Waverly House which collectively administer over 1,800 units. If implementation is successful, a second phase will be completed with the remaining five HUBs.

Should the Commission elect to go forward with the contract with Edgewood, the current jobs of some staff will be affected. Maintenance staff will take daily operational direction from Edgewood employees; however, disciplinary matters will be conducted through the HOC Personnel Policy and collective bargaining agreement. It is also possible that 3-6 represented employees will be reassigned different duties within the Agency commensurate with their skills and expertise as Edgewood workers take over more responsibility at the HUBs. Property Management personnel will continue to be needed at the Regional Manager level to provide oversight and broad direction to the selected subcontractor. It is anticipated that a Maintenance Director with Maintenance Supervisors will be responsible for the coordination of maintenance staff and monitoring of supplies and materials inventories.

Edgewood's capabilities include a strong in-house compliance department. This expertise and knowledge will be beneficial as the Commission transitions from Public Housing to RAD. The Commission will continue to maintain a separate compliance division to perform on-going quality control inspections. Edgewood offers in-house training for tax credit compliance and manages numerous properties under a variety of HUD programs. It currently utilizes the Yardi software which will make conversion and transfer of information smooth and efficient.

All three bidders had strong responses and familiarity with HOC programs and scored well on most factors. Edgewood stood out in its presentation and the offerings available to HOC Academy with its local office. Edgewood stood out further because of its fee proposal at approximately \$18 per unit per month, which was a point of much discussion and questioning by HOC. Staff concluded that Edgewood makes up for the per unit cost in the increased volume of managed unit, making this arrangement beneficial to both parties.

Staff has met with Edgewood representatives to go through its response, discuss roles and possible methods for transfer of responsibilities, and plan re-branding of the communities. A contract would be based on per unit per month terms for a two year period with three one year renewals. The Commission would provide maintenance staff and discipline of its employees, perform resident services, and be responsible for auditing and reporting to third parties and compliance in addition to oversight of operations. Given prior experience with Edgewood, staff is confident that a contract can be negotiated to meet the goals of the RFP.

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**ISSUES FOR CONSIDERATION:**

Does the Commission desire to contract certain services and functions for its portfolio of former Public Housing and other units to an experienced property manager while maintaining oversight and control of management of these facilities via a Property Operations Contract?

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**BUDGET IMPACT:** There is a significant increase in cost to the Commission to employ a subcontractor to perform these services. Currently, HOC performs management itself and does not pay a third party contractor. However, HOC is experiencing higher than anticipated vacancies at a number of the communities that have or will transition to mixed-income occupancy. Those are rental facilities where HOC's brand and marketing do not appeal to higher income persons and families. It is expected that those units will lease more rapidly with a fresh approach from a subcontractor with expertise and skills in making those offerings to prospects who will recognize a name brand and respond to it more favorably. The result will ultimately be increased cash flow from these properties which would not have been achieved by HOC itself as sole manager.

Staff has calculated the cost of employing a subcontractor to perform the services as outlined in this memo. The attached chart presents a summary analysis of these costs. Initial implementation is projected to cost approximately \$206,757 in FY'16. However, it is anticipated that as the terms of properties that are currently contract managed expire, the contracts will be re-negotiated under this new fee structure and operational model resulting in a potential savings. Initial savings are projected to be \$30,256. Therefore, the net cost for FY'16 would be approximately \$176,501.

As outlined in this memorandum, it is critical that the current vacancy be taken into consideration. As of August 2015 there were 163 vacant VPC market units that equate to almost \$2.9 million in annual lost revenue. In the initial implementation period, if only an additional 24 units are leased, the additional costs of \$206,757 would be completely offset.

Full implementation, when all ten HUBs are under contract, results in additional costs of \$481,332. Assuming HOC changes the fee structure of the majority of its contract managed portfolio, a savings of \$225,840 will be recognized by full implementation, resulting in a net increased cost to the Agency of approximately \$255,492.

Finally, it should be noted that given the current vacancy and rental loss for only the VPC market units, 28 units, before any changes in fee structure to our current contract managed properties, would have to be rented to offset the new costs and breakeven.

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**TIME FRAME:**

If approved by the Commission, staff would immediately enter into negotiations with Edgewood to finalize a contract. It is anticipated that those negotiations can be completed in time for the transition to begin no later than January 1, 2016 with full transfer of functions of the 5 HUBs no later than May 2016.

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**COMMISSION ACTION REQUESTED:**

Staff recommends that the Commission authorize the Executive Director to contract with Edgewood-Vantage Management for services and activities described in the RFP on the terms and conditions identified with the Commission continuing to maintain the role of property manager and overseeing the properties.

**RESOLUTION NO: 15-92**

**RE: Authorization to Enter into a Property Assistance Contract with Edgewood Management Company**

**WHEREAS**, the Housing Opportunities Commission is the owner and manager of a broad portfolio of housing units of various types throughout Montgomery County; and

**WHEREAS**, as a result of transfers and dispositions of units pursuant to Section 18 Demolition/Disposition Application and the Rental Assistance Demonstration Program (RAD), approved by the Department of Housing and Urban Development, as well as expiring tax credit partnerships and other recent changes in inventory, (collectively, the “Units”) much of the Commission’s portfolio has been freed from income and rent restrictions and other controls; and

**WHEREAS**, the Commission has embarked on an ambitious effort to renovate the Units and offer the properties as mixed income facilities with many available to persons and families with incomes as high as 80% of area median income; and

**WHEREAS**, the Commission staff have expertise and experience in managing and marketing properties with a variety of affordable housing restrictions through offerings to waiting lists of potential occupants; and

**WHEREAS**, the Commission has encountered difficulties and challenges in leasing Units to potential residents with higher incomes, resulting in lower cash flow return than anticipated; and

**WHEREAS**, the Commission recognizes the need to market and operate the Units with a brand that is positively perceived by the general market and, at the same time, administered in compliance with remaining restrictions and Commission policies; and

**WHEREAS**, the Commission desires to continue to serve as manager of the Units but can subcontract certain property assistance functions; and

**WHEREAS**, the Commission issued a Request for Proposals (the “RFP”) to property management firms to provide certain services in marketing and operating the Units utilizing the brand of the private company; and

**WHEREAS**, responses were received from several management companies and after review of the written submissions and direct interviews with Commission staff, it was determined that Edgewood-Vantage Management (“Edgewood”) was the most responsive bidder in terms of fee, expertise in marketing to a broad segment of the market, recognized brand, knowledge of Commission requirements, and capabilities for training staff and potential residents under the Section 3 program; and



**WHEREAS**, under the procedures as announced in the RFP, the Commission will remain as the manager of the Units while contracting with Edgewood to perform marketing services using its expertise and brand, manage HUBs with its personnel, direct maintenance work performed by Commission staff, prepare budgets, provide reports, and perform training functions in conjunction with HOC Academy as well as other agreed upon services; and

**WHEREAS**, the Commission is to retain direct supervision of Edgewood, review reports submitted in Yardi format, perform audit and reporting to third parties, and provide technical support for Yardi, provide both tenant services and compliance oversight as well as continuing to maintain discipline among maintenance employees under the Commission Personnel Policy and Collective Bargaining Agreement; and

**WHEREAS**, the Commission believes that contracting these property assistance functions will be cost efficient, providing quicker lease up and re-letting of Units; and

**WHEREAS**, the RFP provides for implementation of the contract in 5 HUBs initially to permit ease of transition and transfer of functions which also allows for phasing of additional HUBs and properties and adjustments to concerns that may arise during actual operations.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to negotiate and enter into a two year contract with three (3) one year options with Edgewood-Vantage Management based on the terms and conditions in the response to the RFP to perform certain property assistance functions for the Units within 5 HUBs with discretion to add properties and HUBs over time and reserving the role of property manager and oversight for the Commission along with audit and reporting responsibilities, budget approval, tenant services, technical support, compliance oversight and employee discipline.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 3, 2015.

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

**Impact of Property Assistance Contract on Agency Fee income and Unrestricted Property Cash Flow**

	# Units	FY 2016	FY 2017	FY 2018
<b><u>New Property Assistance Contract</u></b>				
Fees Income to HOC Increase / (Decrease)		(\$152,658)	(\$350,484)	(\$350,484)
Unrestricted Cash Flow to HOC Increase / (Decrease)		(\$60,945)	(\$158,220)	(\$158,220)
<b>Total Impact from Property Assistance Contract</b>	<b>3,010</b>	<b>(\$213,603)</b> <sup>(1)</sup>	<b>(\$508,704)</b>	<b>(\$508,704)</b> <sup>(1)</sup>
<b><u>Change in Contract Management Fees (CMF) at Renewal Date</u></b>				
Impact to Unrestricted Cash Flow to HOC Increase / (Decrease)	1,084	\$30,256	\$188,608	\$225,840
<b>Net Impact from Property Assistance Contract</b>		<b>(\$183,347)</b> <sup>(2)</sup>	<b>(\$320,096)</b>	<b>(\$282,864)</b> <sup>(2)</sup>
<b><u>Current Annualized \$ Vacancy for Market RAD6 and VPC Units</u></b>				
RAD 6	58	(\$1,284,000)	(\$1,284,000)	(\$1,284,000)
VPC	163 <sup>(3)</sup>	(\$2,892,000)	(\$2,892,000)	(\$2,892,000) <sup>(3)</sup>
	<b>221</b>	<b>(\$4,176,000)</b>	<b>(\$4,176,000)</b>	<b>(\$4,176,000)</b>
<b><u>Average \$ PUPA Vacancy in Market RAD6 and VPC Units</u></b>				
RAD 6	58	(\$22,138)	(\$22,138)	(\$22,138)
VPC	163	(\$17,742)	(\$17,742)	(\$17,742)
	<b>221</b>	<b>(\$18,896)</b>	<b>(\$18,896)</b>	<b>(\$18,896)</b>
# VPC Unit Leasings to cover loss <b>without</b> changing Existing CMF		25	29	29 <sup>(4)</sup>
# VPC Unit Leasings to cover loss <b>with</b> changing Existing CMF		21	19	16 <sup>(5)</sup>

(1) The financial impact of implementation is estimated to be **(\$206,757)** in FY'16 and increases to **(\$481,332)** when fully implemented.

(2) The net financial impact of implementation and conversion of existing contracts to the new fee structure is estimated to be **(\$176,501)** in FY'16 and increases to **(\$255,492)** when fully implemented.

(3) As of August 2015, there were **163** vacant VPC market units that equates to almost **\$2.9** million in annual vacancy loss.

(4) The total annual cost of implementation **without** changing existing Contact Management Contracts could be offset by Increasing occupancy by **28** VPC market units.

(5) The total annual cost of implementation **with** changing existing Contact Management Contracts could be offset by Increasing occupancy by **15** VPC market units.

# Development and Finance Committee

## **AUTHORIZATION OF A ONE-YEAR EXTENSION TO THE CURRENT BOND COUNSEL CONTRACT WITH KUTAK ROCK, LLP THROUGH APRIL 2, 2017**

**NOVEMBER 3, 2015**

- On March 7, 2012, HOC reappointed Kutak Rock, LLP (Kutak Rock) as bond counsel for its financing programs and approved a new four-year contract term with two, two-year renewals at the Commission's option. This current term expires on April 3, 2016.
- Kutak Rock has served the Commission as bond counsel since the inception of its financing programs in 1979 and has provided legal counsel for both its multifamily and single-family bond programs.
- Staff is requesting approval to extend the current contract for one year well in advance of its expiration to allow enough time for a new procurement, should the Commission opt to do so.
- The Commission is currently reviewing its Procurement Policy and may implement certain changes that may affect among other things, the maximum term of professional service contracts and the composition of certain specialties that provide services to the Commission.
- Given the anticipated financing activities in 2016, staff proposes that the current contract with Kutak Rock LLP be extended for one year through April 2, 2017.
- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee, which met on October 23, 2015, and approve extending the current financial advisor contract with Kutak for one year ending on April 2, 2017.
- Staff further recommends approval to maintain the current fee structure, a combination of negotiated fees, hourly fees, and out of pocket expenditures providing however, that the annual maximum amount is \$600,000.

**MEMORANDUM**

**TO:** Housing Opportunities Commission

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

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

**RE:** Authorization to Extend the Current Bond Counsel Contract with Kutak Rock for One Year

**DATE:** November 3, 2015

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**STATUS: COMMITTEE REPORT** Deliberation   X  

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**OVERALL GOAL & OBJECTIVE:**

To extend the contract for bond counsel services with Kutak Rock, LLP (Kutak Rock) for one year, 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 March 7, 2012, the Commission approved the selection of Kutak Rock to continue to serve as its bond counsel 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 April 3, 2016.

**Bond Counsel**

Bond counsel to a municipal housing bond issuer such as HOC provides legal advice specific to the issuance of tax-exempt bonds or other securities issued to finance its housing programs. Most importantly, it provides legal opinion to the marketplace that addresses among other things: (1) the validity of the bonds and (2) the excludability of interest on the bonds from gross income for federal income tax purposes. Without an accompanying opinion of nationally recognized bond counsel, the bonds are not normally marketable.

Bond counsel participates in the structuring of bond financing transactions, prepares, reviews, and assembles documents that serve as the transcript for the issued debt. Bond counsel also provides interpretive services to HOC on an ongoing basis and assists with related covenant and tax compliance matters. Bond counsel may also assist with continuing disclosure as well as arbitrage rebate issues if requested.

Though not mandatory, bond counsel is expected to be familiar with HOC's affordable housing goals and mission, thereby, enabling it to balance profitability goals with public purpose. A stable bond counsel relationship provides continuity for the issuer as it experiences staff turnover throughout the years; therefore, the selected firm must possess the breadth, depth and industry presence to enhance its ability to provide related services for HOC to respond to industry changes, market factors, and changes in governing laws.

**Current Bond Counsel Relationship**

On April 3, 2012, the law firm of Kutak Rock LLP (Kutak Rock) was awarded a contract pursuant to which it has served as bond counsel to HOC. Precedent to this, Kutak Rock has provided bond counsel services to HOC throughout the history of its bond programs, except for a brief period when Orrick, Herrington & Sutcliffe, LLP represented HOC in this capacity. Kutak Rock has assisted HOC with the issuance of approximately \$3.5 billion in nearly 200 bond series throughout its 36-year relationship with HOC.

**Procurement**

The Commission’s procurement policy provides for the selection of a bond counsel firm for an initial four-year term and two additional two-year terms. The current contract with Kutak Rock expires in April 2016 and it may be extended for two additional two-year terms at the Commission’s option.

However, the Commission is currently reviewing its procurement policy and expects to make significant changes, including maximum terms for all of its professional services contracts. Additionally, the Commission desires to create a pool of attorneys that are qualified to serve as its bond counsel, thereby creating diversity and eliminating the reliance on a single firm.

Therefore, staff is proposing a one-year extension for the bond counsel contract to avoid program disruption and until proposed changes may be implemented.

**Fees**

Staff has negotiated a flat fee with Kutak Rock for each single-family and multifamily transaction involving HOC or its affiliate as owner. A flat fee arrangement encourages efficiency and allows for cost containment in the bond programs. For multifamily transactions owned by a private developer, the fee is negotiated prior to the commencement of each engagement. Non-transactional fees would incur hourly charges based on Kutak Rock’s proposed schedule. Out-of-pocket expenses are reimbursed as incurred. The annual fees shall not exceed \$600,000.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to accept the recommendation of the Development and Finance Committee and extend the current bond counsel contract with Kutak Rock LLP for one-year?

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the fee structure, a combination of negotiated fees, proposed hourly fees, and out-of-pocket expenditures, conditioned on an annual maximum amount of \$600,000 for the initial contract term, representing the same structure as the original engagement?

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**PRINCIPALS:**

Kutak Rock LLP  
Housing Opportunities Commission

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**BUDGET IMPACT:**

There is no impact to the Commission’s FY16 operating budget. Related bond counsel expenses are paid from financing proceeds or from revenues in each respective indenture. Since the commencement of the current contract, Kutak Rock LLP has been paid \$1,040,000.

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**TIME FRAME:**

Action at the November 3, 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 and select Kutak Rock LLP to serve as its bond counsel for an additional year through April 2, 2017.

Staff further recommends approval of the fee structure, a combination of negotiated fees, proposed hourly fees, and out-of-pocket expenditures, conditioned on an annual maximum amount of \$600,000.

**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, 2015 , and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

**WHEREAS**, the ability to issue notes and bonds to the capital markets is subject to the availability of an opinion of a nationally recognized bond counsel concerning (1) the validity of the bonds and (2) to the extent applicable, the excludability of interest on the bonds from gross income for federal income tax purposes, without which the bonds are not normally marketable; and

**WHEREAS**, Kutak Rock, LLP (“Kutak Rock”) has successfully served the Commission since 1979 as its bond counsel and continues to provide a high level of professionalism; and

**WHEREAS**, the existing procurement policy allows for the selection of a bond counsel to serve for an initial four-year term plus two additional two-year extensions at the Commission’s option for a maximum contract term of eight years; and

**WHEREAS**, Kutak Rock’s current contract, which has been in place since April 2012, expires on April 3, 2016 completing the initial four year term; and

**WHEREAS**, given the high level of performance of Kutak Rock over many years, the anticipated bond financing activity in 2016, and the fact that the Commission is reviewing its Procurement Policy to recommend amendments that may affect the maximum term of any professional services contract, the Commission wishes to extend Kutak Rock’s contract by one year.

**NOW THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Kutak Rock, LLP be approved to serve the Commission as Bond Counsel for an extended one-year term, expiring on April 2, 2017.

**BE IT FURTHER RESOLVED** that the Commission approve an annual maximum contract amount of \$600,000 on terms consistent with the current contract.

**I HEREBY CERTIFY** that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting on November 3, 2015.

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Patrice Birdsong  
Special Assistant to the Commission



**Approval to Select Bennett Frank McCarthy Architects, Inc. as Architect for the Rehabilitation of Brooke Park Apartments and Authorization for Executive Director to Negotiate and Execute a Contract for \$220,138**

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STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
ZACHARY MARKS  
SHERYL HAMMOND

November 3, 2015

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# Executive Summary

<b>Project Name</b>	Brooke Park Apts	<b>Total Sqft</b>	20,790	<b>Estimated Construction Start</b>	4Q FY16
<b>Location</b>	Bethesda, MD	<b>Average Unit Size (SF)</b>	732	<b>Estimated Completion</b>	3Q FY17
<b>Product Type</b>	Garden	<b>Units</b>	18	<b>Recap Strategy</b>	Rehab
<b>Year Built (Renovated)</b>	1956	<b>Occupancy (as of 10/13/15)</b>	61%	<b>Funding Strategy</b>	HIF Loan



- Located at 6301 MacArthur Boulevard in Bethesda, MD, Brooke Park Apartments has 18 units located in a serene and bucolic neighborhood, with nearby amenities for families and school age children. Built in the 1950s, the three-story garden walk up is on approximately 21,000 square feet. Currently all of the utility systems are centralized except for electricity. By individually metering the units and updating the systems, the property will operate more efficiently.
- In the fall of 2013, DHCA exercised its right of first refusal on and assigned their right to the Housing Opportunities Commission (“HOC”) to purchase Brooke Park Apartments (alternately, “Property” and “Brooke Park”) to preserve affordability for 18 units at 65% AMI. The property was planned for demolition, to be replaced with 10 high-end townhomes.

# Executive Summary

- Prior to the purchase of Brooke Park, a plat revision was submitted to the County for the planned redevelopment of 10 townhomes. Therefore, HOC must revise the plat to obtain approval to revert to the 18 apartment units at the site.
- On June 5, 2015, HOC issued request for proposal (“RFP”) #1968 for Architectural Services, Scope of Work and Design Documents for Brooke Park to prepare for re-platting and to complete renovations. Based on the evaluation of the four responses, staff recommends Bennett, Frank, McCarthy Architects, Inc.
- An RFP for a General Contractor services will be issued once the architect is awarded and a general scope is determined.
- The re-platting, construction drawing and permit issuance, as well as the final team selection is expected to be completed in March/April 2016.
- Construction completion is estimated to take between 8 to 10 months.
- Staff will prepare a development plan which will be presented at a later date for Commission review and approval to address the physical rehabilitation of the building and the land use plat to make the existing building and density allowable and permittable. Preliminary cost estimate totals \$6,159,759 (acquisition and settlement costs \$3,846,591; feasibility study \$49,750; estimated rehabilitation costs \$1,821,040; and soft costs \$442,378).
- The Montgomery County Department of Housing and Community Affairs (DHCA) provided acquisition and development funding of \$5.2M. Once final costs are known, additional funding may be requested from DHCA.

# Site and Location Maps



The property is ideally located at the intersection of MacArthur Boulevard and Sangamore Road. In less than a half-mile walk, residents have access to shopping, public transportation and the Capital Crescent Trail.

# Preliminary Scope of Work - Summary

- **Exterior renovations**

Brooke Park was built in the 1950's and has the look and feel of a post war utilitarian structure. Staff recommends the renovation of the exterior of the building in order to provide a façade that is more fitting to the surrounding community. The scope will also involve investigation and correction of any site issues including parking, grading and landscaping.

- **Interior Renovation**

The existing interiors are outdated and do not fit in with the surrounding community standards. Staff proposes using the same building standards as have been successful in HOC's current renovations of the 669 Scattered Site and RAD 6 properties.



*Existing Exterior*



*Proposed Architectural Rendering*

- **Architect Selection**

Staff has received responses from four Architects to provide the construction drawings for interior and exterior renovations. Based on its review, staff seeks authorization to select Bennett, Frank, McCarthy.

- **Public Purpose**

In purchasing this property and renovating the units to maintain a safe and sanitary living environment within the prestigious community of Bethesda, Maryland HOC is keeping with its mission to provide affordable housing and supportive services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County. Brooke Park will provide 18 units at or below 65% of AMI.

- **Funding**

For acquisition and predevelopment staff has used approximately \$3.9M of the original \$5.2M HIF funding from DHCA. Total project cost is estimated at \$6,159,759. Once final costs are known, staff will request additional funding from DHCA to cover the shortfall.

# Selection of Architect - Qualifications

HOC issued a request for proposals (“RFP”) # 1968 for Architectural Services, Scope of Work and Design Documents for Brooke Park. The scoring team (consisting of staff from Mortgage Finance, Real Estate Development and Procurement) completed its review of the responses on July 3, 2015, based on the following criteria:

- **Experience (25 points)**
  - Key Factors: Demonstrated experience as primary architect on similar projects located in the Washington, DC metropolitan area, specifically with affordable housing, local building codes and experience with Montgomery County, Maryland storm water management.
- **Price (25 points)**
- **Qualifications (20 points)**
  - Key Factors: Principal and staff resumes, organization/team ability and availability to undertake and successfully complete the project: commitment to adhere to HOC’s Section 3 requirement; and willingness to employ and train minority, female, and disabled persons.
- **Building Concept Plan (15 points)**
- **Schedule (10 points)**
- **Montgomery County, Maryland based business location (5 Points)**

# Selection of Architect – Scoring Summary

Of the four responses, Bennett, Frank, McCarthy scored highest in all but one of the categories and was given an overall average score of **89.33%**. Included in their experience is a proven history of successful work for HOC which includes Greenhills Apartments, RAD 6 and a portion of the 669 Scattered Site units. Although they conducted a feasibility study of Brooke Park, that information was not a qualifying item or taken into consideration for the scoring process.

ZA+D (Zavos), the lowest scoring firm, did not provide the requested concept plan or project schedule which greatly affected their score.

Rank	Architect	Experience with Government Agencies and Housing Authorities (Baltimore-Washington Area) (25%)	Price (25%)	Qualifications (20%)	Building Concept Plan (15%)	Schedule (10%)	Montgomery County Based Business (5%)	Total AVG.
1	<b>Bennett, Frank, McCarthy Architects, Inc.</b>	<b>23.67%</b>	<b>18.67%</b>	<b>17.33%</b>	<b>14.67%</b>	<b>10.00%</b>	<b>5.00%</b>	<b>89.33%</b>
2	Mimar Ponte Millor d/b/a Mimar Architects and Engineers	23.00%	16.37%	18.67%	11.67%	9.00%	5.00%	83.71%
3	Jones Associates Architects, LLC.	21.33%	15.05%	16.00%	11.00%	8.33%	5.00%	76.71%
4	ZA+D (Zavos)	17.00%	25.00%	17.00%	0.00%	2.33%	0.00%	61.33%



# Selection of Architect - Pricing Summary

In addition to the design services required of the architect, staff has requested that the architect the Architect include in its pricing: management of mechanical, electrical, and plumbing (“MEP”); structural, landscape, and civil professionals to streamline the process and ensure adequate communication and appropriate responsibility throughout design and rehabilitation of the property.

Overall Rank	Architect	Base Price (without contingency)	Price (including 10% contingency)
<b>1</b>	<b>Bennett, Frank, McCarthy Architects, Inc.</b>	<b>\$ 200,125.00</b>	<b>\$220,137.50</b>
<b>2</b>	Mimar Ponte Millor d/b/a Mimar Architects and Engineers	\$ 297,500.00	\$327,250.00
<b>3</b>	Jones Associates Architects, LLC.	\$ 277,495.50	\$305,245.05
<b>4</b>	ZA+D (Zavos)	\$ 168,100.00	\$184,910.00

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

# Sources and Uses - Preliminary

Sources	Amount	Per Unit
Initial HIF Loan from DHCA	\$5,200,000	\$288,889
Additional Funding Needs	\$959,759	\$53,320
<b>Total Sources</b>	<b>\$6,159,759</b>	<b>\$342,209</b>
Uses	Amount	Per Unit
Acquisition and Settlement Costs	\$3,846,591	\$213,700
Feasibility Study	\$49,750	\$2,764
Proposed Architectural <sup>1</sup>	\$220,138	\$12,230
Estimated Rehab Cost	\$1,821,040	\$101,169
Estimated Landscape / Playground	\$100,000	\$5,556
Estimated Telephony	\$57,240	\$3,180
Estimated Legal / Permitting	\$55,000	\$3,056
Estimated Misc. Costs(Consultants)	\$10,000	\$556
<b>Total Uses</b>	<b>\$6,159,759</b>	<b>\$342,209</b>

<sup>1</sup> Proposed Architectural Costs included 10% contingency

## Scope includes:

- Like kind replacement of energy efficient appliances
- Refinishing baths, kitchens, floors and painting throughout
- Providing washer and dryer units within each unit
- Replacing the existing boiler system with individual HVAC systems and water heaters within each unit
- Corrections to site issues (parking, grading and landscaping)
- Replacement of roof, windows and insulation
- Enhancements to the exterior of the building
- Providing a playground for the property was part of the prior preliminary plan that was accepted by the Planning Board and may be required moving forward. Staff will return to the Commission with additional details in the preliminary development plan

## Discussion Item: Site Re-Entitlement / Mandatory Referral

- Prior to the Commission acquiring the site, the prior owners of the property submitted and had approved a subdivision application, which created a single record lot, first step for their proposed repositioning of the Property into luxury townhomes.
- To renovate the existing structure and to return the Property to a conforming use, the Commission has to first correct the plat issue.
- Staff is developing a process to make the existing building conforming and permissible.
- Based on discussions with the Department of Planning, staff currently believes that the best approach to adjust the plat for the site is to go through a limited Mandatory Referral process. This proposal process would include securing official zoning as well as recertifying the site for 18 units as currently constructed.
- Staff will engage Miller, Miller & Canby (the “Firm”) as land use counsel from the Legal Pool to assist HOC and the architect with the re-platting process. Should the Commission approve proceeding with the Mandatory Referral process, the Firm will also provide consulting land use services, including communication with the surrounding community for support.

# Estimated Timeline

## Estimated Design and Renovation

- **Design Documents:** October 2015 – December 2016
- **Plat Correction:** October 2015 – March 2016
- **Permitting:** December 2015 – March 2016
- **Final Team Assembly:** January 2016 - April 2016
- **Renovation Kickoff:** May 2016
- **Estimated Construction Completion:** November – December 2016

*Estimated timeline will vary based on actual re-platting time and final determination of construction phasing. It is anticipated that 4-6 units will be in production at any one point during the renovation.*

# Summary and Recommendations

## Issues for Consideration

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the selection of Bennett, Frank, McCarthy, Architects, Inc. as architect for the renovations of Brooke Park Apartments?

## Time Frame

Action at the November 3, 2015 meeting of the Commission.

## Budget Impact

There is no adverse impact for the Agency's FY 2016 operating budget. Cost of architectural services are included in the overall budget and may be paid from the Department of Housing and Community Affairs loan.

## Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the selection of Bennett, Frank, McCarthy Architects, Inc. as Architect for renovations at Brooke Park Apartments.

Staff further recommends approval for the Executive Director to negotiate and execute a contract with Bennett Frank McCarthy, Architects, Inc. for up to \$220,138, inclusive of a 10% contingency to cover its costs and to engage and manage, MEP, landscaping and civil professionals to support the design and rehabilitation of Brooke Park Apartments.

November 3, 2015

**RESOLUTION No.: 15-94**

**RE: Approval to Select Bennett, Frank, McCarthy Architects, Inc. as Architect for the Rehabilitation of Brooke Park Apartments and Authorization for the Executive Director to Negotiate and Execute a Contract for \$220,138**

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

**WHEREAS**, Montgomery County (the “County”) exercised its rights under Article 53A of the Montgomery County Code by matching the terms of a contract for the purchase (the “Contract”) of the Brooke Park Apartments consisting of 18 units located at 6301-6307 MacArthur Boulevard in Bethesda (the “Property”) and subsequently assigned its rights under the Contract to HOC; and

**WHEREAS**, the acquisition of the Property afforded the County and HOC a unique opportunity to serve a tremendous public purpose by preserving affordable housing units in a location that serves households with incomes at or below 65% of the DC-MD-VA Metropolitan Statistical Area Median Income; and

**WHEREAS**, the County provided a loan to HOC in the amount of \$5,200,000 which was estimated to cover acquisition and renovation costs for the Property; and

**WHEREAS**, prior to beginning renovation of the Property, HOC staff will perform a thorough examination of the needs of the Property, determine the best options for permanent financing, and develop final development and financing plans for the Commission’s approval; and

**WHEREAS**, HOC issued a Request for Proposals No. 1968 (the “RFP”) on June 5, 2015, pursuant to which four proposals were timely received in response to the RFP; and

**WHEREAS**, Bennett, Frank, McCarthy Architects, Inc. received the highest score of 89.33% based on its proposal to complete the construction drawings, manage the mechanical, electrical, plumbing, structural, landscape, and civil professionals for the renovation of Brooke Park Apartments for \$220,138 (with the inclusion of a 10% contingency).

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby approves the selection of Bennett, Frank, McCarthy Architects, Inc. as the architect for the renovations of Brooke Park Apartments.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby authorizes and directs the Executive Director to negotiate and execute a contract for \$220,138 with Bennett, Frank, McCarthy Architects, Inc. as the architect for the renovations of Brooke Park Apartments.

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

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a meeting conducted on November 3, 2015.

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

# APPROVAL OF THE FINAL DEVELOPMENT PLAN FOR THE REDEVELOPMENT OF CHEVY CHASE LAKE APARTMENTS AND AUTHORIZATION FOR ADDITIONAL DEVELOPMENT FUNDING

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November 3, 2015



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The proposed multifamily building is a new mixed-income community located on the western third of the site of HOC's Chevy Chase Lake Apartments ("CCLA"). The Lakes at Chevy Chase is proposed as a 200-unit, high-quality, amenity-rich development adjacent to the future Metro Purple Line Station. The project is part of the larger redevelopment of the CCLA site as approved by the Commission on August 7, 2013.

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# Executive Summary

In securing full entitlements from the Montgomery County Planning Department, HOC's redevelopment of its Chevy Chase Lake Apartments is fully ahead in realizing its new development potential of all other properties rezoned by the revision of the Chevy Chase Lake Master Plan. The remaining drawing, in pursuit of full permits, can be completed in approximately four months and the permits themselves can be obtained approximately three months thereafter. Not only does HOC now have a clear path to the development of what will be its flagship property, it has an opportunity to deliver it well in advance of any competition and in the early phases of any interest rate increases.

To maintain this timing, staff projects a total funding need of \$1,832,195. This amount should be sufficient to get full permits and to construction closing. Thus far, the Commission has approved predevelopment funding of \$1,600,000; including \$250,000 at the October 7, 2015, meeting of the Commission. All \$3,432,195 can be reimbursed from the construction financing for the project, should the Commission wish to do so. Alternatively, the Commission could leave some or all of this amount in, as part of its required equity contribution. Staff is now presenting the development plan for formal approval and will bring the financing plan for the project in the coming months.

EYA is preparing to start construction on the townhome portion of the redevelopment along the same timeline. To do so, demolition of the existing improvements will begin in December. As of October 15, 2015, one resident remains at the property. Once empty, the property will have its power shut off.

Throughout the permanent relocation, HOC has complied with all County requirements and provided supplies, movers, and relocation assistance to residents wherever needed. Property management has engaged a security company to patrol the property prior to demolition. There have not been any incidents during the period of relocation.



# Executive Summary

At its October 7, 2015 meeting, the Commission approved the prepayment of the existing mortgage using the \$60MM PNC Line of Credit (“LOC”). HOC is now in position to deliver the townhome portion of the site to EYA, fee simple. So, the consummation of that sale and the commencement of land development may now begin in earnest.

## Development Budget

Chevy Chase Lake Apartments Redevelopment										
Predevelopment Budget (HOC Totals)										
Expenditure Category	Total	A/O 8/31	September	October	November	December	January	February	March	April
Land Design	\$454,505	\$221,631	\$34,931	\$34,931	\$29,109	\$29,109	\$29,109	\$29,109	\$23,287	\$23,287
Entitlement/Permitting Fees	\$443,448	\$74,707	\$0	\$36,874	\$36,874	\$202,807	\$36,874	\$18,437	\$18,437	\$18,437
Legal (Land Use)	\$147,096	\$75,995	\$10,665	\$10,665	\$17,775	\$17,775	\$14,220	\$0	\$0	\$0
Legal (Transactional)	\$15,000	\$0	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0
Architecture	\$1,244,875	\$409,560	\$100,238	\$192,122	\$250,595	\$108,591	\$133,650	\$25,059	\$16,706	\$8,353
Miscellaneous	\$30,202	\$19,430	\$1,616	\$1,616	\$1,616	\$1,616	\$1,077	\$1,077	\$1,077	\$1,077
Land Development	\$872,070		\$8,721	\$17,441	\$43,603	\$174,414	\$156,973	\$156,973	\$156,973	\$156,973
Tenant Relocation	\$150,000	\$147,757	\$0	\$2,243	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$75,000		\$0	\$0	\$0	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	<b>\$3,432,195</b>	<b>\$949,080</b>	<b>\$161,170</b>	<b>\$300,893</b>	<b>\$384,572</b>	<b>\$549,313</b>	<b>\$386,904</b>	<b>\$245,655</b>	<b>\$231,480</b>	<b>\$223,127</b>

Staff recommends using the Opportunity Housing Reserve Fund (“OHRF”) as the source for the \$1,832,195 in development spending required to get to closing. The current balance of the OHRF is \$9.5MM. Staff is requesting the balance of the required budget to close.

As part of the settlement of the townhome parcel, a payment of \$1,250,000 (the balance of the \$2,000,000 base purchase price) is expected from EYA on January 15, 2016. The Commission could elect to use the funds in lieu of the full \$1,832,195 request, leaving a \$582,195 draw against the OHRF. Should the Commission choose not to use the settlement payment to partially offset this request, the settlement payment would be added to OHRF balance replenishing the fund.

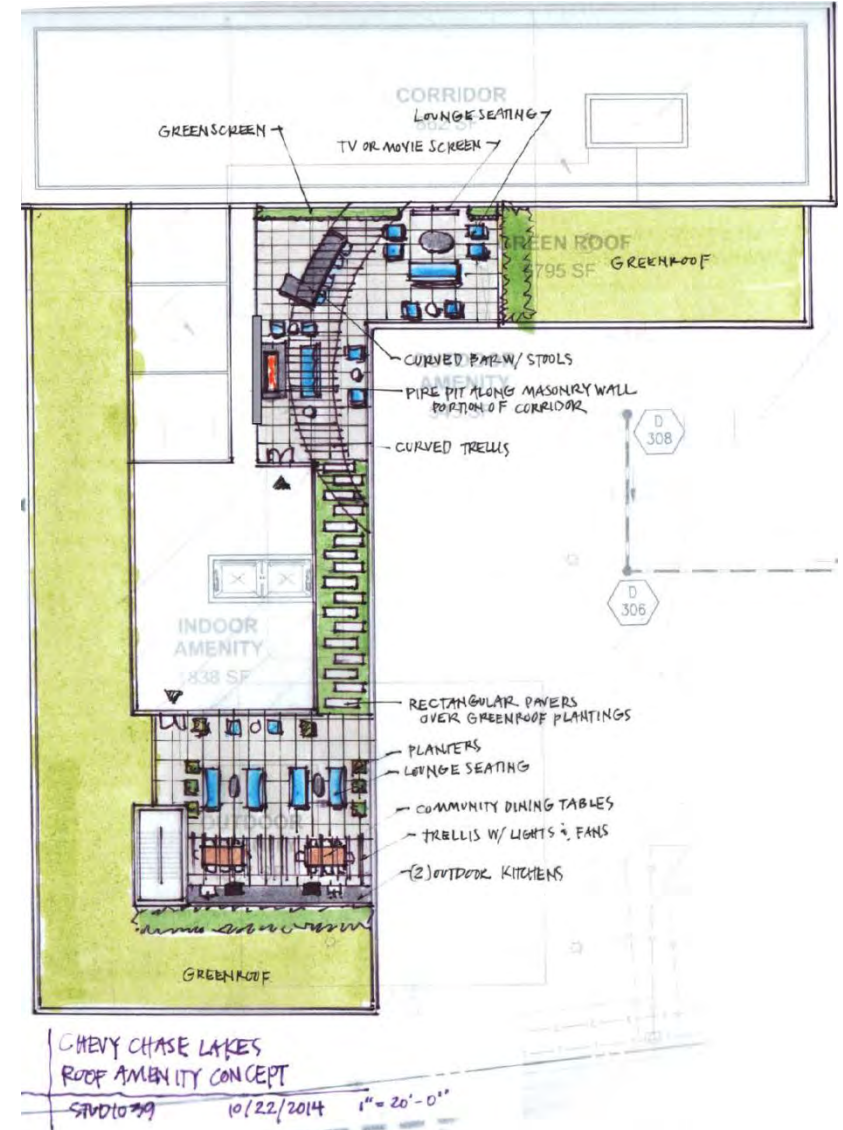
# Development Plan – Transaction Rationale

## HOC Benefits: Mission & Margin

- 200 newly constructed high quality, well designed, amenity rich, energy efficient homes
- Replaces 21 restricted units with 90 units (including 10 MPDU townhomes)
- Increased cash flows provides the Agency with flexibility in programming for and investment in its residents

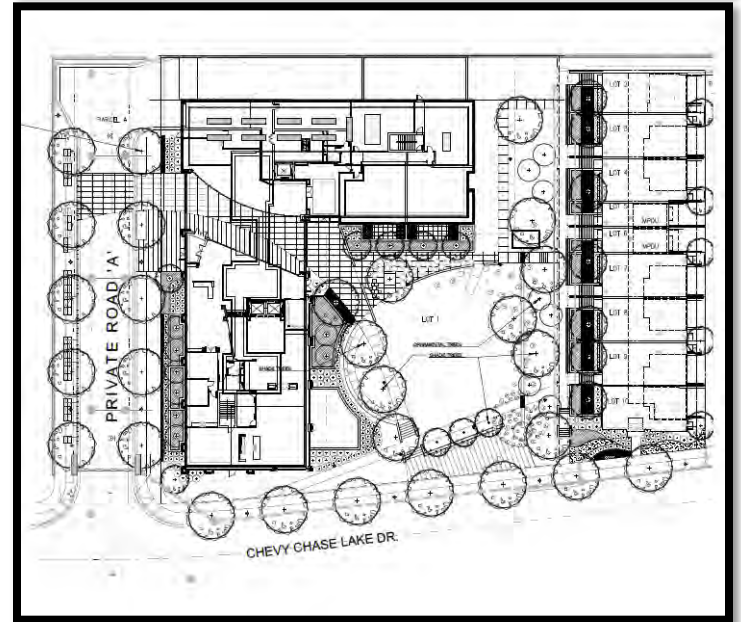
## Resident Benefits: Location & Quality of Life

- Provides residents with high quality housing featuring better amenities and increased security
- Creates affordable living by placing housing near transit and proximate to employment and public resources
- Increases the affordable housing stock in one of the wealthiest communities in the country with some of the best schools in the country



# Development Plan – Public Purpose

- ✓ Replace 21 restricted units (under 90% AMI) with 90 restricted units:
  - ✓ 40 rental units at 60% of AMI
  - ✓ 40 rental units at 100% of AMI
  - ✓ ~10 for-sale MPDU townhomes at 70% AMI
- ✓ Family-size units in Chevy Chase
  - ✓ Inclusion three-bedroom units
  - ✓ Over-representation of affordable units in two- and three-bedroom units.
- ✓ Public Amenities
  - ✓ New park with active and passive play areas
  - ✓ Private access road connecting to the Land Company's site
  - ✓ Access to future Metro stop



# Development Events to Date

## Entitlement

- On July 31, 2013, the Montgomery County Council adopted the Chevy Chase Sectional Map Amendment that approved a redevelopment Concept Plan for Chevy Chase Lake Apartments.
- On July 23, 2015, the Montgomery County Planning Board approved the Development's Preliminary and Site Plans. This moved the Development into the permitting phase. The team has applied for demolition permits and continue to refine the building design and interiors with the goal of submitting for building plans in the first quarter of 2016.

## Partnership

- On August 7, 2013, the Commission authorized the Executive Director to enter into exclusive negotiations with Eakin, Youngentob, and Associates (EYA) to purchase a portion of the site for the development of for-sale townhomes.
- On January 23, 2014, the Commission authorized the Executive Director to execute a Purchase and Sale Agreement ("PSA") for the disposition of the land related to the development of for-sale townhomes. The PSA was subsequently executed on April 4, 2014.
- On June 13, 2014, the Commission authorized the Executive Director to enter into exclusive negotiations with EYA and Federal Capital Partners ("FCP") to provide development management services and investment capital respectively for the development of the multifamily building that would provide HOC's replacement housing.
- On May 15, 2015, the Commission approved the Executive Director's entering into a development partnership with EYA, including equity investment, for the multifamily building.
- Working with EYA, staff selected several project team members during the entitlement process. Based on the current schedule, the multifamily building would begin construction in April-May 2016. Currently the General Contractor and Project Management firms are working under pre-development agreements. The full architectural contract is being finalized for signature presently.

# The Lakes at Chevy Chase – Project Update

The design for the multifamily building is an 11-story, concrete structure with two and a half (2.5) levels of underground parking. The exterior of the building will combine glass, brick, and metal elements that marry the traditional brick structures of the neighborhood with a more contemporary design. On the ground floor, there will be a walkway that connects the neighborhood park with the future access to the Purple Line Metro station and amenities of Chevy Chase Town Center – both existing and part of the future redevelopment – across the Georgetown Branch Trail.



The site includes a half-acre park, which will offer natural play elements as well as open fields for active and passive enjoyment. The park will be placed between the multifamily building and the first row of townhomes.

The completion of the Manor Road extension to connect with Chevy Chase Lake Drive will further improve circulation and site interaction within the Master Plan.

To one side of this breezeway will be the concierge desk, management offices, and resident lounge. On the other will be community space and the fitness center. On the rooftop will be additional community spaces with both a reading area as well as a skyline dining lounge.



# The Lakes at Chevy Chase – Project Update

As approved, the multifamily building will have 200 units. This may change as the unit sizes and layouts are refined. As required per the County approval 20% (40) of the units will be affordable and 20% (40) will be workforce. The proposed unit mix includes junior one-, one-, two-, and three-bedroom units. As a part of the permanent relocation agreement negotiated with the County, existing households have full right of return to the site upon the delivery of the new building. However, a balanced allocation of affordable units over the proposed mix will be able to account for any existing households that choose to return.



The result is 19 additional 50% AMI units (and the current units are actually capped at 90% of AMI) and 40 additional workforce units (and this assumes the current market rate units are all in essence work force units).



Current & Proposed Unit Mix				
Unit Type	Square Footage	Rent Type	Current Count	Proposed Count
1-Jr. (A)	517	Market	0	0
1-Jr. (B)	567	Market	0	16
1	741	Market	0	51
2 (A)	979	Market	0	0
2 (B)	1061	Market	39	49
2 (Den)	1213	Market	8	4
1-Jr. (A)	517	100% AMI	0	0
1-Jr. (B)	567	100% AMI	0	12
1	741	100% AMI	0	9
2 (A)	979	100% AMI	0	5
2 (B)	1061	100% AMI	0	14
3	1213	100% AMI	0	0
1-Jr. (A)	517	50% AMI	0	10
1-Jr. (B)	567	50% AMI	0	0
1	741	50% AMI	0	0
2 (A)	979	50% AMI	17	15
2 (B)	1061	50% AMI	0	0
3	1213	50% AMI	4	15

Perhaps the greatest deficiency in HOC's portfolio is in one-bedroom units. Certainly, there is value to family-sized units in neighborhoods such as Chevy Chase; however, HOC still has some residents living in "over-housed" situations because no HOC-owned one-bedroom relocation unit exists.



# Development Plan – Timeline(s)

## Design and Renovation

- **Team Assembly:** September 2015
- **Design Documents:** September 2015
- **Permit Documents:** January 2016
- **Relocations Completed:** October 2015
- **Land Transfer** January 2016
- **Demolition Start:** January 2016
- **Townhome Construction Starts:** March 2016
- **Construction Completion:** December 2017

As part of the land transfer, EYA is responsible for managing the demolition of the entire site. Based on current projections, they will start construction on the townhomes slightly ahead of HOC starting the multifamily building.

Wet utilities and site work will start in December 2015.

## Financing

- **Due Diligence:** August – December 2015
- **Financing Plan:** January 2016
- **Financing Commitment:** February 2016
- **Estimate Closing:** May 2016

# Development Plan – Sources and Uses

## Sources and Uses Summary

Sources	Amount	Per Unit
Debt Financing <sup>(1)</sup>	\$50,122,202	\$250,611
Equity <sup>(2)</sup>	\$18,590,270	\$92,951
<b>Total Sources</b>	<b>\$68,712,472</b>	<b>\$343,562</b>
Uses	Amount	Per Unit
Acquisition Costs	\$300,000	\$1,500
Development Fee <sup>(3)</sup>	\$2,096,736	\$10,484
Construction Costs (incl. Overhead and GC Fees)	\$54,449,365	\$272,247
Financing Expenses <sup>(4)</sup>	\$2,361,005	\$11,805
Soft Costs <sup>(5)</sup>	\$9,505,365	\$47,527
<b>Total Uses</b>	<b>\$68,712,472</b>	<b>\$343,562</b>

### Notes:

- (1) The type and nature of the financing has not been determined. Staff has underwritten the development to market assumptions for debt and equity.
- (2) Up to \$2MM of this will be funded by EYA; HOC's proceeds from the sale of the townhouse land to EYA will not be received in time to act as a source for the construction of the project; so, HOC will need to bridge equity.
- (3) Assumes development partnership agreement.
- (4) Includes 2% of mortgage amount as origination fee plus other related financing expenses.
- (5) Due Diligence Consultant(s) Fees, Architectural Design, Construction Period Interest, Negative Arbitrage, Settlement Costs and Soft Cost Contingency.

# Development Plan – Stabilized Operations

All of the projections herein proposed are based on 75%-completion, design documents and construction assumptions made by the general contracting firm Lend Lease. Market rate rents are less than: 1) HOC is achieving at the Metropolitan in Bethesda, southwest of the site; 2) Federal Realty is achieving at its new rental property in White Flint to the north, a similar type of building; and 3) only 15% higher than Class A rents in Downtown Silver Spring.

Stabilized Proforma	Year 1	Per Unit
Rental Income	\$5,356,898	\$26,784
Parking Income	\$138,766	\$694
Other Income	\$119,939	\$600
Operating Expenses <sup>(1)</sup>	(\$1,493,788)	(\$7,469)
Vacancy / Credit Loss	(\$280,780)	(\$1,404)
<b>NOI (Net Operating Income)</b>	<b>\$3,841,034</b>	<b>\$19,205</b>
Reserves	\$60,000	\$300
<b>Operating Cash Flow</b>	<b>\$3,781,034</b>	<b>\$18,905</b>
Debt Service	\$3,150,862	\$15,754
<b>Cash Flow<sup>(2)</sup></b>	<b>\$630,172</b>	<b>\$3,151</b>
Debt Service Coverage Ratio <sup>(3)</sup>	1.20x	

(1) Assumes full PILOT on all of the units.

<b>Projected FHA Mortgage Amount at Closing</b>	<b>\$50,122,202</b>
Term (in years)	40
Interest Rate	5.00%
Debt Service Constant	5.79%
MIP (Mortgage Insurance Premium)	0.50%
"All-In" Rate	6.29%
Debt Service Coverage Ratio Target	1.20x
NOI (less reserves)	\$3,781,034
Debt Service	\$3,150,862

Current debt proceeds are sized assuming a typical FHA Risk-share mortgage. The 20% of units planned for the new multifamily building as MPDUs are already priced at 50% of AMI such that the project can satisfy the Section 42 requirements associated with the use of tax-exempt financing.

# Development Plan – Townhome Proceeds

Projected Cash Proceeds from Townhome Sales			
<i>Sales Price</i>	\$1,280,000	<b>\$1,500,000</b>	<b>\$1,600,000</b>
<i>HOC Share</i>	<b>\$320,000</b>	\$375,000	\$400,000
<i>less: Commission (3%)</i>	<b>(\$9,600)</b>	<b>(\$11,250)</b>	<b>(\$12,000)</b>
<i>Total Units</i>	<b>52</b>	<b>52</b>	<b>52</b>
<i>Total HOC Cash Proceeds</i>	\$16,140,800	\$18,915,000	\$20,176,000
<i>less: TH LOC Reimbursement</i>	<b>(\$6,850,000)</b>	<b>(\$6,850,000)</b>	<b>(\$6,850,000)</b>
<i>HOC Cash Proceeds Available for MF Equity</i>	\$9,290,800	\$12,065,000	\$13,326,000

As part of the Purchase and Sale Agreement for the townhome parcel, HOC has a profit participation of 25% in the sale of the finished market rate townhomes. Additionally, HOC's share can be no less than \$320,000 per market rate townhome. Regardless of the performance of sales, EYA is required to pay HOC the minimum price on any unsold townhomes after seven years.

The table above gives a likely range of HOC's proceeds from sales. After sales commissions and the reimbursement of the PNC \$60MM Line of Credit, HOC should see between \$9.3MM and \$13.3MM.

Total equity required to fund the new multifamily building on HOC's Chevy Chase Lake Apartments is \$18,590,270. At that amount, EYA will contribute in some form its maximum required amount of \$2,000,000. This will leave HOC's required equity amount at \$16,590,270. In the event that HOC receives the contractual minimum per-unit share of \$320,000, HOC would have \$7.3MM in required equity unaccounted for.

Staff anticipates bringing the Commission a method of bridging the timing in which HOC receives these proceeds in the coming months.

# Development Plan – Team Assembly

## Developer

- Eakin, Youngentob & Associates (EYA)

## General Contractors

- Lend Lease
  - Currently engaged for preconstruction services.
  - Becomes General Contractor if current estimate holds true to full bid.
  - Right to re-compete if pricing changes from estimates.

## Architects

- Design Collective, Inc. (DCI)
  - Selected from five firms that competed for this project and has performed preliminary design work required to submit the site plan.
  - Contract for full project design being finalized.

## Property Management

- Greystar
  - EYA vetted three firms: Bozzuto, Greystar and Vantage.
  - Bozzuto's partnership with Chevy Chase Land Company on neighboring parcel creates a conflict of interest.
  - Staff and EYA interviewed Vantage and Greystar.

# Summary and Recommendations

## Issues for Consideration

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

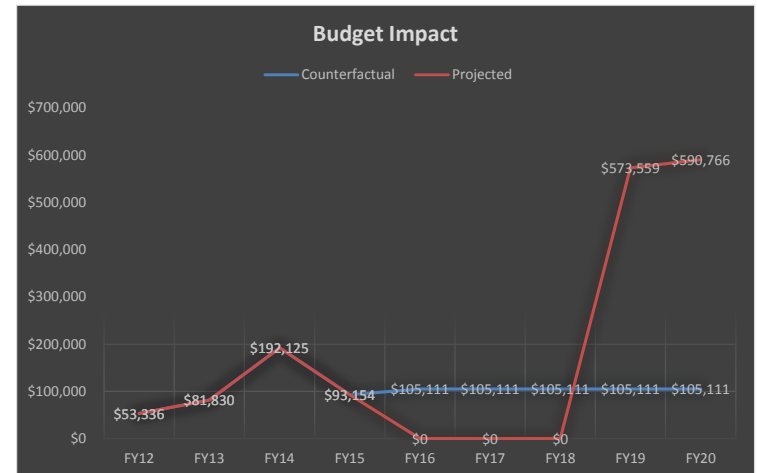
1. The Development Plan as presented above.
2. Funding of development activities through closing with a \$1,832,195 loan from the OHRF to the project to be repaid either with construction financing proceeds or proceeds from HOC's share of townhome sales proceeds?

## Fiscal / Budget Impact

The permanent relocation of all existing residents from Chevy Chase Lake Apartments will temporarily cease net cash flow from the property to HOC. Over the past four HOC Fiscal Years, the property has produced an average of \$105,000 annually to HOC.

However, the new property's first stabilized year will make up for the approximately \$315,000 in cumulative cash flow over the preceding three HOC Fiscal Years. In successive years, the new property will produce nearly six times the cash flow to HOC than that produced under prior operations.

In building the Fiscal Year 2016 budget, the cessation of cash flow from the property was anticipated. Future budgets will integrate the current projected timing of delivery for the new building.



# Summary and Recommendations (Continued)

## Time Frame

Action at the November 3, 2015 meeting of the Commission.

## Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee recommend and approve the Development Plan as presented along with funding a \$1,832,195 loan from the OHRF to the project to be repaid either with construction financing proceeds or proceeds from HOC's share of townhome sales proceeds.

**RESOLUTION No. 15-95:**

**RE: Approval of the Final Development Plan for Chevy Chase Lake Apartments and Authorization of Additional Development Loan from the Opportunity Housing Reserve Fund to the Chevy Chase Lake Development Corporation for the Development of the Proposed Multifamily Building**

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

**WHEREAS**, Chevy Chase Lake Development Corporation (the “Corporation”), an instrumentality of HOC, is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the “CCL Site”); and

**WHEREAS**, on July 30, 2013, the Montgomery County Council approved revisions to the Chevy Chase Lake Sector Plan, which rezoned and recommended for the CCL Site, a multifamily building providing 20% affordable rental units and 20% workforce units in an approximately 200-unit property (the “Multifamily Building”) in addition to approximately 60 for-sale townhomes (the “Townhouses”) of which 15% must be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (“MPDUs”); and

**WHEREAS**, on January 23, 2014, the Commission and the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates (“EYA”) to sell a portion of the land for the development of the Townhouses (the “Townhouse Site”), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the “Multifamily Site”); and

**WHEREAS**, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the “MF Preliminary Plan Application”), so that it could be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and



**WHEREAS**, the redevelopment of the CCL Site will produce 200 rental units in a high rise multifamily building that replaces the existing 21 affordable housing units with 40 affordable housing units to serve families and individuals with income at or below 60% of the Washington, DC-MD-VA Metropolitan Statistical Area Median Income (the “AMI”), 40 units that would be designated as work force housing units to serve households with incomes at or below 100% of the AMI, plus 10 Moderately Priced Dwelling Units for homeowners with incomes at or below 70% of the AMI; and

**WHEREAS**, the multifamily building will contain 98 one-bedroom units of varying sizes, 87 two-bedroom units of varying sizes, and 15 three-bedroom units, all of which three-bedroom units are designated to serve families and are all affordable to households with incomes below 60% of the AMI, thereby delivering significant public purpose to the site; and

**WHEREAS**, the estimated cost for the development and construction of the multifamily building is currently estimated to be \$68.7 million to be funded from a combination of debt and equity and supported by projected operations that pay operating expenses and produce ample debt service coverage, but said financing plan will be presented for approval by the Commission at a later date; and

**WHEREAS**, the Commission previously authorized predevelopment funding of \$1,600,000 which was funded from deposits received from EYA (\$750,000) and from the Opportunity Housing Reserve Fund (“OHRF”) (\$850,000), but to cover the completion of the remaining design work, pre-closing site work, permit fees, and legal fees and costs through the date the Multifamily Site is acquired by the to-be-formed, Commission-controlled entity (the “MF Owner”) with acquisition and construction financing; and

**WHEREAS**, when the Commission approved a predevelopment advance to the Corporation in the amount of \$250,000 on October 7, 2015, the Commission reserved the right to approve any additional funding of the \$1,832,195 million that is anticipated to be needed to complete the development work for the Multifamily Building, and the Commission now wishes to approve the final development plan and such additional funding; and

**WHEREAS**, the Commission’s OHRF has an unobligated balance of \$14.06 million and such funds may be appropriated with Commission approval for among other things, the funding of predevelopment costs.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves the final development plan for the development of the Chevy Chase Lake Apartments which is estimated to cost \$68.7 million to produce 200 rental apartment units of which 40 units (20%) will be affordable to households with incomes below 60% of the AMI, 40 units (20%) will be work force housing units, and 120 units (60%) will be market rate units.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves funding of the remaining predevelopment expenses in the amount of \$1,832,195 from the OHRF, as a loan to the Chevy Chase Lake Development Corporation and which loan is projected to be repaid from financing proceeds at the closing of the acquisition and construction financing by the MF Owner.

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

**I HEREBY CERTIFY** that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on November 3, 2015.

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Patrice M. Birdsong  
Special Assistant to the Commission

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# Deliberation and/or Action

**MEMORANDUM**

**TO:** Housing Opportunities Commission  
Board of Commissioners

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

**FROM:** Gina Smith, Chief Operating Officer  
Fred Swan, Director of Resident Services

**RE:** Acceptance of the U.S. Department of Health & Human Services Family Initiative Grant funding the HOC Family Program

**DATE:** November 3, 2015

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**STATUS:** Deliberation  X

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**OVERALL GOAL & OBJECTIVE**

The Agency was recently awarded a one-year grant from the U.S. Department of Health & Human Services (HHS) in the amount of \$695,000 with the opportunity to renew up to four additional years, for creating and administering the HOC Family Program. At this time staff is seeking permission to accept the grant funds and to hire the staff and contractors necessary to fulfill the grant objectives.

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**BACKGROUND**

The Resident Services Division and HOC Academy are actively involved in developing and administering programs and services to assist the clients we serve in achieving economic self-sufficiency. These programs and services include coordination of adult education and workforce development opportunities. In the past, the Agency’s services have primarily focused on the female head of households and their children. Little effort and resources have been dedicated to delivering services to the fathers of the children we serve. Yet, there is an ample body of studies that demonstrate children with involved loving fathers are significantly more likely to do well in school, have healthy self esteem and positive social behaviors than those with uninvolved fathers.

The HHS Office of Family Assistance has established a number of initiatives and grants aimed at strengthening father involvement, improving employment and economic mobility opportunities, and improving healthy relationships between mothers and fathers. HOC has successfully applied for and secured the Family Initiative Grant in the amount of \$695,000 and now seeks approval from the Board of Commissioners to accept the grant, hire the requisite staff and administer the grant. With the grant funds, HOC will reinforce parenting skills and

advance child well being, while empowering fathers and mothers to improve their economic self-sufficiency and successfully resolve related issues and limitations that may affect father-child and/or family relationships. The HOC Family Program is designed to produce the following outcomes:

<b>Short Term Outcomes</b>	<b>Long Term Outcomes</b>
Improved healthy relationships and marriage skills	Improved family functioning (couple relationships, parenting, and co-parenting)
Improved parenting and co-parenting skills	Improved adult and child well-being
Increased frequency of father/child engagement	Improved economic stability and mobility
Increased financial responsibility of fathers	Reduced poverty
	Progress toward greater economic stability, including increased skill attainment and employment
	Reduced Recidivism

HOC will partner with five (5) outside organizations to fulfill the grant requirements. Each organization provided letters of support detailing the services they will provide in support of the grant. The table below summarizes the services to be provided by each partner agency and an organizational chart illustrating the program structure is attached for your reference.

**Fatherhood Initiative Partner Agencies**

<b>Partner Organization</b>	<b>Services To Be Provided</b>
Montgomery College	42 Hour Workforce Development Basic Skills Boot Camp
Montgomery County DHHS	A variety of social services including child support counseling, health care, mental health, services and TANF Assistance
Workforce Investment Board	One Stop Pre-Employment & Soft Skills Development
Optimal Solutions Group	Data Collection & Analysis
Family Services, Inc.	Understanding Dad™ Awareness Program for Moms

**Financial Oversight of HOC Family Program**

Financial oversight of the grant funds will be provided by the HOC Department of Finance. The grant application included a detailed budget reflecting the anticipated costs for administering the program over the potential 5-year grant period. The grant award provides funding for the following:

- 2 HOC Full Time Employees – a Program Specialist III and Resident Services Program Specialist;
- 2 contracted case managers;
- Academic and vocational assessments;
- Financial Assistance for Tuition and Workforce development training; and
- Data gathering and reporting.

The majority of the programmatic costs are attributed salary and fringe for two HOC FTEs, contracted case managers, and the contractual costs for the services of partner agencies. A copy of the 5-year program budget submitted with the grant application is attached.

The HOC Family Program represents the Agency’s continuing commitment to build and strengthen our communities by providing amenity-rich, energy efficient housing, as well as, investing in the well-being of the families we serve. The grant funds provided will greatly enhance the efforts HOC Academy and Resident Services to empower the families we serve to break the cycle of subsidy dependence.

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**ISSUE FOR CONSIDERATION:**

Does the Committee wish to accept the grant funds for the HOC Family Program?

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**PRINCIPALS:**

HOC Academy and Resident Services

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**BUDGET IMPACT:**

The impact of the new grant will be reflected in the FY’16 1<sup>st</sup> Quarter Budget Amendment as an increase to both income and expenses of equal amounts resulting in no net change to the balanced budget.

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**TIME FRAME:**

For discussion and consideration at the November 4, 2015 meeting of the Board of Commissioners

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Commission adopt the resolution authorizing the acceptance of the HOC Family Program funds in the amount of \$695,000.

**RESOLUTION: 15-96**

**RE: Acceptance of U.S. Department Family Initiative Grant for Workforce Development and Improving Family Relationships**

**WHEREAS**, The U.S. Department of Health and Human Services (HHS), Office of Family Assistance has established a number of initiatives and grants aimed at strengthening father involvement, improving employment and economic mobility opportunities, and improving healthy relationships between mothers; and

**WHEREAS**, the Housing Opportunities Commission submitted a Family Initiative grant proposal that seeks to partner with several agencies to deliver program and services in keeping goals of the HHS Office of Family Assistance; and

**WHEREAS**, the Housing Opportunities Commission received an notification of award for the proposed Family Program in the amount of \$695,000 that is renewable for up to five (5) years; and

**WHEREAS**, the grant also provides funding for 2 additional Housing Opportunities staff persons, as well as contracted services.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves the acceptance of the \$695,000 grant from HHS and administration of the grant program in accordance with the terms of the grant award.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission at a meeting conducted on November 3, 2015.

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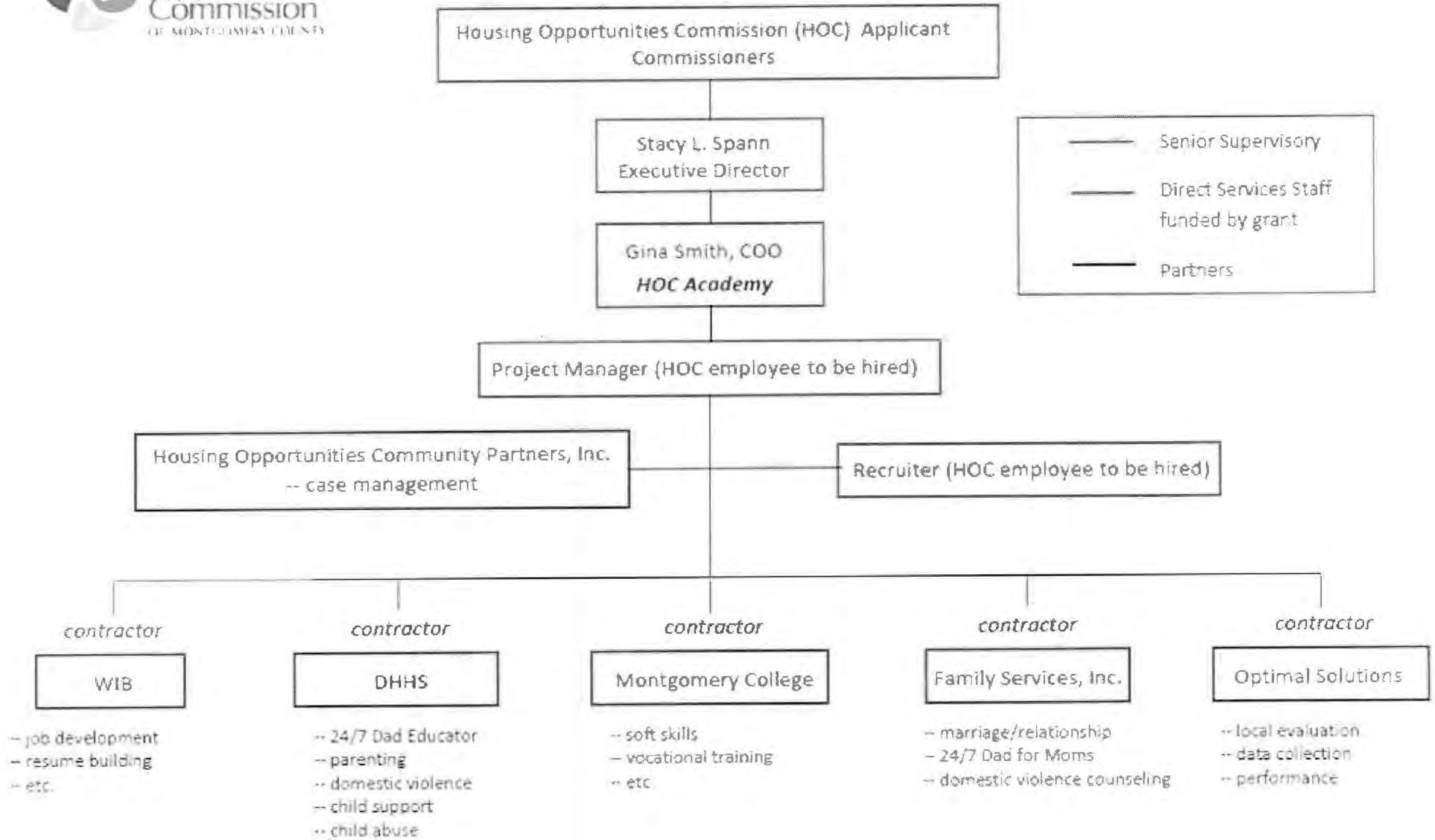
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Patrice M. Birdsong  
Special Assistant to the Commission

# PROGRAM CHART



## New Pathways for Fathers and Families HHS-2015-ACF-OFA-FK-0993





HOC Family Program COMPLETE - SUMMARY	Year 1			Years 2-5			
	Unit	Cost	Expense	Year 2	Year 3	Year 4	Year 5
<b>HOC</b>							
Project Director (1 FTE) -- Grade 24	1	\$ 58,194	\$ 58,194	\$ 58,194	\$ 58,194	\$ 59,358	\$ 59,358
Admin.Specialist/Recruiter (1 FTE) -- Grade 20	1	\$ 48,339	\$ 48,339	\$ 48,339	\$ 48,339	\$ 49,306	\$ 49,306
<b>Personnel Subtotal</b>			<b>\$ 106,533</b>	<b>\$ 106,533</b>	<b>\$ 106,533</b>	<b>\$ 108,664</b>	<b>\$ 108,664</b>
<b>Fringe Benefits (41%)</b>			<b>\$ 43,679</b>	<b>\$ 43,679</b>	<b>\$ 43,679</b>	<b>\$ 44,553</b>	<b>\$ 44,553</b>
Laptops	4	\$ 1,500	\$ 6,000				
Desktops	2	\$ 1,500	\$ 3,000				
iPads with WiFi	5	\$ 900	\$ 4,500				
Office Phone	2	\$ 500	\$ 1,000				
<b>Equipment Subtotal</b>			<b>\$ 14,500</b>				
				\$ -	\$ -	\$ -	\$ -
Cell Phone 2 staff x 12 months	24	\$ 40	\$ 960	\$ 960	\$ 960	\$ 989	\$ 1,018
COPS Assessments (One packet = 500 forms) Self-scoring Booklets	1	\$ 307	\$ 307	\$ 307	\$ 318	\$ 329	\$ 340
COPS Assessments (One packet = 500 forms) Profile and Guides	1	\$ 290	\$ 290	\$ 290	\$ 300	\$ 311	\$ 322
COPS Assessments (One packet = 500 forms) Career Guides	1	\$ 681	\$ 681	\$ 681	\$ 705	\$ 730	\$ 755
CAPS Assessments (One packet = 500 forms)	1	\$ 1,317	\$ 1,317	\$ 1,317	\$ 1,363	\$ 1,411	\$ 1,460
CAPS Profiles & Guides (One packet = 500 forms)	1	\$ 290	\$ 290	\$ 290	\$ 300	\$ 311	\$ 322
24/7 Dad A.M. with Booster Sessions for Non-Custodial Dads	1	\$ 799	\$ 799	\$ -	\$ -	\$ -	\$ -
24/7 Dad A.M. Additional Workbooks	40	\$ 8	\$ 320	\$ 320	\$ 331	\$ 331	\$ 337
24/7 Dad P.M. Complete Program Kit	1	\$ 649	\$ 649				\$ -
24/7 Dad P.M. Additional Workbooks	40	\$ 8	\$ 320	\$ 320	\$ 331	\$ 331	\$ 337
Understanding Dad Complete Program Kit: An Awareness/Communication Program for Moms	1	\$ 549	\$ 549	\$ -	\$ -	\$ -	\$ -
Understanding Dad Additional Workbooks	20	\$ 8	\$ 160	\$ 160	\$ 165	\$ 165	\$ 169
Co-Parenting Bundle (Brochures)	4	\$ 140	\$ 560	\$ 560	\$ 580	\$ 580	\$ 591
FatherTopics Workshop: Mom as Gateway	1	\$ 46	\$ 46	\$ -	\$ -	\$ -	\$ -

HOC Family Program COMPLETE - SUMMARY	Year 1			Years 2-5			
	Unit	Cost	Expense	Year 2	Year 3	Year 4	Year 5
Credit History/Credit Score	70	\$ 10	\$ 700	\$ 700	\$ 725	\$ 750	\$ 776
<b>Supplies Subtotal</b>			<b>\$ 7,947</b>	<b>\$ 5,904</b>	<b>\$ 6,077</b>	<b>\$ 6,236</b>	<b>\$ 6,428</b>
				\$ -	\$ -	\$ -	\$ -
Mileage Allowance (Annual)	2	\$ 1,500	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,060	\$ 3,060
Vocational Training/Educational Tuition Assistance	50	\$ 3,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Monthly Recruiting Meetings (Refreshments)	12	\$ 200	\$ 2,400	\$ 2,400	\$ 2,400	\$ 2,400	\$ 2,400
Monthly Recruiting Incentives (Gift Cards)	36	\$ 25	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900
Fall Fun Day	1	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,545	\$ 1,545
Winter Fun Day	1	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,060	\$ 2,060
Spring Fun Day	1	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,150	\$ 5,150
Father's Day Annual Event	1	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,150	\$ 5,150
Participation Rewards	40	\$ 250	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Bus Tokens (50 participants x average \$50)	50	\$ 126	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300
<b>Other (Incentives) Subtotal</b>			<b>\$ 186,100</b>	<b>\$ 186,100</b>	<b>\$ 186,100</b>	<b>\$ 186,565</b>	<b>\$ 186,565</b>
				\$ -	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -	\$ -
<b>PARTNERS</b>							
<b>HOC</b>				\$ -	\$ -	\$ -	\$ -
Case manager - LCSW	2	\$ 50,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 103,000	\$ 103,000
Mileage Allowance	2	\$ 1,500	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,090	\$ 3,090
Administrative Fee	1	\$ 5,150	\$ 5,150	\$ 5,150	\$ 5,150	\$ 5,305	\$ 5,305
<b>HOC Subtotal</b>			<b>\$ 108,150</b>	<b>\$ 108,150</b>	<b>\$ 108,150</b>	<b>\$ 111,395</b>	<b>\$ 111,395</b>
<b>Montgomery College Subtotal</b>			<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,240</b>	<b>\$ 12,485</b>
<b>Family Services Inc. Subtotal</b>			<b>\$ 6,579</b>	<b>\$ 6,579</b>	<b>\$ 6,579</b>	<b>\$ 6,711</b>	<b>\$ 6,845</b>
<b>WIB Subtotal</b>			<b>\$ 90,833</b>	<b>\$ 90,833</b>	<b>\$ 90,833</b>	<b>\$ 92,650</b>	<b>\$ 94,503</b>
<b>Montgomery County DHHS Subtotal</b>		\$ 5,658	<b>\$ 5,658</b>	<b>\$ 5,658</b>	<b>\$ 5,658</b>	<b>\$ 5,771</b>	<b>\$ 5,886</b>
<b>Optimal Solutions -- Local Evaluation</b>			<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 51,000</b>	<b>\$ 52,020</b>
<b>Contractual Subtotal</b>			<b>\$ 273,220</b>	<b>\$ 273,220</b>	<b>\$ 273,220</b>	<b>\$ 279,766</b>	<b>\$ 283,133</b>
Indirect Cost	\$ 631,979	10%	\$ 63,198	\$ 63,198	\$ 63,198	\$ 64,462	\$ 65,751
<b>GRAND TOTAL</b>			<b>\$ 695,177</b>	<b>\$ 678,634</b>	<b>\$ 678,807</b>	<b>\$ 690,244</b>	<b>\$ 695,093</b>

# Future Action

# Information Exchange

# New Business

# Executive Session Findings

# Recess

# Chevy Chase Lake Apartments



**APPROVAL OF THE FINAL DEVELOPMENT PLAN FOR CHEVY CHASE  
LAKE APARTMENTS, AUTHORIZATION TO ACCEPT AN ADDITIONAL  
DEVELOPMENT LOAN FROM THE OPPORTUNITY HOUSING RESERVE  
FUND TO THE CHEVY CHASE LAKE DEVELOPMENT CORPORATION,  
AND APPROVAL TO EXPEND SUCH FUNDS FOR THE DEVELOPMENT OF  
THE PROPOSED MULTIFAMILY BUILDING**

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**STACY L. SPANN, EXECUTIVE DIRECTOR**

**KAYRINE V. BROWN  
BRIAN KIM  
ZACHARY MARKS**

November 3, 2015

# Table of Contents

The proposed multifamily building is a new mixed-income community located on the western third of the site of HOC's Chevy Chase Lake Apartments ("CCLA"). The Lakes at Chevy Chase is proposed as a 200-unit, high-quality, amenity-rich development adjacent to the future Metro Purple Line Station. The project is part of the larger redevelopment of the CCLA site as approved by the Commission on August 7, 2013.

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# Executive Summary

In securing full entitlements from the Montgomery County Planning Department, HOC's redevelopment of its Chevy Chase Lake Apartments is fully ahead in realizing its new development potential of all other properties rezoned by the revision of the Chevy Chase Lake Master Plan. The remaining drawing, in pursuit of full permits, can be completed in approximately four months and the permits themselves can be obtained approximately three months thereafter. Not only does HOC now have a clear path to the development of what will be its flagship property, it has an opportunity to deliver it well in advance of any competition and in the early phases of any interest rate increases.

To maintain this timing, staff projects a total funding need of \$1,832,195. This amount should be sufficient to get full permits and to construction closing. Thus far, the Commission has approved predevelopment funding of \$1,600,000; including \$250,000 at the October 7, 2015, meeting of the Commission. All \$3,432,195 can be reimbursed from the construction financing for the project, should the Commission wish to do so. Alternatively, the Commission could leave some or all of this amount in, as part of its required equity contribution. Staff is now presenting the development plan for formal approval and will bring the financing plan for the project in the coming months.

EYA is preparing to start construction on the townhome portion of the redevelopment along the same timeline. To do so, demolition of the existing improvements will begin in December. As of October 15, 2015, one resident remains at the property. Once empty, the property will have its power shut off.

Throughout the permanent relocation, HOC has complied with all County requirements and provided supplies, movers, and relocation assistance to residents wherever needed. Property management has engaged a security company to patrol the property prior to demolition. There have not been any incidents during the period of relocation.



# Executive Summary

At its October 7, 2015 meeting, the Commission approved the prepayment of the existing mortgage using the \$60MM PNC Line of Credit (“LOC”). HOC is now in position to deliver the townhome portion of the site to EYA, fee simple. So, the consummation of that sale and the commencement of land development may now begin in earnest.

## Development Budget

Chevy Chase Lake Apartments Redevelopment										
Predevelopment Budget (HOC Totals)										
Expenditure Category	Total	A/O 8/31	September	October	November	December	January	February	March	April
Land Design	\$454,505	\$221,631	\$34,931	\$34,931	\$29,109	\$29,109	\$29,109	\$29,109	\$23,287	\$23,287
Entitlement/Permitting Fees	\$443,448	\$74,707	\$0	\$36,874	\$36,874	\$202,807	\$36,874	\$18,437	\$18,437	\$18,437
Legal (Land Use)	\$147,096	\$75,995	\$10,665	\$10,665	\$17,775	\$17,775	\$14,220	\$0	\$0	\$0
Legal (Transactional)	\$15,000	\$0	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0
Architecture	\$1,244,875	\$409,560	\$100,238	\$192,122	\$250,595	\$108,591	\$133,650	\$25,059	\$16,706	\$8,353
Miscellaneous	\$30,202	\$19,430	\$1,616	\$1,616	\$1,616	\$1,616	\$1,077	\$1,077	\$1,077	\$1,077
Land Development	\$872,070		\$8,721	\$17,441	\$43,603	\$174,414	\$156,973	\$156,973	\$156,973	\$156,973
Tenant Relocation	\$150,000	\$147,757	\$0	\$2,243	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$75,000		\$0	\$0	\$0	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	<b>\$3,432,195</b>	<b>\$949,080</b>	<b>\$161,170</b>	<b>\$300,893</b>	<b>\$384,572</b>	<b>\$549,313</b>	<b>\$386,904</b>	<b>\$245,655</b>	<b>\$231,480</b>	<b>\$223,127</b>

Staff recommends using the Opportunity Housing Reserve Fund (“OHRF”) as the source for the \$1,832,195 in development spending required to get to closing. The current balance of the OHRF is \$9.5MM. Staff is requesting the balance of the required budget to close.

As part of the settlement of the townhome parcel, a payment of \$1,250,000 (the balance of the \$2,000,000 base purchase price) is expected from EYA on January 15, 2016. The Commission could elect to use the funds in lieu of the full \$1,832,195 request, leaving a \$582,195 draw against the OHRF. Should the Commission choose not to use the settlement payment to partially offset this request, the settlement payment would be added to OHRF balance replenishing the fund.

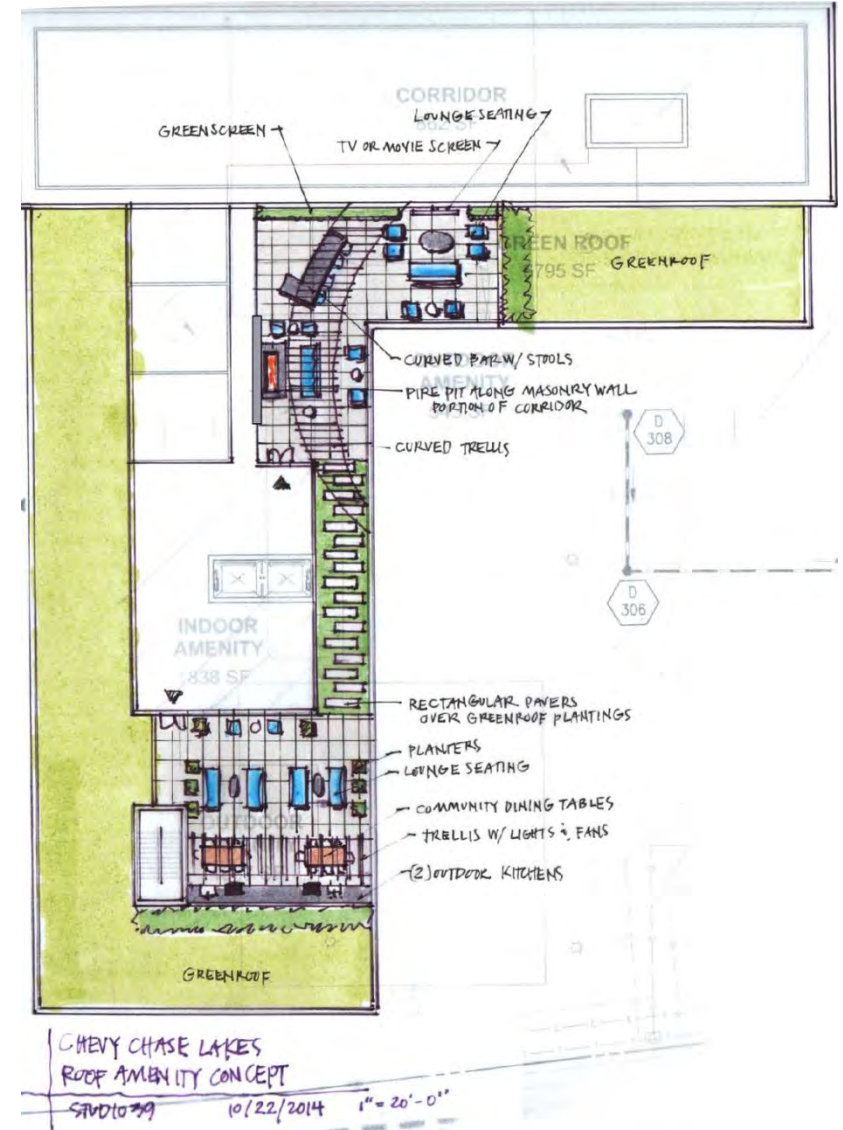
# Development Plan – Transaction Rationale

## HOC Benefits: Mission & Margin

- 200 newly constructed high quality, well designed, amenity rich, energy efficient homes
- Replaces 21 restricted units with 90 units (including 10 MPDU townhomes)
- Increased cash flows provides the Agency with flexibility in programming for and investment in its residents

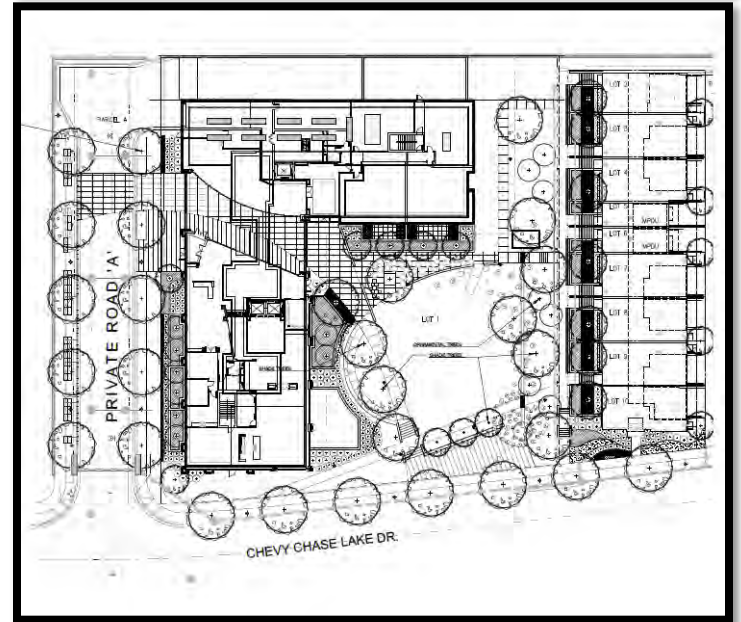
## Resident Benefits: Location & Quality of Life

- Provides residents with high quality housing featuring better amenities and increased security
- Creates affordable living by placing housing near transit and proximate to employment and public resources
- Increases the affordable housing stock in one of the wealthiest communities in the country with some of the best schools in the country



# Development Plan – Public Purpose

- ✓ Replace 21 restricted units (under 90% AMI) with 90 restricted units:
  - ✓ 40 rental units at 60% of AMI
  - ✓ 40 rental units at 100% of AMI
  - ✓ ~10 for-sale MPDU townhomes at 70% AMI
- ✓ Family-size units in Chevy Chase
  - ✓ Inclusion three-bedroom units
  - ✓ Over-representation of affordable units in two- and three-bedroom units.
- ✓ Public Amenities
  - ✓ New park with active and passive play areas
  - ✓ Private access road connecting to the Land Company's site
  - ✓ Access to future Metro stop



# Development Events to Date

## Entitlement

- On July 31, 2013, the Montgomery County Council adopted the Chevy Chase Sectional Map Amendment that approved a redevelopment Concept Plan for Chevy Chase Lake Apartments.
- On July 23, 2015, the Montgomery County Planning Board approved the Development's Preliminary and Site Plans. This moved the Development into the permitting phase. The team has applied for demolition permits and continue to refine the building design and interiors with the goal of submitting for building plans in the first quarter of 2016.

## Partnership

- On August 7, 2013, the Commission authorized the Executive Director to enter into exclusive negotiations with Eakin, Youngentob, and Associates (EYA) to purchase a portion of the site for the development of for-sale townhomes.
- On January 23, 2014, the Commission authorized the Executive Director to execute a Purchase and Sale Agreement ("PSA") for the disposition of the land related to the development of for-sale townhomes. The PSA was subsequently executed on April 4, 2014.
- On June 13, 2014, the Commission authorized the Executive Director to enter into exclusive negotiations with EYA and Federal Capital Partners ("FCP") to provide development management services and investment capital respectively for the development of the multifamily building that would provide HOC's replacement housing.
- On May 15, 2015, the Commission approved the Executive Director's entering into a development partnership with EYA, including equity investment, for the multifamily building.
- Working with EYA, staff selected several project team members during the entitlement process. Based on the current schedule, the multifamily building would begin construction in April-May 2016. Currently the General Contractor and Project Management firms are working under pre-development agreements. The full architectural contract is being finalized for signature presently.

# The Lakes at Chevy Chase – Project Update

The design for the multifamily building is an 11-story, concrete structure with two and a half (2.5) levels of underground parking. The exterior of the building will combine glass, brick, and metal elements that marry the traditional brick structures of the neighborhood with a more contemporary design. On the ground floor, there will be a walkway that connects the neighborhood park with the future access to the Purple Line Metro station and amenities of Chevy Chase Town Center – both existing and part of the future redevelopment – across the Georgetown Branch Trail.



The site includes a half-acre park, which will offer natural play elements as well as open fields for active and passive enjoyment. The park will be placed between the multifamily building and the first row of townhomes.

The completion of the Manor Road extension to connect with Chevy Chase Lake Drive will further improve circulation and site interaction within the Master Plan.

To one side of this breezeway will be the concierge desk, management offices, and resident lounge. On the other will be community space and the fitness center. On the rooftop will be additional community spaces with both a reading area as well as a skyline dining lounge.





# The Lakes at Chevy Chase – Project Update

As approved, the multifamily building will have 200 units. This may change as the unit sizes and layouts are refined. As required per the County approval 20% (40) of the units will be affordable and 20% (40) will be workforce. The proposed unit mix includes junior one-, one-, two-, and three-bedroom units. As a part of the permanent relocation agreement negotiated with the County, existing households have full right of return to the site upon the delivery of the new building. However, a balanced allocation of affordable units over the proposed mix will be able to account for any existing households that choose to return.



The result is 19 additional 50% AMI units (and the current units are actually capped at 90% of AMI) and 40 additional workforce units (and this assumes the current market rate units are all in essence work force units).



Current & Proposed Unit Mix				
Unit Type	Square Footage	Rent Type	Current Count	Proposed Count
1-Jr. (A)	517	Market	0	0
1-Jr. (B)	567	Market	0	16
1	741	Market	0	51
2 (A)	979	Market	0	0
2 (B)	1061	Market	39	49
2 (Den)	1213	Market	8	4
1-Jr. (A)	517	100% AMI	0	0
1-Jr. (B)	567	100% AMI	0	12
1	741	100% AMI	0	9
2 (A)	979	100% AMI	0	5
2 (B)	1061	100% AMI	0	14
3	1213	100% AMI	0	0
1-Jr. (A)	517	50% AMI	0	10
1-Jr. (B)	567	50% AMI	0	0
1	741	50% AMI	0	0
2 (A)	979	50% AMI	17	15
2 (B)	1061	50% AMI	0	0
3	1213	50% AMI	4	15

Perhaps the greatest deficiency in HOC's portfolio is in one-bedroom units. Certainly, there is value to family-sized units in neighborhoods such as Chevy Chase; however, HOC still has some residents living in "over-housed" situations because no HOC-owned one-bedroom relocation unit exists.

# Development Plan – Timeline(s)

## Design and Renovation

- **Team Assembly:** September 2015
- **Design Documents:** September 2015
- **Permit Documents:** January 2016
- **Relocations Completed:** October 2015
- **Land Transfer** January 2016
- **Demolition Start:** January 2016
- **Townhome Construction Starts:** March 2016
- **Construction Completion:** December 2017

As part of the land transfer, EYA is responsible for managing the demolition of the entire site. Based on current projections, they will start construction on the townhomes slightly ahead of HOC starting the multifamily building.

Wet utilities and site work will start in December 2015.

## Financing

- **Due Diligence:** August – December 2015
- **Financing Plan:** January 2016
- **Financing Commitment:** February 2016
- **Estimate Closing:** May 2016

# Development Plan – Sources and Uses

## Sources and Uses Summary

Sources	Amount	Per Unit
Debt Financing <sup>(1)</sup>	\$50,122,202	\$250,611
Equity <sup>(2)</sup>	\$18,590,270	\$92,951
<b>Total Sources</b>	<b>\$68,712,472</b>	<b>\$343,562</b>
Uses	Amount	Per Unit
Acquisition Costs	\$300,000	\$1,500
Development Fee <sup>(3)</sup>	\$2,096,736	\$10,484
Construction Costs (incl. Overhead and GC Fees)	\$54,449,365	\$272,247
Financing Expenses <sup>(4)</sup>	\$2,361,005	\$11,805
Soft Costs <sup>(5)</sup>	\$9,505,365	\$47,527
<b>Total Uses</b>	<b>\$68,712,472</b>	<b>\$343,562</b>

### Notes:

- (1) The type and nature of the financing has not been determined. Staff has underwritten the development to market assumptions for debt and equity.
- (2) Up to \$2MM of this will be funded by EYA; HOC's proceeds from the sale of the townhouse land to EYA will not be received in time to act as a source for the construction of the project; so, HOC will need to bridge equity.
- (3) Assumes development partnership agreement.
- (4) Includes 2% of mortgage amount as origination fee plus other related financing expenses.
- (5) Due Diligence Consultant(s) Fees, Architectural Design, Construction Period Interest, Negative Arbitrage, Settlement Costs and Soft Cost Contingency.

# Development Plan – Stabilized Operations

All of the projections herein proposed are based on 75%-completion, design documents and construction assumptions made by the general contracting firm Lend Lease. Market rate rents are less than: 1) HOC is achieving at the Metropolitan in Bethesda, southwest of the site; 2) Federal Realty is achieving at its new rental property in White Flint to the north, a similar type of building; and 3) only 15% higher than Class A rents in Downtown Silver Spring.

Stabilized Proforma	Year 1	Per Unit
Rental Income	\$5,356,898	\$26,784
Parking Income	\$138,766	\$694
Other Income	\$119,939	\$600
Operating Expenses <sup>(1)</sup>	(\$1,493,788)	(\$7,469)
Vacancy / Credit Loss	(\$280,780)	(\$1,404)
<b>NOI (Net Operating Income)</b>	<b>\$3,841,034</b>	<b>\$19,205</b>
Reserves	\$60,000	\$300
<b>Operating Cash Flow</b>	<b>\$3,781,034</b>	<b>\$18,905</b>
Debt Service	\$3,150,862	\$15,754
<b>Cash Flow<sup>(2)</sup></b>	<b>\$630,172</b>	<b>\$3,151</b>
Debt Service Coverage Ratio <sup>(3)</sup>	1.20x	

(1) Assumes full PILOT on all of the units.

<b>Projected FHA Mortgage Amount at Closing</b>	<b>\$50,122,202</b>
Term (in years)	40
Interest Rate	5.00%
Debt Service Constant	5.79%
MIP (Mortgage Insurance Premium)	0.50%
"All-In" Rate	6.29%
Debt Service Coverage Ratio Target	1.20x
NOI (less reserves)	\$3,781,034
Debt Service	\$3,150,862

Current debt proceeds are sized assuming a typical FHA Risk-share mortgage. The 20% of units planned for the new multifamily building as MPDUs are already priced at 50% of AMI such that the project can satisfy the Section 42 requirements associated with the use of tax-exempt financing.

# Development Plan – Townhome Proceeds

Projected Cash Proceeds from Townhome Sales			
<i>Sales Price</i>	\$1,280,000	<b>\$1,500,000</b>	<b>\$1,600,000</b>
<i>HOC Share</i>	<b>\$320,000</b>	\$375,000	\$400,000
<i>less: Commission (3%)</i>	<b>(\$9,600)</b>	<b>(\$11,250)</b>	<b>(\$12,000)</b>
<i>Total Units</i>	<b>52</b>	<b>52</b>	<b>52</b>
<i>Total HOC Cash Proceeds</i>	\$16,140,800	\$18,915,000	\$20,176,000
<i>less: TH LOC Reimbursement</i>	<b>(\$6,850,000)</b>	<b>(\$6,850,000)</b>	<b>(\$6,850,000)</b>
<i>HOC Cash Proceeds Available for MF Equity</i>	\$9,290,800	\$12,065,000	\$13,326,000

As part of the Purchase and Sale Agreement for the townhome parcel, HOC has a profit participation of 25% in the sale of the finished market rate townhomes. Additionally, HOC's share can be no less than \$320,000 per market rate townhome. Regardless of the performance of sales, EYA is required to pay HOC the minimum price on any unsold townhomes after seven years.

The table above gives a likely range of HOC's proceeds from sales. After sales commissions and the reimbursement of the PNC \$60MM Line of Credit, HOC should see between \$9.3MM and \$13.3MM.

Total equity required to fund the new multifamily building on HOC's Chevy Chase Lake Apartments is \$18,590,270. At that amount, EYA will contribute in some form its maximum required amount of \$2,000,000. This will leave HOC's required equity amount at \$16,590,270. In the event that HOC receives the contractual minimum per-unit share of \$320,000, HOC would have \$7.3MM in required equity unaccounted for.

Staff anticipates bringing the Commission a method of bridging the timing in which HOC receives these proceeds in the coming months.

# Development Plan – Team Assembly

## Developer

- Eakin, Youngentob & Associates (EYA)

## General Contractors

- Lend Lease
  - Currently engaged for preconstruction services.
  - Becomes General Contractor if current estimate holds true to full bid.
  - Right to re-compete if pricing changes from estimates.

## Architects

- Design Collective, Inc. (DCI)
  - Selected from five firms that competed for this project and has performed preliminary design work required to submit the site plan.
  - Contract for full project design being finalized.

## Property Management

- Greystar
  - EYA vetted three firms: Bozzuto, Greystar and Vantage.
  - Bozzuto's partnership with Chevy Chase Land Company on neighboring parcel creates a conflict of interest.
  - Staff and EYA interviewed Vantage and Greystar.

# Summary and Recommendations

## Issues for Consideration

Does the Chevy Chase Lake Development Corporation wish to approve the final development plan for the redevelopment of Chevy Chase Lake Apartments as described herein?

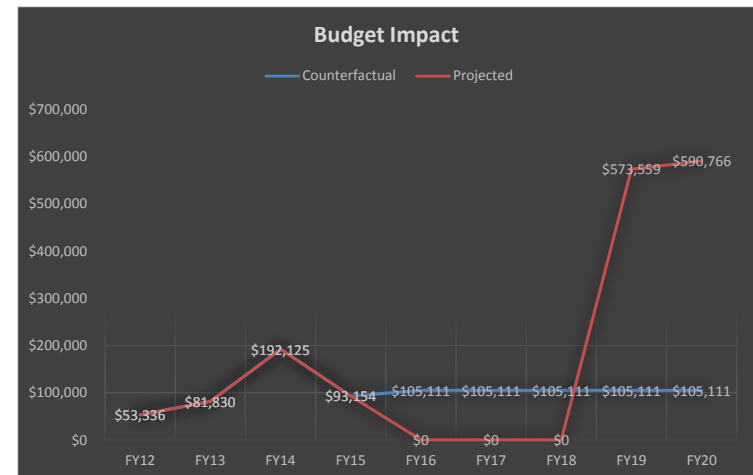
Does the Chevy Chase Lake Development Corporation authorize the acceptance of additional development funding of \$1,832,195 as a loan from OHRF to Chevy Chase Development Corporation and approval to expend said funds for the development of the multifamily building through closing with the loan to be repaid either with construction financing proceeds or proceeds from HOC's share of townhome sales proceeds?

## Fiscal / Budget Impact

The permanent relocation of all existing residents from Chevy Chase Lake Apartments will temporarily cease net cash flow from the property to HOC. Over the past four HOC Fiscal Years, the property has produced an average of \$105,000 annually to HOC.

However, the new property's first stabilized year will make up for the approximately \$315,000 in cumulative cash flow over the preceding three HOC Fiscal Years. In successive years, the new property will produce nearly six times the cash flow to HOC than that produced under prior operations.

In building the Fiscal Year 2016 budget, the cessation of cash flow from the property was anticipated. Future budgets will integrate the current projected timing of delivery for the new building.



# Summary and Recommendations (Continued)

## Time Frame

Action at the November 3, 2015 meeting of the Chevy Chase Development Corporation.

## Staff Recommendation and Commission Action Needed

Staff recommends that the Chevy Chase Lake Development Corporation approve the Development Plan as presented along with a loan of \$1,832,195 from the OHRF to the project and approval to expend such funds for the development of the multifamily building with such loan to be repaid either with construction financing proceeds or from HOC's share of townhome sales proceeds.



**RESOLUTION No. : 15-03**

**RE: Approval of the Final Development Plan for Chevy Chase Lake Apartments, Authorization of Chevy Chase Lake Development Corporation to Accept an Additional Development Loan from the Opportunity Housing Reserve Fund, and Approval to Expend those Funds for Development of the Proposed Multifamily Building**

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

**WHEREAS**, Chevy Chase Lake Development Corporation (the “Corporation”), an instrumentality of HOC, is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the “CCL Site”); and

**WHEREAS**, on July 30, 2013, the Montgomery County Council approved revisions to the Chevy Chase Lake Sector Plan, which rezoned and recommended for the CCL Site, a multifamily building providing 20% affordable rental units and 20% workforce units in an approximately 200-unit property (the “Multifamily Building”) in addition to approximately 60 for-sale townhomes (the “Townhouses”) of which 15% must be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (“MPDUs”); and

**WHEREAS**, on January 23, 2014, the Commission and the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates (“EYA”) to sell a portion of the land for the development of the Townhouses (the “Townhouse Site”), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the “Multifamily Site”); and

**WHEREAS**, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the “MF Preliminary Plan Application”), so that it could be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and

**WHEREAS**, the redevelopment of the CCL Site will produce 200 rental units in a high rise multifamily building that replaces the existing 21 affordable housing units with 40 affordable housing units to serve families and individuals with income at or below 60% of the Washington, DC-MD-VA Metropolitan Statistical Area Median Income (the “AMI”), 40 units that would be designated as work force housing units to serve households with incomes at or below 100% of the AMI, plus 10 Moderately Priced Dwelling Units for homeowners with incomes at or below 70% of the AMI; and

**WHEREAS**, the multifamily building will contain 98 one-bedroom units of varying sizes, 87 two-bedroom units of varying sizes, and 15 three-bedroom units, all of which three-bedroom units are designated to serve families and are all affordable to households with incomes below 60% of the AMI, thereby delivering significant public purpose to the site; and

**WHEREAS**, the cost for the development and construction of the multifamily building is currently estimated to be \$68.7 million to be funded from a combination of debt and equity and supported by projected operations that pay operating expenses and produce ample debt service coverage, but said financing plan will be presented for approval by the Commission at a later date; and

**WHEREAS**, the Commission previously authorized predevelopment funding of \$1,600,000 which was funded from deposits received from EYA (\$750,000) and from the Opportunity Housing Reserve Fund (“OHRF”) (\$850,000), but to cover the completion of the remaining design work, pre-closing site work, permit fees, and legal fees and costs through the date the Multifamily Site is acquired by the to-be-formed, Commission-controlled entity (the “MF Owner”) with acquisition and construction financing; and

**WHEREAS**, when the Commission approved a predevelopment advance to the Corporation in the amount of \$250,000 on October 7, 2015, the Commission reserved the right to approve any additional funding of the \$1,832,195 million that is anticipated to be needed to complete the development work for the Multifamily Building, and the Commission now wishes to approve the final development plan and such additional funding; and

**WHEREAS**, the Commission’s OHRF has an unobligated balance of \$14.06 million and such funds may be appropriated with Commission approval for among other things, the funding of predevelopment costs.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of Chevy Chase Lake Development Corporation that it approves the final development plan for the redevelopment of the Chevy Chase Lake Apartments which is estimated to cost \$68.7 million to produce 200 rental apartment units of which 40 units (20%) will be affordable to households with incomes below 60% of the AMI, 40 (20%) work force housing units, and 120 (60%) market rate units.

**BE IT FURTHER RESOLVED** by the Board of Directors of Chevy Chase Lake Development Corporation that it approves acceptance of the remaining predevelopment expenses in the amount of \$1,832,195 from the OHRF, as a loan to the Chevy Chase Lake Development Corporation and the expenditure of such funds for the development of the multifamily building; the loan is projected to be repaid from financing proceeds the time of the transfer of the closing on the acquisition and construction financing by the MF Owner .

**BE IT FURTHER RESOLVED** by the Board of Directors of Chevy Chase Lake Development Corporation that the Executive Director of the Commission, as Secretary to Chevy Chase Lake Development Corporation, without any further action on its part, is hereby authorized to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

**I HEREBY CERTIFY** that the foregoing resolution was duly adopted by Board of Directors of Chevy Chase Lake Development Corporation at its meeting conducted on November 3, 2015.

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Adjourn

# Executive Session