

**EXPANDED AGENDA**

**October 5, 2016**

4:00 p.m.	<b>I. <u>CONSENT ITEMS</u></b>	<b><u>Res. #</u></b>
Page 04 18 20	A. Approval of Minutes of September 7, 2016 B. Approval of Executive Session Minutes of September 7, 2016 C. Ratification of Authorization to Award a Contract for Banking Services to PNC Bank, N.A.	<b>16-68R</b> (pg. 21)
4:05 p.m.	<b>II. <u>INFORMATION EXCHANGE</u></b>	
Page 23 26	A. Report of the Executive Director B. Calendar and Follow-up Action C. Correspondence and Printed Matter D. Commissioner Exchange E. Resident Advisory Board F. Community Forum G. Status Report	
4:25 p.m.	<b>III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u></b>	
Page 29 49 54 84 100	<b>A. Budget, Finance and Audit Committee – Com. Nelson, Chair</b> 1. Acceptance of Fourth Quarter FY'16 Budget to Actual Statement 2. Approval of Property Management Contract for 900 Thayer  <b>B. Development and Finance Committee – Com. Simon, Chair</b> 1. Approval of the Final Development Plan for Alexander House Apartments, Approval of the Acquisition of 122 Units from Alexander House Development Corporation by Alexander House Apartments Limited Partnership, and Authorization for the Executive Director to Enter into an Agreement for the Payment of General Contractor Services from CBP Constructors LLC 2. Approval of a Preliminary Financing Plan for Alexander House Apartments Limited Partnership (the "Partnership"), the Entity that will own and Operate the 122 Low Income Housing Tax Credit Units at Alexander House Apartments (the "Development") 3. Authorization to Extend the Current Bond Underwriters' Contracts for Final Two Years	<b>16-69</b> (pg. 41) <b>16-70</b> (pg. 52)  <b>16-71</b> (pg. 81)  <b>16-72</b> (pg. 98)  <b>16-73</b> (pg. 105)
4:50 p.m.	<b>IV. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u></b>	
	A. None	
	<b>V. <u>*FUTURE ACTION ITEMS</u></b>	
	A.	
4:55 p.m.	<b>VI. <u>INFORMATION EXCHANGE (continued)</u></b>	
	A. Community	
	<b>VII. <u>NEW BUSINESS</u></b>	
	<b>VIII. <u>EXECUTIVE SESSION FINDINGS</u></b>	

4:55 p.m.	<b><u>ADJOURN</u></b>	
5:00 p.m.	<b><u>ALEXANDER HOUSE DEVELOPMENT CORPORATION MEETING</u></b>	
Page 114	<ul style="list-style-type: none"> <li>Approval of the Final Development Plan for Alexander House Apartments, Approval of the sale of 122 Units to Alexander House Apartments Limited Partnership, a Tax Credit Limited Partnership, and Authorization for the Executive Director to Enter into an Agreement for the Payment of General Contractor Contract from CBP Constructors LLC</li> </ul>	16-006 <sub>AH</sub> (pg. 141)
144	<ul style="list-style-type: none"> <li>Approval of the Preliminary Financing Plan for Alexander House Development Corporation, the Entity that will Own 183 Market Rate Units at Alexander House Apartments</li> </ul>	16-007 <sub>AH</sub> (pg. 145)
5:30 p.m.	<b><u>ADJOURN</u></b>	
	<b><u>EXECUTIVE SESSION</u></b>	

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NOTES:

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

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

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# Consent Items

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Minutes**

September 7, 2016

16-09

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, September 7, 2016 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:08 p.m. Those in attendance were:

**Present**

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

**Also Attending**

Stacy Spann, Executive Director  
Shauna Sorrells  
Kayrine Brown  
Sheryl Hammond  
Patrick Mattingly  
Gail Willison  
Hyunsok "Wilson" Choi  
Erin Bradley  
Ugonna Ibebuchi  
Angela McIntosh-Davis  
Natalie Kaplan  
Ericka Connors  
Jennifer Arrington

Kelly McLaughlin, General Counsel  
Ian Williams  
Bobbie DaCosta  
Zachary Marks  
Jim Atwell  
Rita Harris  
Brian Selden  
Charnita Robinson  
Ethan Cohen  
Powell Wright  
Brian Kim  
Bonnie Hodge

**Resident Advisory Board**

Yvonne Caughman

**IT Support**

Irma Rodriguez

**Guest**

Jolie Pillsbury, Casey  
Greg Szymanski, Property Mgr. – Alexander House  
Roger Hall, Resident – Alexander House



**Commission Support**

Patrice Birdsong, Spec. Asst. to Commission

The meeting began with approval of the Consent Calendar. The Consent Calendar was adopted upon a motion by Commissioner Byrd and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman, Simon, McFarland, Hatcher, Croom, and Byrd. Commissioner Nelson temporarily stepped away.

**I. CONSENT ITEMS**

- A. **Approval of Minutes of August 3, 2016** - The minutes were approved as submitted
- B. **Approval of Executive Session Minutes of August 3, 2016** – The minutes were approved as submitted
- C. **Ratification of Authorization to Issue Commitment to CCL Multifamily, LLC for the Permanent Financing Pursuant to the FHA Risk Sharing/Federal Financing Bank Program and Approval to Hedge Interest Rate Risk During the Term of the Construction Loan**

**RESOLUTION: 16-61R**

**RE: Ratification of Authorization to Issue Commitment to CCL Multifamily, LLC for the Permanent Financing Pursuant to the FHA Risk Sharing/Federal Financing Bank Program and Approval to Hedge Interest Rate Risk During the Term of the Construction 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**, at a closed Executive Session duly called and held on August 3, 2016, with a quorum present, the Commission duly adopted Resolution 16-61ES titled: “Authorization to Issue Commitment to CCL Multifamily, LLC for the Permanent Financing Pursuant to the FHA Risk Sharing/Federal Financing Bank Program and Approval to Hedge Interest Rate Risk During the Term of the Construction Loan”; and

**WHEREAS**, five (5) Commissioners were physically present at the Executive Session and one (1) Commissioner participated via teleconference call; and

**WHEREAS**, pursuant to the Commission's Amended and Restated Bylaws, the Commission must ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 16-61ES and any action taken since August 3, 2016 to effectuate the transaction contemplated therein.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 16-61ES and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

## II. INFORMATION EXCHANGE

- A. Report of the Executive Director** – The Executive Director reported on the GAO Audit report in regard to RAD Program. Mr. Spann introduced his Casey Coach, Jolie Pillsbury, who was visiting.
- B. Calendar and Follow-up Action** – Chair Roman reminded all of the Housing Opportunities Community Partners first fundraiser, *Inspire* Gala, to be held on September 26<sup>th</sup>.
- C. Commissioner Exchange** –
- Commissioner Croom attended a Back-to-School event hosted by the Plum Gar Community.
  - Chair Roman expressed her gratitude of the assistance provided by HOC to the families of the apartment explosion in Silver Spring.
  - Vice Chair Simon reported that she was very pleased to see the announcement of extended hours at the service centers.
- D. Resident Advisory Board (RAB)** – Ms. Yvonne Caughman, President of the Resident Advisory Board, reported that the Board was off in August. They have completed the Bylaws and now back in session to work on the Memorandum of Understanding (MOU).
- E. Community Forum** – Roger Hall, Resident of Alexander House Apartments, addressed the Board inquiring the status of the renovation of Elizabeth Square. He reported on a flood that occurred on the second floor of the building causing damages to seven apartments including his because maintenance was unable to locate the shut-off valve; and consideration of keeping handicapped apartments on the first floor.

Chair Roman thanked him for expressing his concerns and hope that they are addressed during the renovation process.

**F. Status Report – None**

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

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

**1. Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP**

Gail Willison, Chief Financial Officer, was the presenter.

The following resolution was approved upon a motion by Chair Pro Tem Nelson and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman, Nelson, Hatcher, Croom, and Byrd. Commissioner Simon abstained. Commissioner McFarland voted against.

**RESOLUTION: 16-62**

**RE: Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP**

**WHEREAS**, the Commission awarded a contract to CliftonLarsonAllen LLP (CLA) for the Agency's financial audit for fiscal years 2013 through 2016; and

**WHEREAS**, CLA has been both the Agency auditor and County auditor for the past 12 years; and

**WHEREAS**, HOC has had three different audit partners and several different audit managers throughout the 12 years; and

**WHEREAS**, CLA's knowledge assists HOC in improving both internal controls and workflows.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby approves renewing the primary audit contract with CliftonLarsonAllen LLP for an additional two years.

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

**1. Adoption of an Inducement Resolution for Financing of the Willow Manor at Fairland Development**

Kayrine Brown, Chief Investment and Real Estate Officer, and Ugonna Ibebuchi, Financial Analyst, were the presenters.

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

**RESOLUTION: 16-63**

**Re: Adoption of an Inducement  
Resolution for Financing of the Willow  
Manor at Fairland Development**

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

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

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

**WHEREAS**, the Commission has been asked to consider the issuance of a tax-exempt note to finance the construction loan for a senior housing facility, Willow Manor at Fairland (a 122-unit development located at 3300 Briggs Chaney Road, Silver Spring, Montgomery County, Maryland 20904), which is intended for occupancy by seniors ages 62 and over (the “Development”); and

**WHEREAS**, the Commission sees this financing as an opportunity to further its goals in meeting said public purpose.

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

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it is the intention of the Commission to issue tax-exempt bonds in the maximum principal amount of \$19,200,000 to provide financing for the acquisition and construction financing of the Development.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the foregoing represents an expression of intent in order to satisfy the provision of Section 1.150-2 of the United States Income Tax Regulations and is not a commitment by the Commission to issue said note.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that issuance of said note shall: 1) be at the discretion of the Commission, 2) shall be subject to the final satisfactory underwriting and approval of all documents, provisions, covenants, and all other provisions as may be required by the Commission and 3) shall be subject to final acceptance of same by the owner of the Development.

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

**2. Approval of \$1.5MM of Additional Predevelopment Funding for the Elizabeth House III Development and Authorization to Close on the Condominium Master Lease and the Advance of Funds to Reimburse Lee Development Group for Development Expenditures and to Begin Lease Payments in Advance of Closing of the Financing of the Elizabeth House III Transaction**

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

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, Nelson, McFarland, Hatcher, Croom, and Byrd.

**RESOLUTION: 16-64**

**RE: Approval to Draw \$1.5 Million of Previously Approved Predevelopment Funding for the Elizabeth House III Development; Authorization to Create Separate Ownership Entities for the Condominium Regimes and Execute the Condominium Space Leases; and Approval of \$1 Million in Development Funds to Reimburse Lee Development Group for Development Expenditures and to Begin Lease Payments in Advance of Closing on the Construction Financing of the Elizabeth House III Transaction**

**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 (“Alexander House”), owned by Alexander House Development Corporation(AHDC); 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 a ground lease and a land development agreement and authorized 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, LDG and AHDC 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**, in response to issues with the prior ground lease and condominium structure, the Commission approved an amendment to the Elizabeth House III development plan and the Agreement on October 7, 2015 to permit HOC to lease the air space to be occupied by the to-be-built multifamily building and replace the ground lease with the a space lease for each of the four (4) condominium regimes being established (collectively, the “Space Leases”); and

**WHEREAS**, on October 7, 2015, the Commission approved an additional \$4.5 Million in predevelopment funding (the “Additional Predevelopment Funding”), to be drawn in four separately-approved installments and payable out of the Opportunity Housing Reserve Fund (OHRF), bringing the total amount of approved predevelopment funding to \$6,740,949 when combined with the \$2,240,949 previously approved; and

**WHEREAS**, On May 9, 2016, the site plan for Elizabeth House III was submitted to M-NCPPC and the County Planning Department and is currently responding to comments from Development Review Committee; and

**WHEREAS**, HOC, LDG and AHDC executed an Amended and Restated Land Development Agreement (LDA) on June 8, 2016 to document the restructuring of the ground lease into Space Leases; and

**WHEREAS**, in accordance with the LDA, the four (4) Space Leases will cover the air space needed for construction of the portions of the building that will house (i) the affordable residential condominium, (ii) the market rate residential condominium, (iii) the public use space condominium, and (iv) the parking condominium; and

**WHEREAS**, staff is requesting approval to create up to four (4) separate legal entities to hold the leasehold interests under the Space Leases and to execute the Space Leases with LDG or its successor affiliate by September 30, 2016 (or such later date acceptable to LDG); and

**WHEREAS**, the third installment of the Additional Predevelopment Funding in the amount of \$1,500,000 can be funded from the sales proceeds of the Arcola Towers and Waverly House Rental Assistance Demonstration (RAD) conversions (the “Arcola and Waverly Sales Funds”) rather than out of the OHRF and will pay for expenses required to develop and complete a permit set of architectural drawings and construction documents; and

**WHEREAS**, in addition to seeking approval to draw the third installment of Additional Predevelopment Funding, staff is seeking approval of up to \$1,000,000 in development funding, to be funded from the Arcola and Waverly Sales Funds, to pay for closing costs associated with the execution of the Space Leases, including the reimbursement of LDG for condominium and development-related expenditures, and to make initial lease payments that will become due prior to the closing on the construction financing; and

**WHEREAS**, staff is requesting the proceeds generated from recapitalizing Arcola Towers and Waverly House via RAD, totaling \$5,060,644, to be used to fund the \$2,500,000 requested herein and all future predevelopment costs related to Elizabeth House III, thus fulfilling the original intent for the use of the Arcola and Waverly Sales Funds.

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

1. It hereby authorizes the draw of up to ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000) of predevelopment funding to develop and complete the permit set of architectural drawings and construction documents, which draw shall be funded from the Arcola and Waverly Sales Funds.
2. It hereby authorizes the creation of up to four (4) separate legal entities to hold the leasehold interests under the Space Leases.
3. The Executive Director is authorized to execute the four (4) Space Leases on behalf of and in the name of the newly created entities by September 30, 2016, or such later date as shall be acceptable to LDG or its successor affiliate.
4. It hereby approves up to ONE MILLION DOLLARS (\$1,000,000) in development funds, to be funded from the Arcola and Waverly Sales Funds, to: 1) reimburse LDG for development expenditures and pay for other expenditures related to the execution of the Space Leases, and 2) commence lease payments in advance of closing of the construction financing.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to take any and all other actions necessary and proper to carry out the actions contemplated herein, including the execution of any documents related thereto.

- 3. Approval to Select Hamel Builders as General Contractor and Authorization for the Executive Director to Negotiate a Contractor for Greenhills Apartments Transaction**

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

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

**RESOLUTION: 16-65**

**RE: Approval to Select Hamel Builders as General Contractor and Authorization for the Executive Director to Negotiate a Contract for Greenhills Apartments Transaction**

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

**WHEREAS**, Greenhills Apartments (the “Property”) is a 78-unit townhouse and apartment complex located at 10560 Tralee Terrace, Damascus, Maryland which the Commission acquired in 1998; and

**WHEREAS**, the Property is wholly owned by HOC; and

**WHEREAS**, there has been no major improvements to the buildings since initial construction; and

**WHEREAS**, the Commission approved Preliminary Development plan includes the sale of the property to a LIHTC limited partnership and funding of \$84,000 for the costs of predevelopment planning to renovate the property; and

**WHEREAS**, on January 8, 2016, interim financing was closed upon using a short-term, tax-exempt, interest-only loan from BB&T Bank in the amount of \$4,320,000 to retire a draw on the Real Estate Line of Credit (“RELOC”), a previous interim source; and

**WHEREAS**, HOC’s Procurement Office issued a Request for Proposals (“RFP”) #2004 for construction services at Greenhills Apartments on June 16, 2016; and

**WHEREAS**, three (3) respondents submitted qualified package by the deadline of July 15, 2016 that met threshold requirements; and

**WHEREAS**, Hamel Builders, Inc. (“Hamel”) scored highest in the average of the evaluators’ scores on the criteria with an average score of 90.33%; and



**WHEREAS**, based on the evaluation of the proposals, staff recommends the selection of Hamel as general contractor for the renovation of the Property and requests authorization of the Executive Director to enter into contract negotiations; and

**WHEREAS**, staff will present the Commission with a Final Development Plan once the costs and budget are more certain, and such revised plan will identify the sources of funds to finance all costs and repay all loans made from the Opportunity Housing Reserve Fund (OHRF).

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County authorizes the selection of Hamel as General Contractor and authorizes the Executive Director to negotiate a contract for the Greenhills Apartments transaction.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County hereby approves a temporary cessation on new leasing beginning September 2016 through March 2018 to make available a maximum of 12 vacant units at a time to complete the renovation.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County approves an increase in predevelopment funds of \$128,050 from the OHRF, bringing the total to \$212,050.

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

**4. Approval to Select Firms to Expand the Pool of Development and Financing Professionals Pursuant to Request for Qualifications (RFQ) #2007**

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

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, Nelson, McFarland, Hatcher, Croom, and Byrd.

**RESOLUTION: 16-66**

**RE: Approval to Select Firms to Expand the Pool Of Development and Financing Professionals Pursuant to Request for Qualifications (RFQ) 2007**

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

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

**WHEREAS**, on September 16, 2014, the Commission solicited proposals from qualified firms or individuals to form a pool of professionals which would provide Development and Financing Consultant services (“D&F Pool”) to supplement the current staff of the Commission’s Real Estate Division and obviate the need to add full time, permanent staff; and

**WHEREAS**, on March 4, 2015, the Commission approved the formation of the D&F Pool, an aggregate contract amount of \$1 Million for the D&F Pool, and a maximum contract term, inclusive of options, of four years for each individual or joint respondent within the D&F Pool; and

**WHEREAS**, development consultants in the D&F Pool (“Development Consultants”) will perform all the work necessary for acquisition, preservation, rehabilitation, or construction opportunities as well as provide accompanying financing consulting services and financing consultants from the D&F Pool (“Financing Consultants”) will advise, source, and structure debt and equity to enhance the Commission’s existing debt products, all under the direction of the Commission’s real estate staff; and

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

**WHEREAS**, the number and diversity of the Commission's prospective real estate and financing transactions continues to grow; and

**WHEREAS**, on July 14, 2016, HOC issued RFQ #2007 – Request for Qualifications to Serve as Real Estate Development and/or Financing Consultant – to solicit additional firms for the D&F Pool; and

**WHEREAS**, the Commission received five responses to RFQ #2007, and one response was subsequently withdrawn.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby authorizes and directs the Executive Director, without further action on its part, to execute four individual contracts for development and finance consulting services, as described by RFP #2007, with Econometrica, Inc. (and associated firms), Jain & Associates, Scheer Partners, and Urban Ingenuity for an initial contract term of one year each with an option to extend as permitted under HOC's procurement policy.

**BE IT FURTHER RESOLVED** that the Executive Director is hereby authorized to assign individual development and consulting tasks of up to \$225,000 to any consultant in the D&F Pool without further Commission approval of such selection and assignment provided that the funding for such tasks shall require customary Commission approval.

**BE IT FURTHER RESOLVED** that the Executive Director is hereby authorized and directed to take all actions necessary and proper to carry out the transactions and activities contemplated herein.

**5. Approval to Select CBG Building Company as General Contractor and Authorization for the Executive Director to Negotiate a Contract for the 900 Thayer Transaction**

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

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

**RESOLUTION: 16-67**

**RE: Approval to Select CBG Building Company As General Contractor and Authorization for The Executive Director to Negotiate a Contract For the 900 Thayer Transaction**

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

**WHEREAS**, on August 5, 2015, as ratified on September 2, 2015, the Commission authorized the execution of a Purchase and Sale Agreement with 900 Thayer Avenue LLC (the "Seller") to purchase 28,526 square feet of land at the southwest corner of Thayer Avenue and Fenton Street (the "Property"), including design documents, design consulting contracts, and all other related due diligence; and

**WHEREAS**, pursuant to a Purchase and Sale contract which was executed on August 7, 2015, the Commission acquired the fully entitled Property on March 16, 2016; and

**WHEREAS**, the Property will include 73 one-bedroom units and 51 two-bedroom units, including 96 RAD Project Based Rental Assistance (“PBRA”) units spread throughout the property and 28 market rate units; and

**WHEREAS**, on April 6, 2016, the Commission approved the development plan for 900 Thayer, including approvals for a 124-unit new construction family transaction to include 96 RAD PBRA units, a predevelopment loan of \$2,182,500, the selection of The Concourse Group (“TCG”) as development consultant, and the acceptance of an existing contract for the KTG architecture firm; and

**WHEREAS**, on June 14, 2016, HOC issued a request for qualification (“RFQ”) #2003 for Contractor Evaluation and Selection Process representing part one of the procurement process to determine contractor qualification which, when combined with part-two of the procurement process (the solicitation of proposals for price and time of completion), enabled HOC’s staff to select the highest scoring general constructor from among all bidders; and

**WHEREAS**, four firms (CBG Building Company, Southway Builders, Kinsley Construction, Inc., and Harkins Builders) participated in part-two of the procurement process but Harkins Builders withdrew from consideration and after considering the qualifications and pricing for the remaining three firms, CBG Building Company (“CBG”) scored highest in the average of the evaluators’ scores on the criteria with an average score of 94.00%.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to negotiate a construction contract with CBG Building Company for the 900 Thayer transaction.

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

**IV. ITEMS REQUIRING DELIBERATION and/or ACTION**  
None

**V. FUTURE ACTION ITEMS**  
None

**VI. INFORMATION EXCHANGE (CONT’D)**  
None

**VII. NEW BUSINESS**  
None

**VIII. EXECUTIVE SESSION FINDINGS**

**None**

The meeting adjourned at 5:07 to convene a meeting of the TPM Development Corporation.

The Housing Opportunities Commission Board meeting reconvened at 5:12 p.m. Based upon this report and there being no further business to come before this session of the Commission, a motion was made, seconded and unanimously adopted to adjourn.

The meeting adjourned at 5:12 p.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Executive Session Minutes**

**September 7, 2016**

An Executive Session of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, September 7, 2016 at 10400 Detrick Avenue, Kensington, Maryland beginning at 5:29 p.m. Those in attendance were:

**Present**

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

**Also Attending**

Stacy Spann, Executive Director  
Kayrine Brown  
Gail Willison  
Zachary Marks

Kelly McLaughlin, General Counsel  
Shauna Sorrells  
Jim Atwell

**Commission Support**

Patrice Birdsong, Spec. Asst. to Commission

The purpose of the Executive Session was pursuant to subsection (14), *contract negotiation strategy and/or the contents of a bid or proposal*.

**A. Authorization to Award a Contract for Banking Services to PNC Bank, N.A.**

Gail Willison, Chief Financial Officer, was the presenter.

The following resolution was approved upon a motion by Commissioner McFarland and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman, Simon, Nelson, McFarland, Hatcher, Croom, and Byrd.

**RESOLUTION: 16-68ES**

**RE: Authorization to Award a Contract for  
Banking Services to PNC Bank, N.A.**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) issued RFP #1888 on April 26, 2016 to solicit proposals for banking services; and

**WHEREAS**, a pre-proposal conference was held on May 16, 2016 that eight banks attended; and

**WHEREAS**, four banks were scored in two parts – first for technical ability and second for pricing; and

**WHEREAS**, PNC Bank N.A. received the highest overall score.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director to execute a contract for banking services with PNC Bank, N.A. for two years, with three one-year renewals at the discretion of the Commission.

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

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

The meeting adjourned at 6:09 p.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

**RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION ON  
SEPTEMBER 7, 2016:  
ADOPTION OF RESOLUTION OF AUTHORIZATION TO AWARD  
CONTRACT OF SERVICES TO PNC BANK, N.A. AUTHORIZED BY  
RESOLUTION 16-68ES**

**OCTOBER 5, 2016**

- At an Executive Session on September 7, 2016, HOC adopted Resolution 16-68ES which authorized a contract award for banking services to PNC Bank, N.A. for a two-year period with a possibility of three (3) one-year renewals at the discretion of the Commission.
- Pursuant to HOC's Amended and Restated Bylaws, HOC must ratify and affirm, in an open meeting with the quorum physically present, the action undertaken at the September 7, 2016 Executive Session and any action taken since then with respect to the approved transaction.



Resolution: 16-68R

RE: Ratification of Authorization  
To Award a Contract for Banking  
Services to PNC Bank, N.A.

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) received on June 20, 2016 five (5) banks’ written proposals for banking services; and

**WHEREAS**, at an Executive Session held on September 7, 2016, HOC adopted Resolution 16-68ES titled: “Authorization to Award Contract for Banking Services to PNC, Bank, N.A.”; and

**WHEREAS**, the Commission wishes to demonstrate its support for this authorization and ratify Resolution 16-68ES.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it supports the authorization to award a contract for banking services to PNC Bank, N.A and, hereby, ratifies and affirms.

**I, HEREBY, CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 5, 2016.

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Patrice M. Birdsong  
Special Assistant to the Commission

# Information Exchange

### ***HOCP Hosted the Inspire Gala 2016***



The Housing Opportunities Community Partners (HOCP) held its first ever fundraising event and received tremendous community support. Generous contributions from over 20 corporate sponsors and dozens of private supporters allowed HOCP to well exceed the fundraising goal of \$100,000. Hundreds of community members, stakeholders and elected officials were on hand when we announced that HOCP received over \$180,000 in contributions and pledges. During the Gala, HOCP raised an additional \$7,000 from attendees through a variety of mediums including checks, a text to donate app and an on-site donation station equipped with computers for online transactions.

At the Gala, participants heard firsthand how critical resources help children and families to move purposefully towards their vision of success. Brothers LeVar Tyson Ames II and LeVar Tyson Ames III gave moving and inspiring remarks about how HOCP programming has helped them develop their career and life goals, as well as the ways HOCP supports them achieving these goals. A video about HOC resident and Johns Hopkins University student, Sang Tran, captivated the audience as he shared his path to success. Compelling videos about a local family's journey to self-sufficiency and remarks from Norman Dreyfuss about HOC's impact also stirred the crowd.

The organization was honored to have representatives from Senator Barbara Mikulski's office and Congressman Chris Van Hollen's office. President and CEO of the National Low Income Housing Coalition Diane Yentel, Maryland Delegate Aruna Miller, Councilmember Sidney Katz, and a representative from Councilmember Roger Berliner's office joined the festivities, as did many HOC Commissioners. Both PNC Bank and CBP Constructors were honored for their continuous championing of HOC's enrichment programming, both donating \$25,000 and \$20,000 respectively.





Community Partners' fundraising enables the organization to expand its reach to more households in need of enrichment programming and housing stability. Because HOC uses its own resources and infrastructure, money raised by Community Partners goes directly to providing services for families and children. With the monies raised from the Gala, HOCP can expand its support of workforce development initiatives for 140 adults, or provide a 1,300 hours of STEM afterschool enrichment to 120 students, or

assist 360 homeless families transition to stable housing. The community's financial commitment to HOC and Community Partners will have a deep and meaningful impact on hundreds of vulnerable families.

To watch the videos shown at the Gala or to see pictures from the event, [please click here](#).

## **Compliance**

### ***Compliance Introduced New Document Retention Requirements***

The Compliance and Legal teams recently created a Document Retention Requirement and Retention Schedule which outlines retention procedures for all HOC documents. Because HOC is required to comply with a variety of legal and regulatory obligations regarding document retention-- and as HOC is committed to maintaining complete, accurate and high quality records-- these requirements will help ensure that both HOC's duty and goals are met.

Compliance also established an Annual Document Cleanup Procedure which contains guidelines for the review of existing storage boxes at GRM Management and HOC office locations, as well as the future process for managing files and documents.

## **Housing Resources**

### ***Family Self-Sufficiency Program Bolsters Recruitment Efforts***

Throughout the month, FSS staff has presented the program to potential participants on eight separate occasions, yielding interest from over 15 clients. The program's promotion efforts led to three new participants beginning September 1<sup>st</sup> and five new participants with an October 1<sup>st</sup> enrollment date. On September 26<sup>th</sup>, FSS added a recruiter to the staff who will support recruitment efforts by attending HOC events and marketing the FSS program. The recruiter will spend time at both Customer Service Centers and other HOC offices. FSS has also added an intern to the staff who will conduct workshops, attend night and weekend events and make phone calls to prospective participants during evening hours.

## **HOC Academy**

### ***HOC to Offer Older Adults Technology Services Program***

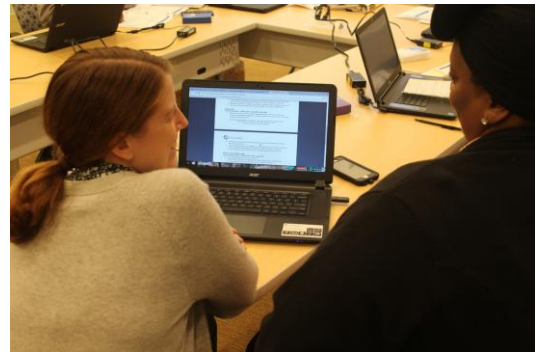
HOC Academy partnered with Ultra Montgomery to offer the Older Adults Technology Services (OATS) program. This Partnership enables HOC to become one of the first locations in the state to offer the program. OATS provides free computer training to help seniors compete in the workforce and/or stay current with technological trends. The program will take place at Forest Oak Towers where the onsite resident counselor is already working with residents to spread the word and get engaged seniors ready to participate.

### ***Fatherhood Initiative Provides Extensive Workforce Development and Academic Support***



On September 26<sup>th</sup>, participants in the Fatherhood Initiative began a week-long, 40 hour, Job Prep Bootcamp provided by A Wider Circle. This intensive program includes resume-writing, interview skills, career path identification, and a variety of other assistance. Each participant is provided a job coach and is given access to a computer during class so they can

write and update resumes or conduct job searches. Currently, the bootcamp has five participants who will graduate from the program on Wednesday, October 5<sup>th</sup> at A Wider Circle's headquarters.



Now that Fatherhood Initiative's first cohort has concluded their initial classes, fathers have begun taking advantage of the full range of services the Initiative offers. The program has provided approximately \$4,000 in tuition assistance to eager and ambitious participants.

### ***HOC Academy Partners with Montgomery County Public Library***

Through a partnership with Montgomery County Public Libraries (MCPL), HOC has been able to amplify the resources available to clients. MCPL now offers free GED, ESOL, and workforce development classes directly to HOC clients. To date, clients have received 13 certifications through the MCPL program. The monthly information sessions are held at HOC properties throughout the county. The next session will take place on October 24<sup>th</sup> at Stewartown.

# HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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## October 2016

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5	HOC Regular Meeting ( <i>All</i> )	4:00 p.m.
7	NALHFA Workshop – Re: Capital Collaborations for Housing and Community Development ( <i>All</i> ) (National Association of Local Housing Finance Agency - 815 Florida Ave., NW, Washington, DC 20001)	8:00 a.m. – 4:00 p.m.
10	Town Hall Meeting ( <i>All</i> )	6:00 p.m.
11	Budget, Finance and Audit Committee Meeting ( <i>Nelson, Roman, Hatcher</i> )	10:00 a.m.
12	Town Center Fall Board Meeting ( <i>Roman, Simon</i> )	2:30 p.m.
14-16	NAHRO 2016 National Conference ( <i>All</i> ) (Hyatt Regency, 601 Loyola Ave., New Orleans, LA 70113)	
19	MAHC Annual Meeting ( <i>All</i> ) (Maryland Affordable Housing Coalition - Baltimore Renaissance Harborplace Hotel, 202 E. Pratt St., Baltimore, MD 21202)	8:00 a.m.
21	Development and Finance Committee Meeting ( <i>Simon, McFarland, Nelson</i> )	10:00 a.m.
21	Status/Lunch Meeting w/Executive Director ( <i>All</i> ) – Location TBD	12:00 noon
24	Agenda Formulation ( <i>Roman, Croom</i> )	12:00 noon

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## November 2016

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2	Budget, Finance and Audit Committee Meeting ( <i>Nelson, Roman, Hatcher</i> )	2:00 p.m.
2	HOC Regular Meeting ( <i>All</i> )	4:00 p.m.
8	General Election	7 a.m. – 8 p.m.
11	Veteran’s Day (HOC Offices Closed)	
15	Legislative and Regulatory Committee Meeting ( <i>Byrd, Croom, Simon</i> )	4:00 p.m.
18	Development and Finance Committee Meeting ( <i>Simon, McFarland, Nelson</i> )	10:00 a.m.
24-25	Thanksgiving Holiday (HOC Offices Closed)	
28	Agenda Formulation ( <i>Roman, Croom</i> )	12:00 noon

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## December 2016

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6	Budget, Finance and Audit Committee Meeting ( <i>Nelson, Roman, Hatcher</i> )	10:00 a.m.
7	HOC Regular Meeting ( <i>All</i> )	4:30 p.m.
9	Status/Lunch Meeting w/Executive Director ( <i>All</i> ) – Location TBD	12:00 noon
16	Development and Finance Committee Meeting ( <i>Simon, McFarland, Nelson</i> )	10:00 a.m.
19	Agenda Formulation ( <i>Roman, Byrd</i> )	12:00 noon
26	Christmas Holiday Observed (HOC Offices Closed)	

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## January 2017

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2	New Year’s Holiday Observed (HOC Offices Closed)	
11	HOC Regular Meeting ( <i>All</i> )	4:00 p.m.
17	Legislative and Regulatory Committee Meeting ( <i>Byrd, Croom, Simon</i> )	4:00 p.m.
20	Development and Finance Committee Meeting ( <i>Simon, McFarland, Nelson</i> )	10:00 a.m.
23	Agenda Formulation ( <i>Roman, Byrd</i> )	12:00 noon

Activities of Interest

# Committee Reports and Recommendations for Action

# Budget, Finance & Audit Committee



# **ACCEPTANCE OF FOURTH QUARTER FY'16 BUDGET TO ACTUAL STATEMENTS**

**October 5, 2016**

- **The Agency ended the fourth quarter with a net cash deficit of \$503,281 which resulted in a fourth quarter budget to actual negative variance of \$729,657.**
- **The primary contributor to this negative variance is lower recognizable income in the Opportunity Housing portfolio, particularly VPC One Development Corporation and VPC Two Development Corporation.**
- **Edgewood Management Company has begun an aggressive marketing and leasing campaign for these units. Edgewood and staff are working together to lease the units by the end of December 2016.**
- **The Public Housing Program ended the year with a surplus primarily as a result of greater than anticipated subsidy due to a higher pro-ration factor coupled with the continued receipt of Asset Repositioning Fees for some of the converted scattered site units. The surplus will be restricted to the program.**
- **The Housing Choice Voucher (HCV) Program experienced higher administrative fees coupled with savings in expenses which resulted in an administrative surplus through June 30, 2016. The surplus will be restricted to the program.**
- **Staff recommends transferring \$503,281 from the Opportunity Housing Debt Service Reserve Fund to the General Fund to balance the Agency's FY'16 Budget.**



## **DISCUSSION – FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS**

This review of the Budget to Actual Statements for the Agency through the fourth quarter of FY'16 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

### **HOC overall (see Attachment A)**

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

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

The Commission approves the revenue and expenses and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'16 Fourth Quarter Capital Budget to Actual Comparison.

The Agency ended the year with a net cash deficit of \$503,281, which equates to .21% of the total operating budget and .33% of the total operating budget less Housing Assistance Payments (HAP). The primary cause of this negative variance was lower than anticipated cash flow in the unrestricted Development Corporations; particularly VPC One and VPC Two, as a result of property performance, that is reflected as fee income in the General Fund (see Opportunity Housing Fund). The negative variance in the properties was largely offset by lower than anticipated expenses in the General Fund (see General Fund) as well as additional Housing Choice Voucher (HCV) administrative fees, based on a higher pro-ration factor, coupled with savings in the administrative costs of the program which eliminated the projected deficit in the program (see Public Fund).

### **Explanations of major variances by fund**

The General Fund consists of the basic overhead costs for the Agency. This fund ended the year with a deficit of \$1,721,475, which resulted in a negative variance of \$667,818 when compared to the projected deficit of \$1,053,657.

As of June 30, 2016, income in the General Fund was \$1,761,673 less than budget. The primary contributors to the negative income variance were lower than anticipated Development

Corporation Fee income, as a result of property performance, particularly VPC One and VPC Two that did not meet budgeted expectations, coupled with the delay in receipt of the final Development Fee from Tanglewood. The negative variance was partially offset by the receipt of a 2% financing fee on both Arcola Towers and Waverly House that was originally budgeted conservatively at 1%, as well as the receipt of unanticipated partnership and incentive management fees from a few tax credit properties as a result of the year-end cash flow distribution calculations.

Expenses in the General Fund were \$1,093,855 less than budget. The positive variance was primarily the result of savings in administrative salaries and benefits as well as maintenance contract expenses coupled with lower than anticipated transfers necessary to cover the IT and facilities capital expenditures that were budgeted to be funded by unrestricted Agency operating cash.

The Multifamily Bond Fund and Single Family Bond Fund are budgeted to balance each year.

The Multifamily Bond Fund draw for FY'16 was reduced by the \$44,199 of savings left in the fund at FY'15 year-end. As a result of savings in administrative salaries and benefits, the fund ended the year with a positive expense variance of \$94,314. This savings in expenses offset by the reduced bond draw results in an addition to the cumulative net savings of \$50,115 (\$94,314 savings in expenses less \$44,199 reduction in draw). Staff is recommending that the budgeted draw for FY'17 for the Multifamily Bond Fund be reduced by the cumulative savings of \$94,314.

<b>Multifamily Bond Fund</b>	
<b>Cumulative Surplus</b>	<b>Amount</b>
At June 30, 2015	\$44,199
FY'16 Year End Surplus/(Deficit)	\$50,115
At June 30, 2016	\$94,314

The Single Family Bond Fund draw for FY'16 was reduced by the \$195,610 of savings left in the fund at FY'15 year-end. As a result of savings in administrative salaries and benefits, the fund ended the year with a positive expense variance of \$160,141. This savings in expenses offset by the reduced bond draw results in a reduction of the cumulative net savings of \$35,469 (\$160,141 savings in expenses less \$195,610 reduction in draw). Staff is recommending that the budgeted draw for FY'17 for the Single Family Bond Fund be reduced by the remaining cumulative net savings of \$160,141.

<b>Single Family Bond Fund</b>	
<b>Cumulative Surplus</b>	<b>Amount</b>
At June 30, 2015	\$195,610
FY'16 Year End Surplus/(Deficit)	(\$35,469)
At June 30, 2016	\$160,141

The Opportunity Housing Fund

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

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency’s FY’16 Operating Budget. It should be noted that several of these properties also had a portion of operating cash flow restricted for various reasons. For properties that did not meet their total cash flow expectations, and also had partially restricted cash flow - **Alexander House, Paddington Square, Pomander Square, and Timberlawn** – the Development Corporation fee has been recognized, by property, up to the lesser of the amount budgeted or generated, and any remaining cash flow was then restricted. This group ended the year with cash flow of \$5,407,471, or \$1,923,555 less than projected. It should be noted, that we can only recognize revenue up to the amount budgeted for each property. Several properties in this portfolio exceeded budgeted cash flow; however, when we exclude the extra income earned on properties exceeding their budgets, the quarter’s recognizable cash flow is \$5,162,877, or \$2,168,149 below budget.

**Unrestricted Development Corporations**

	<u>(12 Months)</u> <u>Budget</u>	<u>(12 Months)</u> <u>Actual</u>	<u>Variance</u>	<u>(12 Months)</u> <u>Adjusted</u>
Alexander House .....	\$1,281,263	\$1,281,263	\$0	\$1,281,263
The Barclay .....	\$150,738	\$101,228	(\$49,510)	\$101,228
Glenmont Crossing .....	\$20,482	\$24,339	\$3,857 <sup>(1)</sup>	\$20,482
Glenmont Westerly .....	\$134,524	\$160,830	\$26,306 <sup>(1)</sup>	\$134,524
Magruder's Discovery .....	\$699,065	\$652,947	(\$46,118)	\$652,947
The Metropolitan .....	\$946,257	\$1,047,650	\$101,393 <sup>(1)</sup>	\$946,257
Montgomery Arms .....	\$355,253	\$234,481	(\$120,772)	\$234,481
TPM - 59 MPDUs .....	\$229,807	\$258,900	\$29,093 <sup>(1)</sup>	\$229,807
Paddington Square .....	\$240,085	\$240,085	\$0	\$240,085
TPM - Pomander Court .....	\$56,120	\$56,120	\$0	\$56,120
Pooks Hill High-Rise .....	\$382,019	\$313,044	(\$68,975)	\$313,044
Scattered Site One Dev. Corp. .	\$297,288	\$358,046	\$60,758 <sup>(1)</sup>	\$297,288
Scattered Site Two Dev. Corp. .	(\$52,659)	(\$48,140)	\$4,519 <sup>(1)</sup>	(\$48,140)
Sligo Development Corp. ....	\$51,652	\$74,839	\$23,187 <sup>(1)</sup>	\$51,652
TPM - Timberlawn .....	\$322,612	\$322,612	\$0	\$322,612
VPC One Dev. Corp. ....	\$1,330,462	\$291,108	(\$1,039,354)	\$291,108
VPC Two Dev. Corp. ....	\$886,058	\$38,119	(\$847,939)	\$38,119
<b>Subtotal</b>	<b>\$7,331,026</b>	<b>\$5,407,471</b>	<b>(\$1,923,555)</b>	<b>\$5,162,877</b>
		<b>Recognizable Cash Flow</b>		<b>(\$2,168,149)</b>

**Notes:**

(1) - Properties exceeding budgeted cash flow.

**The Barclay** had a negative variance of \$49,510 driven primarily by higher than projected concessions offered at the property to maintain occupancy coupled with lower than

anticipated retail income. Cash flow at **Magruder's Discovery** was \$46,118 less than budget as a result of lower gross rental income and higher vacancies coupled with higher than anticipated maintenance expenses resulting from required repairs and exterior painting based on the County inspection. The FY'16 Amended Budget restricted 50% of the projected cash flow for **The Metropolitan** for the Air Rights payment to the County. The property had a positive cash flow variance of \$202,286 (\$101,393 + \$101,393) largely due to lower than anticipated utility costs coupled with a lower than anticipated loss from the tax credit units that is covered by the market units. Cash flow for **Montgomery Arms** was \$120,772 lower than anticipated as a result of lower gross rents and slightly higher vacancies coupled with higher than anticipated utility costs. In addition, mold remediation and related repairs in a few units caused maintenance expenses to exceed budget through year end. **Pooks Hill High-Rise** had a negative variance of \$68,975 primarily due to higher vacancies that was partially offset by savings in administrative, utility and maintenance expenses.

The cash flow from both **VPC One** and **VPC Two** was restricted by 25% to allow for the uncertainties during renovations. Actual cash flow from both **VPC One** and **VPC Two Development Corporations** was significantly less than anticipated primarily as a result of higher vacancies and a correction to the contract rents on the 113 RAD Project Based Vouchers (PBV) assigned to the VPC properties. In addition, overall expenses were higher than anticipated due to costs associated with the leasing efforts as well as unanticipated maintenance expenses that were required in some of the un-renovated units. Cash flow for the year at **VPC One** was \$291,108 compared to a budget of \$1,773,949 resulting in a negative variance of \$1,482,841. Cash flow for the year at **VPC Two** was \$38,119 compared to a budget of \$1,181,411 resulting in a negative variance of \$1,143,292. During the development of the FY'16 Budget Amendment, a Debt Service Reserve (DSR) was established in the Opportunity Housing Bond Fund for those properties that are temporarily funding debt on the PNC Lines of Credit (LOC). While the draws on the LOCs bear interest only at rates tied to LIBOR, the respective property's debt service is stressed at a fully amortizing 6.5% rate over a 30-year term to demonstrate that they can support a full debt service payment. The difference between the actual interest cost and the stressed scenario is set aside in the established Debt Service Reserve. This practice has been applied to both **VPC One** and **VPC Two** resulting in contributions to the DSRs of \$2,637,145. If you were to remove the amounts being contributed to the Debt Service Reserve from the expenses, the properties would show cash flow of \$1,843,273 and \$1,123,099 respectively (See chart below).

VPC ONE and TWO Cash Flow		
	VPC One	VPC Two
<b>FY'16 Budgeted Cashflow</b>	<b>\$1,773,949</b>	<b>\$1,181,411</b>
Unrestricted (75%)	\$1,330,462	\$886,058
Restricted (25%)	\$443,487	\$295,353
<b>FY'16 Actual Cashflow</b>	<b>\$291,108</b>	<b>\$38,119</b>
<b>Positive / (Negative) Variance</b>	<b>(\$1,482,841)</b>	<b>(\$1,143,292)</b>
<b>FY'16 Actual Cashflow</b>	<b>\$291,108</b>	<b>\$38,119</b>
Contributions to DSR	\$1,552,165	\$1,084,980
<b>FY'16 Revised Cashflow</b>	<b>\$1,843,273</b>	<b>\$1,123,099</b>

- The second group consists of properties whose cash flow will not be used for the Agency's FY'16 Operating Budget. Cash flow from this group of Development Corporation properties was \$2,054,374 less than budgeted. The cash flow from **Alexander House** was restricted by 25% to allow for uncertainties as the property prepared for renovations. Cash flow for **Alexander House** was \$352,842 lower than anticipated primarily due to higher than anticipated vacancy as units were not released in anticipation of the upcoming renovations. This loss in revenue was partially offset by savings in administrative, utility and maintenance expenses. **Chevy Chase Lake** was budgeted to have a deficit of \$73,033 for FY'16 that was to be covered by existing cash at the property. Through June 30, 2016, the property experienced a negative variance of \$160,026. The FY'16 Amended Budget assumed that the mortgage would be prepaid in July. The authorization to prepay the existing mortgage was not approved until October 2015; therefore, the property continued to bear the full cost of the mortgage through October with less than a 30% average occupancy as tenants vacated the property in anticipation of the impending development plans. Although the deficit was higher than anticipated, there is sufficient cash at the property to cover the loss. The actual deficit at **MetroPointe** was \$116,207 more than anticipated as a result of lower gross rent due to Yieldstar pricing adjustments made to maintain residential occupancy coupled with the erroneous exclusion of the budget for property insurance. The **RAD 6** Properties (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square), which are currently under renovation, experienced a combined shortfall of \$137,795 through year-end largely due to higher than anticipated vacancies coupled with higher utility costs. As a result of recent lease-up efforts for the non-subsidized units, the occupancy at the properties has now stabilized. The development budget for the RAD 6 properties has six months of operating reserves, currently \$618,750, set aside for operational deficits during renovations. A transfer will be made from these reserves to fund the FY'16 shortfall.

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

- The first group consists of properties whose unrestricted net cash flow will be used for the

Agency's FY'16 Operating Budget. This group ended the year with cash flow of \$1,584,128 or \$3,513 less than budget. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter's recognizable cash flow for this group is \$1,359,152 or \$228,489 below budget.

**Unrestricted Opportunity Housing Properties**

	<b>(12 Months) Budget</b>	<b>(12 Months) Actual</b>	<b>Variance</b>	<b>(12 Months) Adjusted</b>
64 MPDUs .....	\$69,042	\$99,101	\$30,059 <sup>(1)</sup>	\$69,042
Chelsea Towers .....	\$56,081	\$48,670	(\$7,411)	\$48,670
Fairfax Court .....	\$112,328	\$108,656	(\$3,672)	\$108,656
Holiday Park .....	\$45,822	\$72,025	\$26,203 <sup>(1)</sup>	\$45,822
Jubilee Falling Creek .....	\$11,110	\$13,926	\$2,816 <sup>(1)</sup>	\$11,110
Jubilee Hermitage .....	\$8,013	\$11,605	\$3,592 <sup>(1)</sup>	\$8,013
Jubilee Horizon Court ....	\$12,667	\$2,899	(\$9,768)	\$2,899
Jubilee Woodedge .....	\$9,741	\$16,557	\$6,816 <sup>(1)</sup>	\$9,741
McHome .....	\$105,175	\$136,479	\$31,304 <sup>(1)</sup>	\$105,175
McKendree .....	\$19,612	\$54,455	\$34,843 <sup>(1)</sup>	\$19,612
MHLP II .....	\$0	(\$299)	(\$299)	(\$299)
MHLP III .....	\$0	(\$2,431)	(\$2,431)	(\$2,431)
MHLP VII .....	\$109,762	\$153,593	\$43,831 <sup>(1)</sup>	\$109,762
MHLP VIII .....	\$273,758	\$222,280	(\$51,478)	\$222,280
MPDU 2007 Phase II .....	\$33,495	\$34,445	\$950 <sup>(1)</sup>	\$33,495
Pooks Hill Mid-Rise .....	\$127,707	\$172,269	\$44,562 <sup>(1)</sup>	\$127,707
Strathmore Court .....	\$593,328	\$439,898	(\$153,430)	\$439,898
<b>Subtotal</b>	<b>\$1,587,641</b>	<b>\$1,584,128</b>	<b>(\$3,513)</b>	<b>\$1,359,152</b>
		<b>Recognizable Cash Flow</b>		<b>(\$228,489)</b>

**Notes:**

(1) - Properties exceeding budgeted cash flow.

- Several properties in this portfolio experienced small negative income variances that were almost entirely offset by savings in expenses. Where this is not the case, explanations follow. **Chelsea Towers** experienced higher than anticipated vacancies, which contributed to a negative variance in income. **Jubilee Horizon Court** rental income was approximately \$9,000 less than budgeted. The budget assumed the units would be leased in July 2015; however, actual leasing began in October 2015. Although the remaining units in **MHLP II and MHLP III** have been sold, the financials reflect minimal expenses associated with those units. Cash Flow for **MHLP VII** exceeded budget by \$43,831 as a result of lower than anticipated vacancies. **MHLP VIII** experienced a negative cash flow variance of \$51,478 primarily due to higher maintenance expenses resulting from unit turnover and higher tax expenses. The negative variance was further impacted by slightly higher vacancies at the property. **Pooks Hill Mid-Rise** experienced a positive cash flow variance of \$44,562



primarily related to savings in administrative salaries and other administrative costs along with maintenance salaries that were lower than anticipated. Cash flow for **Strathmore Court** was \$153,430 lower than anticipated as a result of lower gross rent due to Yieldstar pricing adjustments made to maintain residential occupancy coupled with additional loan payments on the tax credit units beginning in March 2016 that were not included in the budget resulting in a higher tax credit deficit that is covered by the market units. This increase in expenses was partially offset by savings in administrative and maintenance expenses.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'16 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was \$460,234 higher than budget for the year. The FY'16 Amended Budget assumed that the Agency would absorb the anticipated deficit at **The Ambassador**. The property ended the year with a cash flow deficit of \$86,173, which resulted in a positive cash flow variance of \$163,261 mainly due to lower than projected vacancies coupled with savings in maintenance expenses. **Brookside Glen** experienced a positive cash flow variance of \$51,035 as a result of lower vacancies coupled with savings in utility and maintenance expenses through quarter-end. **Dale Drive** experienced a small deficit of \$8,626 for the year as a result of approximately \$15,500 in restoration costs resulting from a fire in one of the units. An insurance claim has been filed to recover the cost of the restoration. The **CDBG, NCI and NSP Units** have individual budgets for each unit that include a standard annual amount for maintenance related expenses. Any cash flow at year-end resulting from savings in expenses and/or additional earned income is restricted to the respective property's Operating Reserves. As a result of lower vacancies coupled with savings in maintenance expenses, most of the properties exceeded budget. The estimated year-end contribution of excess cash resulted in minor year end surpluses and/or shortfalls that will be adjusted in FY'17. **Greenhills Apartments** ended the year with a cash flow of \$289,246, which was \$32,060 above budget. The positive variance is primarily a result savings in administrative and maintenance salaries and benefits coupled with lower than anticipated bad debt expense. **Paint Branch Apartments** had a positive variance of \$25,125 as a result of lower vacancy coupled with the receipt of an insurance reimbursement. **Southbridge** experienced a positive cash flow variance of \$17,874 as a result of lower than anticipated debt service. Cash flow for **State Rental Partnership** was \$96,057 below budget primarily as a result of higher than anticipated maintenance expenses required to lease the units. **Westwood Towers** had a positive variance of \$278,630 as a result of lower concessions and vacancies coupled with savings in most expense categories. The expense savings includes permanent savings in taxes due to the receipt of the PILOT agreement on the property.

#### The Public Fund (Attachment D)

- The Public Housing Rental Program ended the year with a surplus of \$1,644,370, which resulted in a positive variance of \$1,591,948 when compared to the projected cash flow of \$52,422. Income was \$2,932,666 more than budget largely due to the receipt of higher than anticipated operating subsidy. Several factors impacted the positive variance. The

budget assumed a pro-ration of 82.35% for both CY'15 and CY'16 based upon the information available at the time the budget was amended. The actual pro-ration for CY'15 was increased to 85.36% and the current CY'16 pro-ration is 89.81%. In addition, the Agency continued to receive subsidy for some of the scattered sites that converted to the **VPC One** and **VPC Two Development Corporations**. The majority of this subsidy was received as Asset Repositioning Fees (ARF). Finally, the funding to pay for the vouchers at the **RAD 6** properties (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square) was received as operating subsidy through December 2015 resulting in continued income at the old Public Housing properties. There is a corresponding expense recorded to reflect the subsidy being moved to the development corporation properties as voucher revenue which is a leading cause for the negative expense variance of \$1,340,718.

In addition, a delay in the anticipated closing of Arcola Towers and Waverly House under the Rental Assistance Demonstration (RAD) Program resulted in their continuing to be reported in the Public Housing Portfolio through December 2015. Both properties will also continue to receive operating subsidy after the closing that is being transferred to the Tax Credit properties as voucher revenue, similar to the RAD 6 properties noted above, that will be reflected as an increase to both income and expenses in the old Public Housing properties until December of 2016.

It should be noted that the two grants previously received to support the Family Self Sufficiency (FSS) Program for Public Housing and voucher participants were consolidated into one grant beginning in January 2015. We continued to draw from the unspent funds from the former Public Housing FSS grant which is reflected as equal positive variances for both income and expenses.

- The Housing Choice Voucher Program (HCVP) ended the quarter with a surplus of \$761,824 which resulted in a positive variance of \$988,200 when compared to the projected shortfall of \$226,376. The surplus was comprised of Housing Assistance Payments (HAP) revenue that exceeded HAP expense by \$40,922 coupled with an administrative surplus of \$720,902. The HAP surplus will be restricted to the HCVP Net Restricted Assets (NRA), which is cash that was recognized but not spent in prior years. The program ended the year with an administrative surplus due to higher than anticipated revenue of \$650,416 and savings in administrative expenses of \$296,862. The higher revenue was the result of higher proration factors of 79% through October 2015, 81% for November and December of 2015, and 84% for January through June of 2016 compared to the budgeted proration factor of 75% and higher administrative fees received on incoming portables. The savings in expenses were primarily due to savings in administrative salaries and benefits, and lower management fee expenses which are now based on utilization.

#### Budget Impact – FY'16

- As explained in this memo, the Agency ended the year with a \$503,281 deficit primarily as a

result of lower than anticipated cash flow in the unrestricted Development Corporations, particularly VPC One and Two, as a result of property performance, that is reflected as fee income in the General Fund.

- During the development of the FY'16 Budget Amendment, a Debt Service Reserve was established in the Opportunity Housing Bond Fund for those properties that are temporarily funding debt on the PNC Lines of Credit (LOC). The difference between the actual interest cost and the stressed scenario is being set aside in the established Debt Service Reserve. VPC One and VPC Two contributed a total of \$2,637,145 to the Debt Service Reserve (DSR).
- Staff recommends that \$503,281 of the total \$2,637,145 contributed to the DSR by the VPC properties be used to fund the Agency's operating deficit.

#### Tax Credit Partnerships

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

#### The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'16. The chart is grouped in two sections – General Fund and Opportunity Housing properties. Several properties exceeded their budget due to unanticipated physical needs at the properties. On properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve (OHPR) for FY'16. Total expenditures for the portfolio did not exceed the authorized amount allocated from the OHPR for FY'16. Capital Budgets from projects with positive variances will be rolled forward as requested.

Following is an explanation of properties that have exceeded their annual capital budget. There are sufficient property reserves to cover the overages at all of the properties except **Jubilee Horizon Court** and **MHLP VII**. The overages at this property will be covered by the OHPR. There are sufficient savings in other capital budgets that were drawing from this reserve to cover the overage at this time.

Several properties that are comprised of older scattered site units that have not undergone any comprehensive renovations (**MHLP VII, MHLP VIII, 64 MPDUs, Scattered Site One and Two Development Corporations, and State Rental Partnership**) required additional capital improvements to support the lease-up efforts at the properties resulting in overages.

The **Avondale Apartments** exceeded its capital budget due to the unanticipated replacement of aged galvanized pipes in four units that will be funded by cash generated at the property. There were nominal capital appliance expenses at **Brooke Park** that were not anticipated. **Chelsea Towers** overspent its capital budget as a result of the additional work needed to prepare for the Real Estate Assessment Center (REAC) inspection at the property. The

expenditures included the replacement of flooring/carpet, cabinets, countertops, and stairwell handrails. A storm drain was replaced at **Glenmont Crossing** resulting in higher than budgeted capital expenditures that were partially offset by savings in other budgeted capital items. Unanticipated radon remediation at **Greenhills Apartments** resulted in a negative capital variance. As a result of a County citation at **Holiday Park**, heavy tree and brush coverage in the rear of the property had to be removed at an unanticipated cost of \$44,750 which caused the property to exceed its capital budget. Capital expenditures at **Jubilee Horizon Court** exceeded the budget by a nominal amount as a result of replacing a leaking water heater. **MetroPointe** exceeded its capital budget as a result of additional carpet replacements on turnover coupled with retrofitting lighting in the garage. As mentioned previously, budgeting for the **CDBG, NCI** and **NSP Units** is standardized and as such did not include plans for any capital improvements. Capital expenditures that have occurred at a few NCI and NSP units will be covered by existing property reserves. Capital expenditures at **Pooks Hill high-Rise** exceeded budget as a result of the unanticipated need to replace the side entry door by the loading dock as well as several deteriorating pipes throughout the building that were causing bad smells and leaks coupled with revamping the underground sand filters and stones in front of two buildings. **Pooks Hill Mid-Rise** exceeded its capital budget as a result of power washing, resurfacing the parking lot and storm drain repairs. It was discovered that there was additional work needed to prepare the grounds before the asphalt was replaced. **Strathmore Court** exceeded its capital budget as a result of additional carpet and tile replacements that were not budgeted.

Both **VPC One** and **VPC Two** continue to experience capital needs on the yet to be renovated units that have caused overages in both properties. Finally, \$5,000 per property was budgeted to cover nominal capital expenditures that may occur at the converted **RAD 6 Properties** during renovations (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square). Four of the properties exceeded the \$5,000 capital budget established.

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

**WHEREAS**, the Commission reviewed the Fourth Quarter FY'16 Budget to Actual Statements during its October 5, 2016 meeting; and

**WHEREAS**, the Agency ended Fiscal Year 2016 with an operating deficit of \$503,281; and

**WHEREAS**, HOC Budget Policy requires the Agency to end the fiscal year with a balanced budget.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby authorizes staff to transfer \$503,281 from the Opportunity Housing Debt Service Reserve Fund to the General Fund in order to balance the FY'16 Budget.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Fourth Quarter FY'16 Budget to Actual Statements.

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, October 5, 2016.

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Patrice Birdsong  
Special Assistant to the Commission

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## FY'16 Fourth Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(12 Months) Budget	(12 Months) Actual	Variance
<b>General Fund</b>			
General Fund .....	(\$1,053,657)	(\$1,721,475)	(\$667,818)
<b>Administration of Multifamily and Single Family Fund</b>			
Multifamily Fund .....	\$0	\$50,115	\$50,115
Draw from / (Restrict to) Multifamily Bond Fund .....	\$0	(\$50,115)	(\$50,115)
Single Family Fund .....	\$0	(\$35,469)	(\$35,469)
Draw from / (Restrict to) Single Family Bond Fund .....	\$0	\$35,469	\$35,469
<b>Opportunity Housing Fund</b>			
Opportunity Housing Properties .....	\$1,587,641	\$1,359,152	(\$228,489)
Loss on Development Corporation Property Income .....	(\$52,659)	(\$48,140)	\$4,519
Restricted Opportunity Housing .....	(\$254,949)	(\$92,818)	\$162,131
<b>OHRF</b>			
OHRF Balance .....	\$268,617	\$5,033,790	\$4,765,173
Excess Cash Flow Restricted .....	(\$268,617)	(\$5,033,790)	(\$4,765,173)
Draw from existing funds .....	\$0	\$0	\$0
<b>Net -OHRF</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing</b>	<b>\$226,376</b>	<b>(\$503,281)</b>	<b>(\$729,657)</b>
<b>Public Fund</b>			
Public Housing Rental (1) .....	\$52,422	\$1,644,370	\$1,591,948
Housing Choice Voucher Program HAP (2) .....	\$0	\$40,922	\$40,922
Housing Choice Voucher Program Admin (3) .....	(\$226,376)	\$720,902	\$947,278
<b>Total -Public Fund</b>	<b>(\$173,954)</b>	<b>\$2,406,194</b>	<b>\$2,580,148</b>
<b>Public Fund - Reserves</b>			
(1) Public Housing Rental - Draw from / (Restrict to) Program .....	(\$52,422)	(\$1,644,370)	(\$1,591,948)
(2) Draw from / (Restrict to) HCV Program Cash Reserves .....	\$0	(\$40,922)	(\$40,922)
(3) Draw from / (Restrict to) HCV Program Excess Admin Fee .....	\$0	(\$720,902)	(\$720,902)
<b>Total -Public Fund Reserves</b>	<b>(\$52,422)</b>	<b>(\$2,406,194)</b>	<b>(\$2,353,772)</b>
<b>SUBTOTAL - Public Funds</b>	<b>(\$226,376)</b>	<b>\$0</b>	<b>\$226,376</b>
<b>TOTAL - All Funds</b>	<b>\$0</b>	<b>(\$503,281)</b>	<b>(\$503,281)</b>

## FY'16 Fourth Quarter Capital Budget to Actual Comparison

	Capital Expenses		
	(12 Months) Budget	(12 Months) Actual	Variance
<b>General Fund</b>			
East Deer Park .....	\$187,800	\$268,746	(\$80,946)
Kensington Office .....	\$367,466	\$178,245	\$189,221
Information Technology .....	\$1,679,129	\$927,133	\$751,996
<b>Opportunity Housing Fund</b>	\$4,586,096	\$4,471,300	\$114,796
<b>TOTAL - All Funds</b>	<b>\$6,820,491</b>	<b>\$5,845,424</b>	<b>\$975,067</b>

## FY'16 Fourth Quarter Operating Budget to Actual Comparison

### Development Corp Properties - Net Cash Flow

	(12 Months)	Variance		(12 Months)	Variance
	<u>Budget</u>	<u>Income</u>	<u>Expense</u>	<u>Actual</u>	
<b>Properties with unrestricted cash flow for Agency FY'16 Operating Budget</b>					
Alexander House .....	\$1,281,263	(\$149,774)	\$149,774	\$1,281,263	\$0
The Barclay .....	\$150,738	(\$39,080)	(\$10,430)	\$101,228	(\$49,510)
Glenmont Crossing .....	\$20,482	(\$2,654)	\$6,511	\$24,339	\$3,857
Glenmont Westerly .....	\$134,524	\$2,121	\$24,185	\$160,830	\$26,306
Magruder's Discovery .....	\$699,065	(\$23,303)	(\$22,815)	\$652,947	(\$46,118)
The Metropolitan .....	\$946,257	\$9,192	\$92,202	\$1,047,650	\$101,393
Montgomery Arms .....	\$355,253	(\$10,407)	(\$110,365)	\$234,481	(\$120,772)
TPM - 59 MPDUs .....	\$229,807	\$11,279	\$17,815	\$258,900	\$29,093
Paddington Square .....	\$240,085	\$47,618	(\$47,618)	\$240,085	\$0
TPM - Pomander Court .....	\$56,120	\$3,072	(\$3,071)	\$56,120	\$0
Pooks Hill High-Rise .....	\$382,019	(\$148,541)	\$79,567	\$313,044	(\$68,975)
Scattered Site One Dev. Corp. ....	\$297,288	\$31,549	\$29,209	\$358,046	\$60,758
Scattered Site Two Dev. Corp. ....	(\$52,659)	\$15,551	(\$11,033)	(\$48,140)	\$4,519
Sligo Development Corp. ....	\$51,652	\$8,348	\$14,839	\$74,839	\$23,187
TPM - Timberlawn .....	\$322,612	(\$37,579)	\$37,579	\$322,612	\$0
VPC One Dev. Corp. ....	\$1,330,462	(\$718,407)	(\$320,947)	\$291,108	(\$1,039,354)
VPC Two Dev. Corp. ....	\$886,058	(\$750,880)	(\$97,059)	\$38,119	(\$847,939)
<b>Subtotal</b>	<b>\$7,331,026</b>	<b>(\$1,751,895)</b>	<b>(\$171,657)</b>	<b>\$5,407,471</b>	<b>(\$1,923,555)</b>
<b>Properties with restricted cash flow (external and internal)</b>					
Alexander House .....	\$427,088	(\$402,766)	\$49,925	\$74,246	(\$352,842)
Chevy Chase Lake .....	(\$73,033)	\$11,310	(\$171,336)	(\$233,059)	(\$160,026)
Glenmont Crossing .....	\$164,250	(\$21,282)	\$52,212	\$195,181	\$30,931
Glenmont Westerly .....	\$128,289	\$2,023	\$23,064	\$153,376	\$25,087
Ken Gar .....	\$72,065	(\$84,102)	\$2,056	(\$9,981)	(\$82,046)
MetroPointe .....	(\$117,235)	(\$123,667)	\$7,460	(\$233,442)	(\$116,207)
The Metropolitan .....	\$946,257	\$9,192	\$92,202	\$1,047,650	\$101,393
Oaks at Four Corners .....	\$3,309	(\$6,303)	\$65,575	\$62,581	\$59,272
Paddington Square .....	\$240,085	\$1,262	(\$47,618)	\$193,729	(\$46,356)
Parkway Woods .....	\$60,058	(\$44,206)	\$15,690	\$31,542	(\$28,516)
TPM - Pomander Court .....	\$56,120	(\$37,402)	(\$3,071)	\$15,646	(\$40,474)
Sandy Spring Meadow .....	\$188,411	(\$74,681)	(\$30,322)	\$83,408	(\$105,003)
Seneca Ridge .....	\$324,887	(\$422,087)	(\$76,740)	(\$173,940)	(\$498,827)
TPM - Timberlawn .....	\$322,612	(\$46,937)	\$37,579	\$313,254	(\$9,358)
Towne Centre Place .....	\$131,344	(\$26,384)	(\$140)	\$104,820	(\$26,524)
VPC One Dev. Corp. ....	\$443,487	(\$336,505)	(\$106,982)	\$0	(\$443,487)
VPC Two Dev. Corp. ....	\$295,353	(\$253,470)	(\$32,353)	\$0	(\$295,353)
Washington Square .....	\$52,420	(\$183,399)	(\$52,195)	(\$173,644)	(\$226,064)
<b>Subtotal</b>	<b>\$3,665,767</b>	<b>(\$2,039,404)</b>	<b>(\$174,994)</b>	<b>\$1,451,367</b>	<b>(\$2,214,400)</b>
<b>TOTAL ALL PROPERTIES</b>	<b>\$10,996,793</b>	<b>(\$3,791,299)</b>	<b>(\$346,651)</b>	<b>\$6,858,838</b>	<b>(\$4,137,955)</b>



## FY'16 Fourth Quarter Operating Budget to Actual Comparison

### For Opportunity Housing Properties - Net Cash Flow

	(12 Months)	Variance		(12 Months)	Variance
	<u>Budget</u>	<u>Income</u>	<u>Expense</u>	<u>Actual</u>	
<b>Properties with unrestricted cash flow for Agency FY'16 Operating Budget</b>					
64 MPDUs .....	\$69,042	\$12,121	\$17,938	\$99,101	\$30,059
Chelsea Towers .....	\$56,081	(\$10,669)	\$3,257	\$48,670	(\$7,411)
Fairfax Court .....	\$112,328	(\$5,972)	\$2,300	\$108,656	(\$3,672)
Holiday Park .....	\$45,822	\$2,368	\$23,835	\$72,025	\$26,203
Jubilee Falling Creek .....	\$11,110	(\$107)	\$2,923	\$13,926	\$2,816
Jubilee Hermitage .....	\$8,013	\$4,184	(\$592)	\$11,605	\$3,592
Jubilee Horizon Court .....	\$12,667	(\$10,214)	\$446	\$2,899	(\$9,768)
Jubilee Woodedge .....	\$9,741	(\$79)	\$6,895	\$16,557	\$6,816
McHome .....	\$105,175	\$20,949	\$10,355	\$136,479	\$31,304
McKendree .....	\$19,612	\$20,115	\$14,728	\$54,455	\$34,843
MHLP II .....	\$0	\$1	(\$300)	(\$299)	(\$299)
MHLP III .....	\$0	\$2	(\$2,432)	(\$2,431)	(\$2,431)
MHLP VII .....	\$109,762	\$35,890	\$7,941	\$153,593	\$43,831
MHLP VIII .....	\$273,758	\$8,627	(\$60,105)	\$222,280	(\$51,478)
MPDU 2007 Phase II .....	\$33,495	(\$787)	\$1,737	\$34,445	\$950
Pooks Hill Mid-Rise .....	\$127,707	\$6,616	\$37,946	\$172,269	\$44,562
Strathmore Court .....	\$593,328	(\$122,716)	(\$30,714)	\$439,898	(\$153,430)
<b>Subtotal</b>	<b>\$1,587,641</b>	<b>(\$39,671)</b>	<b>\$36,158</b>	<b>\$1,584,128</b>	<b>(\$3,513)</b>
<b>Properties with restricted cash flow (external and internal)</b>					
617 Olney Sandy Spring Road .....	(\$3,930)	\$0	(\$927)	(\$4,857)	(\$927)
The Ambassador .....	(\$249,434)	\$238,560	(\$75,298)	(\$86,173)	\$163,261
Avondale Apartments .....	\$152,187	(\$8,233)	(\$8,851)	\$135,102	(\$17,085)
Brooke Park .....	(\$1,585)	(\$14,558)	\$14,355	(\$1,788)	(\$203)
Brookside Glen (The Glen) .....	\$207,553	\$26,833	\$24,202	\$258,588	\$51,035
CDBG Units .....	\$0	\$2,118	\$3,489	\$5,607	\$5,607
Dale Drive .....	\$13,238	\$1,570	(\$23,435)	(\$8,626)	(\$21,864)
Diamond Square .....	\$150,252	\$7,156	\$10,659	\$168,067	\$17,815
Greenhills Apartments .....	\$257,186	\$1,627	\$30,434	\$289,246	\$32,060
King Farm Village .....	\$1,953	\$1	\$1,804	\$3,758	\$1,805
NCI Units .....	\$0	(\$722)	\$2,155	\$1,432	\$1,432
NSP Units .....	\$0	\$3,467	(\$1,741)	\$1,726	\$1,726
Paint Branch .....	\$40,083	\$17,296	\$7,829	\$65,208	\$25,125
Southbridge .....	\$56,080	\$384	\$17,491	\$73,954	\$17,874
State Rental Partnership .....	\$177,273	(\$7,141)	(\$88,916)	\$81,216	(\$96,057)
Westwood Tower .....	\$57,657	\$139,358	\$139,272	\$336,287	\$278,630
<b>Subtotal</b>	<b>\$858,513</b>	<b>\$407,716</b>	<b>\$52,522</b>	<b>\$1,318,747</b>	<b>\$460,234</b>
<b>TOTAL ALL PROPERTIES</b>	<b>\$2,446,154</b>	<b>\$368,045</b>	<b>\$88,680</b>	<b>\$2,902,875</b>	<b>\$456,721</b>



**FY'16 Fourth Quarter Operating Budget to Actual Comparison**  
**For HUD Funded Programs**

	(12 Months)	(12 Months)	
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Public Housing Rental</b>			
Revenue	\$2,406,153	\$5,338,819	\$2,932,666
Expenses	\$2,353,731	\$3,694,449	(\$1,340,718)
<b>Net Income</b>	<b>\$52,422</b>	<b>\$1,644,370</b>	<b>\$1,591,948</b>

**Housing Choice Voucher Program**

HAP revenue	\$84,864,900	\$80,678,213	(\$4,186,687)
HAP payments	\$84,864,900	\$80,637,291	\$4,227,609
<b>Net HAP</b>	<b>\$0</b>	<b>\$40,922</b>	<b>\$40,922</b>
Admin.fees & other inc.	\$5,958,296	\$6,608,712	\$650,416
Admin. Expense	\$6,184,672	\$5,887,810	\$296,862
<b>Net Administrative</b>	<b>(\$226,376)</b>	<b>\$720,902</b>	<b>\$947,278</b>
<b>Net Income</b>	<b>(\$226,376)</b>	<b>\$761,824</b>	<b>\$988,200</b>

**FY'16 Fourth Quarter Operating Budget to Actual Comparison**  
**For Public Housing Rental Programs - Net Cash Flow**

	(12 Months) <u>Budget</u>	<u>Income</u>	Variance <u>Expense</u>	(12 Months) <u>Actual</u>	<u>Variance</u>
Elizabeth House .....	\$32	(\$127,113)	\$95,522	(\$31,559)	(\$31,591)
Holly Hall .....	\$51,423	(\$64,736)	\$38,643	\$25,329	(\$26,094)
Arcola Towers .....	\$0	\$557,281	(\$502,818)	\$54,463	\$54,463
Waverly House .....	\$967	\$582,511	(\$481,464)	\$102,013	\$101,046
Seneca Ridge .....	\$0	\$252,172	(\$118,748)	\$133,424	\$133,424
Emory Grove / Washington Square .....	\$0	\$232,830	(\$131,273)	\$101,557	\$101,557
Towne Centre Place / Sandy Spring Meadow .....	\$0	\$148,651	(\$109,026)	\$39,625	\$39,625
Ken Gar / Parkway Woods .....	\$0	\$97,096	(\$59,332)	\$37,764	\$37,764
Scattered Sites Central .....	\$0	\$70,935	(\$45)	\$70,890	\$70,890
Scattered Sites East .....	\$0	\$59,183	(\$196)	\$58,988	\$58,988
Scattered Sites Gaithersburg .....	\$0	\$545,392	(\$170)	\$545,222	\$545,222
Scattered Sites North .....	\$0	\$507,625	(\$1,250)	\$506,375	\$506,375
Scattered Sites West .....	\$0	\$406	(\$128)	\$278	\$278
Resident Services .....	\$0	\$70,433	(\$70,433)	\$0	\$0
<b>TOTAL ALL PROPERTIES</b>	<b>\$52,422</b>	<b>\$2,932,666</b>	<b>(\$1,340,718)</b>	<b>\$1,644,369</b>	<b>\$1,591,947</b>

**FY 16' Fourth Quarter Operating Budget to Actual Comparison**  
**For Capital Improvements**

	(12 Months) <u>Budget</u>	(12 Months) <u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
East Deer Park .....	\$187,800	\$268,746	(\$80,946)
Kensington Office .....	\$367,466	\$178,245	\$189,221
Information Technology .....	\$1,679,129	\$927,133	\$751,996
<b>Subtotal</b>	<b>\$2,234,395</b>	<b>\$1,374,124</b>	<b>\$860,271</b>
<b>Opportunity Housing</b>			
Ambassador .....	\$25,020	\$6,519	\$18,501
Alexander House .....	\$189,458	\$129,587	\$59,871
Avondale Apartments .....	\$11,000	\$25,805	(\$14,805)
The Barclay .....	\$42,254	\$20,856	\$21,398
Brooke Park .....	\$0	\$577	(\$577)
Brookside Glen (The Glen) .....	\$109,932	\$96,829	\$13,103
CDBG Units .....	\$0	\$0	\$0
Chelsea Towers .....	\$14,008	\$25,930	(\$11,922)
Chevy Chase Lake .....	\$2,833	\$0	\$2,833
Dale Drive .....	\$3,003	\$625	\$2,378
Diamond Square .....	\$237,401	\$91,988	\$145,413
Fairfax Court .....	\$30,140	\$7,970	\$22,170
Glenmont Crossing .....	\$93,312	\$99,017	(\$5,705)
Glenmont Westerly .....	\$81,061	\$79,215	\$1,846
Greenhills Apartments .....	\$52,950	\$65,225	(\$12,275)
Holiday Park .....	\$39,835	\$58,315	(\$18,480)
Jubilee Falling Creek .....	\$515	\$0	\$515
Jubilee Hermitage .....	\$3,427	\$20	\$3,407
Jubilee Horizon Court .....	\$1,000	\$2,333	(\$1,333)
Jubilee Woodedge .....	\$2,704	\$20	\$2,684
Ken Gar .....	\$2,500	\$4,469	(\$1,969)
King Farm Village .....	\$0	\$0	\$0
Magruder's Discovery .....	\$117,961	\$103,007	\$14,954
McHome .....	\$97,469	\$66,978	\$30,491
McKendree .....	\$19,117	\$11,349	\$7,768
MetroPointe .....	\$34,712	\$44,379	(\$9,667)
The Metropolitan .....	\$172,470	\$126,237	\$46,233
Montgomery Arms .....	\$121,049	\$117,008	\$4,041
MHLP VII .....	\$19,201	\$36,647	(\$17,446)
MHLP VIII .....	\$41,476	\$107,195	(\$65,719)
MPDU 2007 Phase II .....	\$4,600	\$1,295	\$3,305
617 Olney Sandy Spring Road .....	\$0	\$0	\$0
64 MPDUs .....	\$112,821	\$125,450	(\$12,629)
TPM - 59 MPDUs .....	\$146,342	\$117,514	\$28,828
Oaks at Four Corners .....	\$304,623	\$75,008	\$229,615
NCI Units .....	\$0	\$29,151	(\$29,151)
NSP Units .....	\$0	\$1,834	(\$1,834)
Paddington Square .....	\$92,270	\$48,926	\$43,344
Paint Branch .....	\$24,967	\$12,475	\$12,492
Parkway Woods .....	\$5,000	\$0	\$5,000
TPM - Pomander Court .....	\$20,662	\$3,611	\$17,051
Pooks Hill High-Rise .....	\$876,105	\$919,836	(\$43,731)
Pooks Hill Mid-Rise .....	\$97,100	\$134,128	(\$37,028)
Sandy Spring Meadow .....	\$5,000	\$550	\$4,450
Scattered Site One Dev. Corp. ....	\$184,781	\$480,245	(\$295,464)
Scattered Site Two Dev. Corp. ....	\$71,173	\$126,068	(\$54,895)
Seneca Ridge .....	\$5,000	\$13,800	(\$8,800)
Southbridge .....	\$4,867	\$4,007	\$860
Sligo Development Corp. ....	\$92,462	\$49,048	\$43,414
State Rental Partnership .....	\$126,346	\$379,462	(\$253,116)
Strathmore Court .....	\$192,669	\$204,659	(\$11,990)
Towne Centre Place .....	\$5,000	\$7,200	(\$2,200)
TPM - Timberlawn .....	\$33,814	\$32,627	\$1,187
VPC One Dev. Corp. ....	\$58,500	\$118,862	(\$60,362)
VPC Two Dev. Corp. ....	\$49,700	\$80,131	(\$30,431)
Washington Square .....	\$5,000	\$29,084	(\$24,084)

Westwood Tower .....	\$501,486	\$148,229	\$353,257
<b>Subtotal</b>	<b>\$4,586,096</b>	<b>\$4,471,300</b>	<b>\$114,796</b>
<b>TOTAL</b>	<b>\$6,820,491</b>	<b>\$5,845,424</b>	<b>\$975,067</b>

# **APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR 900 Thayer Avenue**

**October 5, 2016**

- **900 Thayer Avenue is a five-story mixed income building planned for downtown Silver Spring. Consisting of 124 units, construction is scheduled to begin in March 2017 and units delivered in 24 months.**
- **In accordance with the Housing Opportunities Commission's Procurement Policy, a Request for Proposals (RFP) was issued for pre-construction consulting services and property management services for 900 Thayer Avenue.**
- **Responses to the RFP were received from two property management companies.**
- **Staff from four divisions interviewed and scored the respondents in accordance with the RFP criteria.**
- **Staff determined that Edgewood Management is the best candidate for the management of 900 Thayer Avenue.**
- **Staff recommends that the Commission authorize the Executive Director to execute a management contract with Edgewood Management for pre-construction consulting services and property management services at 900 Thayer Avenue.**

# MEMORANDUM

**TO:** Housing Opportunities Commission  
**VIA:** Stacy L. Spann, Executive Director  
**FROM:** Staff: Bobbie Dacosta      Division: Property Management      Ext. 9524  
**RE:** Approval of Property Management Contract for 900 Thayer Avenue  
**DATE:** October 5, 2016

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

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**OVERALL GOAL & OBJECTIVE:**

Approval to execute a management contract with Edgewood Management Corporation for property management services at 900 Thayer Avenue.

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**BACKGROUND:**

900 Thayer Avenue is a 124-unit midrise wood frame apartment community planned for downtown Silver Spring. Construction of 900 Thayer is expected to begin in March 2017 with units delivered in 24 months. This will be a mixed-income property including 96 affordable units and 28 market units. Although the property is available to families, the affordable units will be initially offered to residents in HOC senior buildings scheduled for redevelopment.

A Request for Proposal (RFP) was issued in accordance with HOC's Procurement Policy for Property Management Services. The RFP included two components: Pre-Construction Consulting Services and Property Management Services. Respondents were expected to have expertise in property management, specifically managing Low Income Housing Tax Credit (LIHTC) properties and pre-development planning. Pre-construction consulting services include market analysis, budget preparation, branding, advertising and recommendations for interior design and property amenities. HOC currently owns the site on which 900 Thayer will be situated. It is the intent of HOC to submit an application for 9% tax credits and identify the selected management agent in this application.

HOC received responses from two management companies: Winn Residential and Edgewood Management. Staff from Property Management, Real Estate Development, Finance and Compliance interviewed and evaluated the proposals which included the following fee structure:

<b>Responding Company</b>	<b>Proposed Fee</b>
<ul style="list-style-type: none"><li>Winn Residential</li></ul>	\$46 PUPM at stabilization Monthly fee of \$627 until 95% occupied Bonus fee of \$250 for every unit leased until 97% occupied Pre-construction fee of \$2,000 per month
<ul style="list-style-type: none"><li>Edgewood Management</li></ul>	\$42 PUPM Pre-construction fee of \$2,500 per month

Staff is recommending that Edgewood Management be awarded this contract. Edgewood has extensive experience in managing affordable and mixed income properties throughout Montgomery County, including numerous LIHTC projects they manage for HOC. During the interview process, Edgewood shared recent project successes for which they performed both management and pre-construction services, including Gallery Bethesda and The Premier in Silver Spring. They offered strategies for marketing a property with limited amenities, and the ability to perform detailed market analysis and prepare budgets for start-up costs related to property operations, maintenance inventory and efficient energy management systems.

Winn Residential is a national company, with some experience in Maryland, but currently managing only a single property in Montgomery County. HOC has prior experience with Winn when they briefly managed The Barclay and Spring Garden after acquiring Landex Management. Their proposed fee structure is multi-faceted and includes performance and incentive fees in addition to the monthly pre-development consulting fee.

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

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to authorize the Executive Director to execute a management contract with Edgewood Management for property management services at 900 Thayer Avenue?

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**BUDGET IMPACT:**

Edgewood proposed a management fee of \$42.00 per unit per month and a pre-construction fee of \$2,500.00 per month. Based on the terms outlined in the RFP, the estimated value of the contract is \$122,496.00 for a three-year period (24 months of pre-construction consulting services and 12 months of property management services).

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**PRINCIPALS:**

HOC  
Edgewood Management

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**TIME FRAME:**

The terms of the Management Agreement for 900 Thayer was discussed with The Budget, Finance and Audit Committee at its meeting on September 22, 2016; for Commission action at its meeting of October 5, 2016.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

The Budget, Finance and Audit Committee recommends that the Commission authorize the Executive Director to execute a management contract with Edgewood Management for property management and pre-construction services at 900 Thayer Avenue.

**RESOLUTION: 16-70**

**Re: Approval of Property  
Management Contract for 900  
Thayer Avenue**

**WHEREAS**, the Housing Opportunities Commission issued a Request for Proposals (RFP) for pre-construction consulting services and property management of 900 Thayer Avenue Apartments; and

**WHEREAS**, based on the criteria included in the RFP and pricing from two responding companies, a panel of staff from Property Management, Finance, Compliance and Real Estate scored the results and determined that Edgewood Management is the most qualified to manage 900 Thayer Avenue.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission that the Executive Director is hereby authorized to execute a contract for the term of one (1) year, with two (2) one (1) year renewal options, with Edgewood Management for pre-construction consulting and property management services at 900 Thayer Avenue.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 5, 2016.

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**Patrice Birdsong  
Special Assistant to the Commission**



# Development and Finance Committee

APPROVAL OF THE FINAL DEVELOPMENT PLAN FOR  
ALEXANDER HOUSE APARTMENTS, APPROVAL OF THE  
ACQUISITION OF 122 UNITS FROM ALEXANDER HOUSE  
DEVELOPMENT CORPORATION, AND AUTHORIZATION FOR THE  
EXECUTIVE DIRECTOR TO SIGN THE GENERAL CONTRACTOR  
CONTRACT WITH CBP CONSTRUCTORS LLC

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STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
ZACHARY MARKS  
BRIAN KIM  
HYUNSUK CHOI

October 5, 2016

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# Executive Summary

- Alexander House Apartments was constructed in 1992 and is located near the Silver Spring Metro Station. The property is a single sixteen story building with a three level underground parking garage. The building contains 311 units, 203 parking spaces, management offices, and maintenance and engineering rooms. The property also shares a common outdoor pool with Elizabeth House Apartments, the property adjacent to the north.
- Alexander House is an important element in the redevelopment of Elizabeth Square. To incorporate the property seamlessly into the overall square, the preliminary and project plan for Elizabeth Square, approved on July 23, 2015, includes amendments to the Property. The certified site plan for the recommended changes included in the preliminary and project plan is anticipated to be approved by November 2016.
- Upon refinancing, the equity will be extracted and used to contribute to the funding of the affordable housing component of Elizabeth House III.
- On February 3, 2016, the Commission approved \$1,025,420 to the predevelopment budget to be funded with a loan from the Opportunity Housing Reserve Fund (“OHRF”) to prepare a LIHTC application for submission to the Maryland Department of Housing and Community Development (“DHCD”) to be refunded at the bond closing.
- The Commission also approved a Preliminary Development Plan for the Property which includes the sale of 40% of the units to a limited partnership to allow it to raise equity from the syndication of low income housing tax credits to be allocated by the Maryland Department of Housing and Community Development (“DHCD”).
- An application for Low Income Housing Tax Credit (“LIHTC”) was submitted to Department of Housing and Community Development on July 12, 2016.

# Executive Summary

- On August 3, 2016 the Commission approved the selection of R4 Capital as the Low Income Housing Tax Credit Syndicator for the Alexander House transaction and authorized the Executive Director to negotiate and enter into Limited Partnership Agreement. The projected capital contribution from the tax credit equity investor is \$15.2 million (all future exit taxes waived).
- Staff is requesting that the Commission accept the recommendation of the Development and Finance Committee which met on September 16, 2016.
- Staff herein recommends the following actions to the Commission
  1. Approval of the final development budget in the amount of \$121 million.
  2. Approval to sell 122 units to a limited partnership planning to finance renovations using Low Income Housing Tax Credit equity and to serve residents at or below 60% of area median income (“AMI”) to the limited partnership at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units with an appraised value of \$70,300,000.
  3. Authorization for the Executive Director to sign the general contractor contract with CBP Constructors LLC for an amount not to exceed \$26 million.

# Executive Summary

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

## Development Updates



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



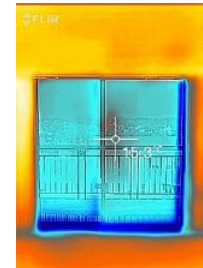
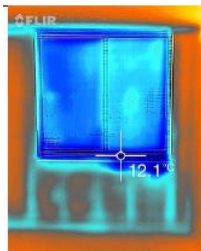
# Development Plan – Transaction Rationale

## A. Feasibility: Physical Needs Assessment (“PNA”)

- The Physical Needs Assessment (“PNA”) has identified the following areas that need to be addressed in the building:
  1. Balconies: Railing replacement necessary due to age of railings. Newer systems have different attachment systems which will minimize future damage. (Removal of existing railing necessary to inspect condition and to ensure no life and safety risks.)
  2. Roof: Near the end of useful life. When HVAC replaced, it would be an ideal time to address because of multiple penetrations.
  3. HVAC: 12 – 15 year life expectation, well beyond useful life of equipment.
  4. Elevators: Cabs and controls are 20+ years old. The controls are functionally obsolete and soon it will be difficult, if not impossible, to find replacement parts.

## B. Feasibility: Energy Audit

- The energy model was accessed, using a thermal imaging camera, discovered the envelope around the window and the patio doors was not secure. The energy report identified that the lighting technology and appliances were outdated and required newer more efficient fixtures and energy saving measures.





# Development Plan – Transaction Rationale

## C. Feasibility: Market Study (Product)

### Alexander House

- Built: 1992
- Interior Updates: None
- Amenities: shared pool, clubroom, fitness center
- Advantage: location to Metro, price point



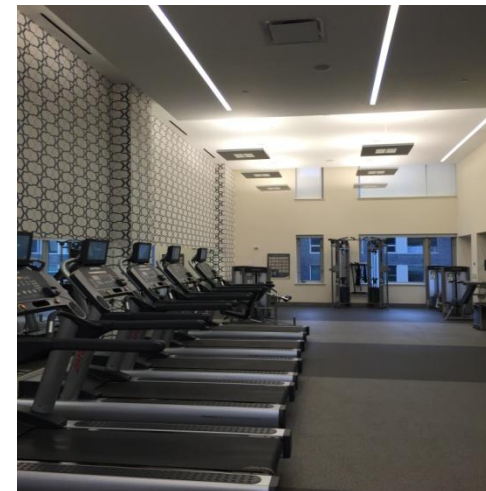


# Development Plan – Transaction Rationale

## C. Feasibility: Market Study (Product)

### Market

- Built: last 3-5 Years
- Current design, finish
- Amenities: pools, clubhouse, fitness room, business center, outdoor space, rooftop
- Advantage: location, age, lifestyle



# Development Plan – Transaction Rationale

## D. Feasibility: Market Study (Competition)

- Since the construction of Alexander House Apartments in 1992, thousands of new rental units have been built over the past 15 years in downtown Silver Spring, including over 1,300 delivered in the past three years.
- However, the population and household growth in the submarket has accelerated, as the pace of development has picked up over the past 15 years. Households based in the submarket area have increased by 8.7% or 1,354 households between 2000 and 2010. Since 2010, the household base expanded by 21.8% adding 3,674 households.
- Currently, there are six developments in the pipeline with multifamily components in the downtown Silver Spring submarket. Three developments are currently under construction and will have over 800 units in total. Three additional developments, with approximately 900 units planned, are likely to break ground in 2017.
- The market remains strong. The aggregate stabilized vacancy rate among the 31 rental communities in the market area that reported vacancy was low across the board, averaging 1.9%, with newer class A products averaging a vacancy rate of 2.4%.

# Development Plan – Transaction Rationale

## F. Feasibility: Alexander House – Current Demographics

	Under 39 years	Between 40 to 61 years	62 years +	Total
Affordable Units	42	68	7	117
Market Units	77	55	2	134
<b>Total</b>	<b>119</b>	<b>123</b>	<b>9</b>	<b>251</b>

## G. Feasibility: Market Study (Rents)

- Alexander House Apartments market rents are currently below market average.

Current Average Rent	Studio/# of units	1 BR/# of units	2 BR/# of units	Average/# of units
Affordable Units	\$1,099/5 units	\$1,224/72 units	\$1,452/40 units	<b>\$1,297/177 units</b>
Market Units	\$1,372/24 units	\$1,607/59 units	\$1,901/51 units	<b>\$1,677/134 units</b>
<b>Average</b>	<b>\$1,325/29 units</b>	<b>\$1,396/131 units</b>	<b>\$1,704/91 units</b>	<b>\$1,500/251 units</b>

Alexander House Average  
Market Rents (Today)  
**\$1,677**

Silver Spring CBD Average  
Market Rents (Today)  
**\$2,069 \***

Alexander House Average  
Market Rents (Projected)  
**\$1,928**

\* Average market rate rents for new Class A developments constructed over the past 5 years is \$2,300

# Development Plan – Transaction Rationale

## H. Feasibility: SWOT

<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none"><li>• Value</li><li>• Proximity to transit</li><li>• A&amp;E district</li><li>• Amenities in neighborhood</li></ul>	<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none"><li>• Major systems need to be replaced</li><li>• Interiors aged/out of date</li><li>• Size of units</li></ul>
<p style="text-align: center;"><u>Opportunities</u></p> <ul style="list-style-type: none"><li>• Update property</li><li>• Rebrand</li><li>• Leverage larger square attributes</li><li>• Value + location + amenities</li></ul>	<p style="text-align: center;"><u>Threats</u></p> <ul style="list-style-type: none"><li>• Supply<ul style="list-style-type: none"><li>○ 1,700 units coming online</li></ul></li><li>• Timing<ul style="list-style-type: none"><li>○ 18-24 month delivery; where's market?</li></ul></li><li>• Over investment</li></ul>

# Development Plan – Transaction Rationale

## J. Feasibility: Redevelopment Strategy



Mission



Community



Environment



Residents



Extract equity for Elizabeth House III



Modernize building systems, technology and units to meet HOC design standards.



Integrate Alexander House residents in the revitalization of the entire square.



Reduce the impact of the building on the environment through energy efficiency.

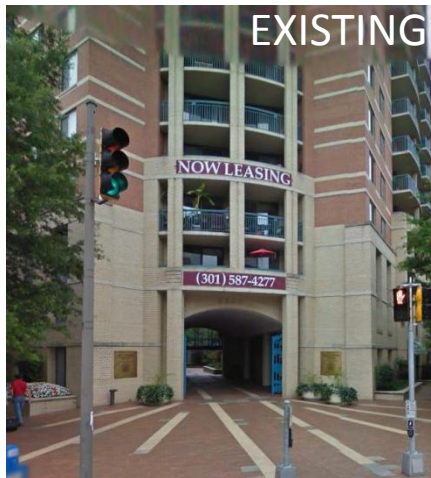


Enhance the neighborhood and families on site with robust programming and amenities.



# Development Plan - Scope of Work

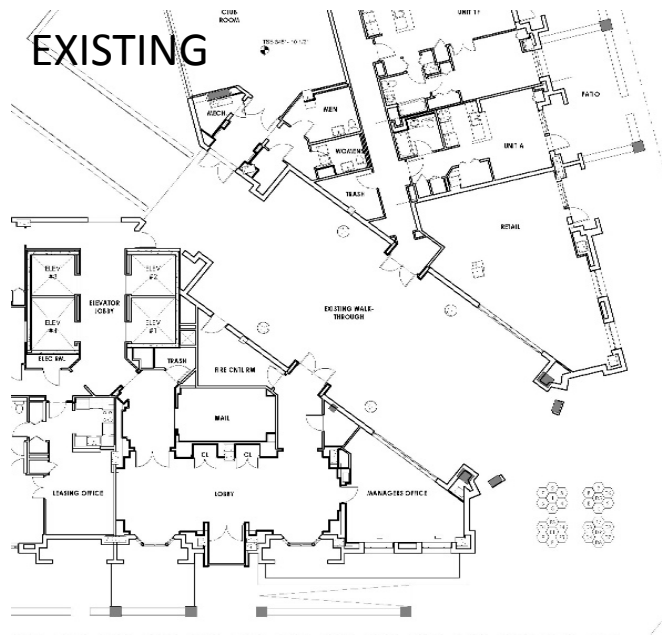
1. Common areas will be reconfigured to expand the amenity space and all common areas will be upgraded to heighten curb appeal, increase energy efficiency, and extend the property's useful life.
  - A. Building Exterior and Systems
    - New main entrance with new canopy
    - Window, balcony doors and balcony railing replacement
    - Streetscape and landscape improvements along Second and Apple Avenues
    - HVAC replacement (unit and common areas)



# Development Plan - Scope of Work

## B. Building Interiors and Amenities

- A new two-story lobby will be created at the corner entrance of the property
- Clubroom relocated to new lobby area will include multiple gathering spaces and functions
- New cyber lounge with free access internet and new library
- Fitness room relocated to be more central to the elevator lobby
- New leasing office and mail room
- Elevator lobbies and corridors will have all new flooring, wall coverings, lighting, and furnishings
- Replace all unit front entry doors





# Development Plan - Scope of Work



October 5, 2016

**EXISTING**



**FUTURE**



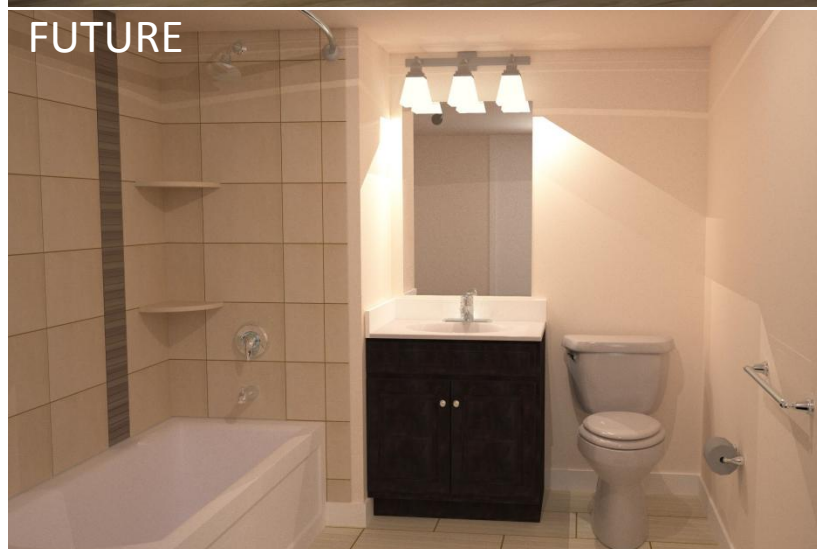
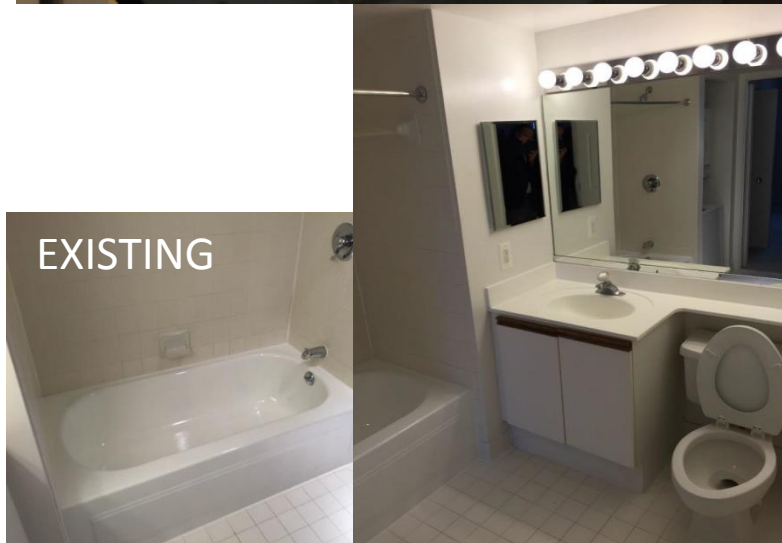
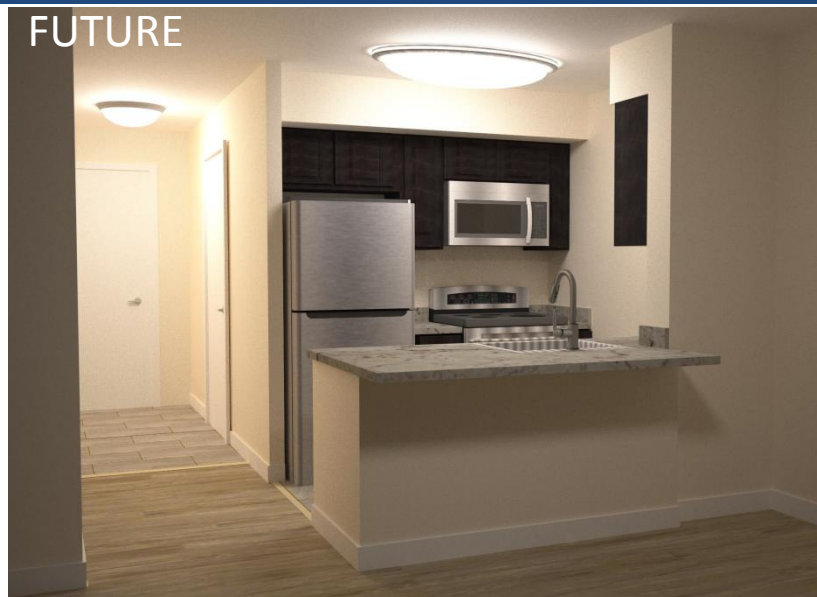
# Development Plan - Scope of Work



# Development Plan - Scope of Work

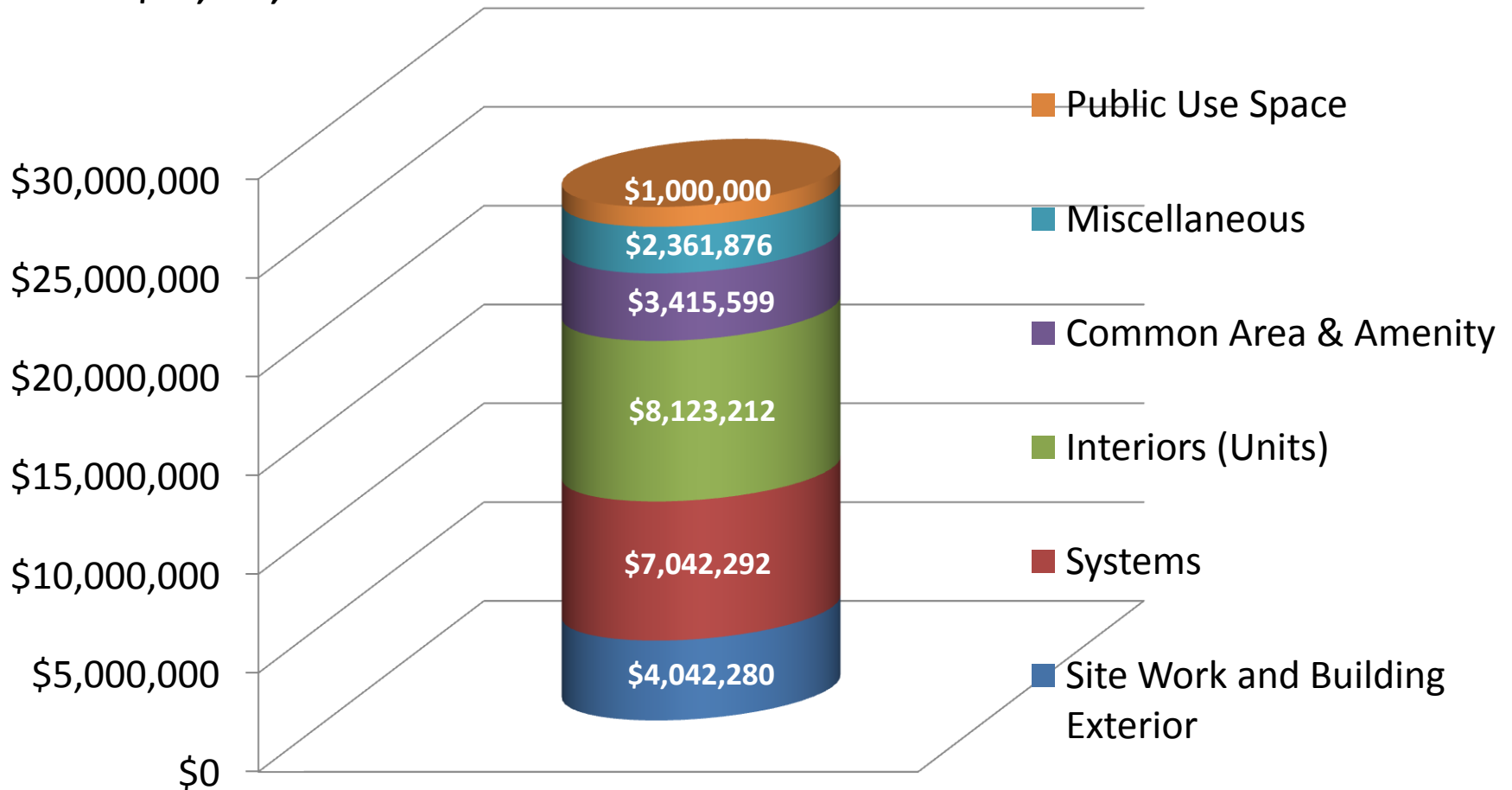
- C. Residential units will retain floor plans but undergo gut renovations. The following is a summary of key elements of unit renovation.
- Kitchen Improvements
    - Cabinet replacement
    - Stainless steel refrigerator, range, dishwasher, microwave , and garbage disposal
    - Granite kitchen countertops and new sinks
    - New lighting, plumbing fixtures, hardware
    - Ceramic tile flooring
  - Bathroom Upgrades
    - New vanities and cultures, marble tops, and new faucet
    - Installation of low-flow shower heads, bathroom exhaust fan, light fixtures
    - Ceramic tile flooring and accent tile tub surround
  - Bedroom Upgrades
    - Install smoke detector in every bedroom
    - Replace doors and closet doors
    - Add ceiling lights
  - New washers and dryers in each unit
  - Flooring Upgrades
    - Luxury vinyl tile in living areas and foyer
    - New carpeting in bedrooms

# Development Plan - Scope of Work

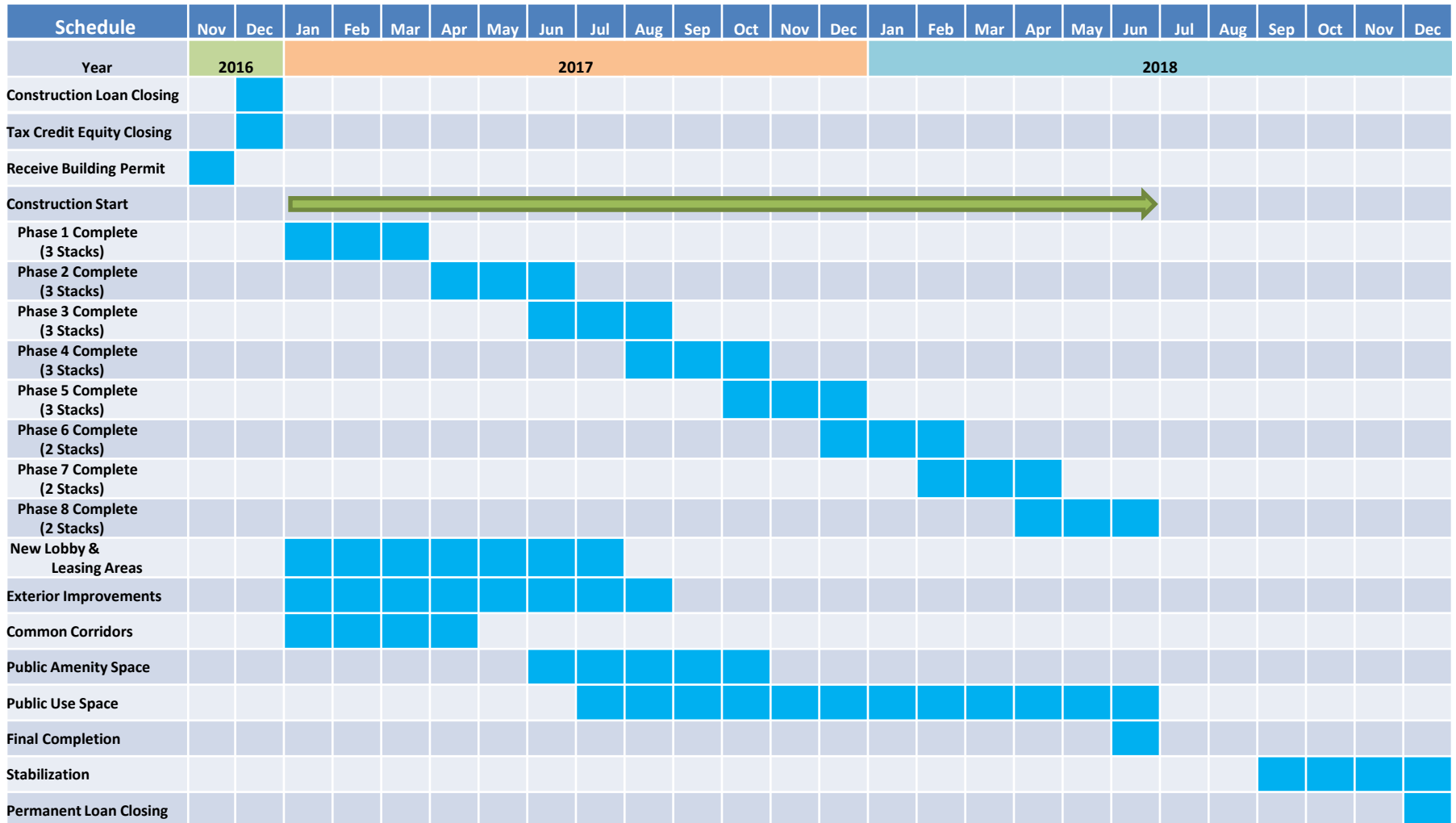


# Development Plan - Scope of Work

**Total: \$25,985,259**



# Development Plan – Timeline and Phasing Schedule



# Development Plan – Proposed Ownership Structure

- Staff proposes creating a new condominium regime that will establish two new units.
  - The first condo will hold the affordable units which can be financed using LIHTC.
  - The second condo will hold the market rate units.





# Development Plan – Sources and Uses

Sources	Amount	Per Unit
Debt Financing <sup>(1)</sup>	\$69,478,889	\$227,800
ST Bonds (Meet 50% Test)	\$4,000,000	\$13,115
LIHTC Equity <sup>(2)</sup>	\$15,206,571	\$49,858
Seller Note <sup>(3)</sup>	\$31,509,110	\$103,309
<b>Total Sources</b>	<b>\$120,194,570</b>	<b>\$394,081</b>
Uses	Amount	Per Unit
Acquisition Price <sup>(4)</sup>	\$70,300,000	\$230,492
Hard Costs <sup>(5)</sup>	\$24,985,259	\$81,919
Hard Costs Contingency	\$2,498,526	\$8,192
Third Party Consultants <sup>(6)</sup>	\$4,225,454	\$13,854
Financing Costs <sup>(7)</sup>	\$9,109,576	\$29,867
Syndication Related Costs	\$180,000	\$590
Development Fee <sup>(8)</sup>	\$2,500,000	\$8,197
Replacement Reserves <sup>(9)</sup>	\$762,500	\$2,500
Misc. Costs	\$1,633,255	\$5,355
ST Bonds (Meet 50% Test) <sup>(10)</sup>	\$4,000,000	\$13,115
<b>Total Uses</b>	<b>\$120,194,570</b>	<b>\$394,081</b>

## Notes:

1. Construction loan to be secured through an institutional lender (Bank) with take-out loan using FHA R/S FFB permanent loan.
2. Assumes LIHTC credit pricing at \$1.195.
3. HOC will not realize the entire acquisition price. Portion of the acquisition price will be deferred as a Seller Note.
4. Acquisition price based on appraised as-is market price for Alexander House. This price will drive up the acquisition credit bases.
5. Guaranteed Maximum Price contract pending.
6. Reimbursement to OHRF of pre-development expenses totaling \$1.4 million.
7. Includes \$1,469,578 (2% of mortgage amount) as origination fee to HOC.
8. Includes \$2,500,000 of Development Fee to HOC.
9. Initial Replacement Reserve at \$2,500/unit
10. Additional bonds required to meet the 50% test required for 4% LIHTC transactions.

## Projected Equity for EH III

Acquisition Price	\$70,300,000
(Less) Seller Note	(\$31,509,110)
(Less) All Outstanding Debt	(\$21,561,524)
<b>TOTAL EQUITY</b>	<b>\$17,229,366</b>

# Development Plan – Stabilized Operations

Stabilized Proforma	Year 1	Per Unit
Rental Income	\$6,010,272	\$19,706
Other Income	\$370,980	\$1,216
Operating Expenses	(\$1,819,719)	(\$5,966)
Vacancy / Credit Loss	(\$381,133)	(\$1,249)
<b>NOI (Net Operating Income)</b>	<b>\$4,180,400</b>	<b>\$13,707</b>
Reserves	106,750	\$350
<b>Operating Cash Flow</b>	<b>\$4,073,650</b>	<b>\$13,356</b>
Debt Service	\$3,432,874	\$11,255
<b>Cash Flow</b>	<b>\$640,775</b>	<b>\$2,101</b>
Debt Service Coverage Ratio	1.20x MKT 1.15x AFF	

Projected Mortgage Amount at Closing	\$69,478,889
Term (in years)	40
Interest Rate	3.40%
Debt Service Constant	4.94%
MIP (Mortgage Insurance Premium)	0.50%
"All-In" Rate	3.90%
Debt Service Coverage Ratio Target (MKT/AFF)	1.20x/1.15x
NOI (less reserves)	\$4,073,650
<b>Debt Service</b>	<b>\$3,432,874</b>

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



# Development Plan – Unit Mix and Rent Analysis

	EXISTING	PROPOSED	RATIONALE
Total Units	311	305	Converting first floor of the building to public use space and will recapture the lost units in EH IV.
Unit Type	<ul style="list-style-type: none"> <li>•187 Market Units</li> <li>•124 Affordable Units                             <ul style="list-style-type: none"> <li>▪124 @&lt;60% AMI</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>•183 Market Units</li> <li>•122 Affordable Units                             <ul style="list-style-type: none"> <li>▪122 @&lt;60% AMI</li> </ul> </li> </ul>	Meets Section 42 requirements associated with the use of tax-exempt financing.

# Development Plan - Team Assembly

## Architect



KGD Architecture – Lead Architecture



Miner Feinstein Architects  
- Interior unit architect

## Property Management

Avison Young

- Alexander House Apartments has existing property management in place. Staff does not recommend changes at this time.

## General Contractor

CBP Constructors, LLC

- Commission approved selection of CBP Constructors, LLC on May 4, 2016

## LIHTC Investor

R4 Capital

- Commission approved selection of R4 Capital as the Low Income Tax Credit Investor on August 3, 2016

# Summary and Recommendations

## Issues for Consideration

Does the Commission wish to accept the recommendations of the Development and Finance Committee which met on September 16, 2016, to:

1. Approval of the final development budget in the amount of \$120,194,570,
2. Approval to sell 122 units to a limited partnership planning to finance renovations using Low Income Housing Tax Credit equity and to serve residents at or below 60% of area median income ("AMI") to the limited partnership at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units with an appraised value of \$70,300,000 and
3. Authorization for the Executive Director to sign the general contractor contract with CBP Constructors LLC for an amount not to exceed \$26,000,000?

## Time Frame

Action at the October 5, 2016 meeting of the Commission.

## Budget Impact

The phasing schedule to renovate three or two stacks per construction cycle will temporarily reduce net cash flow from the property to HOC. Over the past four HOC Fiscal Years, the property has produced an average of \$1.3 million annually to HOC.

However, during the 24 months of construction period, the project will continue to maintain 75% occupancy rate to ensure the project does not fall into an operating deficit. Also, the debt service payments during the same construction period will be capitalized and paid from the development budget. Due to savings related to debt service payment, the property is projected to generate approximately \$3.0 million over the next 24 months.

The property, once stabilized, will begin to generate approximately \$640,775 in net cash flow.

# Summary and Recommendations

## Staff Recommendation and Commission Action Needed

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

1. Approval of the final development budget in the amount of \$120,194,570.
2. Approval to sell 122 units to a limited partnership planning to finance renovations using Low Income Housing Tax Credit equity and to serve residents at or below 60% of area median income ("AMI") to the limited partnership at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units with an appraised value of \$70,300,000.
3. Authorization for the Executive Director to sign the general contractor contract with CBP Constructors LLC for an amount not to exceed \$26,000,000.

**RESOLUTION No.: 16-71:**

**RE: Approval of the Final Development Plan for Alexander House Apartments, Approval of the Acquisition of 122 Units from Alexander House Development Corporation by Alexander House Apartments Limited Partnership, and Authorization for the Executive Director to Enter Into an Agreement for the Payment of General Contractor Services from CBP Constructors LLC**

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

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

**WHEREAS**, the Development is an important element of the redevelopment of Elizabeth Square; and

**WHEREAS**, the preliminary and project plan for Elizabeth Square, which was approved on July 23, 2015, includes amendments to the Development; and

**WHEREAS**, minor site plan amendment approval was achieved for the Development on June 9, 2015, incorporating it seamlessly into the overall plan for Elizabeth Square; and

**WHEREAS**, the certified site plan for the recommended changes included in the preliminary and project plan is anticipated to be approved by November 2016; and

**WHEREAS**, on February 3, 2016, the Commission approved the selection of an architectural firm to complete the interior design work in preparation for the renovation of the Property and must now select a general contractor to complete said renovation work at the Property; and

**WHEREAS**, on May 4, 2016, the Commission approved the selection of general contractor contract with CBP Constructors LLC for the renovations of the Development; and

**WHEREAS**, the approved Preliminary Development Plan and renovation plan includes HOC's creation of Alexander House Apartments Limited Partnership (the "Partnership") to acquire 40% of the Property in order to avail of equity raised by the syndication of 4% Low Income Housing Tax Credits and a permanent loan funded from the sale of tax-exempt bonds, insured by FHA pursuant to its Risk Share agreement with HOC, and secured by 40% of the Property; and

**WHEREAS**, the Partnership was created on July 7, 2016, with HOC as the general partner and the Development Corporation as the initial limited partner; and

**WHEREAS**, On August 3, 2016 the Commission, acting for itself and for and on behalf of the Partnership, approved the selection of R4 Capital as the Low Income Housing Tax Credit Syndicator for the affordable portion of the Development and authorized the Executive Director to negotiate and enter into a Limited Partnership Agreement with R4 Capital; and

**WHEREAS**, HOC and the Partnership expect to receive a Letter of Reservation of Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development which will enable the Partnership to raise approximately \$15.2 million in equity to pay part of its acquisition and development costs.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and as general partner for and on behalf of Alexander House Apartments Limited Partnership, that it hereby:

1. Approves the final development plan with an estimated total cost of \$120,194,570 for the entire building, to be allocated approximately \$68,013,220 to the Corporation's portion of the Development and approximately \$52,181,350 to the Partnership's portion.
2. Approves the acquisition of 122 units by Alexander House Apartments Limited Partnership which will be renovated using Low Income Housing Tax Credit equity and serve residents at or below 60% of the area median income ("AMI") at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units which have an appraised value of \$70,300,000.
3. Authorizes the Executive Director to either (1) sign the general contractor contract with CBP Constructors LLC for the rehabilitation of the entire building in an amount not to exceed \$26,000,000 with the anticipation of being reimbursed by the Development Corporation for its approximately 60% share of the expense, (2) sign a construction contract with CPB Constructors LLC for the rehabilitation of its respective share of the Development for an amount not to exceed \$10,400,000, or (3) reimburse the Development Corporation for its respective share of construction costs in the event the Development Corporation executes a construction contract with CBP Constructors LLC for the entire

building, depending on which option R4 Capital requires.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Alexander House Apartments Limited Partnership as its current general partner, that the Executive Director is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Alexander House Apartments Limited Partnership as its current general partner, at an open meeting on October 5, 2016.

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Patrice M. Birdsong  
Special Assistant to the Commission

# **Approval of a Preliminary Financing Plan For Alexander House Apartments Limited Partnership, the Entity That Will Own and Operate the 122 Low Income Housing Tax Credit Units at Alexander House Apartments**

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**STACY L. SPANN, EXECUTIVE DIRECTOR**

**KAYRINE V. BROWN  
VIVIAN BENJAMIN  
GIO KAVILADZE**

**October 5, 2016**



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# Executive Summary

- Alexander House is an important element in the redevelopment of Elizabeth Square. Subject to Commission approval, the equity will be extracted and used to contribute to the funding of the affordable housing component of Elizabeth House III, upon refinancing of Alexander House.
- The final development plan was approved by the Committee on 9/16/2016, with the total development budget of \$120,194,570.
- The property will consist of two entities:
  - Alexander House LLC (AH LLC) - 122 affordable units to be funded with debt, HOC seller note, and LIHTC equity.
  - Alexander House Development Corporation (AH DC) - 183 market rate units to be funded with debt and HOC seller note.
- Staff considered two financing options:
  1. Traditional bond financing under the FHA Risk Sharing program:
    - Under this scenario, the Commission would issue \$48.4MM tax-exempt governmental bonds to provide construction and permanent financing for AH DC, and \$17.6MM of tax-exempt private activity bonds to provide construction and permanent financing for AH LLC. In addition, \$7MM of short-term bonds would be issued to meet the 50% test of the AH LLC LIHTC funding.
  2. FHA Risk Share/ Federal Financing Bank (FFB) Program (the “FHA/FFB Financing”):
    - Under this scenario, the Commission would issue short term tax-exempt bonds to provide interim construction funds in the amounts of \$51MM for AH DC and \$18.5MM for AH LLC. In addition, \$4MM of short-term bonds would be issued to meet the 50% test of the AH LLC LIHTC funding.
    - Upon the completion of renovation and property stabilization, the short-term debt financing would be converted to FHA/FFB permanent loan.
- In an attempt to garner the lowest interest rate possible, staff is recommending the second financing option: interim construction funding combined with the permanent FHA/FFB loan.

# Executive Summary

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

## Development Updates



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



# Financing Plan – Unit Mix and Rent Analysis

	EXISTING	PROPOSED	RATIONALE
Total Units	311	305	Converting first floor of the building to public use space and will recapture the lost units in EH IV.
Unit Type	<ul style="list-style-type: none"> <li>•187 Market Units</li> <li>•124 Affordable Units                             <ul style="list-style-type: none"> <li>▪124 @&lt;60% AMI</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>•183 Market Units</li> <li>•122 Affordable Units                             <ul style="list-style-type: none"> <li>▪122 @&lt;60% AMI</li> </ul> </li> </ul>	Meets Section 42 requirements associated with the use of tax-exempt financing.

## Financing Options

The Alexander House transaction may be financed using a combination of long-term, tax-exempt private activity (122 units) and governmental (183 units) issued bonds under the 1996 Bond Resolution (the “1996 Indenture”) with credit enhancement by FHA in accordance with its Risk Sharing Agreement with HOC.

Alternatively, the development may be funded with a combination of short-term, tax-exempt private activity and governmental issued bond loan for the duration of the construction period. At conversion to the permanent loan, the Federal Financing Bank will purchase 100% participation in the loan that will also be credit enhanced under the FHA/FFB Financing Program.

# Alexander House: Debt Financing Comparison

	Recommended	Alternative
<b>Financing Structure</b>	Short-Term Notes for Construction, FHA/FFB Permanent Loan	Long-Term Bonds for Construction & Permanent Financing
<b>Total Need</b>	<b>\$73,478,889</b>	<b>\$73,031,910</b>
<b>Construction Financing</b>	\$50,939,905 – Short-term note, AH DC \$18,538,984 – Short-term note, AH LLC \$4,000,000 – Short-term note, AH LLC 50% test	\$48,369,593 – Long-term bond, AH DC \$17,603,549 – Long-term bond, AH LLC \$7,058,768 – Short-term note, AH LLC 50% test
<b>Permanent Financing</b>	\$50,939,905 – FHA/FFB Loan, AH DC \$18,538,984 – FHA/FFB Loan, AH LLC	\$48,369,593 – Long-term bond, AH DC \$17,603,549 – Long-term bond, AH LLC
<b>Description</b>	<ul style="list-style-type: none"> <li>• Mortgage underwriting rate of 3.90% (including MIP)</li> <li>• Construction financing rate of ~2.75%</li> <li>• Issue short-term notes and use the proceeds from private placement of notes for tax-exempt construction financing</li> <li>• Refinance at completion to issue long-term FHA/FFB loan and repay short-term notes.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term bond rate of 4.25% (including MIP)</li> <li>• Issue long-term bonds and use the proceeds from the public sale of Private Activity and Governmental bonds for tax-exempt construction and permanent financing</li> </ul>
<b>Credit Enhancement</b>	<ul style="list-style-type: none"> <li>• Staff is currently exploring financing options for short-term, tax-exempt debt which will be paid off with FFB loan proceeds at the end of construction. No credit enhancement required during the construction period.</li> <li>• Long-term debt (the permanent mortgage loan) will be enhanced with the FHA Risk Share mortgage insurance.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term debt (the permanent mortgage loan) will be enhanced with the FHA Risk Share mortgage insurance.</li> </ul>
<b>Volume Cap Allocation</b>	• \$22,538,984	• \$24,662,317

# Alexander House: Debt Financing Comparison

	Recommended	Alternative
<b>Financing Structure</b>	Short-Term Notes for Construction, FHA/FFB Permanent Loan	Long-Term Bonds for Construction & Permanent Financing
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Lower cost of construction financing (-1.5%)</li> <li>• Lower cost of permanent financing (-0.35%)</li> <li>• Higher net equity proceeds to HOC at closing</li> <li>• Potential to extract up to \$8MM additional value from the rate spread between the mortgage underwriting rate (3.90%) and the FFB rate (currently at 2.58%)</li> </ul>	<ul style="list-style-type: none"> <li>• Certainty of execution</li> <li>• Certainty of construction and permanent financing terms</li> <li>• One-time closing process</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>• Hedge to protect against interest risk during the anticipated two year construction and stabilization period</li> <li>• Costs associated with two closing processes</li> </ul>	<ul style="list-style-type: none"> <li>• Higher financing cost</li> <li>• Lower net equity proceeds to HOC at closing</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>• Interest rate fluctuation over the 2-year construction period</li> </ul>	
<b>Mitigants</b>	<ul style="list-style-type: none"> <li>• Interest rate risk is mitigated through a hedge agreement</li> </ul>	

# Alexander House: Sources and Uses Comparison

	Recommended	Alternative
<b>Financing Structure</b>	Short-Term Notes for Construction, FHA/FFB Permanent Loan	Long-Term Bonds for Construction & Permanent Financing
<b>Sources</b>		
Debt Financing	\$69,478,889	\$65,973,142
Tax-Exempt Bonds (ST)	4,000,000	7,058,768
LIHTC	15,206,571	15,339,126
Seller Note	<u>31,509,110</u>	<u>35,546,077</u>
<b>Total:</b>	<b>\$120,194,570</b>	<b>\$123,917,114</b>
<b>Uses</b>		
Construction Costs	\$31,709,238	\$31,709,238
Acquisition Costs	70,666,000	70,666,000
Financing Fees and Charges	9,289,576	9,953,352
Tax-Exempt Bonds (ST)	4,000,000	7,058,768
Developer's Fees	2,500,000	2,500,000
Guarantees and Reserves	<u>2,029,755</u>	<u>2,029,755</u>
<b>Total:</b>	<b>\$120,194,570</b>	<b>\$123,917,114</b>
<b>HOC Equity</b>		
Acquisition Costs	\$70,300,000	\$70,300,000
(Less) Seller Note	-31,509,110	-35,546,077
(Less) All Outstanding Debt	<u>-21,561,524</u>	<u>-21,561,524</u>
<b>Net Equity to HOC:</b>	<b>\$17,229,366</b>	<b>\$13,192,399</b>

# Permanent Financing Plan – Transaction Highlights

## FHA/FFB PERMANENT FINANCING

Max. Loan Amount	\$74MM (approximately)
Loan Term	40 Years
Interest Rate	40-year FFB rate plus spread (current FHA/FFB 40-year rate is 2.449%)
Hedge	HOC will purchase an interest rate hedge, prior to the start of construction, designed to protect against movement in interest rate over the next three years. The hedge is estimated to cost about \$3MM including transaction counsel and financial advisor fees.
Credit Enhancement	FHA Risk Share Insurance; HOC proposes to assume 50% of the risk and FHA 50%, as required for FFB participation.
Financing Fee	HOC to collect a 1-2% fee at permanent loan closing.
Volume Cap Allocation	\$22,538,984



# Permanent Financing Plan – Stabilized Operation

Stabilized Proforma	Year 1	Per Unit
Rental Income	\$6,010,272	\$19,706
Other Income	\$370,980	\$1,216
Operating Expenses	(\$1,819,719)	(\$5,966)
Vacancy / Credit Loss	(\$381,133)	(\$1,249)
<b>NOI (Net Operating Income)</b>	<b>\$4,180,400</b>	<b>\$13,707</b>
Reserves	106,750	\$350
<b>Operating Cash Flow</b>	<b>\$4,073,650</b>	<b>\$13,356</b>
Debt Service	\$3,432,874	\$11,255
<b>Cash Flow</b>	<b>\$640,775</b>	<b>\$2,101</b>
Debt Service Coverage Ratio	1.20x MKT 1.15x AFF	

Projected Mortgage Amount at Closing	\$69,478,889
Term (in years)	40
Interest Rate	3.40%
Debt Service Constant	4.94%
MIP (Mortgage Insurance Premium)	0.50%
"All-In" Rate	3.90%
Debt Service Coverage Ratio Target (MKT/AFF)	1.20x/1.15x
NOI (less reserves)	\$4,073,650
Debt Service	\$3,432,874

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

# Permanent Financing Plan – FHA/FFB Financing



- In an attempt to garner the lowest interest rate possible for the Multifamily Development, staff recommends financing the loan utilizing FHA/FFB Financing.
- To date, FHA/FFB Financing has not developed a construction/insurance of draws program. The FHA/FFB Financing does provide a product for mortgage insurance upon construction completion.
- The term of the construction loan is 24 months. In order to mitigate the interest rate risk at stabilization, a forward swap agreement with a counterparty is proposed to hedge the interest rate risk for the permanent loan.
- Using FHA/FFB Financing could result in a 150 basis points savings on the permanent loan interest rate.
- Given that HOC underwrites Risk Share loans directly, HOC eliminates additional transaction costs associated with procuring a FHA MAP Lender, necessary for other FHA insured multifamily loans.

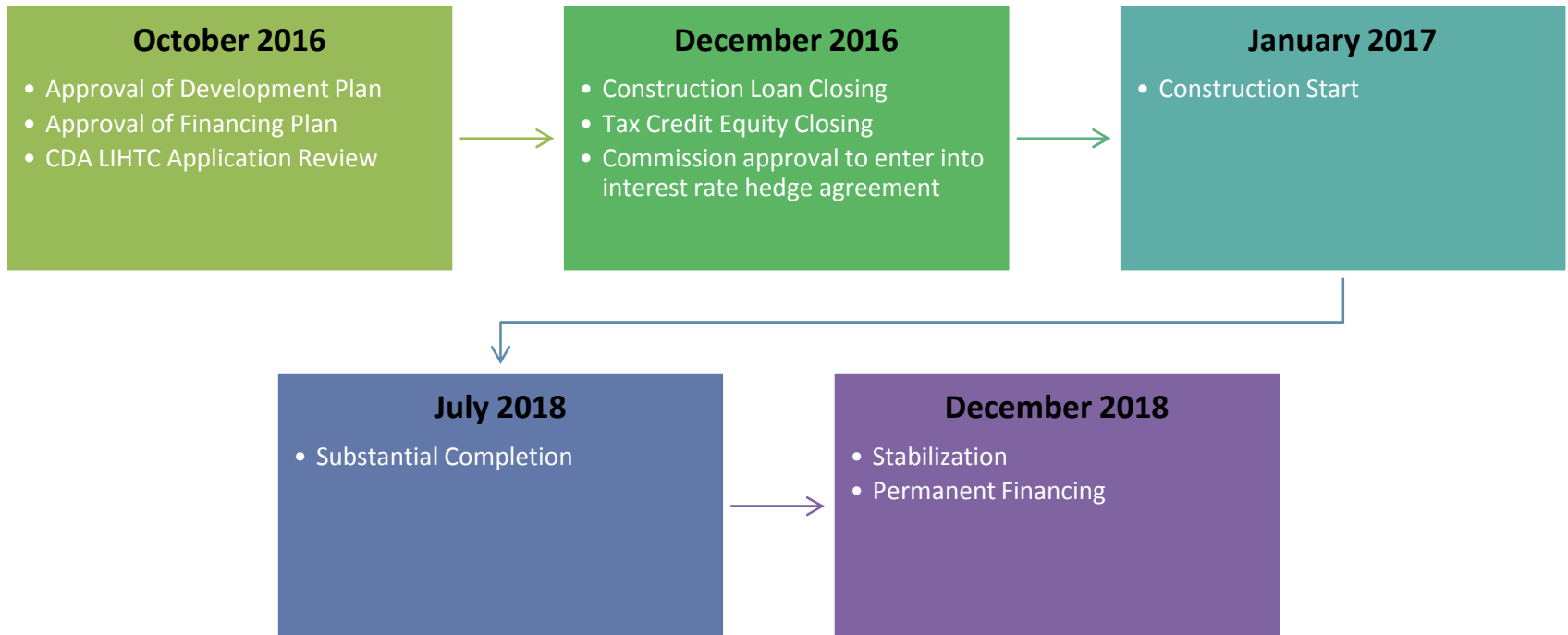
# Permanent Financing Plan – FHA/FFB Financing

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

40-Year Multifamily Mortgage Loan Rates as of June 10, 2016 (inclusive of Commission, Servicing, Trustee Fees)	
Tax-Exempt Bonds	3.800%
FHA 221(d)(4)	3.750%
FHA 223(f)	3.200%
<b>FHA/FFB</b>	<b>2.449%</b>

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

# Financing Plan – Schedule



# Summary and Recommendations

## Issues for Consideration

Does the Commission wish to accept the recommendation of the Development and Finance Committee which met on September 16, 2016 and approve the financing plan for the Alexander House Apartments LLC and DC which includes securing short-term debt to fund a construction loan and participation in the FHA/FFB Financing program as described herein?

## Fiscal / Budget Impact

There is no material adverse impact on the Agency's FY 2017 budget. Future budgets will integrate the current projected timing of delivery for the new building.

## Time Frame

Action at the October 5, 2016 Commission meeting.

## Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accepts the recommendation of the Development and Finance Committee and approve the financing plan for the Alexander House Apartments LLC and Alexander House Apartments Development Corporation which includes securing short-term debt to fund a construction loan and participation in the FHA/FFB Financing program.

The aggregate loan amount is approximately \$74MM. This is the first step in the financing process. Staff will return to the Commission once the underwriting of the transaction is complete to seek approval of feasibility, public purpose, issuance of a commitment, and authorization to close on the debt instrument, among other related actions.

**RESOLUTION No.: 16-72**

**RE:** Approval of a Preliminary Financing Plan For Alexander House Apartments Limited Partnership (the "Partnership"), the Entity That Will Own and Operate the 122 Low Income Housing Tax Credit Units at Alexander House Apartments (the "Development")

**WHEREAS**, the Partnership was created to own 122 units which it will purchase from Alexander House Development Corporation ("Corporation"); and

**WHEREAS**, the Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission") will serve as the general partner of the Partnership; and

**WHEREAS**, the Partnership wishes to borrow construction and permanent financing to rehabilitate the Development and the Commission desires to issue two permanent loan commitments, one to the Partnership and one to the Corporation, to finance the permanent loans for the market-rate and affordable unit portions of the Development in an aggregate amount not to exceed \$74,000,000 ("Permanent Loan"); and

**WHEREAS**, the Commission has been approved to participate in the HUD Risk Sharing/Federal Financing Bank (FFB) Risk Sharing Program ("HUD/FFB Risk Sharing Program"), under which transactions processed by the Commission can be financed and FHA-insured upon completion of construction; and

**WHEREAS**, the FFB cannot lock in an interest rate more than 60 days before delivery, but can agree to participate at a rate to be determined in approximately three years or less and the Partnership wishes to investigate the purchase of an interest rate hedge for protection in the event rates should rise above the underwritten rate.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Alexander House Apartments Limited Partnership as its general partner, that staff is authorized to pursue short-term construction financing for the Development which will be brought before the Commission for approval.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Alexander House Apartments Limited Partnership as its general partner, that staff is authorized to arrange permanent takeout loan for the transaction through a permanent loan from the Commission via the HUD/FFB Risk Sharing Program for the Partnership's portion of the Development, such that, when calculated together with the financing for the market-rate unit portion of the Development, the aggregate amount of permanent financing for the entire Development does not to exceed \$74,000,000, which proceeds will repay the Development's construction loans.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Alexander House Apartments Limited Partnership as its general partner, that staff is authorized to explore the purchase of an interest rate hedge with a highly rated financial institution which will be brought before the Commission for approval.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Alexander House Apartments Limited Partnership as its general partner, that the Executive Director is hereby authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Alexander House Apartments Limited Partnership as its general partner, at a regular meeting conducted on October 05, 2016.

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Patrice M. Birdsong  
Special Assistant to the Commission

## **AUTHORIZATION TO EXTEND THE CURRENT BOND UNDERWRITERS' CONTRACTS FOR A FINAL TWO YEARS**

October 5, 2016

- The Commission continues to pursue financing activities in the financial markets to raise capital for the development, preservation, or rehabilitation of affordable housing in Montgomery County, thereby allowing it to meet its affordable housing goals and mission.
- On January 12, 2011, the Commission adopted a resolution authorizing the formation of its bond underwriting team to consist of Bank of America Merrill Lynch (BAML), formerly Merrill Lynch & Co. as senior manager, and M&T Securities, Inc., JP Morgan Chase, Morgan Stanley, RBC Capital Markets, LLC, PNC Capital Markets, LLC as co-managers.
- On January 14, 2015, the contracts were extended for two years expiring on January 28, 2017, pursuant to provisions of the existing Procurement Policy.
- BAML as senior manager along with PNC Capital Markets as co-senior manager, structure and market HOC's bonds to individuals and institutional investors through direct sales and/or a syndicate or selling group of investment banking firms. The co-managers provide the appropriate services necessary for the issuance and sales of bonds.
- Staff projects that while the single family program may be funded from proceeds of publicly issued debt, all of the multifamily financing activities anticipated in the next two years and in the foreseeable future will be funded with a combination of short-term debt and long-term financing under the FHA Risk Share Federal Financing Bank program, reducing significantly, the public issuance of multifamily debt.
- Therefore, staff recommends that the Commission accept the recommendation of the Development & Finance Committee, which met on September 16, 2016, to approve a final extension of each contract with Bank of America Merrill Lynch, Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase for two years, through January 28, 2019.



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

**TO:** Housing Opportunities Commission

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

**FROM:** Division: Mortgage Finance  
Staff: Kayrine V. Brown, Chief Investment & Real Estate Officer Ext. 9589  
Vivian Benjamin, Assistant Director Mortgage Finance Ext. 9590

**RE:** Authorization to Extend the Current Bond Underwriters' Contracts for a Final Two Years

**DATE:** October 5, 2016

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**COMMITTEE REPORT:** Deliberation   X  

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**OVERALL GOAL & OBJECTIVE:**

Continued access to the financial markets to raise capital to fund the affordable housing initiatives of the Housing Opportunities Commission of Montgomery County.

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**BACKGROUND:**

In 2010, the Commission issued a Request for Proposals (RFP) soliciting investment banking firms to provide underwriting services for HOC's single family and multifamily bond programs. It received proposals from 14 firms whose proposals were evaluated. Of those 14 firms, nine firms were interviewed by a committee comprising HOC staff (Executive Director, CFO, Director and Asst. Director of Mortgage Finance); Commissioners (Michael Kator, Roberto Pinero, Norman Cohen); and the Commission's Financial Advisor, Caine Mitter and Associates Incorporated.

On January 12, 2011, the Commission approved the selection of six firms that would provide the requested services for an initial term of four years. That approval included two two-year optional extensions. Subsequently, PNC has served as Co-Senior Manager on the last two bond issuances.

Firm	Role
Bank of America Merrill Lynch	Senior Manger
PNC Capital Markets, LLC	Co-Senior Manager
Morgan Stanley	Co-Manager
RBC Capital Markets, LLC	Co-Manager
M&T Securities, Inc.	Co-Manager
J.P. Morgan Chase	Co-Manager

The bond underwriting team helps to structure HOC's bond issues and markets them to obtain the most favorable pricing so that the loans made with the proceeds are financially feasible. They commit to the Commission to purchase HOC bonds at an agreed upon price whether or not they have successfully marketed the bonds prior to the time of signing of their commitment (the Bond Purchase Agreement).

The senior manager has the responsibility of setting the prices for the different series of bonds and allocating those bonds among the underwriting team. This is known as “running the book” or managing the syndicate. A management fee, over and above the brokerage fee or “take-down”, is paid to the senior manager for this service. In addition to these duties, it is expected that all members of the team bring new financial structures and ideas to the Commission to take advantage of opportunities through its activity in the public finance market.

On January 14, 2015, the Commission approved the extension of the existing contracts for an additional two years to January 28, 2017, in accordance with the procurement policy. The contracts may each be extended for a final two years through January 28, 2019.

As a local Housing Finance Agency, the Commission has enjoyed successful access to the financial markets and has outperformed state agencies in some instances. Following are summaries of the Commission’s single family and multifamily public issuances under respective parity indentures. Also depicted below are estimated program financings over the next two years.

Analysis of Bond Issuances since 2011

Single Family Bond Issued

Series	Amount	Indenture
2011 Series A	\$12,425,000	2009 HRB
2012 Series A	\$12,545,000	2009 HRB
2013 Series ABC	\$56,660,000	1979 MRB
2016 Series AB	\$42,655,000	1979 MRB
<b>Total Single Family Issuance*</b>	<b>\$124,285,000</b>	

\*Refundings and New Issuances

Multifamily Bonds Issued

Bonds	Project	Amount	Private Placement/ Public Sale	Indenture
2012 Series A		\$24,935,000	Public	1996 MF HDB
2012 Series BC	Various Refunding	\$42,420,000	Public	1996 MF HDB
2012 Series D	Pooks Hill & Various Refundings	\$34,975,000	Public	1996 MF HDB
2014 Series A	RAD6	\$24,000,000	Public	1996 MF HDB
2015 Series AB	Arcola Towers & Waverly House	\$38,500,000	Public/Private	1996 MF HDB
<b>Total Issuance**</b>		<b>\$164,830,000</b>		

\*\*Refundings and New Issuances

Anticipated Multifamily Financing

Project Name	Financing Date	Project Type	Amount (\$'000'000)	Debt Type
TPM Dev. Corp.	2016	MF	\$19.7	FFB
Alexander House	2016	MF	\$73.5	Short-term/FFB
Greenhills	2017	MF	\$15.5	Short-term/FFB
900 Thayer	2017	MF	\$20.1	Conventional
Elizabeth House III	2017	MF	\$45.0	Short-term/FFB
Stewartown Homes	2018	MF	\$24.6	Short-term/FFB
Town Center Apts	2018	MF	\$20.0	Short-term/FFB
Bauer Park Apts	2018	MF	\$15.8	Short-term/FFB
<b>Projected Total Financing</b>			<b>\$234.2</b>	

All multifamily bonds may be issued via a public sale. However, given the relative cost effectiveness of the FFB program funding, it will be the first choice for financing. If for any given transaction the FFB financing is determined to be infeasible, the Commission may issue bonds via a public sale with the appropriate credit enhancement, using the investment banking team.

The current estimated interest rate for a public sale assuming

TYPE	30 YEAR	35 YEAR	40 YEAR
FFB	2.483%	n/a	2.507%
Public Sale	3.5%	3.65%	3.75%

Estimated Single Family Bond Financing

Project Name	Financing Date	Project Type	Amount (\$'000'000)	Debt Type
Single Family	2017	SF	\$25	Long-term
Single Family	2017	SF	\$25	Long-term
Single Family	2018	SF	\$25	Long-term
<b>Estimated SF Issuance</b>			<b>\$75</b>	

All single family bond issuances are expected to be completed via a public sale.

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**ISSUE FOR CONSIDERATION:**

1. Does the Commission wish to accept the recommendation of the Development & Finance Committee which met on September 16, 2016 and approve the extension of current contracts with the investment banking team for a final two-year term in accordance with HOC's procurement policy?
  - a. Staff projects that all multifamily financing anticipated over the next two years will be executed using a combination of short-term, privately placed, tax-exempt and conventional debt.
  - b. Staff anticipates that in addition to the short-term and conventional financing, the Federal Financing Bank Risk Sharing Financing program will be utilized to fund the transactions listed above, obviating the need for use of the firms for public bond sale; therefore, staff believes a final extension for the existing team is justified.

- c. Staff further estimates that approximately three single family bond issuances will be completed in the next two years and the existing team is adequate to complete such financing.
- d. The existing contracts provide for the Commission's selection of a Senior Manager from any of the existing firms; therefore, although BAML has served as the Senior Manager for HOC's bond programs, the Commission may elect any of the qualified firms to play that role.
- e. Staff is satisfied with the performance of the current investment banking team, and the team has consistently delivered bond issuances where bond rates have been lower than many State housing finance agencies.

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**BUDGET IMPACT:**

None.

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**TIMEFRAME:**

Action at the October 5, 2016 meeting of the Commission.

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**RECOMMENDATION & COMMISSION ACTION:**

Staff recommends that the Commission accept the recommendation of the Development & Finance Committee to extend the existing investment banking contracts with Bank of America Merrill Lynch, Morgan Stanley, M&T Securities, JP Morgan Chase, PNC Capital Markets, and RBC Capital Markets for a final two years in accordance with the current procurement policy.

**RESOLUTION NO.: 16-73**

**RE: Authorization to Extend the  
Current Bond Underwriters'  
Contracts for a Final Two Years**

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

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

**WHEREAS**, the Commission, in furtherance of the purposes of the Act, has established a program to provide for the financing of mortgage loans through the issuance of its multifamily housing bonds (“Program”); and

**WHEREAS**, in support of the Program, the Commission entered in contracts in January 2011 with Bank of America Merrill Lynch, Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase (collectively, the “Contracts”) to serve as members of the Commission’s bond underwriting team (“Bond Underwriting Team”) to provide services that enable the structuring and sale of bonds to individual and institutional investors, thereby facilitating access to the capital markets and as such allow the Commission to meet its affordable housing goals; and

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

**WHEREAS**, the Contracts have already been extended one time, for a two year term ending on January 28, 2017, and therefore may be extended for a final two year term ending on January 28, 2019; and

**WHEREAS**, staff projects that while the single family program may be funded from proceeds of publicly issued debt, all of the multifamily financing activities anticipated in the next two years and in the foreseeable future will be funded with a combination of short-term debt and long-term financing under the FHA Risk Share Federal Financing Bank program, reducing significantly the public issuance of multifamily debt; and

**WHEREAS**, staff is satisfied with the services provided by the Bond Underwriting Team and after considering the anticipated financing pipeline, recommends extending the Contracts’ terms for two years.

**NOW, THEREFORE, BE IT RESOLVED**, by the Housing Opportunities Commission of Montgomery County, that it approves a two-year extension of the current contract with Bank of America Merrill Lynch, as senior manager of the bond underwriting team, and approves a two-year extension of the current contracts with Morgan Stanley, RBC Capital Markets, LLC, M&T Securities, Inc., PNC Capital Markets, LLC, and J.P. Morgan Chase as co-managers of the bond underwriting team through January 29, 2019.

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Patrice Birdsong  
Special Assistant to the Commission

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# Deliberation and/or Action

# Future Action



# Information Exchange

# New Business

# Executive Session Findings

Adjourn

# Alexander House Development Corporation

ALEXANDER HOUSE DEVELOPMENT CORPORATION

**APPROVAL OF THE FINAL DEVELOPMENT PLAN FOR  
ALEXANDER HOUSE APARTMENTS, APPROVAL TO SELL 122  
UNITS TO ALEXANDER HOUSE APARTMENTS LIMITED  
PARTNERSHIP, AND AUTHORIZATION FOR THE EXECUTIVE  
DIRECTOR TO SIGN THE GENERAL CONTRACTOR CONTRACT  
WITH CBP CONSTRUCTORS LLC**

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STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
ZACHARY MARKS  
BRIAN KIM  
HYUNSUK CHOI

October 5, 2016

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# Executive Summary

- Alexander House Apartments was constructed in 1992 and is located near the Silver Spring Metro Station. The property is a single sixteen story building with a three level underground parking garage. The building contains 311 units, 203 parking spaces, management offices, and maintenance and engineering rooms. The property also shares a common outdoor pool with Elizabeth House Apartments, the property adjacent to the north.
- Alexander House is an important element in the redevelopment of Elizabeth Square. To incorporate the property seamlessly into the overall square, the preliminary and project plan for Elizabeth Square, approved on July 23, 2015, includes amendments to the Property. The certified site plan for the recommended changes included in the preliminary and project plan is anticipated to be approved by November 2016.
- Upon refinancing, the equity will be extracted and used to contribute to the funding of the affordable housing component of Elizabeth House III.
- On February 3, 2016, the Commission approved \$1,025,420 to the predevelopment budget to be funded with a loan from the Opportunity Housing Reserve Fund (“OHRF”) to prepare a LIHTC application for submission to the Maryland Department of Housing and Community Development (“DHCD”) to be refunded at the bond closing.
- The Commission also approved a Preliminary Development Plan for the Property which includes the sale of 40% of the units to a limited partnership to allow it to raise equity from the syndication of low income housing tax credits to be allocated by the Maryland Department of Housing and Community Development (“DHCD”).
- An application for Low Income Housing Tax Credit (“LIHTC”) was submitted to Department of Housing and Community Development on July 12, 2016.



# Executive Summary

- On August 3, 2016 the Commission approved the selection of R4 Capital as the Low Income Housing Tax Credit Syndicator for the Alexander House transaction and authorized the Executive Director to negotiate and enter into Limited Partnership Agreement. The projected capital contribution from the tax credit equity investor is \$15.2 million (all future exit taxes waived).
- Staff is requesting that the Commission accept the recommendation of the Development and Finance Committee which met on September 16, 2016.
- Staff herein requests the acceptance by Alexander House Development Corporation the following actions
  1. Approval of the final development budget in the amount of \$121 million.
  2. Approval to sell 122 units to a limited partnership planning to finance renovations using Low Income Housing Tax Credit equity and to serve residents at or below 60% of area median income (“AMI”) to the limited partnership at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units with an appraised value of \$70,300,000.
  3. Authorization for the Executive Director to sign the general contractor contract with CBP Constructors LLC for an amount not to exceed \$26 million.

# Executive Summary

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

## Development Updates



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



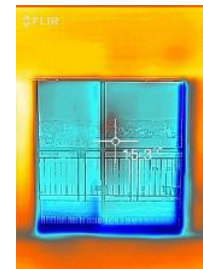
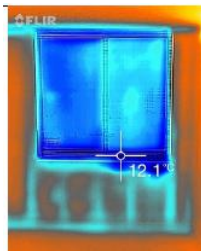
# Development Plan – Transaction Rationale

## A. Feasibility: Physical Needs Assessment (“PNA”)

- The Physical Needs Assessment (“PNA”) has identified the following areas that need to be addressed in the building:
  1. Balconies: Railing replacement necessary due to age of railings. Newer systems have different attachment systems which will minimize future damage. (Removal of existing railing necessary to inspect condition and to ensure no life and safety risks.)
  2. Roof: Near the end of useful life. When HVAC replaced, it would be an ideal time to address because of multiple penetrations.
  3. HVAC: 12 – 15 year life expectation, well beyond useful life of equipment.
  4. Elevators: Cabs and controls are 20+ years old. The controls are functionally obsolete and soon it will be difficult, if not impossible, to find replacement parts.

## B. Feasibility: Energy Audit

- The energy model was accessed, using a thermal imaging camera, discovered the envelope around the window and the patio doors was not secure. The energy report identified that the lighting technology and appliances were outdated and required newer more efficient fixtures and energy saving measures.



# Development Plan – Transaction Rationale

## C. Feasibility: Market Study (Product)

### Alexander House

- Built: 1992
- Interior Updates: None
- Amenities: shared pool, clubroom, fitness center
- Advantage: location to Metro, price point



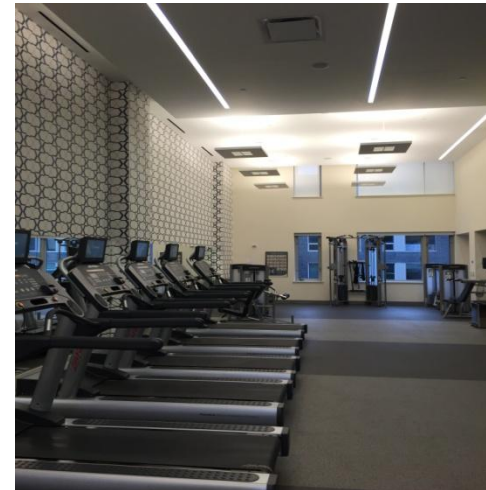


# Development Plan – Transaction Rationale

## C. Feasibility: Market Study (Product)

### Market

- Built: last 3-5 Years
- Current design, finish
- Amenities: pools, clubhouse, fitness room, business center, outdoor space, rooftop
- Advantage: location, age, lifestyle



# Development Plan – Transaction Rationale

## D. Feasibility: Market Study (Competition)

- Since the construction of Alexander House Apartments in 1992, thousands of new rental units have been built over the past 15 years in downtown Silver Spring, including over 1,300 delivered in the past three years.
- However, the population and household growth in the submarket has accelerated, as the pace of development has picked up over the past 15 years. Households based in the submarket area have increased by 8.7% or 1,354 households between 2000 and 2010. Since 2010, the household base expanded by 21.8% adding 3,674 households.
- Currently, there are six projects in the pipeline with multifamily components in the downtown Silver Spring submarket. Three projects are currently under construction and will have over 800 units in total. Three additional projects, with approximately 900 units planned, are likely to break ground in 2017.
- The market remains strong. The aggregate stabilized vacancy rate among the 31 rental communities in the market area that reported vacancy was low across the board, averaging 1.9%, with newer class A products averaging a vacancy rate of 2.4%.

# Development Plan – Transaction Rationale

## F. Feasibility: Alexander House – Current Demographics

	Under 39 years	Between 40 to 61 years	62 years +	Total
Affordable Units	42	68	7	117
Market Units	77	55	2	134
<b>Total</b>	<b>119</b>	<b>123</b>	<b>9</b>	<b>251</b>

## G. Feasibility: Market Study (Rents)

- Alexander House Apartments market rents are currently below market average.

Current Average Rent	Studio/# of units	1 BR/# of units	2 BR/# of units	Average/# of units
Affordable Units	\$1,099/5 units	\$1,224/72 units	\$1,452/40 units	<b>\$1,297/177 units</b>
Market Units	\$1,372/24 units	\$1,607/59 units	\$1,901/51 units	<b>\$1,677/134 units</b>
<b>Average</b>	<b>\$1,325/29 units</b>	<b>\$1,396/131 units</b>	<b>\$1,704/91 units</b>	<b>\$1,500/251 units</b>

Alexander House Average  
Market Rents (Today)  
**\$1,677**

Silver Spring CBD Average  
Market Rents (Today)  
**\$2,069 \***

Alexander House Average  
Market Rents (Projected)  
**\$1,928**

\* Average market rate rents for new Class A developments constructed over the past 5 years is \$2,300

# Development Plan – Transaction Rationale

## H. Feasibility: SWOT

<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none"><li>• Value</li><li>• Proximity to transit</li><li>• A&amp;E district</li><li>• Amenities in neighborhood</li></ul>	<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none"><li>• Major systems need to be replaced</li><li>• Interiors aged/out of date</li><li>• Size of units</li></ul>
<p style="text-align: center;"><u>Opportunities</u></p> <ul style="list-style-type: none"><li>• Update property</li><li>• Rebrand</li><li>• Leverage larger square attributes</li><li>• Value + location + amenities</li></ul>	<p style="text-align: center;"><u>Threats</u></p> <ul style="list-style-type: none"><li>• Supply<ul style="list-style-type: none"><li>○ 1,700 units coming online</li></ul></li><li>• Timing<ul style="list-style-type: none"><li>○ 18-24 month delivery; where's market?</li></ul></li><li>• Over investment</li></ul>



# Development Plan – Transaction Rationale

## J. Feasibility: Redevelopment Strategy



**M** Mission

**C** Community

**E** Environment

**R** Residents

**M** Extract equity for Elizabeth House III

**E** Modernize building systems, technology and units to meet HOC design standards.  
**R**  
**M**

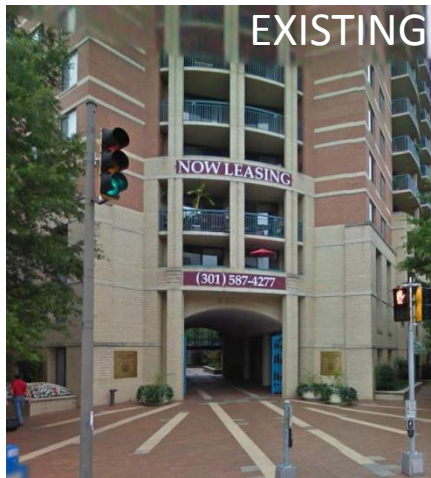
**R** Integrate Alexander House residents in the revitalization of the entire square.  
**C**

**E** Reduce the impact of the building on the environment through energy efficiency.  
**C**  
**R**

**M** Enhance the neighborhood and families on site with robust programming and amenities.  
**R**  
**C**

# Development Plan - Scope of Work

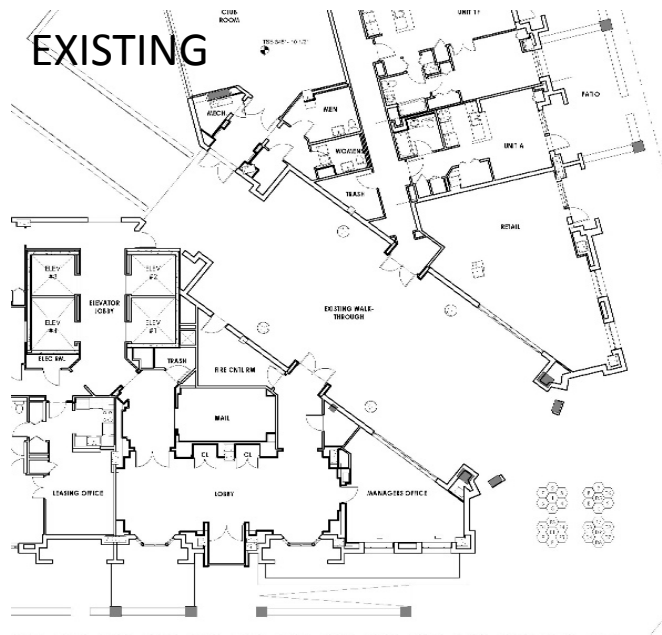
1. Common areas will be reconfigured to expand the amenity space and all common areas will be upgraded to heighten curb appeal, increase energy efficiency, and extend the property's useful life.
  - A. Building Exterior and Systems
    - New main entrance with new canopy
    - Window, balcony doors and balcony railing replacement
    - Streetscape and landscape improvements along Second and Apple Avenues
    - HVAC replacement (unit and common areas)



# Development Plan - Scope of Work

## B. Building Interiors and Amenities

- A new two-story lobby will be created at the corner entrance of the property
- Clubroom relocated to new lobby area will include multiple gathering spaces and functions
- New cyber lounge with free access internet and new library
- Fitness room relocated to be more central to the elevator lobby
- New leasing office and mail room
- Elevator lobbies and corridors will have all new flooring, wall coverings, lighting, and furnishings
- Replace all unit front entry doors





# Development Plan - Scope of Work



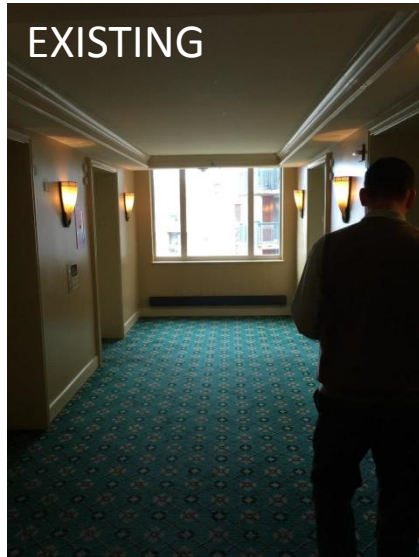
October 5, 2016

**EXISTING**



**FUTURE**

# Development Plan - Scope of Work

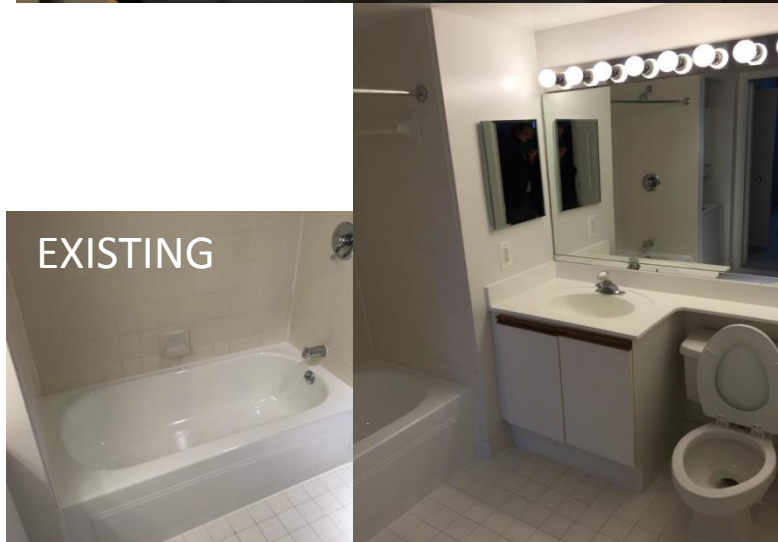


# Development Plan - Scope of Work

- C. Residential units will retain floor plans but undergo gut renovations. The following is a summary of key elements of unit renovation.
- Kitchen Improvements
    - Cabinet replacement
    - Stainless steel refrigerator, range, dishwasher, microwave , and garbage disposal
    - Granite kitchen countertops and new sinks
    - New lighting, plumbing fixtures, hardware
    - Ceramic tile flooring
  - Bathroom Upgrades
    - New vanities and cultures, marble tops, and new faucet
    - Installation of low-flow shower heads, bathroom exhaust fan, light fixtures
    - Ceramic tile flooring and accent tile tub surround
  - Bedroom Upgrades
    - Install smoke detector in every bedroom
    - Replace doors and closet doors
    - Add ceiling lights
  - New washers and dryers in each unit
  - Flooring Upgrades
    - Luxury vinyl tile in living areas and foyer
    - New carpeting in bedrooms

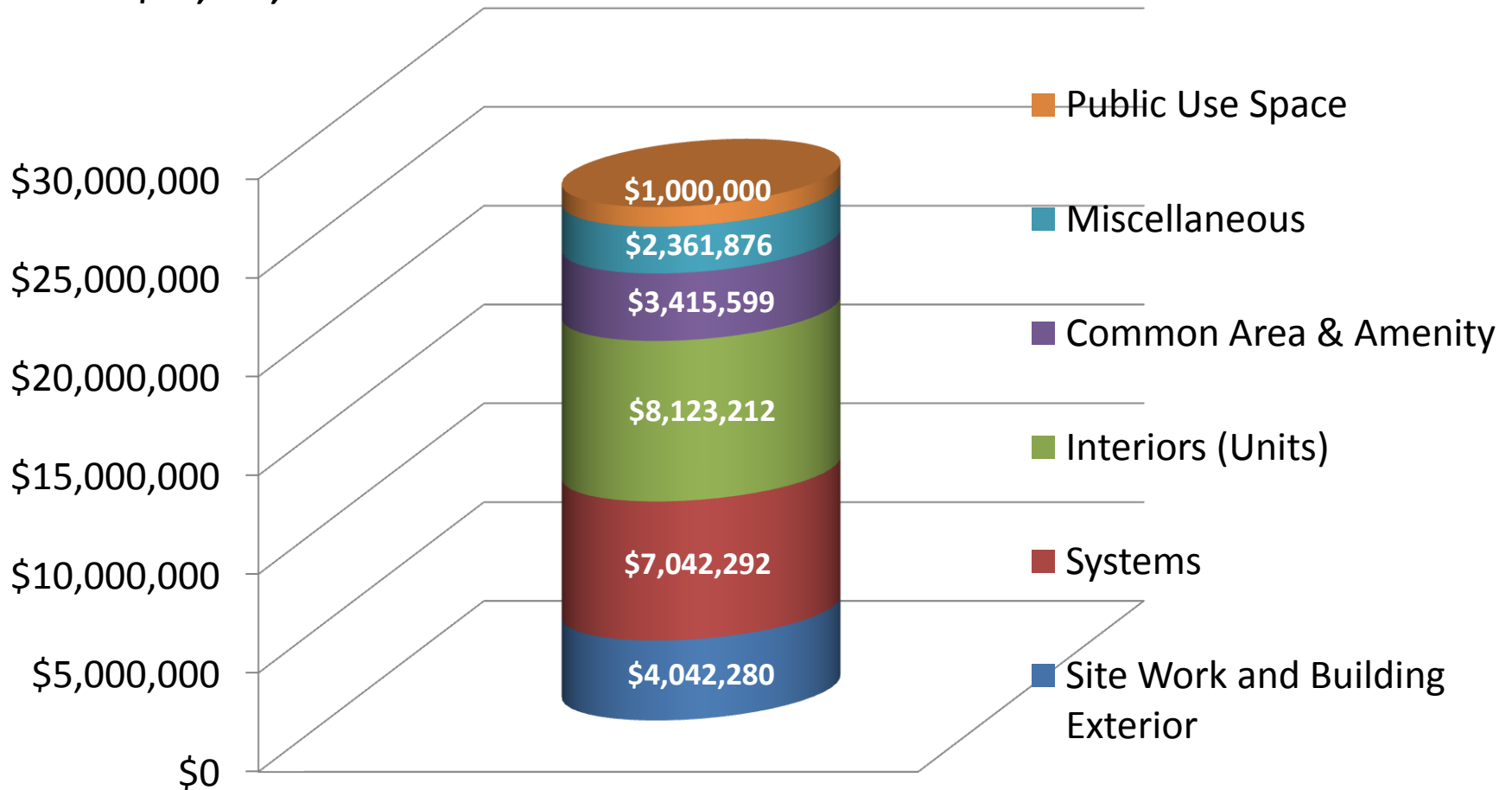


# Development Plan - Scope of Work



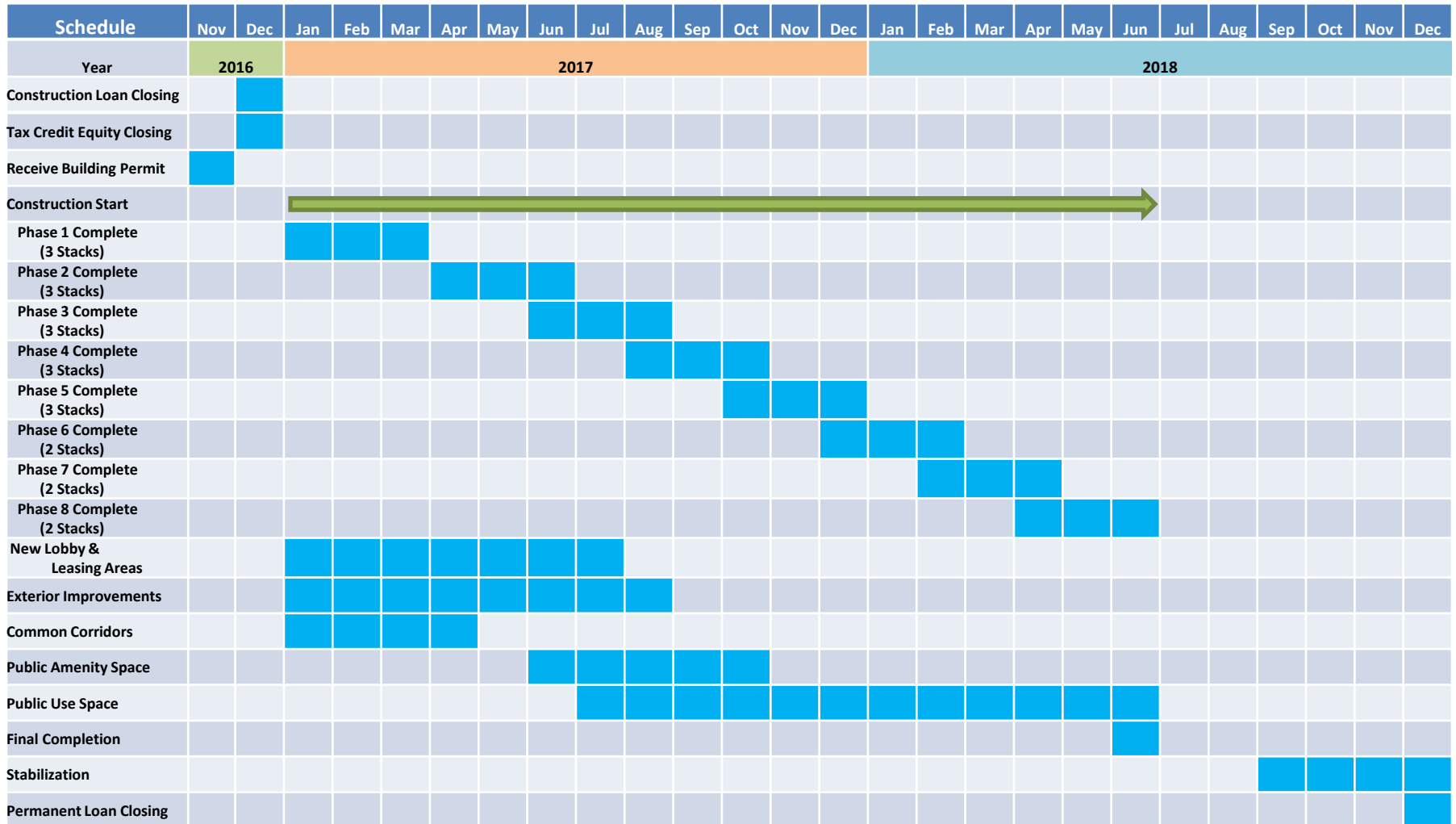
# Development Plan - Scope of Work

**Total: \$25,985,259**





# Development Plan – Timeline and Phasing Schedule



# Development Plan – Proposed Ownership Structure

- Staff proposes creating a new condominium regime that will establish two new units.
  - The first condo will hold the affordable units which can be financed using LIHTC.
  - The second condo will hold the market rate units.



# Development Plan – Sources and Uses

Sources	Amount	Per Unit
Debt Financing <sup>(1)</sup>	\$69,478,889	\$227,800
ST Bonds (Meet 50% Test)	\$4,000,000	\$13,115
LIHTC Equity <sup>(2)</sup>	\$15,206,571	\$49,858
Seller Note <sup>(3)</sup>	\$31,509,110	\$103,309
<b>Total Sources</b>	<b>\$120,194,570</b>	<b>\$394,081</b>

Uses	Amount	Per Unit
Acquisition Price <sup>(4)</sup>	\$70,300,000	\$230,492
Hard Costs <sup>(5)</sup>	\$24,985,259	\$81,919
Hard Costs Contingency	\$2,498,526	\$8,192
Third Party Consultants <sup>(6)</sup>	\$4,225,454	\$13,854
Financing Costs <sup>(7)</sup>	\$9,109,576	\$29,867
Syndication Related Costs	\$180,000	\$590
Development Fee <sup>(8)</sup>	\$2,500,000	\$8,197
Replacement Reserves <sup>(9)</sup>	\$762,500	\$2,500
Misc. Costs	\$1,633,255	\$5,355
ST Bonds (Meet 50% Test) <sup>(10)</sup>	\$4,000,000	\$13,115
<b>Total Uses</b>	<b>\$120,194,570</b>	<b>\$394,081</b>

## Notes:

1. Construction loan to be secured through an institutional lender (Bank) with take-out loan using FHA R/S FFB permanent loan.
2. Assumes LIHTC credit pricing at \$1.195.
3. HOC will not realize the entire acquisition price. Portion of the acquisition price will be deferred as a Seller Note.
4. Acquisition price based on appraised as-is market price for Alexander House. This price will drive up the acquisition credit bases.
5. Guaranteed Maximum Price contract pending.
6. Reimbursement to OHRF of pre-development expenses totaling \$1.4 million.
7. Includes \$1,469,578 (2% of mortgage amount) as origination fee to HOC.
8. Includes \$2,500,000 of Development Fee to HOC.
9. Initial Replacement Reserve at \$2,500/unit
10. Additional bonds required to meet the 50% test required for 4% LIHTC transactions.

## Projected Equity for EH III

Acquisition Price	\$70,300,000
(Less) Seller Note	(\$31,509,110)
(Less) All Outstanding Debt	(\$21,561,524)
<b>TOTAL EQUITY</b>	<b>\$17,229,366</b>

# Development Plan – Stabilized Operations

Stabilized Proforma	Year 1	Per Unit
Rental Income	\$6,010,272	\$19,706
Other Income	\$370,980	\$1,216
Operating Expenses	(\$1,819,719)	(\$5,966)
Vacancy / Credit Loss	(\$381,133)	(\$1,249)
<b>NOI (Net Operating Income)</b>	<b>\$4,180,400</b>	<b>\$13,707</b>
Reserves	106,750	\$350
<b>Operating Cash Flow</b>	<b>\$4,073,650</b>	<b>\$13,356</b>
Debt Service	\$3,432,874	\$11,255
<b>Cash Flow</b>	<b>\$640,775</b>	<b>\$2,101</b>
Debt Service Coverage Ratio	1.20x MKT 1.15x AFF	

Projected Mortgage Amount at Closing	\$69,478,889
Term (in years)	40
Interest Rate	3.40%
Debt Service Constant	4.94%
MIP (Mortgage Insurance Premium)	0.50%
"All-In" Rate	3.90%
Debt Service Coverage Ratio Target (MKT/AFF)	1.20x/1.15x
NOI (less reserves)	\$4,073,650
<b>Debt Service</b>	<b>\$3,432,874</b>

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

# Development Plan – Unit Mix and Rent Analysis

	EXISTING	PROPOSED	RATIONALE
Total Units	311	305	Converting first floor of the building to public use space and will recapture the lost units in EH IV.
Unit Type	<ul style="list-style-type: none"> <li>•187 Market Units</li> <li>•124 Affordable Units                             <ul style="list-style-type: none"> <li>▪124 @&lt;60% AMI</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>•183 Market Units</li> <li>•122 Affordable Units                             <ul style="list-style-type: none"> <li>▪122 @&lt;60% AMI</li> </ul> </li> </ul>	Meets Section 42 requirements associated with the use of tax-exempt financing.

# Development Plan - Team Assembly

## Architect



KGD Architecture – Lead Architecture



Miner Feinstein Architects  
- Interior unit architect

## Property Management

Avison Young

- Alexander House Apartments has existing property management in place. Staff does not recommend changes at this time.

## General Contractor

CBP Constructors, LLC

- Commission approved selection of CBP Constructors, LLC on May 4, 2016

## LIHTC Investor

R4 Capital

- Commission approved selection of R4 Capital as the Low Income Tax Credit Investor on August 3, 2016

# Summary and Recommendations

## Issues for Consideration

Does the Board of Directors of Alexander House Development Corporation (“AHDC”) wish to:

1. Approval of the final development budget in the amount of \$120,194,570,
2. Approval to sell 122 units to a limited partnership planning to finance renovations using Low Income Housing Tax Credit equity and to serve residents at or below 60% of area median income (“AMI”) to the limited partnership at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units with an appraised value of \$70,300,000 and
3. Authorization for the Executive Director to sign the general contractor contract with CBP Constructors LLC for an amount not to exceed \$26,000,000?

## Time Frame

Action at the October 5, 2016 meeting of the Alexander House Development Corporation.

## Budget Impact

The phasing schedule to renovate three or two stacks per construction cycle will temporarily reduce net cash flow from the property to HOC. Over the past four HOC Fiscal Years, the property has produced an average of \$1.3 million annually to HOC.

However, during the 24 months of construction period, the project will continue to maintain 75% occupancy rate to ensure the project does not fall into an operating deficit. Also, the debt service payments during the same construction period will be capitalized and paid from the development budget. Due to savings related to debt service payment, the property is projected to generate approximately \$3.0 million over the next 24 months.

The property, once stabilized, will begin to generate approximately \$640,775 in net cash flow.

# Summary and Recommendations

## Staff Recommendation and Commission Action Needed

Staff recommends that:

1. Alexander House Development Corporation approve of the final development budget in the amount of \$120,194,570.
2. Alexander House Development Corporation approve to sell 122 units to a limited partnership planning to finance renovations using Low Income Housing Tax Credit equity and to serve residents at or below 60% of area median income ("AMI") to the limited partnership at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units with an appraised value of \$70,300,000.
3. Alexander House Development Corporation authorize for the Executive Director to sign the general contractor contract with CBP Constructors LLC for an amount not to exceed \$26,000,000.



ALEXANDER HOUSE DEVELOPMENT CORPORATION

**RESOLUTION No.: 16-006<sub>AH</sub>:**

**RE: Approval of the Final Development Plan for Alexander House Apartments, Approval of the sale of 122 Units to Alexander House Apartments Limited Partnership, a Tax Credit Limited Partnership, and Authorization for the Executive Director to Enter into an Agreement for the Payment of General Contractor Contract from CBP Constructors LLC**

**WHEREAS**, the Alexander House Development Corporation (the “Corporation”) is a wholly controlled corporate instrumentality of the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”); and

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

**WHEREAS**, the Development is an important element of the redevelopment of Elizabeth Square; and

**WHEREAS**, the preliminary and project plan for Elizabeth Square, which was approved on July 23, 2015, includes amendments to the Development; and

**WHEREAS**, minor site plan amendment approval was achieved for the Development on June 9, 2015, incorporating it seamlessly into the overall plan for Elizabeth Square; and

**WHEREAS**, the certified site plan for the recommended changes included in the preliminary and project plan is anticipated to be approved by November 2016; and

**WHEREAS**, on February 3, 2016, the Commission approved the selection of an architectural firm to complete the interior design work in preparation for the renovation of the Property and must now select a general contractor to complete said renovation work at the Property; and

**WHEREAS**, on May 4, 2016, the Corporation approved the selection of general contractor contract with CBP Constructors LLC for the renovations of the Development; and

**WHEREAS**, the approved Preliminary Development Plan and renovation plan includes

ALEXANDER HOUSE DEVELOPMENT CORPORATION

HOC's creation of Alexander House Apartments Limited Partnership (the "Partnership") to acquire 40% of the Property in order to avail of equity raised by the syndication of 4% Low Income Housing Tax Credits and a permanent loan funded from the sale of tax-exempt bonds, insured by FHA pursuant to its Risk Share agreement with HOC, and secured by 40% of the Property; and

**WHEREAS**, the Partnership was created on July 7, 2016 with HOC as the general partner and the Corporation as the initial limited partner; and

**WHEREAS**, On August 3, 2016 the Commission and Partnership approved the selection of R4 Capital as the Low Income Housing Tax Credit Syndicator for the low-income housing tax credit portion of the Development and authorized the Executive Director to negotiate and enter into a Limited Partnership Agreement with R4 Capital; and

**WHEREAS**, HOC and the Partnership expect to receive a Letter of Reservation of Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development which will enable the Partnership to raise approximately \$15.2 million in equity to pay part of its acquisition and development costs.

**NOW, THEREFORE, BE IT RESOLVED** by the Corporation that it hereby:

1. Approves the final development plan with an estimated total development cost budget in the amount of \$120,194,570 for the entire building, to be allocated approximately \$68,013,220 the Corporation's portion and approximately \$52,181,350 to the Partnership's portion.
2. Approves the sale of 122 units to the Partnership at a pro-rata price of \$28,120,000 which represents 40% of the 305 total units with an appraised value of \$70,300,000.
3. Authorizes the Executive Director to either (1) sign the general contractor contract with CBP Constructors LLC for the rehabilitation of the entire building in an amount not to exceed \$26,000,000 with the anticipation of being reimbursed by the Partnership for its approximate 40% share of the expense, (2) sign a construction contract with CPB Constructors LLC for the rehabilitation of its respective share of the building for an amount not to exceed \$15,600,000, or (3) reimburse the Partnership for its respective share of construction costs in the event the Partnership executes a construction contract with CBP Constructors LLC for the entire building, depending on which option R4 Capital requires.

**BE IT FURTHER RESOLVED** by the Corporation that the Commission's Executive Director, is authorized, without any further action on its part, 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.

ALEXANDER HOUSE DEVELOPMENT CORPORATION

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Board of Directors of Alexander House Development Corporation at an open meeting on October 5, 2016.

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Patrice M. Birdsong  
Special Assistant to the Board of  
Directors of the Corporation

# ALEXANDER HOUSE DEVELOPMENT CORPORATION

## Approval of the Preliminary Financing Plan for Alexander House Development Corporation, the Entity that will Own 183 Market Rate Units at Alexander House Apartments

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STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
VIVIAN BENJAMIN  
GIO KAVILADZE

October 5, 2016

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**RESOLUTION No: 16-007<sub>AH</sub>**

**RE:** Approval of the Preliminary Financing Plan for Alexander House Development Corporation, the Entity that will Own 183 Market Rate Units at Alexander House Apartments

**WHEREAS**, the Alexander House Development Corporation (the “Corporation”) is a wholly controlled corporate instrumentality of the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”); and

**WHEREAS**, the Corporation wishes to borrow construction and permanent financing to rehabilitate the Alexander House Apartments (“Development”) and the Commission desires to issue two commitments, one to the Corporation and one to Alexander House Apartments Limited Partnership, to finance the permanent loans for the market-rate and affordable unit portions of the Development in an aggregate amount not to exceed \$74,000,000 (“Permanent Loan”); and

**WHEREAS**, the Commission has been approved to participate in the HUD Risk Sharing/Federal Financing Bank (FFB) Risk Sharing Program (“HUD/FFB Risk Sharing Program”), under which transactions processed by the Commission can be financed and FHA-insured upon completion of construction; and

**WHEREAS**, the FFB cannot lock in an interest rate more than 60 days before delivery, but can agree to participate at a rate to be determined in approximately three years or less, and the Corporation wishes to investigate the purchase of an interest rate hedge for protection in the event rates should rise above the underwritten rate.

**NOW, THEREFORE, BE IT RESOLVED** by the Corporation that staff is authorized to pursue short-term construction financing for the construction of the Development, which will be brought before the Corporation’s Board of Directors for approval.

**BE IT FURTHER RESOLVED** by the Corporation that staff is authorized to arrange permanent takeout loan for the transaction through a permanent loan from the Commission via the HUD/FFB Risk Sharing Program for the market-rate portion of the Development, such that, when calculated together with the financing for the affordable unit portion of the Development, the aggregate amount of permanent financing for the entire Development does not to exceed \$74,000,000, which proceeds will repay the Development’s construction loans.

**BE IT FURTHER RESOLVED** by the Corporation that staff is authorized to explore the purchase of an interest rate hedge with a highly rated financial institution, which will be brought before the Corporation’s Board of Directors for approval.

ALEXANDER HOUSE DEVELOPMENT CORPORATION

**BE IT FURTHER RESOLVED** by the Corporation, that the Executive Director of the Commission is hereby authorized, without any further action on its part, 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 approved by the Board of Directors of Alexander House Development Corporation at an open meeting on October 5, 2016.

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Patrice M. Birdsong  
Special Assistant to the Board  
of Directors of the Corporation

Adjourn