

EXPANDED AGENDA

September 7, 2016

4:00 p.m.	I. <u>CONSENT ITEMS</u>	<u>Res. #</u>
<p>Page 04 15 19</p>	<p>A. Approval of Minutes of August 3, 2016 B. Approval of Executive Session Minutes of August 3, 2016 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</p>	<p>Res. 16-61R (pg.20)</p>
4:05 p.m.	II. <u>INFORMATION EXCHANGE</u>	
<p>Page 22 26</p>	<p>A. Report of the Executive Director B. Calendar and Follow-up Action C. Correspondence and Printed Matter D. Commissioner Exchange E. Resident Advisory Board F. Community Forum G. Status Report</p>	
4:20 p.m.	III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>	
<p>Page 31 36 51 61 79 91</p>	<p>A. Budget, Finance and Audit Committee – Com. Nelson, Chair 1. Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP B. Development and Finance Committee – Com. Simon, Chair 1. Adoption of an Inducement Resolution for Financing of the Willow Manor at Fairland Development 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 3. Approval to Select Hamel Builders as General Contractor and Authorization for the Executive Director to Negotiate a Contract for Greenhills Apartments Transaction 4. Approval to Select Firms to Expand the Pool of Development and Financing Professionals Pursuant to Request for Qualifications (RFQ) #2007 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</p>	<p>Res.16-62 (pg. 34) Res. 16-63 (pg. 49) Res. 16-64 (pg. 58) Res. 16-65 (pg. 77) Res. 16-66 (pg. 89) Res. 16-67 (pg. 101)</p>
4:45 p.m.	IV. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>	
	A. None	
	V. <u>*FUTURE ACTION ITEMS</u>	
	A.	

5:00 p.m.	VI. <u>INFORMATION EXCHANGE (continued)</u> A. Community	
	VII. <u>NEW BUSINESS</u>	
	VIII. <u>EXECUTIVE SESSION FINDINGS</u>	
5:15 p.m.	<u>ADJOURN</u>	
5:20 p.m.	<u>TPM DEVELOPMENT CORPORATION MEETING</u>	
Page 110	<ul style="list-style-type: none"> Approval for TPM Development Corporation to Amend the Renovation Scope at Timberlawn Crescent to Complete Clubhouse Upgrades and Convert the Daycare Center to a Fitness Room and Business Center and to Accept Additional Interim Loan Funds from the Housing Opportunities Commission of Montgomery County 	Res. 16-003 ^{TPM} (pg. 120)
	<u>ADJOURN</u>	
5:30 p.m.	<u>VPC ONE CORPORATION MEETING</u> <u>ADJOURN TO EXECUTIVE SESSION</u>	
	<u>ADJOURN</u>	
5:45 p.m.	<u>EXECUTIVE SESSION</u>	

NOTES:

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

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

Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

August 3, 2016

16-08

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, August 3, 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
Christopher Hatcher
Linda Croom
Pamela Byrd

Via Phone

Richard Y. Nelson, Jr.

Absent

Margaret McFarland

Also Attending

Stacy Spann, Executive Director
Shauna Sorrells
Kayrine Brown
Sheryl Hammond
Patrick Mattingly
Arthur Tirskey
Mary Ellen Ewing
Bonnie Hodge
Eugene Spencer
Angela McIntosh-Davis
Gail Gunod-Green
Cathy Kramer
Ugonna Ibebuchi
Alison Garraway
Mary Ellison
Darcel Cox
Jennifer Arrington

Kelly McLaughlin, General Counsel
Gail Willison
Lynn Hayes
Bobbie DaCosta
Ian Williams
Shala Rafiq
Zachary Marks
Gio Kaviladze
Rita Harris
Tiffany Jackson
Kitty McCoy
Ethan Cohen
Shaina Francis
Mary Ellison
Lecia Stein
Danette Lawrence
Brian Kim

Attendees Cont'd

Susan Smith
Hyunsuk "Wilson" Choi
Anita Inman
Yolanda Jackson
Brenda Tyer

IT Support

Dominique Laws

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

Resident Advisory Board (RAB)

Yvonne Caughman

The meeting began with approval of the Consent Calendar. The Consent Calendar was adopted upon a motion by Vice Chair Simon and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Roman, Simon, Nelson, Hatcher, Croom and Byrd. Commissioner McFarland was necessarily absent and did not participate in the vote.

I. CONSENT ITEMS

- A. Approval of Minutes of June 17, 2016** - The minutes were approved as submitted
- B. Approval of Minutes of July 1, 2016 Special Session** – The minutes were approved as submitted
- C. Approval of Minutes of July 13, 2016** – The minutes were approved as submitted
- D. Authorization to Submit FY 2016 Section Eight Management Assessment Program (SEMAP) Certification to HUD**

RESOLUTION: 16-56

**RE: Authorization to Submit FY 2016
Section Eight Management
Assessment Program (SEMAP)
Certification to HUD**

WHEREAS, U.S. Department of Housing and Urban Development (HUD) regulations require that the Housing Opportunities Commission of Montgomery County (HOC) submit the Section Eight Management Assessment Program (SEMAP) certification annually; and

WHEREAS, the SEMAP certification, which measures the status of HOC's administration of the Section Eight Program for Fiscal Year 2016, must be submitted to HUD within 60 days of the end of the fiscal year.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to submit the Fiscal Year 2016 SEMAP Certification to HUD.

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

E. Approval of New Participating Lender for the Single Family Mortgage Purchase Program

RESOLUTION No: 16-57

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

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

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

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

WHEREAS, Howard Bank Mortgage has applied for participation in the Mortgage Purchase Program; and

WHEREAS, Howard Bank Mortgage has satisfied the required criteria for admittance to the Mortgage Purchase Program.

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

II. INFORMATION EXCHANGE

- A. Report of the Executive Director** – The Executive Director, in addition to his written reported, added that there had been few reports of air condition outages during the warm summer months due to Arthur Tirskey, Chief Maintenance Officer, and the maintenance team. Mr. Spann also acknowledged and thanked staff who assisted the maintenance team with timely reports of any issues that occurred in the field offices.
- B. Calendar and Follow-up Action – None**
- C. Commissioner Exchange** – Chair Roman congratulated Vice Chair Simon in completing all her requirements for her certification as a Commissioner. Commissioners Byrd and Croom also attended the Commissioners Training at NAHRO’s Summer Conference in Portland, OR held on July 14 – 16, 2016.
- D. Resident Advisory Board (RAB)** – Ms. Yvonne Caughman, President of the Resident Advisory Board, reported that the Memorandum of Understanding (MOU) is complete and will provide information at the September 2016 meeting.

E. Community Forum – None

F. Status Report – None

III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

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

1. **Approval to Advance Funds to Wheaton Associates Limited Partnership (the “Ambassador”) to Prepay a Rental Housing Production Program (“RHPP”) Loan to the Maryland Department of Housing and Community Development (“DHCD”), Fund Carrying Costs, and Reimburse the General Fund for Relocation Cost at the Property**

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

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

RESOLUTION: 16-58

RE: Approval to Advance Funds to Wheaton Associates Limited Partnership (the “Ambassador”) to Prepay a Rental Housing Production Program (“RHPP”) Loan to the Maryland Department of Housing and Community Development (“DHCD”), Fund Carrying Costs, and Reimburse the General Fund for Relocation Cost at the Property

WHEREAS, Ambassador Apartments (the “Property”) consists of 162 apartments that are 100% income restricted within the residential condominium components of a seven-story high rise, mixed-use condominium building located in Wheaton (the “Building”); and

WHEREAS, the Property is owned by Wheaton-University Boulevard Limited Partnership (“WUBLP”) and the retail condominium components of the Building are owned by Wheaton Commercial Center Associates Limited Partnership, an affiliate of Willco Development; and

WHEREAS, in December 1992, the WUBLP financed the renovation of the Property using Low Income Housing Tax Credits (LIHTC) and the use of that capital source came with a 15-year initial compliance period (“Initial Compliance Period”) and a subsequent 15-year extended compliance period (“Extended Compliance Period”) during which time the Property is to be operated as a moderate income housing project; and

WHEREAS, in 2005, HOC Ambassador, Inc. (the “General Partner”), a corporation whose stock is wholly-owned by the Housing Opportunities Commission of Montgomery County (“HOC”), acquired the general partnership interest in WUBLP; and

WHEREAS, in June 2010, HOC approved a feasibility/predevelopment budget of up to \$75,000 to consider options for redevelopment of the Property and Building site; and

WHEREAS, in July 2010, after the expiration of the Property’s 15-year tax-credit compliance period, M&T Bank, the 99% limited partner in WUBLP, donated its interest in WUBLP to HOC; and

WHEREAS, the Property’s Initial Compliance Period expired in 2008, and the Extended Compliance Period ends in 2023; and

WHEREAS, over the past 24 months, the physical viability of the Property has been called into question through events of systems failures and a discovery of structural deficiencies which required the evacuation of the building and temporary relocation of residents; and

WHEREAS, on June 3, 2015, HOC approved a relocation plan aimed at relocating the remaining residents at the Property to housing that is safe and more appropriate; and

WHEREAS, the Montgomery County Department of Housing and Community Affairs (“DHCA”) has committed to reimburse HOC for relocation costs of up to \$500,000 and the Commission has approved acceptance of DHCA’s funds, but despite having expended these funds, DHCA has delayed the release of the funds to HOC until the matters with DHCD concerning the extended use Covenant have concluded; and

WHEREAS, given the Property was completely vacated on July 1, 2016 but it is expected that there will be certain costs associated with a vacant building estimated at \$171,151 for approximately seven months; and

WHEREAS, the Letter Agreement requires the prepayment of the State’s RHPP loan, which has a balance of \$195,603 as of July 1, 2016, and HOC wishes to prepay the loan since no operating revenues are being produced from a decommissioned building.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC Ambassador, Inc., acting for itself and for and on behalf of Wheaton-University Boulevard Limited Partnership, it approves the advance of \$346,628 from the Opportunity Housing Reserve Fund to pay approximately seven months of operating expenses (\$151,025) and to prepay the DHCD RHPP loan (\$195,603) at Ambassador Apartments.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC Ambassador, Inc., acting for itself and for and on behalf of Wheaton-University Boulevard Limited Partnership, that it authorize the use the property’s replacement reserves, once returned to the Owner, to reimburse the OHRF for any related advance and to fund any ongoing expenses at the vacant building.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC Ambassador, Inc., acting for itself and for and on behalf of Wheaton-University Boulevard Limited Partnership, that it authorize advance of \$500,000 from the OHRF to the general funds to replenish its cash until DHCA releases its funds to reimburse HOC for costs associated with the relocation of the Ambassador residents.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC Ambassador, Inc., acting for itself and for and on behalf of Wheaton-University Boulevard Limited Partnership, 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.

2. Approval to Select R4 Capital as Low Income Housing Tax Credit Syndicator for Alexander House Apartments Limited Partnership

Kayrine Brown, Chief Investment & Real Estate Officer, and Brian Kim, Development Associate, were 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, Hatcher, Croom, and Byrd. Commissioner Nelson abstained. Commissioner McFarland was necessarily absent and did not participate in the vote.

RESOLUTION: 16-59

RE: Approval to Select R4 Capital as Low Income Housing Tax Credit Syndicator for Alexander House Apartments Limited Partnership

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"), which currently holds title to all the condominium units and common areas in Alexander House Apartments; and

WHEREAS, the Alexander House Apartments (the "Property" or "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 which is also owned by HOC; 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, on February 3, 2016, the Corporation 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 plan of 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, Alexander House Apartments Limited Partnership was created on July 7, 2016, with HOC as the general partner and the Corporation as the initial limited partner; 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 development costs; and

WHEREAS, after soliciting investment proposals from the top Low Income Housing Tax Credit (LIHTC) syndicators, HOC received four proposals detailing interest in purchasing the tax credits allocated to the Partnership and being admitted as its investor limited partner; and

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

WHEREAS, HOC intends to negotiate an amended and restated limited partnership agreement with R4 Capital for the admission of R4 Capital as a limited partner, the withdrawal of the Corporation as a limited partner, and the continued role of HOC or its affiliate as the general partner of the Partnership.

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 current general partner, that it approves the selection of R4 as the low income housing tax credit investor syndicator for the Property.

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.

3. Authorization of the Executive Director to Execute a Contract for Consulting Services with Morrison Avenue Capital Partners and Censeo Related to the Acquisition of Full Ownership of Tax Credit Properties and other Investor Exit Strategies and Interim Funding of the Contract from the Real Estate Line of Credit

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

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

RESOLUTION No. 16-60A

RE: Authorization of the Executive Director to Execute a Contract for Consulting Services with Morrison Avenue Capital Partners and Censeo Related to the Acquisition of Full Ownership of Tax Credit Properties and other Investor Exit Strategies and Interim Funding of the Contract from the Real Estate Line of Credit

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HO C” or the “Commission”) issued RFP #1938 on September 16, 2014 to solicit proposals from and to create a pool of qualified consultants capable of providing expertise in support of HOC’s development and financing activities; and

WHEREAS, the Commission approved the selection of six offers as prequalified consultants to be included in the pool, including the joint Morrison Avenue Capital Partners/Censeo team (“MACP & C”);and

WHEREAS, the MACP & C has demonstrated significant knowledge and experience related to properties financed by Low Income Housing Tax Credit (“LIHTC”) equity and has

presented HOC with a proposal to evaluate, negotiate, and complete limited partners' exits;
and

WHEREAS, HOC is the general partner in a number of limited partnerships ("LIHTC Partnerships") that own and operate affordable properties financed by LIHTC equity where the initial 15-year compliance periods associated with the LIHTC financing for these properties have expired (collectively, the "Year 15 Properties"); and

WHEREAS, HOC wishes to acquire the full ownership of Year 15 Properties so that it may reinvest in and preserve the inventory of affordable housing at these locations, and so that it may eliminate its ongoing financial exposure under the LIHTC Partnerships' current agreements between HOC and the LIHTC investors; and

WHEREAS, the Commission wishes to supplement staff expertise and human resources with a qualified consultant with knowledge and experience related to these matters.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director to execute a contract for consulting services with Morrison Avenue Capital Partners and Censeo related to the acquisition of full ownership of the Year 15 Properties and other investor exit strategies, with an aggregate contract amount not to exceed \$1.6MM for services in connection with no more than 10 Year 15 Properties and their respective LIHTC Partnerships.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes draws on its Real Estate Line of Credit ("RELOC") with PNC Bank, N.A. in an aggregate amount not to exceed \$1.6MM as an interim source of funding for the payment of the contract amount, with the RELOC to be repaid as part of the total project costs for the eventual recapitalization of the Year 15 Properties.

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 other actions necessary and proper to carry out the transaction contemplated herein including but not limited to the execution of any amendment to the original service contract issued under RFQ 1938.

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

RESOLUTION NO: 16-60B

RE: Approval of Aggregate Draws of up to \$1.6MM from the \$90 Million Real Estate Line of Credit (RELOC) from PNC Bank, N.A. as an interim source of funding for Consulting Services Related to the Acquisition of

**Full Ownership of Certain Tax Credit Properties, with
the RELOC Repaid Through the Eventual
Recapitalization of Such Properties**

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), or its wholly-owned and controlled affiliate, serve as the general partners (the “HOC GPs”) in a number of partnerships (“Partnerships”) that own and operate affordable properties financed by LIHTC equity where the initial 15-year compliance periods associated with the properties’ LIHTC financing have expired or are expiring in the near future (“Year 15 Properties”); and

WHEREAS, HOC wishes to acquire full ownership of the Year 15 Properties so that it may reinvest in and preserve the inventory of affordable housing at these locations, and so that it may eliminate its ongoing financial exposure under the current limited partnership agreements between HOC GPs and the LIHTC investors in force for Year 15 Properties; and

WHEREAS, the Commission wishes to supplement staff expertise and human resources by means of a qualified consultant (“Consultant”)with knowledge and experience related to these matters; and

WHEREAS, the Commission may make draws on the \$90 Million Real Estate Line of Credit (RELOC) from PNC Bank, N.A. at a taxable rate equal to an interest rate at an optional London Interbank Offered Rate (LIBOR) (1-month, 3-month, 6-month, or 12-month) plus 58 basis points; and

WHEREAS, the Commission wishes to authorize a taxable draw on the RELOC for the purpose of paying the Consultant.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes taxable draws on the RELOC in an aggregate amount not to exceed \$1.6MM as an interim source of funding for consulting services related to the acquisition of full ownership of Year 15 Properties, which shall be outstanding for no more than 24 months from the date of the first draw and repaid as part of the total project costs for the eventual recapitalization of Year 15 Properties.

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

IV. ITEMS REQUIRING DELIBERATION and/or ACTION

A. None

V. FUTURE ACTION ITEMS
None

VI. INFORMATION EXCHANGE (CONT'D)

- A.** Video Presentation by Shauna Sorrells, Director of Legislative and Public Affairs.
- B.** Slide Presentation of programs in the Resident Services Division by Rita Harris, Special Assistant to Director of Resident Services.

VII. NEW BUSINESS
None

VIII. EXECUTIVE SESSION FINDINGS
None

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

The meeting adjourned at 5:02 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

August 3, 2016

An Executive Session of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, August 3, 2016 at 10400 Detrick Avenue, Kensington, Maryland beginning at 5:16 p.m. Those in attendance were:

Present

Sally Roman, Chair
Jackie Simon, Vice Chair
Christopher Hatcher
Linda Croom
Pamela Byrd

Via Teleconference

Richard Y. Nelson, Jr., Chair Pro Tem

Absent

Margaret McFarland

Also Attending

Stacy Spann, Executive Director
Kayrine Brown
Gail Willison
Brian Kim
Zachary Marks

Kelly McLaughlin, General Counsel
Shauna Sorrells
Gio Kaviladze
Vivian Benjamin

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

The purpose of the Executive Session was pursuant to subsection (5), the investment of public funds, and pursuant to subsection (7), a consultation with Counsel for legal advice.

A. 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

Kayrine Brown, Chief Investment & Real Estate Officer, and Gio Kaviladze, Senior Financial Analyst, were presenters.

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

RESOLUTION: 16-61ES

RE: 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 (the "Commission") is currently the sole member of CCL Multifamily LLC (the "Borrower"), the entity that will develop, own and operate the Chevy Chase Lake Multifamily property (the "Development"); and

WHEREAS, the Commission and Borrower have arranged for a construction loan for the Borrower's construction of the Development with United Bank and desire to secure a permanent takeout loan for the transaction; and

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

WHEREAS, the Commission desires to issue a three year forward commitment to Borrower to insure and finance the permanent loan for the Development in an amount not to exceed \$65,000,000, using the FHA/FFB Financing using a fixed interest rate of five percent (5%); and

WHEREAS, the FFB cannot lock in an interest rate more than 60 days before issuance of the permanent loan, but can agree to participate at a rate to be determined three years hence; and

WHEREAS, to protect the transaction from potential interest rate increases, the Commission wishes to purchase an interest rate hedge for protection in the event interest rates should rise; and

WHEREAS, the projected cost for the hedge (between \$1.6 to \$3.5 million including transaction expenses) would be due at settlement at the time of permanent financing, and would be paid by the Commission; and

WHEREAS, the hedge product will be executed at the time of the permanent financing closing and will hedge the then-current FFB interest rate.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that staff is authorized to issue a three-year forward commitment to insure and finance a loan to CCL Multifamily LLC for the permanent financing of the Chevy Chase Lake Multifamily property through the FHA/FFB Financing, which proceeds will repay the construction loan.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of CCL Multifamily LLC, that CCL Multifamily LLC is authorized to accept the FHA/FFB Financing from the Commission in an amount not to exceed \$65,000,000 to repay the construction loan and other costs.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the acquisition of an interest rate hedge with a highly rated financial institution at an expense not to exceed \$3.5 Million to secure a hedged at the then-current FFB rate, to be paid for by HOC from a draw on the PNC Bank, N.A. Real Estate Line of Credit, or such other alternate source as the Commissioners may later approve, at the time of the closing on the FHA/FFB Financing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of CCL Multifamily LLC, 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.

Executive Session
August 3, 2016
Page 4 of 4

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 6:19 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

**RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION
ON AUGUST 3, 2016:
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**

September 7, 2016

- At a closed Executive Session on August 3, 2016, the Commission adopted Resolution 16-61ES which authorized HOC, as the managing member of CCL Multifamily LLC (“Borrower”), to cause Borrower to accept the FHA Risk Sharing/Federal Financing Bank Risk Sharing Program (“FHA/FFB Financing”) from HOC in an amount not to exceed \$65,000,000 to repay the construction loan and other costs.
- The Commission authorized HOC to issue a commitment to make a permanent loan to Borrower and to acquire an interest rate hedge with a highly rated financial institution at an expense not to exceed \$3.5 Million to secure a hedge at the then current FFB rate, to be paid for by HOC from a draw on the PNC Bank, N.A. Real Estate Line of Credit, or such other alternate source as the Commissioners may later approve at the time of the closing on the FHA/FFB Financing.
- Five (5) Commissioners were physically present at the Executive Session and one (1) Commissioner participated via teleconference call. Pursuant to the Commission’s Amended and Restated Bylaws, HOC must ratify and affirm, in an open meeting with a quorum physically present, the action undertaken at the August 3, 2016 closed Executive Session and any action taken since then with respect to the approved transaction.

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.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on September 7, 2016.

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A
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Patrice M. Birdsong
Special Assistant to the Commission

Information Exchange



HOC

GAO AUDIT OF RAD PROGRAM

The U.S. Government Accountability Office (GAO) is conducting meetings with selected PHAs across the country that have implemented HUD's Rental Assistance Demonstration (RAD) program and speaking with the various parties involved in the conversion process to include Public Housing Authority (PHA) staff, developers, and resident groups.

As such, GAO contacted HOC on August 15, 2016 to schedule several meetings to review HOC's implementation of RAD.

The main purpose of the visit was the GAO's audit of the RAD program in response to an October 17, 2015 letter from Congresswoman Maxine Waters to the GAO raising concerns for:

- Physical and financial impacts of RAD conversion on properties,
- Preservation of the long-term affordability of properties that have been converted under RAD, especially in a foreclosure scenario given they are now subject to market finance,
- Impacts of RAD conversions on residents, including while temporarily relocated and after conversion, and
- Challenges that public housing agencies face implementing RAD—before, during and after conversion.

On August 25, 2016, GAO met with HOC staff in its capacity as the PHA and developer, and with the Resident Advisory Board (RAB), to which HOC staff was not invited. On September 1, 2016, GAO toured Seneca Ridge and Arcola Towers. After each tour, GAO staff convened focus groups of eight to 10 residents at both properties.

Staff will keep Commission informed as we learn more.

Property Management

HOC Responds to Silver Spring Apartment Explosion

HOC housed five families who lost everything in the tragic fire at Flower Hill Apartments in the Long Branch area of Montgomery County. In addition, the agency continues to work with two other families. Staff from Property Management gathered at the Long Branch Community Center on Saturday, August 20th to meet with affected families, determine their needs and offer alternative housing. HOC is

requesting three month emergency assistance vouchers through DHCD while staff works with Montgomery County HHS and DHCA on permanent solutions for the families affected by this tragedy.

Legislative and Public Affairs

HOCP Begins Major Fundraising Campaign



The Housing Opportunities Community Partners (HOCP) is kicking off a month long drive to encourage donations to support various HOC programs. On September 26th, HOCP will culminate this fundraising drive with the Inspire Gala at the Silver Spring Civic Building.

HOCP provides critical programming and resources that help our families, seniors and persons with disabilities move closer toward their vision of success. From the beginning, HOCP has supported innovative programming such as Vehicles for Change, holiday giving, school supply drive, summer camps, and more. Additionally, HOCP funds provide vital resources that help families gain housing stability, exit homelessness or attain more education. Learn more about HOCP and the Gala here: <http://www.hocommunitypartners.org>

Human Resources

Human Resources Unveils New Onboarding Procedures

On August 16th, the Office of Human Resources announced modifications to HOC's onboarding process. The revamped process will ensure that new employees are welcomed and supported as they begin their career with HOC. Features of the new onboarding process include online scheduling for HOC property tours and the issuance of orange badges to new employees. The purpose of these badges is to help staff identify new employees so that they may greet and assist those employees. In order for employees to transition to a blue badge, they must complete the following:

- Attend one HOC Commission meeting;
- Attend one HOC property tour;
- Attend two HOC or Montgomery County Government trainings;
- Attend one lunch with Senior Executive Staff and/or a Supervisor;
- Meet at least one person from each HOC Division.

HR asks that staff take time to introduce themselves to new employees and serve as informal mentors.

Compliance

Compliance Creating Agency Standard Operating Procedure

To improve HOC policies and customer service, the Compliance team is in the process of creating an agency-wide Standard Operating Procedure (SOP). The project will detail the responsibilities of each division and provide staff guidelines to increase efficiency, performance and streamline policies. Compliance will regularly review and update the SOP. Currently, compliance has completed a draft of the SOP and is creating a list of potential topics for agency input.

Housing Resources

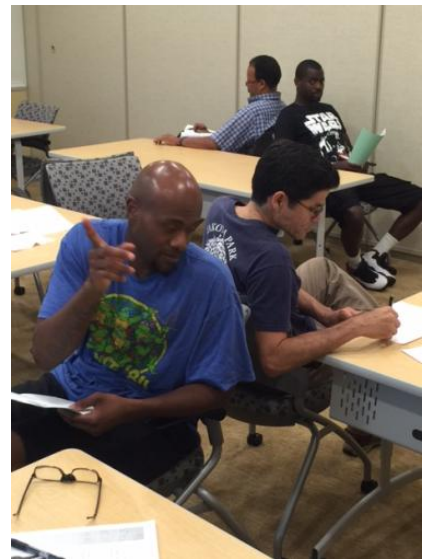
Customer Service Centers Announce Extended Hours

In an effort to better serve clients and stakeholders in need of assistance, HOC Customer Service Centers will stay open later beginning September 7th. Moving forward, the Gaithersburg and Silver Spring Customer Service Centers will remain open until 6:00 p.m. on Wednesday evenings.

HOC Academy

Fatherhood Initiative Begins 24/7 Dad Classes

On August 9th, the Fatherhood Initiative began a three week series of 24/7 Dad workshops. Led by Edward Powell of Montgomery County's Department of Health and Human Services, classes are designed to train fathers to be involved, responsible and committed 24 hours a day, 7 days a week. Participants are benefiting from the National Fatherhood Initiative's flagship curriculum. Fatherhood Initiative enrollees will participate in Montgomery College's Computer Literacy Course at the conclusion of the 24/7 Dad series.



HOC Academy's Building Trades Construction Course

The recent Building Trades Construction Course ended on August 12th. This cohort of participants included three dedicated students each earning certifications to become a flagger on a construction site, OSHA 10 certification and a certification in CPR. For the first time, the class also offered a renovation certification which enables participants to conduct lead testing. The small group was able to receive hands-on training and shadow leaders in the field for two weeks. Participants were able to experience the procurement process and learn how companies bid on contracts. HOC Academy is recruiting for the winter 2016 Construction 101 program.

2016 Back to School Fest



On Friday, August 26th, HOC Academy and Leadership Tomorrow hosted the 2016 Back to School Fest at Emory Grove Park in Gaithersburg. Thanks to generous support from the Xi Sigma Omega Chapter of Alpha Kappa Alpha Sorority, Inc.; Councilor, Buchanan & Mitchell, PC; and Village Settlements, Inc., over 540 students received backpacks filled with school supplies. Throughout the day, nearly 600 community members came to the park to enjoy a picnic lunch and fun activities for youth. The Family Self-Sufficiency program, Fatherhood Initiative, Adult Education and Workforce Development program and others were on hand to engage adults and discuss the benefits of HOC programs.

HOC Academy Summer Camps Wrap-up

HOC's Youth Academy conducted its second summer of Chess and Science, Technology, Engineering and Mathematics (STEM) camps and events. This year Lego Robotics camps enthralled a total 53 children at camps held in Germantown and Silver Spring. The STEM fun continued at YMCA's Annual Thingamajig festival in Upper Marlboro, MD. HOC sent 82 of its youngest residents to Thingamajig to participate in innovative challenges and interact with thousands of children from across the region. In addition to stimulating STEM activities this summer, over 20 students participated in Chess Camp. Through friendly matches and formal instruction, students had fun while testing their analytical thinking and problem solving skills.



HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

September 2016

5	Labor Day Holiday (HOC Offices Closed)	
7	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
8	Inspire Gala 2016 Luncheon (<i>All</i>) (Hearing Room, 10400 Detrick Ave., Kensington)	11:30 a.m. – 1:30 p.m.
16	Development and Finance Committee Meeting (<i>Simon, McFarland, Nelson</i>)	10:00 a.m.
16	Budget, Finance & Audit Committee Meeting (<i>Nelson, Roman, Hatcher</i>)	2:00 p.m.
19	Resident Advisory Board Meeting (<i>Croom</i>)	6:00 p.m.
20	Legislative and Regulatory Committee Meeting (<i>Byrd, Croom, Simon</i>)	3:30 p.m.
22	Budget, Finance and Audit Committee Meeting (<i>Nelson, Roman, Hatcher</i>)	10:00 a.m.
26	Agenda Formulation (<i>Roman, Hatcher</i>)	12:00 noon
26	Inspire Gala 2016 (<i>All</i>) (Silver Spring Civic Center, 1 Veterans Place, Silver Spring, MD 20910)	6:30 p.m. – 8:30 p.m.

October 2016

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.
24	Agenda Formulation (<i>Roman, Croom</i>)	12:00 noon

November 2016

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>)	3:30 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

December 2016

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)

January 2017

2 New Year's Holiday Observed (HOC Offices Closed)

Activities of Interest

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-14-07	Summer 2016	Procurement Policy	Willison	In Progress
TD-15-02	Winter 2016	Update Administrative Guide for Commissioners and Staff	Spann	In Progress
TD-15-03	Summer 2016	Worksession – Assisted Housing and Family Self-Sufficiency Program	Sorrells	To Be Scheduled
TD-15-04	September 2016	Mortgage Finance: Research Items <ul style="list-style-type: none"> • Loan Limit Testing • FHA Troubled Access Recovery 	Brown	<u>DevFin:</u> 9/16/16(Part II) 8/19/16(Part I)
TD 16-02	Fall 2016	Personnel Policy	Mattingly	In Progress
TD 16-04	Fall 2016	Rental Policy Review with staff recommendations	All	

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

APPROVAL TO RENEW THE PRIMARY AUDIT CONTRACT WITH CLIFTONLARSONALLEN LLP

September 7, 2016

- **The Commission awarded a contract to CliftonLarsonAllen LLP (CLA) for the Agency's financial audit for fiscal years 2013 through 2016.**
- **CLA has been the Agency auditor for 12 years. They have also provided audit services for Montgomery County during this period of time.**
- **HOC has had three different audit partners and several different audit managers throughout the 12 years.**
- **CLA's knowledge of Agency operations assists us in improving both internal controls and workflows. Their review includes the Single Audit (formerly known as the A133), the main agency audit and an information technology review.**
- **The current contract is renewable for two years, with Commission approval.**

Staff believes CLA offers the Agency a solid combination of government and real estate expertise and will continue to provide high quality and efficient audit services. CLA has met all required auditing and reporting deadlines and provided technical assistance for no additional fees.

Auditors assigned to the engagement have been knowledgeable about the Agency's operations and are capable of providing suggestions and recommendations on improving internal controls and workflows.

Staff has met with the Internal Auditor and he is supportive of the recommendation to renew the CLA contract for two additional years.

ISSUES FOR CONSIDERATION:

Does the Commission wish to renew the primary audit contract with CliftonLarsonAllen LLP for an additional two years?

PRINCIPALS:

CliftonLarsonAllen LLP
HOC

BUDGET IMPACT:

There is no budget impact for FY'17. The cost for the FY'17 Audit has been incorporated in the FY'17 –FY'18 Agency Budget.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the requested contract renewal at the August 9, 2016 Committee meeting. Action is requested at the September 7, 2016 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission approval of the renewal of primary audit contract with CliftonLarsonAllen LLP for an additional two years.

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.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, September 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

Development and Finance Committee

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

Silver Spring, Maryland



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
UGONNA IBEBUCHI

September 7, 2016

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Executive Summary

- In July 2014, the Montgomery County Department of Housing & Community Affairs (DHCA) issued a Request for Development Proposals for the development of senior housing at a 16.4 acre site located at 3300 Briggs Chaney Road, Silver Spring, MD. Currently located at the site is the East County Regional Services Center (“ECRSC”), the East County Community Center, the Briggs Chaney Park & Ride and a surface parking lot.
- The proposal by developer KB Companies Inc. (“KBC”) was selected by the County’s evaluation committee. KBC will enter a 60-year lease for 10 acres of the 16.4 acre site and proposes to build a 122-unit, mid-rise, mixed-income senior rental building to be named Willow Manor at Fairland (the “Development”).
- The Development will be built on the part of the site currently used as surface parking for ECRSC. Fifty percent of the Development (61 units) will be leased to households at or below 60%, 50% and 30% of Area Median Income (“AMI”). The remaining units (61 units) will be leased to households at market rate rents.
- The Development will be financed with a \$16.7 million tax-exempt construction loan, \$3.1 million of Low Income Housing Tax Credit (“LIHTC”) equity, a \$268,000 deferred developer fee, and \$766,995 of developer’s equity. Total development costs for the Development are estimated at \$20.8 million.
- KBC has obtained a Letter of Intent for construction financing from JPMorgan Chase Bank, N.A. for a period of 24-30 months. HOC will serve in a conduit role as the governmental lender and issuer of the tax-exempt construction loan. The construction financing is slated to close in January 2017. No credit enhancement is needed; the loan will be purchased by Freddie Mac at conversion. Bellwether Enterprise Real Estate Capital, LLC will act as Seller and Servicer of the permanent loan and will underwrite the transaction.
- The transaction will require private activity bond cap in the amount of the tax-exempt loan. Staff requests an inducement resolution for approximately \$19,200,000; however, only approximately \$16,700,000 in a tax-exempt loan is expected to be used.
- The Development & Finance Committee considered this request at its meeting on August 19, 2016 and, to assist the Commission in deliberation, a Unit Mix & Rents Chart, Site Location Maps, and Summaries of the Capital Structure and Stabilized Operations have been included in this presentation.

TIMING

Finance Committee
Recommendation of
Inducement Resolution
August 9, 2016

Dev-Fin Committee
Recommendation of
Inducement Resolution
August 19, 2016

Commission
Approval of Inducement
Resolution
September 7, 2016

Finance Committee
Approval of Public
Purpose and Feasibility
October 11, 2016

Development & Finance
Committee
Approval of Public Purpose
and Feasibility
October 21, 2016

Commission Approval of
Public Purpose and
Feasibility
November 2, 2016

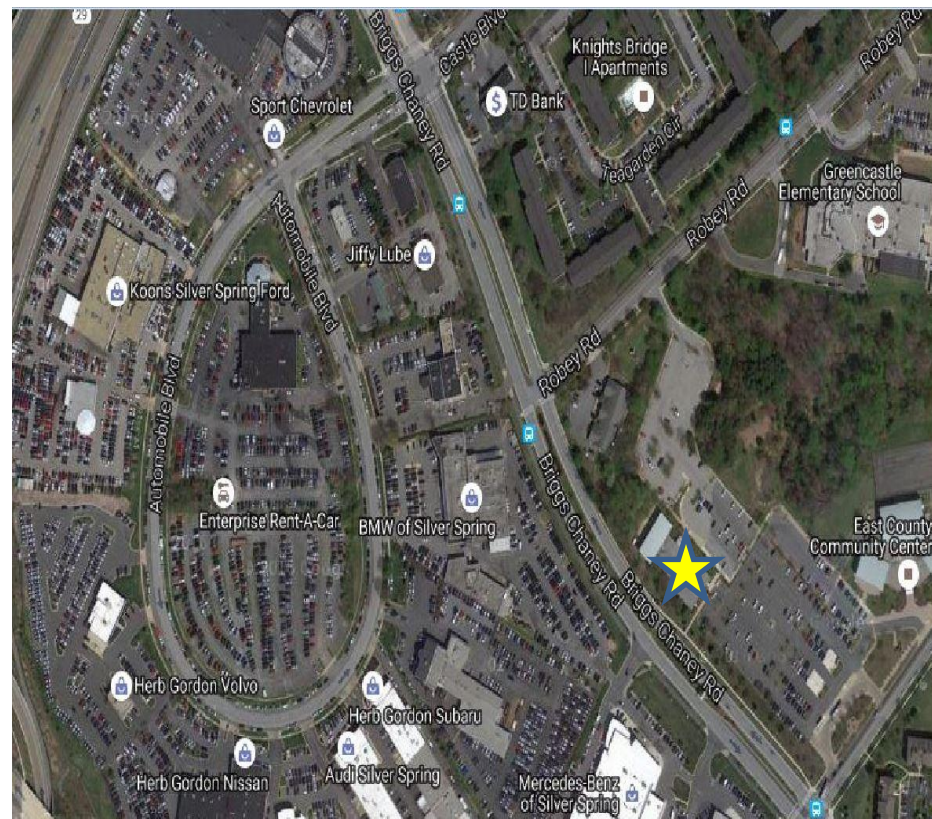
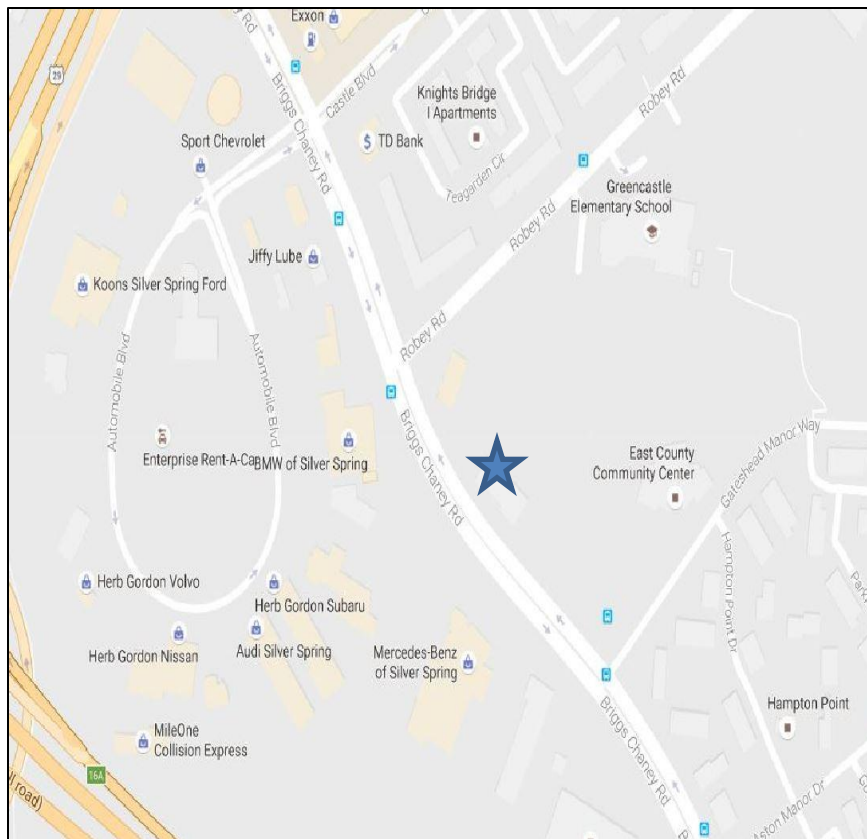
Finance Committee
Recommendation of
Authorizing Resolution
for a Tax-Exempt Note
November 8, 2016

Development & Finance
Committee
Recommendation of
Authorizing Resolution for a
Tax-Exempt Note
November 18, 2016

Commission Approval of
Recommendation of
Authorizing Resolution for a
Tax-Exempt Note
December 7, 2016

Location Maps

- The proposed site is next to the East County Community Center, and within 2 miles of banks, casual dining, shopping, and automobile oriented retail, parks and recreational facilities.



- The Development will be located on Briggs Chaney Road with direct access to Route 29 and the Inter-County Connector (the "ICC"). The site is also serviced by the County's Ride On bus routes.

PROPERTY DESCRIPTION - PUBLIC PURPOSE

Unit Mix and Rents

Unit Type	Size (SF)	# of Units	Per Unit Rent	Gross Rents (Annual)	Affordability
1BR	680	6	\$510.00	\$36,720.00	30% AMI
1BR	680	6	\$920.00	\$66,240.00	50% AMI
1BR	680	29	\$1,125.00	\$391,500.00	60% AMI
1BR	680	34	\$1,299.00	\$529,992.00	Market
1BR	730	3	\$1,449.00	\$52,164.00	Market
1BR	812	3	\$1,500.00	\$54,000.00	Market
2BR	854	3	\$1,360.00	\$48,960.00	60% AMI
2BR	900	7	\$1,360.00	\$114,240.00	60% AMI
2BR	926	10	\$1,370.00	\$164,400.00	60% AMI
2BR	900	11	\$1,875.00	\$247,500.00	Market
2BR	926	4	\$1,875.00	\$90,000.00	Market
2BR	940	3	\$2,050.00	\$73,800.00	Market
2BR	1108	3	\$2,050.00	\$73,800.00	Market
			Annual GRP	\$1,943,316.00	
			GRP Per Unit	\$15,928.82	

- Fifty percent (50%) of the 122 units at the Development (61 units) will be restricted to households earning 30% - 60% of AMI or below. The remaining 61 units will be leased to households at market rate.
- The projected Gross Rent Potential (GRP) for the first stabilized year is \$1,943,316.
- 100% of the units at the Development will be restricted to seniors, aged 62 and older.
- Units will be equipped with dishwashers, microwaves, washing & drying machines.
- Common area amenities will include a outdoor community plaza, fitness center, business center and a library.

CAPITAL STRUCTURE

Summary Sources & Uses of Funds

Sources	Amount	Per Unit
Tax-Exempt Loan Proceeds	\$16,685,630	\$136,767
LIHTC Equity	\$3,135,858	\$25,704
Deferred Developer Fee	\$268,554	\$2,201
Developer Equity	<u>\$766,995</u>	<u>\$6,287</u>
Total	\$20,857,037	\$169,754
Uses	Cost	Per Unit
Acquisition Costs	\$0	\$0
Construction Costs	\$14,516,196	\$118,985
Financing Expense	\$1,763,315	\$14,453
Owner Soft Costs	\$1,892,191	\$14,280
Developer Fee	\$2,233,335	\$18,306
Guarantees & Reserves	<u>\$452,000</u>	<u>\$3,705</u>
Total	\$20,857,037	\$169,754

- The projected sources of funds include a combination of a tax-exempt note from JPMorgan Chase for \$16.6 million, LIHTC equity for \$3.1 million, Deferred Developer Fee of \$268,554 and Developer equity of approximately \$766,995.
- The projected development budget is \$20.8 million.
- No credit enhancement will be necessary, as the tax-exempt loan will be purchased by Freddie Mac at loan conversion.
- An inducement resolution for approximately \$19,200,000 is requested; however, only approximately \$16,700,000 for a tax-exempt loan is expected to be used. The requested volume cap is available in 2016. See the current Volume Cap Chart on page 8.
- The construction loan will be constrained at 80% loan to value and the term will be 24-30 months. The interest rate will be 1-month Libor plus 195 basis points.
- The permanent loan term will be 15-18 years, with 35-year amortization. The interest rate will be based on the ten year treasury plus 260 basis points.

VOLUME CAP NEED/USES (\$'000)

Year	2011	2012	2013	2014	2015	2016	Projected 2017	Projected 2018
Balance Carried Forward	\$15,241	\$28,567	\$43,185	\$69,813	\$88,742	\$29,012	\$3,584	(\$27,183)
Special Allocation ¹	\$20,000							
Annual Bond Cap Allocation	\$32,726	\$32,618	\$33,228	\$35,429	\$35,869	\$36,246	\$36,608	\$36,975
	8%	-0.33%	2%	7%	1%	2%	1%	1%
TOTAL BOND CAP AVAILABLE	\$47,967	\$61,185	\$76,413	\$105,242	\$124,611	\$65,258	\$40,192	\$9,792
HOC PROGRAMS								
Single Family ²	\$19,400	\$18,000	\$6,600	\$0	\$0	\$19,504	\$20,000	
Arcola Towers ³					\$13,249	\$970		
Waverly House ³					\$22,600			
Alexander House ⁴						\$22,000		
Greenhills ⁵						\$0	\$10,000	
Elizabeth House III							\$16,775	
Town Center Apartments							\$ 9,400	
Bauer Park							\$ 11,200	
TOTAL HOC PROGRAMS	\$19,400	\$18,000	\$6,600	\$0	\$35,849	\$42,474	\$67,375	\$0
PRIVATE DEVELOPERS								
Gaithersburg - Olde Towne					\$25,525			
Germantown - Churchill II				\$16,500				
Bethesda – Lakeview House					\$34,225			
Willow Manor at Fairland ⁶						19,200		
TOTAL PRIVATE ACTIVITY	\$0	\$0	\$0	\$16,500	\$59,750	\$19,200	\$0	\$0
TOTAL BOND CAP REMAINING⁷	\$28,567	\$43,185	\$69,813	\$88,742	\$29,012	\$3,584	(\$27,183)	\$9,792

VOLUME CAP NEED/USES (\$'000) (Continued)

Footnotes for Volume Cap Chart

¹ \$20 million of bond cap is owed back to HOC by CDA. This is repayable to HOC upon demand.

² On June 23, 2016, the Commission issued \$42.7 million of tax-exempt, Single Family Mortgage Revenue Bonds for the purpose of redeeming several series within the 1979 Indenture but also and most importantly providing new funding for below market interest rate mortgage loans and closing costs assistance for first-time homebuyers including United States Veterans. Volume cap in the amount of \$19.5 million was used for new mortgages.

In 2017 it is anticipated that an additional \$20 million of volume cap will be necessary for the purchase of MBS to support below market interest rate mortgages.

³ Arcola Towers and Waverly House are two senior, RAD housing developments which are currently under renovation utilizing 4% LIHTC equity, a seller's note, federal funds and tax-exempt bonds. The planned improvements will provide high quality, well designed, amenity rich, and energy efficient affordable housing to seniors with limited income.

⁴ Alexander House is a 16-story, 311-unit, mixed-income apartment building constructed in 1992. The redevelopment of Alexander House is an integral part of the Elizabeth Square development planned in downtown Silver Spring. The project will be financed with 4% LIHTC and will include a condo regime in which 40% of the units will be owned by a limited partnership and rented to households at 60% of area median income or below. The remaining units will be owned by HOC and rented at market rate.

⁵ Greenhills Apartments & Townhomes is a 78-unit, mixed-income community in Damascus built in 1985. A comprehensive renovation is slated to begin in 2017. The development will be financed with 4% LIHTC and will restrict 40% of units to households at 60% of area median income or below.

⁶ Willow Manor at Fairland is a 122-unit, mixed-income, senior community planned by a private developer. The project will use 4% LIHTC credits and will restrict 50% of units to households at or below 60% -30% of area median income.

⁷ Given HOC's current multifamily development pipeline, CDA has acknowledged HOC's additional bond cap allocation needs in calendar year 2016 and 2017. As multifamily projects move through their development cycle, HOC will submit requests for additional volume cap.

SUMMARY OF STABILIZED OPERATIONS

STABILIZED PROFORMA	Year 3	PER UNIT
INCOME	1,913,673	\$15,868
EXPENSES	\$733,883	\$6,015
NOI	\$1,179,791	\$9,671
DEBT SERVICE	\$1,018,199	\$8,346
NET CASH FLOW	\$161,592	\$1,325
Debt Coverage Ratio Target	1.16	

- First full stabilized year is January 2019 – December 2019 with occupancy projected at 95%, rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be \$6,015 per unit escalating at 3% annually, which includes annual replacement reserves of \$300/unit, also increasing 3% annually.
- The developer anticipates receiving a PILOT for the affordable portion (50%) of the development.
- Management fees are 4% of Effective Gross Income (EGI).

Transaction Rationale

County Interest

- Financing of this property aids in developing affordable housing for seniors in the county. The surface parking at the East County Community Center is underutilized and the proposed development provides more intensive use and promotes the County's goal to provide housing for seniors.

Public Purpose

- Willow Manor at Fairland will provide 122 units of senior housing in the Fairland area of Silver Spring. Fifty percent (50%) of the units will be restricted to households with incomes at or below at 30%, 50%, and 60% of AMI.

Development Team

- **Developer:** KB Companies Inc., has been involved in the design, development, construction and acquisition of more than 3,000 units of multifamily housing. The company's portfolio also includes Class A office space, health care, senior housing, and a variety of industrial, institutional and commercial developments.
- **Principals:**
 - Jeffrey C. Kirby : Co-President and 50% owner of KB Companies. Mr. Kirby has over 25 years of experience in residential & commercial real estate development and appraisal in Maryland. His past developments include Willow Manor at Fair Hill Farm, Willow Manor at Colesville, and Willow Manor at Clopper Mill, all of which involved HOC-issued, tax-exempt bonds.
 - Patrick J. Byrne : Co-President and 50% owner of KB Companies. Mr. Byrne has over 18 years of experience in real estate acquisitions, construction, leasing, and asset management.

Transaction Rationale (cont.)

General Contractor

Commercial Interiors is a general contractor and construction management company based & operating in Maryland for 26 years.

Architect

Zavos Architecture and Design, LLC (“Zavos”) is a full-service architectural firm founded in 2003. The firm has expertise in property renovation, rehabilitation, and adaptive re-use of existing structures, and has provided service for over 12,000 units in the Washington Metropolitan area. Zavos’ primary client focus includes non-profits entities, schools, and local government authorities.

Property Management

Habitat America, LLC (Habitat), is a minority and woman-owned third-party residential property management company founded in 1988. The company manages approximately 11,000 units, including market-rate, affordable, and senior housing communities.

Servicer

Bellwether Enterprise Real Estate Capital, LLC is a licensed Fannie Mae DUS™ lender, a Freddie Mac Program Plus™ seller/servicer, a Federal Housing Administration (FHA) Multifamily Accelerated Processing (MAP) approved lender and a US Department of Agriculture Rural Housing Service lender operating nationwide. The firm is a subsidiary of Enterprise Community Partners, Inc., a real estate investment services company, specializing in affordable housing and community development.

CONCLUSION

Issues For Consideration

- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve an Inducement Resolution for the Willow Manor at Fairland Development?
- Should the proposed inducement resolution be approved by the Commission, an analysis of the Development's public purpose and feasibility will be done and the adoption of an Authorizing Resolution will be requested from the Commission.

Budget Impact

- The transaction will pay an upfront financing fee of 1% of the tax-exempt note amount (\$166,857) and an ongoing Loan Management fee of .25% of the original bond amount (\$41,714) yearly for the life of the loan. The FY17 budget will increase by the commitment fee earned at closing.

Time Frame

- Action at the September 7, 2016 meeting of the Commission.

Staff Recommendation & Commission Action Needed

- A preliminary review of the projected stabilized operations concludes that the transaction is feasible as presented but is subject to final underwriting review; therefore, staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the adoption of an Inducement Resolution for Willow Manor at Fairland of up to \$19,200,000.

RESOLUTION No: 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.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on September 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

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 to Advance \$1 Million of 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



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN

ZACHARY MARKS

BRIAN KIM

HYUNSUK CHOI

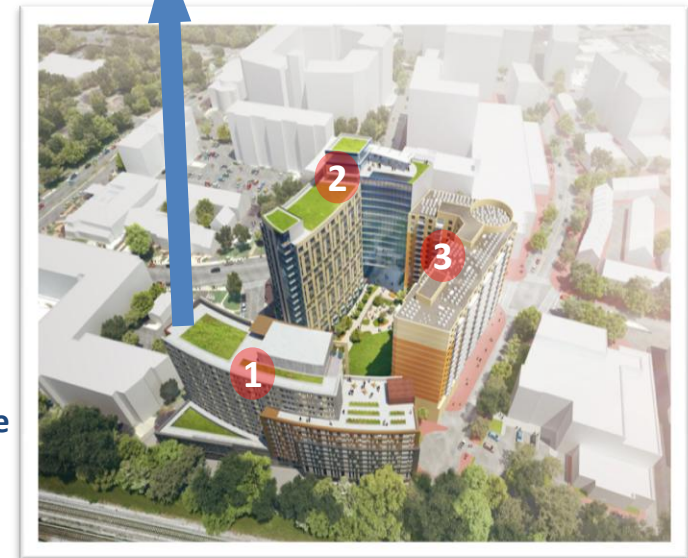
September 7, 2016

Executive Summary

- On October 7, 2015, the Commission approved predevelopment funding totaling \$4,500,000 to carry the development through the completion of design and engineering documents for Elizabeth Square, issuance of permits for Elizabeth House III, and the closing on the construction financing for Elizabeth House III, with the funding request to be divided into four installments, each requiring Commission approval.
- On October 7, 2015, the Commission approved the first installment of funding totaling \$750,000 to begin submission of site plan approval.
- On April 6, 2016, the Commission approved the second installment of funding totaling \$1,500,000 to begin submission of site plan approval and complete design development plans.
- On May 9, 2016, staff submitted the site plan and is currently responding to comments from Development Review Committee. The site plan is projected to be approved by November 2016.
- Staff is requesting the Commission accept the recommendation of the Development and Finance Committee which met on August 19, 2016 and approve funding of the third installment, \$1.5 million, of funding required to develop and complete permit set and construction documents.



- 1 Phase I - EH III**
 - 247 Units
 - 15 Stories
 - Senior Housing
- 2 Phase II – EH IV**
 - 274 Units
 - 19 Stories
 - Family Housing
- 3 Alexander House**
 - 305 Units
 - 16 Stories
 - Family Housing



Executive Summary

- In addition to the third installment of pre-development funding, staff is requesting additional pre-development funding of \$1 million to close the Condominium Master Lease with Lee Development Group (“LDG”) for the Fenwick Business Park (site of the new Elizabeth Square III) by September 30, 2016.
 - On February 14, 2014, in executive session, the Commission authorized the Executive Director to execute a Predevelopment (later, Land Development) Agreement with LDG for the joint development of Elizabeth House and Fenwick Professional Park.
 - Based on the Land Development Agreement, at closing for the Fenwick Business Park, HOC is required to reimburse LDG for its portion of the pre-development funds expended toward the entitlement process.
 - Also, a master lease totaling \$500,000 annually is payable to LDG. The lease is paid monthly (\$41,666.66) and will be effective April 1, 2017.
- Total projected payment to LDG:
 1. Pre-development funding reimbursement (as of August 1, 2016) - \$693,737
 2. Master Lease Payment (5 months) – \$208,333
 3. Contingency – \$97,930
 4. **TOTAL - \$1,000,000**
- The Development and Finance Committee also considered this request and recommends approval.

Projected Pre-development Budget

Approved Funding Requests

Approval Date	Resolution Number	Amount	Funds Remaining	Use of Funds	
Pre-Development Expenses Funded from OHRF					
March 5, 2014	Res 14-13	\$730,000	\$0	Project & Preliminary Plan Preparation	These were by separate approvals.
September 3, 2014	Res 14-65	\$910,948	\$0	Begin Site Plan - SD Phase (Elizabeth Square)	
August 5, 2015	Res 15-68ES	\$600,000	\$0	Continue Site Plan - SD Phase (Elizabeth Square)	
October 7, 2015	Res 15-81	\$750,000	\$0	Continue Site Plan – Completed SD Phase (EH III)	First Installment of October 7, 2016 Approved \$4.5MM
April 6, 2016	Res 16-22	\$1,500,000	\$394,676	Continue Site Plan – Processing DD Phase (EH III)	Second Installment October 7, 2016 of Approved \$4.5MM
TOTAL		\$4,490,948			

Note: SD – Schematic Design / DD – Design Development

All OHRF funds shown above will be reimbursed at close of financing for Alexander House, Elizabeth House III, and Elizabeth House IV

- 1) Reimburse at Alexander House close of financing (December 2016/January 2107) - \$1.2MM
- 2) Reimburse at Elizabeth House III close of financing (2nd Quarter of CY 2017) - \$2.6MM
- 3) Reimburse at Elizabeth House IV close of financing (2nd Quarter of CY 2019) - \$703K

Projected Pre-development Budget

Projected Funding Requests

Request Date	Amount	Use of Funds	
Pre-Development Expenses To Be Funded from Arcola Towers/Waverly House Sale Proceeds			
September 2016	\$1,500,000	Prepare Permit Set and Construction Documents for EH 3	Third Installment of October 7, 2016 Approved \$4.5MM
December 2016	\$750,000	Complete Construction Documents and prepare for construction loan closing	Fourth Installment of October 7, 2016 Approved \$4.5MM
SUB-TOTAL	\$2,250,000		
September 2016	\$1,000,000	Close on Condominium Master Lease structure with Lee Development Group and to fund lease payments advance of the closing of the financing of the transaction	September 7, 2016 Approval
TOTAL	\$3,250,000		

The source of funding for the additional \$3.25MM (staff will request the Fourth Installment at a future Commission meeting) will be paid from proceeds generated from the recapitalization of Arcola Towers and Waverly House via RAD. The proceeds, totaling \$5,060,644, have been approved by the Commission and reserved in the OHRF for use in funding the construction financing stack for Elizabeth House III.

Staff is requesting the early use of those funds for predevelopment and will leave the \$3.25MM in predevelopment costs unreimbursed thus fulfilling the original intent of the use of the Arcola Towers and Waverly House funds.

Projected Predevelopment Budget

Discipline	16-Sep	16-Oct	16-Nov	16-Dec	17-Jan	17-Feb	17-Mar	17-Apr	17-May	17-Jun	17-Jul	17-Aug	Total
Architecture (MEP, Interiors, Landscape, Structure, Lighting, Elevator)	\$180,958	\$180,958	\$180,958	\$160,198	\$160,198	\$160,198	\$160,198						\$1,183,664
Legal (Zoning)	\$22,917	\$22,917	\$22,917	\$22,917									\$91,668
Civil Engineering	\$71,042	\$71,042	\$71,042	\$71,042									\$284,168
Construction Management (Preconstruction)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000						\$35,000
Third Party Consultants	\$18,000				\$10,000								\$28,000
Legal (Contract, Tax Credit(Application, Structuring & LOI Negotiation)		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$510,000						\$60,000
Tax Credit Application, Reservation Fee, Allocation Fee and Due Diligence Tasks				\$7,500			\$95,000						\$102,500
Permit Fees							\$380,000						\$380,000
County Fibernet						\$85,000							\$85,000
Payments to LDG	\$693,737						97,928	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$1,000,000
Total Costs	\$996,653	\$289,917	\$289,917	\$276,657	\$185,198	\$260,198	\$743,126	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$3,250,000

- The above schedule outlines the likely predevelopment expenditures through closing. To prepare for closing during 2st Quarter of CY2017, staff will have to engage legal services to prepare contract documents, third-party professionals, third-party reports, architectural services to begin permit/construction drawings for the new construction plan, and prepare LIHTC application to CDA.

Summary and Recommendations

Issues for Consideration

1. Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve an additional \$1.5MM of pre-development funds for the design development phase of the Elizabeth House III development funded from the sales proceeds of the Arcola Towers and Waverly House RAD conversions?
2. Does the Commission wish to accept the recommendation of the Development and Finance Committee and authorize the Executive Director to close on the Condominium Master Lease and to advance \$1 million to reimburse LDG for development expenditures and to commence lease payments in advance of closing of the financing of the Elizabeth House III transaction funded from the sales proceeds of the Arcola Towers and Waverly House RAD conversions?

Time Frame

Action at the meeting of the Commission on September 7, 2016.

Budget Impact

There is no adverse impact for the Agency's FY 2017 operating budget.

Staff Recommendation and Commission Action Needed

Staff recommends the Commission's approval of an additional \$1.5million of pre-development funds for the design development phase for Elizabeth House III, approval to close on the Condominium Master Lease and the advance of \$1,000,000 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 funded from the sales proceeds of the Arcola Towers and Waverly House RAD conversions.

RESOLUTION No. :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.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on September 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

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

DAMASCUS



STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
ZACHARY MARKS
HYUNSUK CHOI
GIO KAVILADZE**

September 7, 2016

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Executive Summary

- Greenhills Apartments (“Property”) was constructed in 1984 on 8.204 acres on the east side of Route 27 just south of downtown Damascus. Originally built as part of a larger townhome and condominium community, HOC purchased 52 townhome units and 26 apartment units contained in 11 buildings in 1998. Each unit has either a deck or patio and all units have a wood burning fireplace and washer/dryer. Property amenities include a tot lot and access to a bike and jogging trail.
- The 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 to prepare a LIHTC application for submission to the Maryland Department of Housing and Community Development (“DHCD”).
- 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.
- HOC’s Procurement Office issued a Request for Proposals for construction services at Greenhills Apartments on June 16, 2016 with a due date of July 15, 2016. A pre-proposal meeting was held on site on June 30, 2016.
- Staff is requesting that the Commission accept the recommendation of the Development and Finance Committee which met on August 19, 2016.
- Based on the evaluation of the proposals, staff recommends the selection of Hamel Builders, Inc. (“Hamel”) as general contractor for the renovation of the Property and requests authorization of the Executive Director to enter into contract negotiations.
- Staff recommends seeking approval of the Commission to freeze new leasing to facilitate rehabilitation without temporary off-site relocation of residents with a maximum of 12 vacant units.
- Staff also recommends approving an increase of \$128,050 to the existing predevelopment budget funded with a loan from the OHRF.

Project Summary

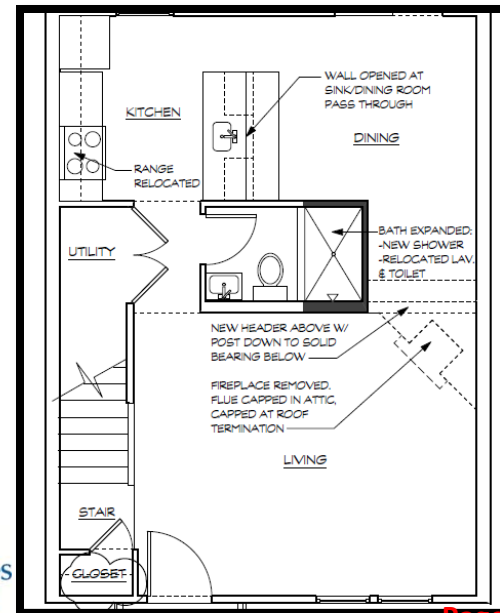
Project Name	Greenhills Apartment	Units	78	Expected Closing Date	3 rd Qtr FY17
Location	Damascus, MD	Average Unit Size (SF)	1,100	Stabilization Date	August 2018
Product Type	Town House/Apartments	Occupancy (06/30/16)	88.5%	Recapitalization Strategy	Rehab
Year Built	1984	Total Rentable Sqft	85,800	Funding Strategy	4% LIHTC/Bonds

Development Plan

- Adds 4% LIHTC equity to HOC-issued tax-exempt bond financing to fund all construction costs
- Reimburses the BB&T Bank \$4,320,000 to retire debt associated on the RELOC
- Increases number of rent-restricted units to decrease exposure to market rate lease-up risk
- Adds four ADA units
- Increases affordable units from 24 units to 47 units (60% of 78 units will be affordable)
- Installs utility allowances for all 47 affordable units
- Replaces playground as staff learned through its feasibility due diligence that 75% of total tenants have children and that many of these children are not using our playground because of outdated equipment

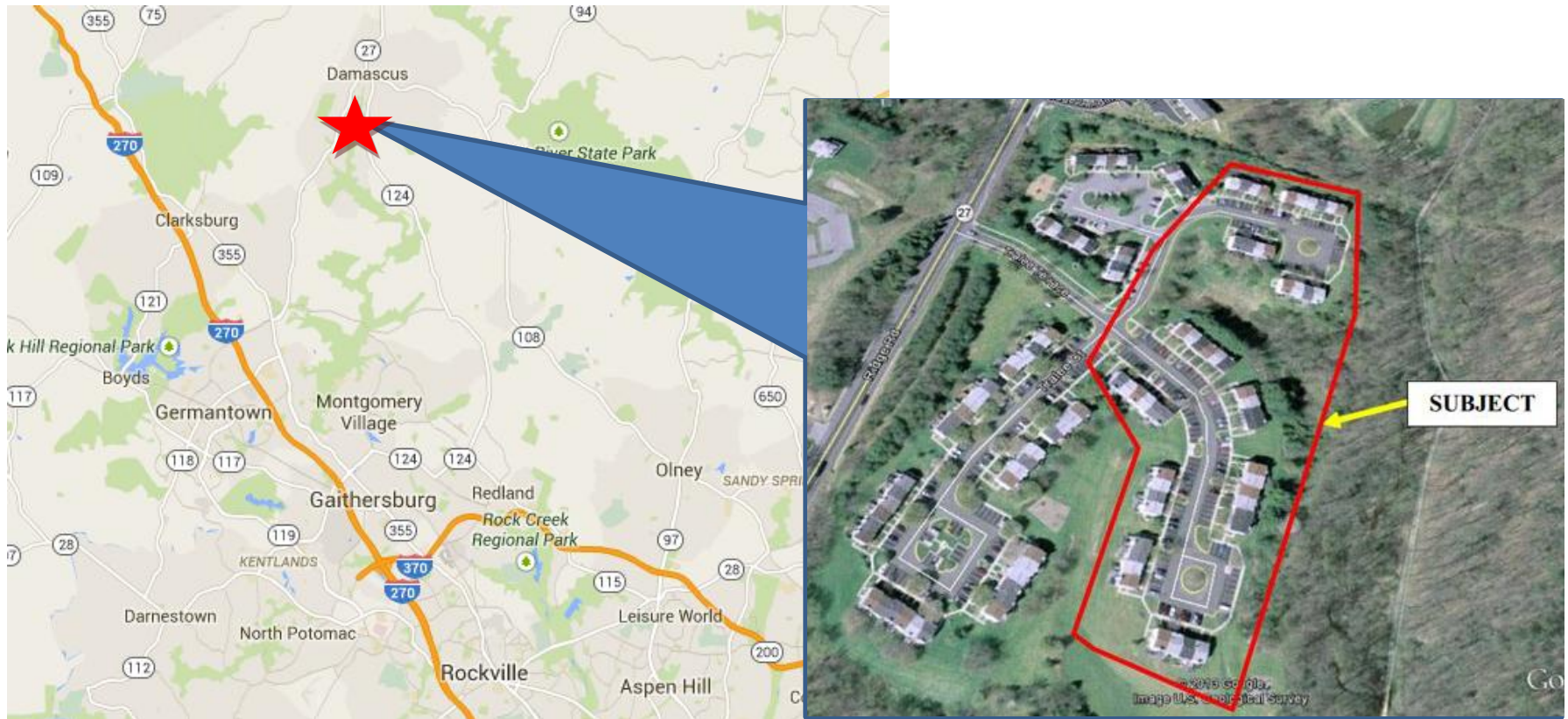


September 7, 2016



• Add New Shower
• Fireplace Removed

Location Map



Greenhills Apartments is on the east side of Route 27 just south of downtown Damascus.

Development Plan: Scope

The property has not undergone any major renovation since it was originally constructed 31 years ago; therefore, staff developed a renovation scope that includes the following:

- Replacement of siding, gutters, windows, decks, roofs and patios
- Upgrading of interior kitchen and bathroom including but not limited to energy efficient appliances, new cabinets, countertops, fixtures and lighting
- Installation of modern HVAC units, hot water heaters, furnaces
- Removal of fireboxes and removal of existing flues
- Improvements to the site including paving, new trash enclosures, landscaping, and signage
- Replacement of existing playground
- Creation of four new accessible units
- Removal of Fireplace
- Addition of new shower on the first floor for 3 Bedroom Town House Units

These improvements will not only address curb appeal but also – and more importantly – increase energy efficiency, extend the property’s useful life, and allow the property to better compete in the marketplace.

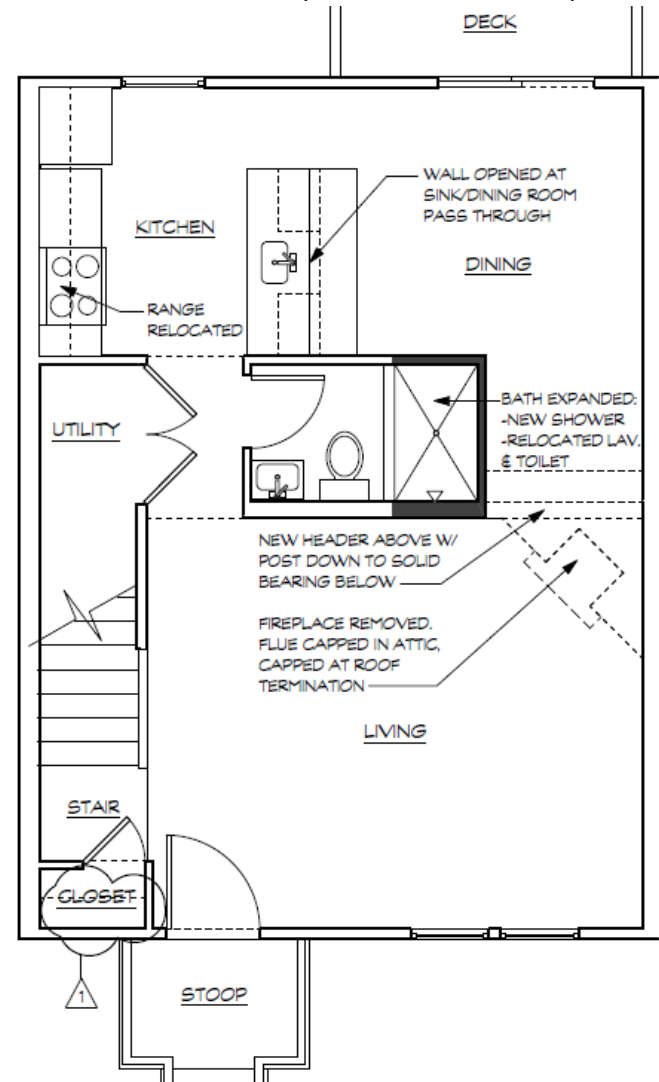
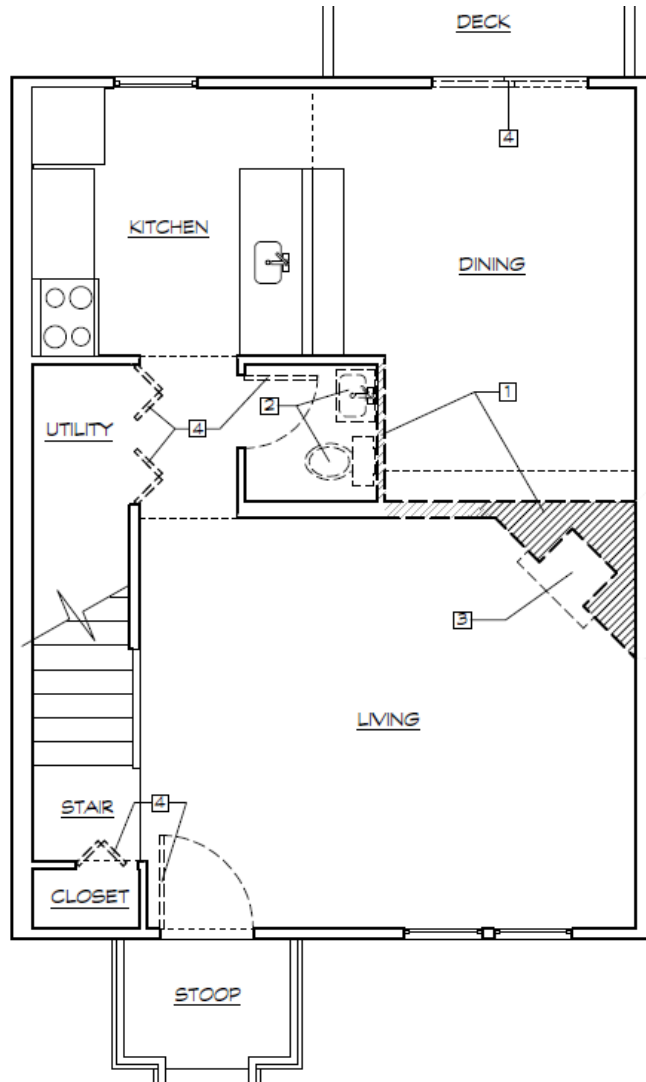
This renovation work is recommended to be done using internal relocation to create blocks of vacant units where the general contractors will start with a block of vacant units and, upon completion, residents will be moved into the renovated units.



Example of a finished unit showing the standard set of energy efficient appliances.

Development Plan: Scope

Add additional half bath in all 3 Bedroom units and remove fireplace in Town House Units (both 2BD and 3BD).



Qualification and Selection of General Contractor(s)

Greenhills Apartments (RFP #2004) – Qualifications

- HOC's Procurement Office issued a Request for Proposals for construction services at Greenhills Apartments on June 16, 2016 with a due date of July 15, 2016 in accordance with HOC Procurement Policy. A pre-proposal meeting was held on June 30, 2016 at the property. The respondents were first asked to provide details on their qualifications without submitting pricing.
- The scoring team reviewed the responses on July 15, 2016 based on several criteria:
 - Projects of Similar Scope (residential townhouse)
 - Demonstrated Ability for On-time Completion
 - Certificate of Insurance Coverage
 - Federal and State Licensing
 - Projects of Similar Size
 - Familiarity with Montgomery County Building Codes
 - Financial Capacity and Bonding
 - HOC Policy: Section 3 and Section 504 adherence

Selection of General Contractor

RFP# 2004 Summary: Greenhills Apartment

- **RFP 2004: Greenhills Apartments.** Staff received three responses, and one was considered highly qualified proposal. The ratings by the scorers were:

Contractor	Overall Average Rating	Base Price
Hamel Builders, Inc	90.33%	\$5,439,523
CBP Constructors, LLC.	76.72%	\$6,102,044
Nastos Construction, Inc	66.37%	\$5,488,001



Qualification and Selection of General Contractor(s)

RFP #2004– Greenhills Apartments – Scoring Summary*

RANK	General Contractor	Experience with Government Agencies and Housing Authorities (Baltimore-Washington Area) (10%)	Demonstrated ability for on time Completion (5%)	Financial Strength (15%)	General Contractor Qualifications (40%)	Price (30%)	Total AVG.
1	Hamel Builders	10.0	3.7	12.3	35.3	29.0	90.33
2	CBP Constructors	9.7	4.3	10.3	35.0	17.4	76.72
3	Nastos Construction	4.7	3.0	8.3	26.7	23.7	66.37

*Evaluated by: Mortgage Finance, Finance, and Real Estate Development

Hamel distinguished itself mainly on firm financial strength and price. HOC has worked with Hamel on a number of projects – most notably the RAD 6 renovation project. In that case, Hamel stepped in to replace another contractor that unexpectedly pulled out of the project at the last moment. The renovation of the RAD 6 has just completed with Hamel bringing the project in on budget.

The RAD 6 renovation is very similar to the proposed Greenhills scope and product type: a mix of townhomes and accessory flats.

Qualification and Selection of General Contractor(s)

RFP #2004 – Greenhills Apartments – Pricing Summary*

RANK	General Contractor	Construction Period	Base Price**	Including Alternates***	Total
1	Hamel Builders, Inc.	14 Months	\$5,439,523	\$253,288	\$5,692,811
2	CBP Constructors, LLC.	12 Months	\$6,102,044	\$122,273	\$6,224,317
3	Nastos Construction, Inc	16 Months	\$5,488,001	Not provided	\$5,488,001

*Evaluated by: Mortgage Finance, Finance and Real Estate Development

** Base price excludes add alternates.

*** Alternates: Floor, Clean existing Duct, Paint Metal Handrail, louvered doors at Mech Room in Townhouse units.

- Nastos Constructions did not provide pricing for the alternate scope items, which lowered their score. The other two contractors did provide this information.

Projected Occupancy & Renovation Path

New Leasing Freeze

2015 Actual			2016 Actual/Projected			Projected 2017			Projected 2018		
Date	Occupy %	# of Vacant	Date	Occupy %	# of Vacant	Date	Occupy %	# of Vacant	Date	Occupy %	# of Vacant
Jan-15	89.7%	8	Jan-16	89.7%	8	Jan-17	87.2%	10	Jan-18	84.6%	12
Feb-15	92.3%	6	Feb-16	85.9%	11	Feb-17	87.2%	10	Feb-18	84.6%	12
Mar-15	96.6%	5	Mar-16	84.6%	12	Mar-17	87.2%	10	Mar-18	84.6%	12
Apr-15	94.9%	4	Apr-16	84.6%	12	Apr-17	87.2%	10	Apr-18	87.2%	10
May-15	96.2%	3	May-16	85.9%	11	May-17	87.2%	10	May-18	89.7%	8
Jun-15	98.8%	1	Jun-16	88.5%	9	Jun-17	87.2%	10	Jun-18	92.3%	6
Jul-15	98.8%	1	Jul-16	88.5%	9	Jul-17	87.2%	10	Jul-18	94.9%	4
Aug-15	97.4%	2	Aug-16	84.6%	12	Aug-17	84.6%	12	Aug-18	97.4%	2
Sep-15	93.6%	5	Sep-16	85.9%	11	Sep-17	84.6%	12	Sep-18	98.7%	1
Oct-15	91.0%	7	Oct-16	87.2%	10	Oct-17	84.6%	12	Oct-18	98.7%	1
Nov-15	91.5%	7	Nov-16	88.5%	9	Nov-17	84.6%	12	Nov-18	98.7%	1
Dec-15	92.3%	6	Dec-16	88.5%	9	Dec-17	84.6%	12	Dec-18	98.7%	1
Average	94.2%	5	Average	86.9%	10	Average	86.1%	11	Average	93.5%	7

- Construction is projected to start in March 2017 and estimated to end in August 2018, including 3 months of cost certification.
- Staff requests authorization to freezing new leasing beginning September 2016 through March 2018 (maximum vacancy is projected up to 12 units) as well as including in scope hospitality suites to expedite construction and facilitate cost savings.
- Staff projects an associated reduction in gross potential rent of \$54,720 in 2016, \$218,880 in 2017 and \$59,100 through March 2018 due to the management's planned reduced leasing.

September 7, 2016



Updated Predevelopment Costs

Current Predevelopment Costs

Items	Revised Budget (June 3, 2015)	Spent to Date	Remaining Budget
Architect/Project Specs	\$27,000	\$23,450	\$3,550
Property Condition Assessment	\$2,300	\$2,300	\$0
Phase I Environmental	\$3,200	\$6,550	(\$3,350)
Appraisal	\$10,000	\$8,000	\$2,000
Market Study	\$2,500	\$1,000	\$1,500
ALTA Survey	\$15,000	\$13,950	\$1,050
Energy Audit	\$10,000	\$7,400	\$2,600
Contingency (Issue RFP, etc)	\$9,000	\$6,176	\$2,824
Cash at Settlement to HOC	\$5,126	\$0	\$5,126
Total Predevelopment Budget	\$84,126	\$68,826	\$15,300 *

Current remaining budget is \$15,300. However, staff has a pending purchase order in the amount of \$13,000 for site design modifications, design development drawing set, and DHCD documentation, which *includes base level energy & green standard certification, development quality standards narrative, a building evaluation report, and an environmental checklist from Architect.*

Projected Additional Predevelopment Costs

Items	Additional Predevelopment Costs
Architect *	\$23,050
Appraisal	\$5,000
Market Study	\$8,000
Permit Fees	\$23,000
Analysis for LIHTC Equity LOI	\$14,000
MEP	\$35,000
Contingency (Includes reviewing LOIs by LIHTC attorney)	\$20,000
Total Additional Predevelopment Budget	\$128,050

Staff requests approval of an increase of \$128,050 to the existing predevelopment budget funded with a loan from OHRF to prepare a LIHTC application for submission to the DHCD.

** Note: Costs included Construction Documents and Permit Submission & Coordination Costs.*

Revised Development Plan: Team Assembly

Architect

Bennett Frank McCarthy Architects, Inc. (“BFM”)

- Selected from the Architectural Pool based on its proven track record with multifamily renovation and like-kind replacements.
- BFM has been the architect of record for the project since its inception in 2011.

Property Management

Avison Young

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

General Contractor

Staff found the following General Contractor eligible for possible contract negotiation based on the RFP responses.

- Hamel Builders, Inc, subject to Commission approval herein requested.

LIHTC Investor

Staff has sent out solicitations to prospective investors that were received on August 15, 2016. Selection of the investor will be brought to the Commission during the next cycle.

Summary and Recommendations

Issues for Consideration

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

1. Approve the selection of Hamel Builders, Inc as general contractor for the renovation of Greenhills Apartments?
2. Authorize the Executive Director to enter into GC contract negotiations with Hamel Builders, Inc?
3. Approve a freeze new leasing to facilitate rehabilitation without temporary off-site relocation of residents with a maximum of 12 vacant units?
4. Approve an increase of \$128,050 in predevelopment funds bringing the total to \$212,050 to be funded from the OHRF?

Time Frame

Action at the September 7, 2016 meeting of the Commission.

Budget Impact

The GC will be paid out of project costs. However, the property's operating cash flow will be decreased by a loss in revenue as a result of letting vacancy occur in the project leading up to the start of construction. HOC's FY17 budget already assumes six vacant units. So, the budget impact would come from the six additional units held vacant – a reduction of \$69,359 to the budget.

Summary and Recommendations

Staff Recommendation and Commission Action Needed

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

1. Approve the selection of Hamel Builders, Inc as general contractor for the renovation of Greenhills Apartments.
2. Authorize the Executive Director to enter into GC contract negotiations with Hamel Builders, Inc.
3. Approve a freeze new leasing to facilitate rehabilitation without temporary off-site relocation of residents with a maximum of 12 vacant units.
4. Approve an increase of \$128,050 in predevelopment funds bringing the total to \$212,050 to be funded from the OHRF.

RESOLUTION No.: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.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting on September 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO EXPAND
REAL ESTATE DEVELOPMENT AND FINANCING CONSULTANT POOL
PURSUANT TO RFQ #2007



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS

September 7, 2016

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Executive Summary

On September 16, 2014, HOC issued RFQ #1938 for Real Estate Development and/or Financing Consultant services. RFQ #1938 sought to establish a pool of consultants to assist HOC staff in the real estate development and financing activities.

Consultants would be engaged as needed and funded from respective real estate development budgets that would be approved by the Commission through its normal Committee and Commission review process. The contract term for the firms in the pool is four years consisting of an initial two-year term with two additional one-year optional renewals.

On March 4, 2015, the Commission approved the pool with six respondents split into two divisions. An aggregate limit of \$1MM on contract value was placed on the pool; staff was authorized to enter into contracts not to exceed \$225,000 with individual respondents without further Commission approval. To date, HOC has engaged two respondents from the pool for work: The Concourse Group and Morrison Avenue Capital Partners/Censeo. Staff anticipates engaging Mission First shortly for a preliminary engagement.

Development

- Audubon Enterprises
- The Concourse Group
- Mission First

Finance

- Morrison Avenue Capital Partners/Censeo
- Municipal Resource Advisors
- Walker & Dunlop

3/2015

- Aggregate cap: \$1MM
- Individual cap (w/o Commission approval): \$225,000

5/2015

- MACP&C awarded Bauer/TCA RAP conversion
- Commission approves \$225,000 contract

5/2016

- The Concourse Group is awarded 900 Thayer
- Commission approves \$250,000 contract

8/2016

- MACP&C awarded Year 15 portfolio contract
- Commission expands pool aggregate to \$2.5MM

Despite existing authorization, staff has always gotten explicit approval from the Commission on all contracts from this pool. In August 2016, the Commission raised the cap on the aggregate contractual amount to \$2.5MM as, in conjunction with two previous contracts for \$475,000, the Year 15 portfolio contract is likely to push the aggregate total to \$1.7MM.

Staff is generally pleased with the benefit of having this pool of prequalified contractors. As the near-term pipeline continues to grow, and as staff gains a clearer understanding of the technical needs for these transactions, expansion of the pool is timely.

September 7, 2016

Executive Summary

With 2017 expected to have eight closings and with development partners identified on only three of those transactions, staff is seeking to expand the Development and Financing Consultant Pool (“D&F Pool”) to ensure ample suitable firms are available to support HOC in executing that segment of the pipeline. Each of the eight transactions will require a different combination of expertise and experience – from debt structuring and underwriting to entitlement and permitting.

The existing members of the pool do cover much within that range. However, there are gaps in expertise and utilization is expected to rise significantly (as mentioned above). Staff also wishes to diversify HOC’s contract placement for these sorts of services and ensure that HOC isn’t overly dependent on any one contractor.

So, 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. Firms already in the pool were instructed not to re-submit. Submissions for RFQ #2007 were due on August 4, 2016. While five responses were received, one firm subsequently withdrew. Staff is pleased to recommend



the four remaining respondents be added to the D&F Pool.

The firms were scored to confirm that all met threshold requirements. These firms will be given one-year contracts as a result of this selection with extensions available as permitted under HOC’s procurement policy.

Respondent	Score	Finance	Development
<i>Econometrica, Inc.</i>	84.00	X	X
<i>Jain & Associates</i>	83.33	X	X
<i>Scheer Partners</i>	73.33		X
<i>Urban Ingenuity</i>	73.00	X	

Minimum Qualifications

On July 14, 2016, HOC issued a Request for Qualifications for Real Estate Development and/or Financing Consultant with responses due on August 4, 2016. Five firms responded. Each firm was required to meet the minimum qualifications:

Qualification Criteria	Requirement	Status
Prior Experience	The offeror must be experienced in multifamily housing finance, development, or both within the private sector and public agencies.	Review of the proposals confirmed that all the firms recommended to the pool meet this qualification criterion.
Professional Liability Insurance	The offeror will maintain in full force and effect during the term of the Contract professional liability insurance in an aggregate amount of not less than \$1 million.	All firms have submitted the requested insurance information. No contracts would be executed without proof of ongoing insurance coverage.
Procurement	The offeror must demonstrate its knowledge and experience working within a public housing authority or housing financing agency that is governed by strict procurement policy, guidelines, and practices.	All firms recommended to the pool have provided information confirming its knowledge of working within procurement guidelines of public housing authorities, housing or redevelopment agencies.
Technology	Each offeror must demonstrate sufficient capacity to produce complex financial models efficiently and in appropriate formats that are compatible with the corresponding HOC technology. Such materials must be distributable electronically through use of appropriate technologies.	Each firm provided descriptive narrative evidencing the availability of appropriate technology to perform under this engagement. Firms also provided sample financial analysis confirming ability to deliver similar product under the engagement.

As evidence of prior experience, offerors had to include number, type, role, capital structure, and partnership structure for each transaction presented; involvement in creative development or finance executions; and a sample underwriting pro forma.

Evaluation Criteria

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

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

Qualifying Firms

- **Econometrica, Inc: Development, Financing**
 - Joint proposal including several additional firms:
 - The Communities Group (HOC has interacted with a principal from The Communities Group as a HUD RAD consultant)
 - Cober Johnson & Romney
 - UrbanMatters Development Partners
 - Bolan Smart Associates
 - Significant experience in developing government-owned properties
 - Team includes two minority-owned businesses
 - Located in Bethesda
- **Jain & Associates: Development, Financing**
 - Principal has nearly 13 years of experience underwriting affordable housing
 - Principal worked at Fairfax County Redevelopment and Housing Authority on the development of FCRHA properties
 - Consultant for DHCD where offeror has underwritten 20 transactions comprising 1,500 units
 - Transactions include LIHTC equity, FHA loans, and Freddie Mac debt
 - Minority- and woman-owned business

Qualifying Firms

- **Scheer Partners: Development**

- Experience in executing and providing advisory related to disposition
- Provided HOC three years of advisory on Montgomery County master plan revisions leading to more than a thousand new potential units
- More than a decade of experience in entitling and permitting new construction projects
- Principal has participated in more than a thousand acquisitions, development, and disposition transactions
- Former Director of Economic Development for Montgomery County on staff
- Located in Rockville

- **Urban Ingenuity: Financing**

- Specialization in structuring, underwriting, and financing energy efficiency and renewable energy projects
- Montgomery County's exclusive Property Assessed Clean Energy program administrator
- Worked with numerous Public Housing Authorities in Washington DC, New York, Ohio, California, Michigan, and Texas
- Transaction integrated energy project financing with LIHTC, RAD, tax-exempt bonds, and FHA loans
- Parent company is Urban Atlantic

Summary of Scoring

	TOTAL	Qual. & Exp.	Price	Deal Specifics	M/W/D Particip.	Pres. Quality	HQ Location
Respondents (Sort A to Z)	100 Max	30	20	30	5	10	5
<i>Econometrica, Inc</i>	84.00	26.7	10.7	27.3	4.3	10.0	5.0
<i>Jain and Associates Consulting, LLC</i>	83.33	25.7	16.7	23.3	5.0	8.3	4.3
<i>Scheer Partners</i>	73.33	24.3	13.7	23.3	0.0	7.0	5.0
<i>Urban Ingenuity</i>	73.00	25.0	12.0	23.3	0.0	8.0	4.7

- All firms met threshold and are recommended as qualified firms to be added to the pool.
- Econometrica, Inc., and Jain & Associates Consulting, LLC, are recommended for both development and finance halves of the D&F Pool.
- Scheer Partners is recommended for the development half of the D&F Pool.
- Urban Ingenuity is recommended for the finance half of the D&F Pool.

Summary and Recommendations

Issues for Consideration

- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve to add four offerors to the D&F Pool from which HOC may engage them to provide real estate development and financing services to the Commission?
- Does the Commission wish to accept the recommendation of the Development and Finance Committee and authorize the Executive Director to execute one-year contracts with the four offerors with options to extend as permitted under HOC's procurement policy?

Fiscal / Budget Impact

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

Time Frame

- For action at the September 7, 2016 meeting of the Housing Opportunities Commission.

Staff Recommendation

- Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve to add to the D&F Pool four firms: Econometrica, Inc. (and associated firms), Jain & Associates, Scheer Partners, and Urban Ingenuity.
- Staff further recommends that the Commission accept the recommendation of the Development and Finance Committee and authorize the Executive Director to execute one-year contracts with the four offerors with options to extend as permitted under HOC's procurement policy.

RESOLUTION No.: 16-66

RE: Approval to Expand the Real Estate Development and Financing Consultant Pool Pursuant to 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.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on September 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

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



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
HYUNSUK CHOI

September 7, 2016

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Executive Summary

- The property is located at 900 Thayer Avenue in Silver Spring, Montgomery County, Maryland and contains a total of 0.65 acres of land. The site located on the southwest corner of the intersection of Fenton Street and Thayer Avenue is partially improved with a one-story automotive service building and associated surface parking.
- On March 16, 2016, the Commission acquired 28,526 square feet of land at the southwest corner of Thayer Avenue and Fenton Street (“900 Thayer”). The property already has Site Plan approval for 124 residential units with 5,267 square feet of ground-floor retail.
- On April 6, 2016, the Commission approved the development plan for 900 Thayer which was comprised of approvals for: a 124-unit new construction family transaction to include 96 RAD PBRA units, a predevelopment loan of \$2,182,500 from the Opportunity Housing Reserve Fund to pay for development expenses related to this development plan for 900 Thayer, selection of The Concourse Group (“TCG”) as development consultant and authorization for HOC to enter into a contract with TCG, and the acceptance of existing contracts for only KTG architecture firm.
- On June 14, 2016, HOC issued a request for qualification (“RFQ”) #2003 for Contractor Evaluation and Selection Process. This undertaking was a two-part Contractor Evaluation and Selection Process. The first part, represented by Request for General Contractor Prequalification Submissions, enabled HOC to develop a list of prequalified General Contractors from which HOC would then solicit proposals for price and time of completion. The second part of the Contractor Evaluation and Selection Process consisted of actual proposal solicitation and followed after the prequalification submissions were evaluated.
- A pre-bidding meeting was held on June 27, 2016 to discuss with potential general contractors (“GC”) the project, construction schedule, and other related matters concerning the project.
- On July 11, 2016, staff received seven (7) proposals from potential GCs and the scoring team (consisting of staff from Mortgage Finance, Finance and Real Estate Development) reviewed the responses on July 22, 2016.
- On July 24, 2016, staff issued “RFQ #2003 Part 2 - Request for Proposal”. Staff held a pre-proposal conference on August 1, 2016 with CBG Building Company, Southway Builders, Kinsley Construction, Inc and Harkins Builders. (Harkins Builders withdrew from consideration for Part 2).
- Three (3) respondents submitted qualified package by the deadline of August 15, 2016 that met threshold requirements. Staff recommends the selection CBG Building Company (“CBG”) as general contractor for the new construction of 900 Thayer and requests authorization for the Executive Director to enter into contract negotiations.

900 Thayer – Property Overview







- The property is located at 900 Thayer Avenue in Silver Spring, Montgomery County, Maryland and contains a total of 0.65 acres of land. The site located on the southwest corner of the intersection of Fenton Street and Thayer Avenue is partially improved with a one-story automotive service building and associated surface parking lot.
- The multifamily development site is approved for six stories and 124 dwelling units. The project will be constructed with wood-frame (five stories Type IIIA above one-level IA concrete podium). The design for the new building is site plan approved.
- Final scope will be developed by HOC with input from The Concourse Group (development consultant) and KTGy architect. After construction, the building and housing units will be expected to qualify for Leadership in Energy & Environmental Design (“LEED”) Silver status.

900 Thayer – Location



- While 900 Thayer is two blocks from the southern edge of redeveloped Downtown Silver Spring, it has good pedestrian access to the Silver Spring shops, services, and amenities. Further, the new Silver Spring Library and The Bonifant have filled in one of the two blocks with new development. Between location of The Bonifant and 900 Thayer is a new condominium project and a Safeway that are already in place in this redevelopment area.
- 900 Thayer is four blocks from the Silver Spring Red Line Metrorail station platform and the MARC train, one block from a future Purple Line Metrorail station, and a short walk from the Metropolitan Branch Trail.

-  The Bonifant at Silver Spring
-  Loft 24 Condominiums
-  Alexander House Apartments
-  Elizabeth House
-  Silver Spring Civic Center
-  Future Elizabeth House III

September 7, 2016

Qualification and Selection of General Contractor(s)

900 Thayer (RFQ #2003 Part I) – Prequalification

- HOC's Procurement Office issued a Request for Qualifications (RFQ #2003 Part I) for general contractor prequalification for construction services on June 14, 2016 with a due date of July 11, 2016 in accordance with HOC Procurement Policy. A pre-proposal meeting was held on June 27, 2016 at the property. The respondents were first asked to provide details on their qualifications without submitting proposals.
- The scoring team (consisting of staff from Mortgage Finance, Finance and Real Estate Development) reviewed the responses on July 22, 2016, based on several criteria:
 - Projects of Similar Scope with single contract values of at least \$10 million within in the past five (5) years
 - Minimum of three (3) project examples of new construction with similar type scope of work
 - Narrative description of prior experience approaches to project and delivery schedules
 - Evidence of prior experience and ability to complete on time, include staffing plan
 - Certificate of Insurance Coverage
 - Federal and State Licensing
 - Letter from surety acknowledging willingness to offer a bond of at least \$20 million
 - Familiarity with Montgomery County Building Codes
 - Financial Capacity
 - HUD 2530 Approval
 - HOC Policy: Section 3, Section 504 Experience Desired and Davis-Bacon Wage Scale

Selection of General Contractor

RFQ# 2003 Part I Summary

RFQ 2003 Part I: The Procurement Office received six responses, four of which were considered prequalified responses (RFQ 2003 Part I informed respondents that up to four general contractors will be chosen). The four qualified GCs notified of their approved prequalified status would be invited to submit proposals in Part 2.

On July 24, 2016, staff notified three firms (CBG, Harkins, Kinsley, and Southway) of pre-bidding meeting to be held on August 1, 2016 (on August 10, 2016, Harkins Builders withdrew from consideration for Part 2).

RANK	General Contractor	Experience with Government Agencies and Housing Authorities (Baltimore-Washington Area) (30%)	General Contractor Qualifications (40%)	Demonstrated delivery schedule to complete the work (30%)	Total AVG.
1	CBG Building Company	30%	37%	28%	95%
2	Harkins Builders	30%	35%	27%	92%
3	Kinsley Construction, Inc	27%	31%	28%	86%
4	Southway Builders	25%	31%	26%	82%

Staff used the following criteria to evaluate the proposal (Part I and II).

1. Part I (RFQ #2003) – 35%
2. Part II (Price proposal) – 65%

Selection of General Contractor

RFQ #2003–Part II Summary with Price

Contractor	Part I (35%)	Part II (65%)	Final Score
CBG Building Company (Recommended)	33.3%	60.7%	94.0%
Southway Builders (Backup)	28.7%	57.9%	86.6%
Kinsley Construction, Inc	30.1%	53.1%	83.2%

RANK	General Contractor	Construction Costs *	Fees/(%)	Schedule Duration	Part II (1)
1	CBG Building Company	\$26,036,152	\$1,121,174/(4.5%)	18 months	93.9%
2	Southway Builders	\$26,230,183	\$1,363,356/(6.0%)	20 months	86.6%
3	Kinsley Construction, Inc	\$29,149,291	\$1,312,081/(5.0%)	17 months	83.2%

(1) Evaluated by: Mortgage Finance, Finance and Real Estate Development

- Staff recommends the selection of CBG Building Company as General Contractor for new construction of 900 Thayer based on the following criteria:
 - Lowest Bid (\$26,036,152), Lowest Quote for Profit Margin (4.5%) and Highest Score 94.0
 - Reasonable and realistic construction schedule (18 months)
 - Provided detailed bid backup (Site work, Structured Parking, Retail-Cold Dark Shell and Residential Wood)
 - \$100 million bonding capacity per project and aggregate bonding capacity of \$500 million
 - Demonstrated expertise in offsite/dry utility design and budgeting allowances
 - Most comprehensive qualifications and experience

* Costs included bond & insurance, overhead, fees, HOC's Section Three Policy, and Davis-Bacon Wage Scale-MD as of 08/05/2016.

September 7, 2016



Development Plan: Team Assembly

Architect

KTGY, located in Tyson Corner, Virginia is an international full-service architecture and planning firm delivering innovation and artistry.

Six office locations nationwide: Irvine, Los Angeles and Oakland (CA); Denver (CO); Tyson's (VA); Pune (India). Fifteen partners with more than 300+ employees

They are currently working on West Side at Shady Grove in Rockville, MD with mixed-use apartments/retail (an EYA development).



Property Management

On August 2, 2016, HOC issued a request for qualification (“RFQ”) #2010 for Property Management service and a pre-bidding meeting was held on August 11, 2016. The proposals are due on August 19, 2016.

General Contractor

Staff found the following General Contractors eligible for possible contract negotiation based on the RFQ Part II responses.

- **CBG Building Company (Preferred)**
- Southway Builders (back up)

LIHTC Investor

Staff will solicit proposals to select a LIHTC investor at a later date.

Summary and Recommendations

Issues for Consideration

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

1. Approve of the selection of CBG Building Company as general contractor for the new construction of the 900 Thayer project, and
2. Authorize the Executive Director to enter into GC contract negotiations?

Time Frame

Action at the September 7, 2016 meeting of the Commission.

Budget Impact

There is no adverse impact for the Agency's FY 2017 budget.

Staff Recommendation and Commission Action Needed

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

1. Approve the selection of CBG Building Company as general contractor for the new construction of the 900 Thayer project and
2. Authorize the Executive Director to enter into GC contract negotiations.

RESOLUTION No.: 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.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting on September 7, 2016.

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Patrice M. Birdsong
Special Assistant to the Commission

Deliberation and/or Action

Future Action

Information Exchange

New Business

Executive Session Findings

Adjourn

TPM Development Corporation

Approval for TPM Development Corporation to Amend the Renovation
Scope at Timberlawn Crescent to Complete Clubhouse Upgrades and
Convert the Daycare Center to a Fitness Room and Business Center and to
Accept Additional Interim Loan Funds from the Housing Opportunities
Commission of Montgomery County



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
SHERYL HAMMOND

September 7, 2016

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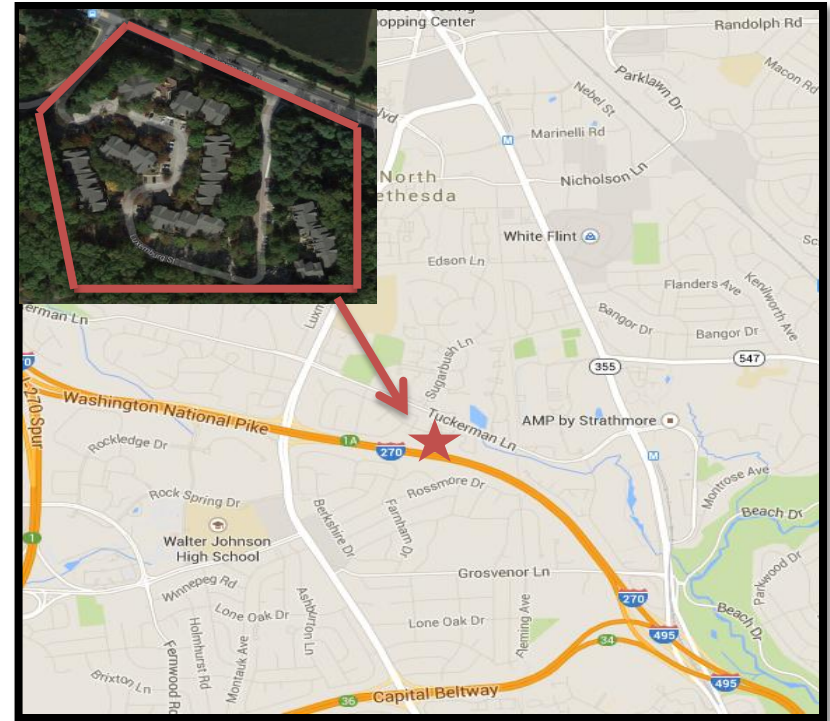
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Executive Summary and Recommendations

- TPM Development Corporation (“Corporation”) – an entity wholly controlled by the Housing Opportunities Commission of Montgomery County (“HOC”) – consists of Timberlawn Crescent (“Timberlawn”), a 107-unit development located in North Bethesda; Pomander Court (“Pomander”), a 24-unit, clustered-townhome community located in Silver Spring; and MPDU II, a collection of 59 scattered site units.
- On May 6, 2015, TPM Development Corporation approved the final development plan for the renovation of Timberlawn and Pomander with estimated completion in fall of 2016.
- The Corporation is subject to a number of interim loans from the Commission that repaid the previously outstanding first mortgage and funded renovation costs until a permanent loan is available. The funding sources are the Real Estate Line of Credit with PNC Bank, N.A. and the County Revolving Fund.
- An approved amended development plan of April 6, 2016 included additional scope at Timberlawn (parking lot repair, tree removal, sprinkler system update, rerouting Verizon wires from the exterior, and bench replacements) and Pomander (parking lot repair, storm water management, and exterior work to include gutter, downspout and wood trim replacement, as well as the replacement of aged entry door canopies) to be funded by an additional loan from the MPDU Property Acquisition Fund (“MPDU/PAF”) of approximately \$358,000.
- This final amendment to the development plan includes improvements to the management office, leasing office, clubhouse and converts the existing daycare center to a fitness and business center in response to residents’ needs and expressed wishes. Renovations would be funded from the approved renovation budget for Timberlawn and Pomander. Completion is estimated to occur in the spring of Fiscal Year 2017.
- Staff recommends the approval of the interior renovations to provide updated finishes in the Timberlawn clubhouse, the termination of the lease with Bright Eyes, Inc. daycare center, and the conversion of the daycare center to business and fitness centers.

Transaction Rationale

- Timberlawn Crescent is located in North Bethesda off Tuckerman Lane near the site of Georgetown Preparatory School. It consists of 107 garden style units of which 53 units are affordable to households with income at or below 30, 50 and 60% of the area median income and 54 are market rate units.
- When the renovation is completed, the apartments will offer new finishes throughout, new energy efficient appliances and building systems as well as a new playground/picnic area and energy efficient exterior lighting that will enhance the lives of the existing residents and allow Timberlawn to be more competitive in the marketplace
- The management office consists of an un-renovated clubhouse, a daycare center, and the leasing office. The property lacks some of the standard amenities found at nearby properties including fitness and business centers.



Jefferson at Inigo's Crossing
5405 Tuckerman Lane - .4 miles
[Fitness Center](#)

Strathmore Court at White Flint
5440 Marinelli Road - 1.2 miles
[Business Center](#)
[Fitness Center](#)

Bethesda Hill Apartments
5114 Dudley Lane - 1.3 miles
[Fitness Center](#)

Avalon Grosvenor Tower
10301 Grosvenor Place - .5 miles
[Business Center](#)
[Fitness Center](#)

The Residences at King Farm
105 King Farm Boulevard - 6.7 miles
[Business Center](#)
[Fitness Center](#)

Transaction Rationale

- During the August 25, 2015 resident meeting to discuss the interior renovations at Timberlawn, residents expressed concern that the property did not have the standard amenities of the surrounding communities.
- Bozzuto conducted a survey to determine the amenities that are most important to the residents and determined fitness and business centers to be the most desirable absent amenities.
- Bozzuto also performed a market analysis that highlighted that the five comparable properties in the immediate area (within seven miles) have higher finish levels in their community rooms, provide both business and fitness centers (three examples shown here).

Jefferson at Inigo's Crossing

5405 Tuckerman Lane



Bethesda Hill Apartments

5114 Dudley Lane

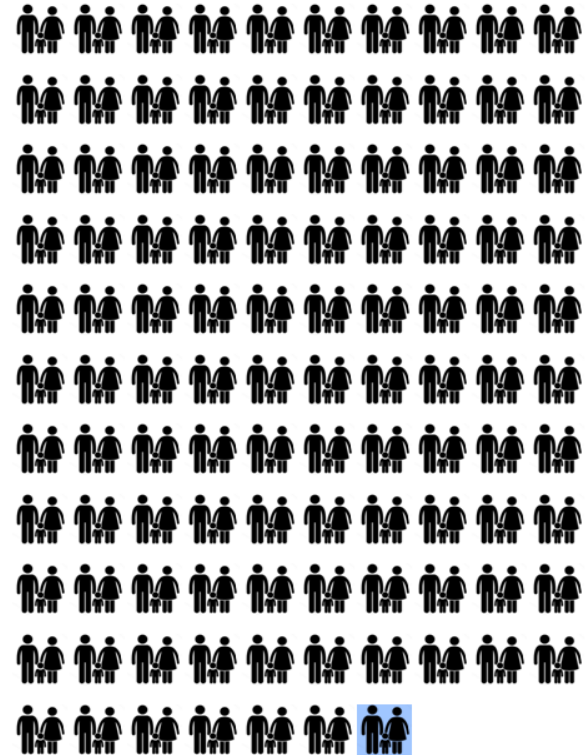
Avalon Grosvenor Tower

10301 Grosvenor Place



Transaction Rationale

- The Timberlawn daycare center was authorized at the site to provide affordable options for families with low and moderate incomes. Consequently, the operator of the Timberlawn daycare enjoys a “subsidized” lease 58% below other retail leases in the market place. HOC further bears the cost of all utilities, cleaning, and maintenance to the facility. HOC also maintains the playground on behalf of the owner.
- The daycare leases the space for \$15,882.00 annually (\$11.34 per square foot annually).
- Comparable market rates in the vicinity average \$37,817 annually (\$25.49 per square foot / \$3,151.42 per month).
- The Daycare lease is a month to month agreement that can be terminated by either party with a 90-day prior notice.
- Staff has reviewed the daycare facility using information provided by the operator and concludes that the daycare does not provide discounts to low and moderate income families at the property, and of the 30 slots available it serves only one low income family from Timberlawn and one household from within the vicinity.
- The Daycare’s existing space is not code compliant to their restroom needs. Their required access to the leasing space restroom creates an after hours security risk.



Preference is given to the children of low and moderate income families at Timberlawn; however, **only one household of the 107 on the Property have enrolled their two children in the program.**

Transaction Rationale

The Daycare's fees, when compared to the most recent Office of Legislative Oversight (OLO) child care report, are above the Median day care fees when compared to annual child care rates reported by regulated providers in Montgomery County (2014) and in the case of the infants, is above the 75th Percentile.

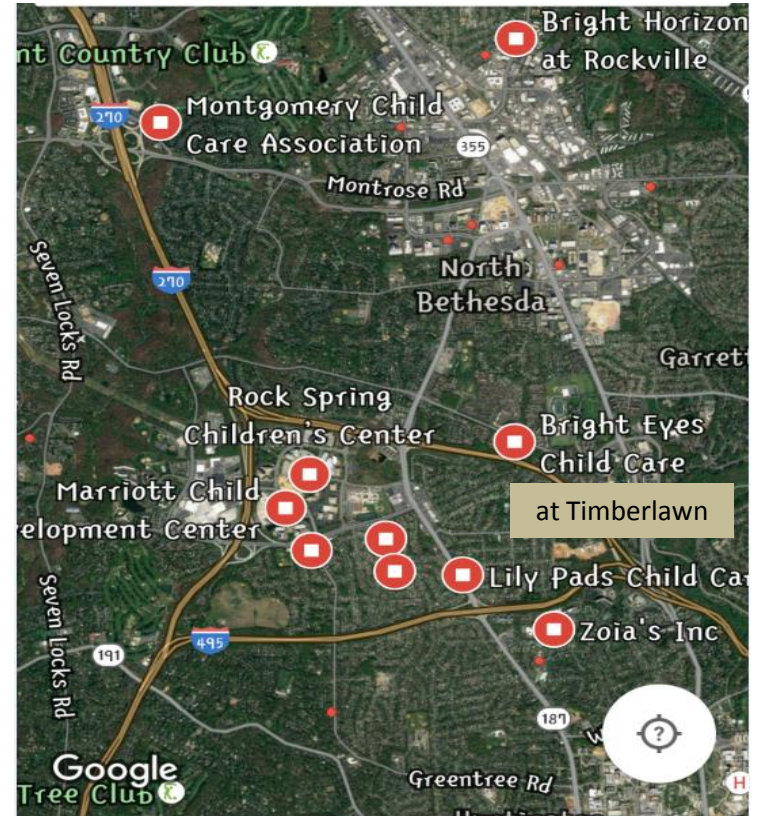
Care Type	Weekly – 25 th Percentile	Weekly – Median	Weekly – 75 th Percentile	Annual – 25 th Percentile	Annual – Median	Annual – 75 th Percentile
0-23 Months	\$300	\$335	\$392	\$15,600	\$17,420	\$20,369
			\$408			\$21,216
2-4 Years	\$200	\$242	\$299	\$10,400	\$12,584	\$15,561
		\$275			\$14,300	
5 Years, Full-Time	\$188	\$225	\$280	\$9,763	\$11,700	\$14,560
		\$250			\$13,000	

Bright Eyes Daycare Fees

Transaction Rationale



- The Bright Eyes Timberlawn location is one of ten owned and operated by the same entity.
- Staff believes the franchise will relocate this facility within the area in lieu of closing.



- In the event the daycare does not relocate; "LOCATE: Child Care" a service of Maryland Family Network, is designed to assist parents in identifying which of the many licensed daycare facilities in the area will best fit their individual needs.

Financing Summary

Financing for Community Space

- Implementing the proposed amendment to the development plan continues to support the proposed permanent financing.
- Staff currently expects to complete the permanent financing under the FHA Risk Share/Federal Financing Bank (FFB) loan program. When compared to the traditional FHA Risk Share mortgage and tax exempt bonds financing, the lower interest rate afforded under the FFB program produces either higher mortgage proceeds or higher cash flow to the property at the same mortgage amount.
- The permanent financing is projected to occur in the fall of 2016.
- The mortgage proceeds will also fund all related financing costs. No developer fee is projected.

Sources	Original	Amended	Proposed
Mortgage Term (Years)	35	35	40
Estimated Mortgage Interest Rate	6.00	5.50	2.50
Maximum Available Mortgage	\$17,929,874	\$18,519,169	\$19,688,744
Funding Excess / (Gap)	\$0	\$0	\$0
Permanent Mortgage	\$17,929,874	\$18,519,169	\$19,688,744
Total Sources	\$17,929,874	\$18,519,169	\$19,688,744
Uses	Amount	Amount	Amount
Repay PNC \$90MM RELOC Loans	\$14,452,687	\$14,752,687	\$14,752,687
Repay County Debt	\$0	\$0	\$1,000,000
Repay MPDU/PAF Loans	\$2,355,000	\$2,713,000	\$2,713,000
Construction – Proposed Scope	\$0	\$0	\$160,000
Reimbursement of Capital Expenses	\$122,842	\$32,231	\$0
Financing Expenses	\$448,247	\$462,979	\$492,219
Other Costs *	\$357,348	\$364,522	\$377,088
Reserves	\$193,750	\$193,750	\$193,750
Total Uses	\$17,929,874	\$18,519,169	\$19,688,744
FY18 Combined Net Cash Flow to HOC	\$125,939	\$120,609	\$598,348
Debt Service Coverage Ratio (Timberlawn)	1.20	1.20	1.80
Debt Service Coverage Ratio (Pomander)	1.20	1.20	2.15

*Other Costs include applicable Due Diligence and closing costs.

Summary and Recommendations

Issues for Consideration

Does the Board of Directors of TPM Development Corporation wish to accept the recommendation of the Development and Finance Committee and approval of the final amendments to the development plan for Timberlawn to provide updated finishes in the clubhouse and convert the daycare center into business and fitness centers consistent with surrounding Bethesda rental communities? By approving this action, it also approves the termination of the Bright Eyes, Inc. Daycare lease.

Time Frame

Action at the September 7, 2016 TPM Development Corporation Meeting.

Budget and Fiscal Impact

The Agency's FY2017 operating budget is projected to be negatively impacted by \$42.5K because of earlier financing date. FY2018 operating budget is projected to be positively impacted by \$502K because of significantly better projected FFB financing rate. Funding will be from the approved development renovation budgets for Timberlawn and Pomander.

Staff Recommendation and Commission Action Needed

Staff recommends that the Board of Directors approve the amended development plan including interior renovations that update the finishes in the clubhouse and convert the daycare center into a business center and a fitness center consistent with surrounding Bethesda rental communities.

Staff further recommends termination of the daycare lease with Bright Eyes, Inc. to facilitate these changes to the scope.

TPM DEVELOPMENT CORPORATION

RESOLUTION No.:16-003_{TPM}

RE: Approval for TPM Development Corporation to Amend the Renovation Scope at Timberlawn Crescent to Complete Clubhouse Upgrades and Convert the Daycare Center to a Fitness Room and Business Center and to Accept Additional Interim Loan Funds from the Housing Opportunities Commission of Montgomery County

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

WHEREAS, on May 6, 2015, the Commission and TPM approved final development plans for the renovation of Timberlawn Crescent and Pomander Court, including interim funding from the Moderately Priced Dwelling Unit/Property Acquisition Fund (MPDU/PAF) and the Real Estate Line of Credit with PNC Bank, N.A. until the permanent loan is secured; and

WHEREAS, TPM approved a subsequent amendment to the development plan on April 6, 2016 and is now being presented with an additional amendment involving revisions to the renovation scope at Timberlawn Crescent to complete clubhouse upgrades and the conversion of the existing daycare facility to fitness room and business center, which will be funded from the permanent loan proceeds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of TPM Development Corporation that it approves the amendment to the development plan to complete the Renovation Scope at Timberlawn Crescent to complete clubhouse upgrades and convert the daycare center to a fitness room and business center.

BE IT FURTHER RESOLVED by the Board of Directors of TPM Development Corporation that it authorizes the Executive Director of the Housing Opportunities Commission of Montgomery County as authorized agent for TPM Development Corporation, without further action on its part, to take any and all other actions necessary and proper to carry out the transaction contemplated herein, including but not limited to, the execution of any and all documents related thereto.

BE IT FURTHER RESOLVED by the Board of Directors of TPM Development Corporation that it affirms all prior acts and doings of the officials, agents and employees of the Corporation which are in conformity with the purpose and intent of this Resolution, and in furtherance thereof, the same are hereby in all respects ratified, approved and confirmed.

BE IT FURTHER RESOLVED by the Board of Directors of TPM Development Corporation that all other resolutions of the TPM Development Corporation or parts of resolutions inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

TPM DEVELOPMENT CORPORATION

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Directors of TPM Development Corporation at its meeting on September 7, 2016.

Patrice M. Birdsong
Special Assistant to the Commission

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Adjourn

Executive Session