Housing Opportunities Commission
OF MONTGOMERY COUNTY

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

EXPANDED AGENDA

November 1, 2017

			Res. #
3:30 p.m.	**I. ADMINISTRATIVE SESSION – HOC Board (Closed)** Pursuant to Section 3-305(b)(1) of the General Article of the Annotated Code of the State of Maryland, this Administrative Session will be called to order to discuss personnel matter		
4:00 p.m.	**II. CONSENT ITEMS**		
Separate Cover " "	A. Approval of Minutes of September 6, 2017 B. Approval of Minutes of October 4, 2017		
4:05 p.m.	**III. INFORMATION EXCHANGE**		
 7 11	A. Community Forum B. Report of the Executive Director C. Calendar D. Commissioner Exchange E. Resident Advisory Board		
4:45 p.m.	**IV. ADMINISTRATIVE AND SPECIAL SESSIONS ACTIONS**		
Page 14	A. Ratification of Action Taken in Administrative Session on October 17, 2017: Approval of Predevelopment Funding and Authorization to Enter into a Predevelopment Agreement for Affordable Housing Units		17-70R (pg. 15)
4:50 p.m.	**V. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**		
	A. Budget, Finance and Audit Committee – *Com. Nelson, Chair*		
Page 18	1. Approval of CY'18 Tax Credit Partnership Budgets		17-71 (pg. 24)
41	2. Authorization to Submit FY'19 County Operating Budget		17-72 (pg. 44)
45	3. Approval to Extend the Banking Services Contract with PNC Bank, N.A.		17-73 (pg. 48)
50	4. Approval of Extension of Property Assistance Contract		17-74 (pg. 60)
61	5. Approval of Management Contract for Spring Garden		17-75 (pg. 71)
72	6. Approval of Contract for Barclay Square and Fairfax Court		17-76 (pg. 84)
	B. Development and Finance Committee – *Com. Simon, Chair*		
86	1. Adoption of an Inducement Resolution for Acquisition and Renovation of the Hillside Senior Living Transportation		17-77 (pg. 97)
5:30 p.m.	**VI. ITEMS REQUIRING DELIBERATION and/or ACTION**		
99	1. Acceptance of HOC FY'17 Audited Financial Statements, Single Audit Report, and Management Letter		17-78 (pg. 103)
131	2. Approval of Renovation Budget and Scope of Work for Public Housing Common Area Amenities at Tobytown and Authorization to Select General Contractor for Renovation of Tobytown Community Clubhouse in Accordance with IFB #2082		17-79 (pg. 142)
	VII. *FUTURE ACTION ITEMS None		
	VIII. NEW BUSINESS None		
5:50 p.m.	**ADJOURN**		

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

Sent Under Separate Cover

Consent Item A:

Approval of Minutes of September 6, 2017

<u>Sent Under Separate Cover</u>

Consent Item B:

Approval of Minutes of October 4, 2017

INFORMATION EXCHANGE

Report of the Executive Director
Stacy L. Spann
November 1, 2017

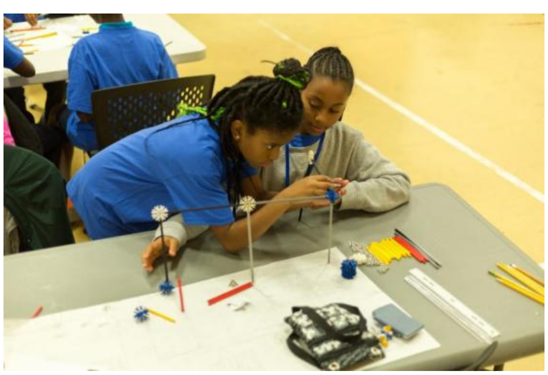
HOC Receives High Performer Designation by HUD DC Field Office of Public Housing

On October 10, 2017, HOC received congratulations from the HUD District of Columbia Field Office of Public Housing for achieving designation as a High Performer in Fiscal Year 2017. High Performer status is the Department of Housing and Urban Development's topmost performance level a public housing authority (PHA) can achieve for administration of the Housing Choice Voucher (HCV) program. As part of the Section 8 Management Assessment Program (SEMAP) certification process, HOC earned an overall performance score of 97 percent.

SEMAP measures the performance of PHAs in key areas. There are 14 indicators of performance that show how well PHAs help eligible families access rental units, safeguard federal resources, demonstrate financial program integrity, as well as administer other program requirements such as inspections. SEMAP helps HUD target monitoring and assistance to PHA programs that require additional technical assistance as well as ensures HUD appropriately monitors the HCV program.

Congratulations to all the members of the HOC team who made this achievement possible and continuously work to help get and keep Montgomery County's most vulnerable families stably connected to housing.

2017 Mobile STEM Workshop: Bridge Design Challenge



On Saturday, October 21, 2017, 32 middle school students participated in HOC Academy's 3rd Annual Mobile STEM (Science, Technology, Engineering, and Math) Workshop. HOC conducts this event each year in partnership with the Center for Leadership and Diversity in STEM (CLD-STEM) at West Point Military Academy and the Army Research Lab. The Mobile STEM Workshop is a full-day, interactive seminar designed to spark the intellectual interests of students and inspire them to pursue paths that lead to STEM careers.

The workshop aims to introduce students to a STEM pathway beginning in middle school, keep students engaged through college and provide leadership opportunities for West Point Cadets and college students. CLD-STEM's Mobile STEM Bridge Design Challenge workshop is conducted by US Military Academy faculty and cadets. At Saturday's Bridge Design Challenge workshop, students participated in activities that encouraged teamwork to discover and practice the basic tenets of bridge-building.

Utilizing the Engineering Design process, students were charged with designing a truss bridge which met specific criteria. Each team was given a budget to purchase building materials (K'Nex pieces), and each bridge had to carry a certain amount of weight. At the completion of the build, the teams tested their bridge with a small, weighted model military tank. The team that built the least expensive bridge that met all criteria won the competition. All students received certificates acknowledging their hard work and achievements.

Leadership Tomorrow Welcomes NAHRO CEO Adrianne Todman

On Tuesday October 24, 2017, HOC welcomed NAHRO CEO and former Executive Director of the DC Housing Authority (DCHA), Adrianne Todman, as a featured speaker for the Leadership Tomorrow (LT) Brown Bag Speaker Series. All HOC staff were invited to join the event and as a result more than 50 HOC staff members were in attendance. Ms. Todman's overarching theme for the discussion was "Executive Leadership and Overcoming Obstacles."

Ms. Todman is a national leader in the field of affordable housing and community development. In her post as the Executive Director for DCHA, the region's largest affordable housing provider, Ms. Todman managed more than $400 million in affordable housing programs. In addition to overseeing NAHRO's nearly 17,000 individual and 2,700 agency members, Ms. Todman is also the first female CEO in NAHRO's 84-year history. Ms. Todman spoke about the obstacles she overcame in her professional and personal journey and offered attendees insights on how others might strive toward success in the face of their own career hurdles. Ms. Todman's philosophy of "leadership at every level" captured the attention of her audience and the essence of the Leadership Tomorrow program.

HOC is honored to have hosted such a distinguished affordable housing expert as Ms. Todman and hopes her participation in our Leadership Tomorrow Speaker Series is the first of many.

Secretary Carson Testifies before House Financial Services Committee

On October 12, 2017, the House Financial Services Committee held an oversight hearing with HUD Secretary Ben Carson titled "The Future of Housing in America: Oversight of the Department of Housing and Urban Development." The scope of the hearing included the Secretary's vision for reform at HUD, the Administration's Budget Request, the impact of budget cuts on housing and community development, and disaster recovery—particularly regarding the recent hurricanes and aid to Puerto Rico. In his opening remarks, Secretary Carson argued that housing assistance should be focused on helping people move towards self-sufficiency, and later affirmed his opinion by noting that HUD's success should be measured by the number of people who are able to leave HUD programs. Dr. Carson also emphasized the agency's role in expanding access to public-private partnerships, attracting more private capital to affordable housing development. HUD programs the Secretary praised during the hearing included the Family Self-Sufficiency (FSS) program, Moving to Work (MTW), and the Rental Assistance Demonstration (RAD) program. He also expressed support for the Low Income Housing Tax Credit (LIHTC) program.

While HOC administers a number of the programs backed by Secretary Carson, he has also displayed an eagerness to cut costs associated with other key HUD programs, such as the Community Development Block Grant (CDBG). HOC staff continues to track policy, program, and funding priorities identified by the

HUD Secretary and the Administration in their relation to our ability to serve customers throughout Montgomery County.

HOC Bring Your Pet to Work Day

HOC hosted its first Bring Your Pet to Work Day on October 6, 2017 in the East Deer Park (EDP) Tent. Pet trainers Jes and Justin from Premier Dog Training provided a fun-filled day for seven adorable dogs and their owners, including HOC Commission Chair Jackie Simon. Training included nose work, basic commands, and how-to's for owners with specific questions or concerns. More than 20 staff stopped by the EDP tent throughout the day to support the event, and witnessed what the pets were learning. At the conclusion of the event, staff took individual and group portraits with their pets, and all left with free leashes and dog-themed swag bags!

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

November 2017

1	HOC Regular Meeting (*All*)	4:00 p.m.
10	Veterans Day Observed *(HOC Offices Closed)*	
17	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
20	Resident Advisory Board *(Croom)*	6:00 p.m.
21	Legislative and Regulatory Committee Meeting *(Byrd, Croom, Rodriguez)*	4:00 p.m.
23-24	Thanksgiving Holiday Observed *(HOC Offices Closed)*	
27	Agenda Formulation *(Simon, Byrd)*	

December 2017

6	Public Hearing *(Simon)*	3:30 p.m.
6	HOC Regular Meeting (*All*)	4:00 p.m.
12	Budget, Finance and Audit Committee Meeting *(Nelson, Simon, Hatcher)*	10:00 a.m.
15	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
15	Status/Lunch Meeting w/Executive Director *(All)* – Location TBD	12:00 noon
18	Agenda Formulation *(Simon, Rodriguez)*	12:00 noon
18	Resident Advisory Board *(Croom)*	6:00 p.m.
25	Christmas Holiday *(HOC Offices Closed)*	

January 2018

1	New Year's Day Holiday *(HOC Offices Closed)*	
10	HOC Regular Meeting (*All*)	4:00 p.m.
15	Martin Luther King, Jr. Holiday *(HOC Offices Closed)*	
16	Legislative and Regulatory Committee Meeting *(Byrd, Croom, Rodriguez)*	4:00 p.m.
19	Development and Finance Committee Meeting *(Simon, McFarland, Nelson)*	10:00 a.m.
22	Resident Advisory Board *(Croom)*	6:00 p.m.
29	Agenda Formulation *(Simon, Rodriguez)*	12:00 noon

February 2018

7	HOC Annual Meeting (*All*)	4:00 p.m.
19	President's Day *(HOC Offices Closed)*	
20	Budget, Finance and Audit Committee Meeting *(Nelson, Simon, Hatcher)*	10:00 a.m.
23	Development and Finance Committee Meeting (Simon, McFarland, Nelson)	10:00 a.m.
23	Status/Lunch Meeting w/Executive Director *(All)* – Location TBD	12:00 noon
26	Agenda Formulation *(Simon, Hatcher)*	12:00 noon
26	Resident Advisory Board *(Croom)*	6:00 p.m.

March 2018

7	HOC Regular Meeting (*All*)	4:00 p.m.
20	Budget, Finance and Audit Committee Meeting – re: Rents *(Nelson, Simon, Hatcher)*	10:00 a.m.
20	Legislative and Regulatory Committee Meeting *(Byrd, Croom, Rodriguez)*	4:00 p.m.
23	Development and Finance Committee Meeting (Simon, McFarland, Nelson)	10:00 a.m.
26	Agenda Formulation *(Simon, Hatcher)*	12:00 noon

26	Resident Advisory Board *(Croom)*	6:00 p.m.

April 2018

4	HOC Regular Meeting (*All*)	4:00 p.m.
18	Budget, Finance and Audit Committee Meeting – re: Budget *(Nelson, Simon, Hatcher)*	10:00 a.m.
20	Development and Finance Committee Meeting (Simon, McFarland, Nelson)	10:00 a.m.
20	Status/Lunch Meeting w/Executive Director *(All)* – Location TBD	12:00 noon
23	Resident Advisory Board *(Croom)*	6:00 p.m.

Activities of Interest

1 – Follow-up Meeting w/Housing for People with Disabilities Group
2 – Property Tour

Administrative and Special Sessions Actions

RATIFICATION OF ACTION TAKEN IN ADMINISTRATIVE SPECIAL SESSION ON OCTOBER 17, 2017:

APPROVAL OF PREDEVELOPMENT FUNDING AND AUTHORIZATION TO ENTER INTO A PREDEVELOPMENT AGREEMENT FOR AFFORDABLE HOUSING UNITS.

November 1, 2017

- At an Administrative Special Session on October 17, 2017, the Commission adopted Resolution 17-70AS, which authorized the predevelopment funding and authorization to enter into a predevelopment agreement for affordable housing units.

- Consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken at the October 17, 2017 Administrative Special Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commissioner wishes to ratify any action taken since the Executive Session with respect to the approved transaction.

RESOLUTION: 17-70R

RE: Ratification of Action Taken in Administrative Special Session on October 17, 2017 Approving Predevelopment Funding and Authorization to Enter into a Predevelopment Agreement for Affordable Housing Units.

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 an Administrative Special Session duly called and held on October 17, 2017, with a quorum present, the Commission duly adopted Resolution 17-70AS, which approved predevelopment funding and authorized entering into a predevelopment agreement for certain affordable housing units.

WHEREAS, consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 17-70AS and any action taken since October 17 2017 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 17-70AS 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 a meeting conducted on November 1, 2017.

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Patrice M. Birdsong
Special Assistant to the Commission

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

APPROVAL OF CY'18 TAX CREDIT PARTNERSHIP BUDGETS

November 1, 2017

- The Budget, Finance and Audit Committee reviewed the Tax Credit Partnership Budgets at the October 17, 2017 meeting.

- The budgets for the two MPDU Tax Credit Partnerships, Hampden Lane LP (Lasko Manor), Forest Oak Towers LP, Wheaton Metro LP (MetroPointe), Manchester Manor Apartments LP (Manchester Manor), Tanglewood/Sligo Hills LP (Tanglewood/Sligo), Barclay One LP (Barclay), Georgian Court Silver Spring LP (Georgian Court), MV Affordable Housing Associates LP (Stewartown), Shady Grove Apartments LP (Shady Grove), Spring Garden One Associates LP (Spring Garden), The Willows of Gaithersburg Associates LP (The Willows), Arcola Towers RAD LP (Arcola Tower), Waverly House RAD LP (Waverly House) and Alexander House LP (Alexander House) generate $230,318 in net cash flow to the Agency for CY'18 which is comprised of $95,777 in Ground Rent and $134,541 in Partnership Management Fees.

- Rent increases for all properties are within the guidelines of HOC's current Rent Policy.

- The partnership documents for the tax credit portions of Strathmore Court and The Metropolitan provided for a partnership fiscal year that coincides with HOC's. Therefore, these budgets are not included with the calendar year partnership budgets.

M E M O R A N D U M

TO:	Housing Opportunities Commission			
VIA:	Stacy L. Spann, Executive Director			
FROM:	Staff:	Gail Willison	Division: Finance	Ext. 9480
		Tiffany Jackson		Ext. 9512
RE:	Approval of Calendar Year'18 (CY'18) Tax Credit Partnership Budgets			
DATE:	November 1, 2017			
STATUS:	Committee Report: Deliberation [X]			

OVERALL GOAL & OBJECTIVE:
To approve the Agency's CY'18 Tax Credit Partnership Budgets.

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

In April of 2017, the limited partners of Shady Grove LP (Shady Grove), Manchester Manor LP (Manchester Manor), and The Willows LP (The Willows) donated their ownership interests in the partnerships to HOC; budget amendments will be proposed to include these properties in the FY'18 Agency Budget. The partnerships that own the scattered site properties MHLP IX, MHLP X, and the 11 multifamily properties are calendar year-end properties:

Hampden Lane Apartments LP (Lasko Manor);
Arcola Towers RAD LP (Arcola Tower);
Waverly House RAD LP (Waverly House);
Forest Oak Towers LP (Forest Oak);
Wheaton Metro LP (MetroPointe);
Tanglewood/Sligo Hills LP (Tanglewood/Sligo);
Barclay One Associates LP (Barclay);
Georgian Court Silver Spring LP (Georgian Court);
MV Affordable Housing Associates LP (Stewartown);
Spring Garden One Associates LP (Spring Garden); and,
Alexander House LP (Alexander House).

As general partner, HOC is responsible for submitting final copies of the CY'18 Budgets to the limited partners by November 1.

Attachment 1 displays the initial compliance period end dates, status of limited partner exit, and extended use after the initial compliance period for all our CY Tax Credit partnership properties.

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

ISSUES FOR CONSIDERATION:
The budget forecasts the collection of $95,777 in CY'18 in ground rent fees from **MHLP IX** and **MHLP X**. The budget also forecasts the collection of $234,776 in CY'18 in Asset and Partnership Management Fees from the multifamily properties **(Attachment 2)**. At year end, the Asset Management Fees are paid to the limited partner. If sufficient funds remain, the Partnership Management Fees, or $134,541, are paid to the general partner (HOC). All unpaid fees are accrued for payment in future years.

As the Managing General Partner, HOC is responsible for funding any cash deficits that occur in the operation of the tax credit projects. **Lasko Manor** is projected to generate losses of $35,887. The loss will be offset from the projected ground rent income in the General Fund during the FY'19 budget process. It should be noted that a portion of this deficit results from the Management Fee paid to HOC.

Scattered Site Tax Credit Partnerships

In CY'18, the projected ground rent for the portfolio is $201,977 less than the CY'17 projection of $297,754. The decrease in projected ground rent is driven by increased debt service on **MHLP IX**; debt service in the CY'18 budget includes amortization of a County Loan for which payments commenced in October of 2016, but were not included in the CY'17 adopted budget.

Rent increases for all scattered site properties are budgeted according to a rent calculation model with a 1.8% increase for both renewal and turnover units. The CY'18 Budget for the scattered site properties projects operating income for **MHLP IX** and **MHLP X** to be flat when compared to CY'17 projections **(Attachment 3)**.

Operating expenses on a per unit per annum (PUPA) basis for **MHLP IX** are projected to increase in CY'18 as a result of expiration of the PILOT. This increase is partially offset by the Scattered Site Allocation Fee, which is no longer charged to the properties. In prior years, the cost associated with the EDP location, which at the time supported only scattered site properties, was allocated to those properties. The cost of the EDP location, which now also supports multifamily properties and other divisions, is included in the allocated overhead charge to various properties and programs. **MHLP X** decreased slightly due to lower projected personnel costs and the removal of the scattered site fee **(Attachment 4)**.

The net effect on CY'18 of flat operating income and higher budgeted operating expenses is that the Net Operating Income (NOI) on a PUPA basis is projected to decrease in CY'18 for **MHLP IX,** while the decrease in operating expenses for **MHLP X** will result in a higher NOI on a PUPA basis **(Attachment 5).** It should be noted that projected operating results described above are comparing budgeted CY'18 figures with budgeted CY'17 figures. Comparison of CY'18 budgeted projections to CY'17 actual results would likely result in smaller variability in operating results between CY'17 and CY'18.

The minimum Debt Service Coverage Ratio (DSCR) requirement of 1.10 or higher is achieved by **MHLP X;** however, **MHLP IX** falls short with a DSCR of 1.03 for CY'18. The DSC ratio for both **MHLP IX** and **MHLP X** has decreased for CY'18 when compared to the CY'17 budgeted levels **(Attachment 6)**. Although NOI for **MHLP X** increased and debt service remained flat, RfR contributions, which are factored into the DSCR calculation, increased by approximately $50,000.

Attachment 7 shows the history of PUPA Replacement for Reserves (RfR) contributions for scattered sites **MHLP IX** and **MHLP X**. The base required contribution has not changed over the years. However, the age of the portfolio has required additional pay-go contributions each year to meet the capital needs of the portfolio. The CY'18 projection for PUPA RfR deposits by property, including the base and pay-go amounts, is depicted on **Attachment 8**.

Multifamily Tax Credit Partnerships

The rent policy for CY'18 allows for in-place rental increases based on the County Guideline of 1.8%. However, this portfolio includes some properties that are governed by superseding rental increase guidelines. There are subsidized units at **Georgian Court** and **Forest Oak** that are increased based on HUD's Operating Cost Adjustment Factor (OCAF), which is 2.1% for Maryland in 2017. The factor is adjusted by debt service. This resulted in an OCAF adjustment of 1.26% at **Georgian Court** and 1.8% at **Forest Oak**. **Georgian Court**'s unsubsidized Section 236 units are subject to budget based rent increases, which are calculated using a HUD formula; for CY'18 this increase is 5%.

Income from this portfolio is restricted to the properties. The only revenue that comes to HOC is in the form of a Partnership Management Fee, which is projected to be $134,541 for CY'18. As a result of the projected deficit for **Lasko Manor**, both Asset Management and Partnership Management Fees have been excluded from the budget. The proposed CY'18 budgets reflect a decrease of $53,571 or 28.5% when compared to the CY'17 adopted budgets. The decrease includes **Waverly House** as the Amended and Restated Partnership Agreement does not include these fees. The decrease also reflects the transfer of **Manchester Manor, Shady Grove,** and **The Willows** from the tax credit portfolio to the opportunity housing portfolio. The decreases are partially offset by the addition of **Alexander House.**

The CY'18 Budget for the multifamily properties project increases in operating income on a PUPA basis for eight of the eleven multifamily properties. The increases for **Arcola Tower, Waverly House, MetroPointe,** and **Barclay** are due to lower projected vacancy loss. **Lasko Manor** increased 3.25% from the CY'17 budget as a result of higher gross rent based on current tenants; this increase is offset by higher vacancies. Increases for **Forest Oak** and **Tanglewood/Sligo** reflect higher gross rents. Gross rent in the CY'18 budget for **Spring Garden** was reduced to reflect the actual rents achieved in CY'17 escalated by 1.8%. The decreases for **Stewartown** and **Georgian Court** are the result of expired interest reduction payment subsidies (IRP); the CY'17 budgets included continued subsidy for a portion of the year. **(Attachment 9).**

Operating expenses on a PUPA basis for the multifamily properties are projected to increase in the CY'18 Budget at five of the eleven properties; the increases range from 0.7% to 10.9%. The highest growth rates are at **Forest Oak** and **Barclay** which project expense growth rates of 10.9% and 4.5%, respectively. The increase for **Forest Oak** is driven by a 29.5% increase in maintenance expenses to include maintenance contract costs that were not included in the CY'17 budget. Additionally, Forest Oak's rental license fee, which is paid biannually, is included in the CY'18 budget. For **Barclay**, the increase reflects higher maintenance expenses, specifically, for interior painting of units and common areas **(Attachment 10). Georgian Court** operating expenses decreased by 6.1% compared to the CY'17 budget; several operating expenses were reduced in order to minimize the Section 236 budget based rent increase. As a result of the expired IRP subsidy coupled with debt service payments on the County loan commencing in January 2018, the property's Section 236 budget based rent increase calculation yielded an increase in excess of 10%; in order to minimize this increase in tenant rents, operating expenses were reduced. However, staff is requesting that the County defer loan payments until such time that a redevelopment or refinancing plan is executed. If the request is granted, staff will propose a budget amendment to reinstate spending levels and reflect the deferred debt service.

The net impact of the changes in operating income and expenses is reflected in the net operating income (NOI) on a PUPA basis for the Multifamily Tax Credit Portfolio **(Attachment 11)**. Changes in NOI from budgeted CY'17 to CY'18 varied across the portfolio. Four properties are projected to have a decrease to NOI: 2.2% at **Barclay**, 2.8% at **Forest Oak**, 3.5% at **Spring Garden**, and 12.4% at **Stewartown.** The deficit at **Lasko Manor** decreased by 31% over the CY'17 budget**.** The remaining properties project NOI increases averaging 16.1%.

The minimum Debt Service Coverage Ratio (DSC) requirement of 1.10 or higher is projected to be achieved for all multifamily properties except for the following: **Georgian Court** (1.00%) and **Spring Garden** (1.07%) **(Attachment 12)**. **Georgian Court**'s DSC is a due to the impact of the expired IRP subsidy and additional debt service. The DSC for **Spring Garden** reflects the impact of decreased gross rent coupled with higher operating costs, specifically, personnel costs.

Attachment 13 shows the history of PUPA Replacement for Reserves (RfR) contributions for the multifamily portfolio. Excluding **Arcola Tower**, **Waverly House**, and **Alexander House,** the base required contribution amount has remained relatively flat. Over the years, a few properties in the portfolio have required increases in their annual contributions as well as the use of residual cash to meet their capital needs. For CY'18, **Lasko Manor, MetroPointe, Tanglewood,** and **Stewartown** project the need for increases in RfR contributions to meet their current and future years' capital expenditure needs. The capital budget for **Georgian Court** will be funded from residual receipts, as well as RfR contributions. The CY'18 projection for RfR deposits by property, including the base and increased amounts, are depicted in **Attachment 14**.

Capital

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

MHLP IX, MHLP X, and **Georgian Court** are relying on current year RfR contributions, which have been increased above the required base RfR escrow contributions in CY'18, to fund the properties' capital needs **(Attachment 15)**. Each year, RfR contributions for the Scattered Site properties are increased on a pay-go basis to fund the current years' capital budget. As a result, if the full capital budget is expended, the respective property would not have reserves available at the beginning of the following year. The reliance on increased current year RfR deposits not only directly reduces the amount of ground rent fees available to HOC but will also result in these properties having insufficient reserves available to meet capital needs beyond CY'18. For the multifamily properties, increased RfR contributions above the base requirement are intended to prevent the depletion of their reserves and support future capital needs denoted in each property's Five Year Capital Plans.

BUDGET IMPACT:
Approval by the Commission of these budgets will allow the Tax Credit Partnerships to begin operations on January 1, 2018, the beginning of their calendar year.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the CY'18 Tax Credit Partnership Budgets at the October 17, 2017 meeting. Action is requested at the November 1, 2017 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
The Budget, Finance and Audit Committee recommends to the full Commission approval of the proposed CY'18 Tax Credit Partnership Budgets.

RESOLUTION NO: 17-71

Re: Approval of CY'18 Tax Credit Partnership Budgets

WHEREAS, the Housing Opportunities Commission of Montgomery County is the General Partner who manages the business and is liable for the debts of 15 Tax Credit Partnerships; and

WHEREAS, the limited partners in these 15 Tax Credit Partnerships have contributed money and share in profits but take no part in running the business and incur no liability with respect to the partnership beyond their contributions; and

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

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

WHEREAS, the Budget, Finance and Audit Committee reviewed the CY'17 Budgets at the October 17, 2017 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves the CY'18 Operating Budgets for the 15 Tax Credit Partnerships shown on Attachment 1 of this resolution.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 1, 2017.

Patrice Birdsong
Special Assistant to the Commission

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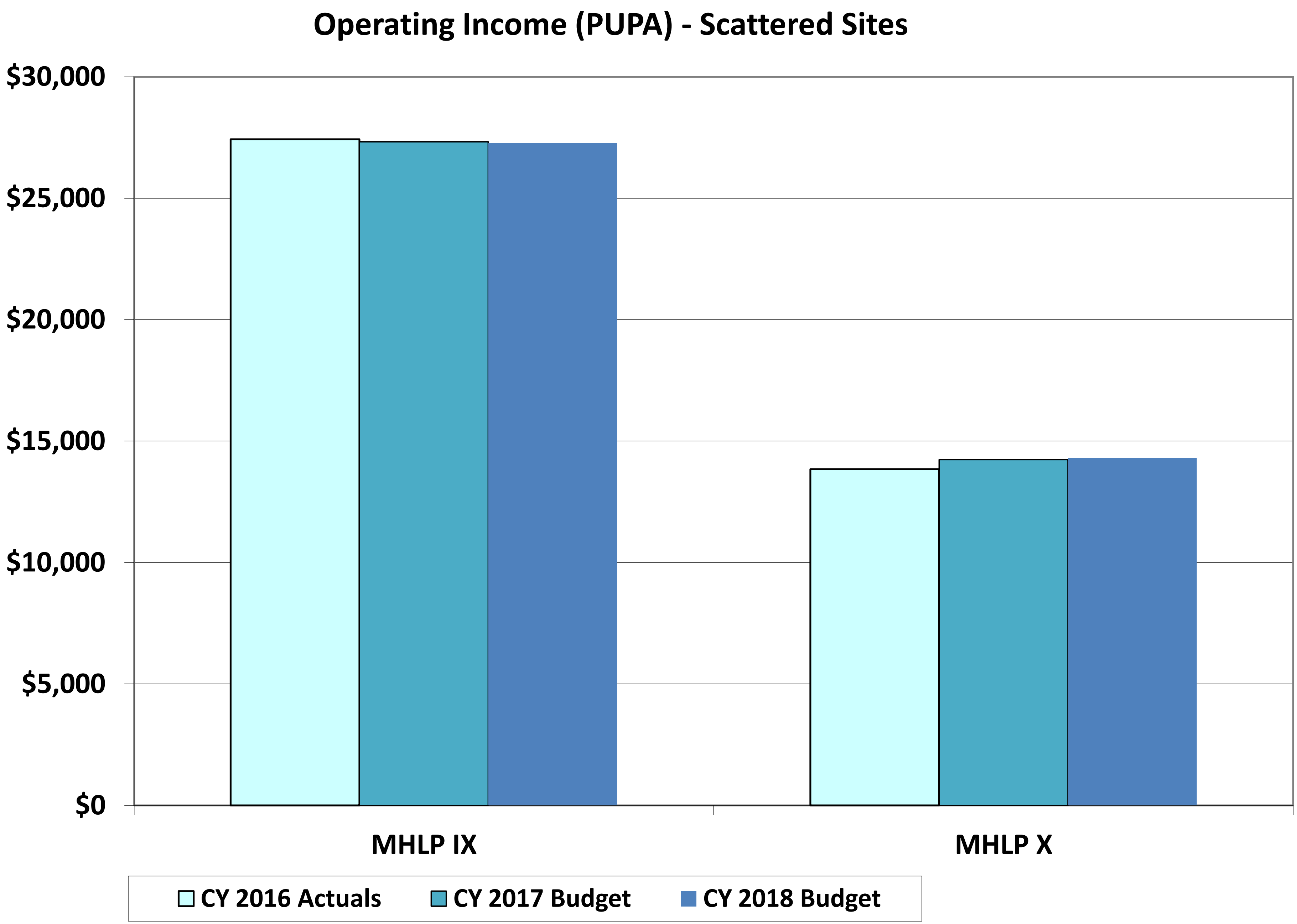
TAX CREDIT COMPLIANCE PERIOD as of October 17, 2017

PROPERTIES	# of Units	INITIAL END DATE: December	Status of Limited Partner Exit	Extended Use after Compliance Period
MHLP IX -Pond Ridge	40	2013	Conducting financial review to determine legal steps with LP.	84 Years (2097)
MHLP IX -MPDU Units	76	2013	Conducting financial review to determine legal steps with LP.	84 Years (2097)
MHLP X	75	2015	Conducting financial review to determine legal steps with LP.	15 Years (2030)
Georgian Court Silver Spring LP	147	2015	Under review with Morrison Avenue Capital Partners & Censeo Consultants.	15 Years (2030)
MV Affordable Housing Assoc. LP (Stewartown)	94	2017	Under review with Morrison Avenue Capital Partners & Censeo Consultants.	15 Years (2032)
Barclay One Assoc. LP	81	2020	Under review with Morrison Avenue Capital Partners & Censeo Consultants.	40 Years (2060)
Spring Garden One Assoc. LP	83	2021	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2046)
Forest Oak Towers LP	175	2022	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2047)
Wheaton Metro LP (MetroPointe)	53	2023	Beginning stages - conducted preliminary analysis and determining next steps in process.	25 Years (2048)
Hampden Lane Apts. LP (Lasko Manor)	12	2026	Ongoing monitoring	25 Years (2051)
Tanglewood / Sligo Hills	132	2027	Ongoing monitoring	25 Years (2052)
Arcola Towers RAD LP	141	2031	Ongoing monitoring	15 Years (2046)
Waverly House RAD LP	157	2031	Ongoing monitoring	15 Years (2046)
Alexander House LP	122	2032	Ongoing monitoring	15 Years (2047)

Attachment 1

Tax Credit CY'18 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Operating Cash Flow	Ground Rent	Net Cash Flow
MHLP IX	**116**	$1,605,040	$838,386	**$766,654**	$683,517	$46,400	$15,417	**$21,320**	$21,320	**$0**
MHLP X	**75**	$1,074,016	$561,324	**$512,692**	$306,576	$23,000	$102,676	**$80,440**	$74,457	**$5,983**
Total Scattered Sites	**191**	**$2,679,056**	**$1,399,710**	**$1,279,346**	**$990,093**	**$69,400**	**$118,093**	**$101,760**	**$95,777**	**$5,983**

Tax Credit CY'18 Operating Budget	# of Units	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Required Annual Escrow for RfR	Additional Escrow for RfR	Partners Tax Expense	Loan Management Fees	Cash Flow Before Distribution	Asset Management/ Investor Service Fees	Partnership Management Fees	Net Cash Flow
Hampden Lane Apts. LP (Lasko Manor)	**12**	$175,578	$207,469	**($31,891)**	$0	$3,396	$600	$0	$0	**($35,887)**	$0	$0	**($35,887)**
Arcola Tower RAD LP	**141**	$1,448,132	$757,414	**$690,718**	$418,282	$64,404	$0	$0	$0	**$208,032**	$7,818	$10,500	**$189,714**
Waverly House RAD LP	**157**	$1,517,091	$822,743	**$694,348**	$523,219	$71,718	$0	$0	$0	**$99,411**	$10,609	$0	**$88,802**
Forest Oak Towers LP	**175**	$2,820,489	$1,166,915	**$1,653,574**	$1,226,972	$70,000	$0	$0	$0	**$356,602**	$11,074	$36,337	**$309,191**
Wheaton Metro LP (MetroPointe)	**53**	$758,282	$427,031	**$331,251**	$222,486	$13,250	$29,998	$0	$0	**$65,517**	$6,725	$16,800	**$41,992**
Tanglewood & Sligo Hills LP	**132**	$2,031,680	$919,606	**$1,112,074**	$649,836	$39,600	$10,000	$0	$0	**$412,638**	$5,285	$25,000	**$382,353**
Barclay One Assoc. LP	**81**	$1,060,959	$480,124	**$580,835**	$440,017	$47,100	$0	$0	$0	**$93,718**	$19,212	$11,604	**$62,902**
Georgian Court Silver Spring LP	**147**	$1,656,448	$901,325	**$755,123**	$681,692	$57,431	$0	$0	$16,000	**$0**	$0	$0	**$0**
MV Affordable Housing Assoc. LP (Stewartown)	**94**	$1,450,363	$901,799	**$548,564**	$377,702	$37,596	$50,004	$0	$13,392	**$69,870**	$5,000	$12,000	**$52,870**
Spring Garden One Assoc. LP	**83**	$1,066,312	$546,936	**$519,376**	$445,681	$44,183	$0	$0	$0	**$29,512**	$19,212	$10,300	**$0**
Alexander House LP	**122**	$1,745,219	$846,297	**$898,922**	$0	$43,980	$0	$0	$0	**$854,942**	$15,300	$12,000	**$827,642**
Total Multifamily	**1,197**	**$15,730,553**	**$7,977,659**	**$7,752,894**	**$4,985,887**	**$492,658**	**$90,602**	**$0**	**$29,392**	**$2,154,355**	**$100,235**	**$134,541**	**$1,919,579**



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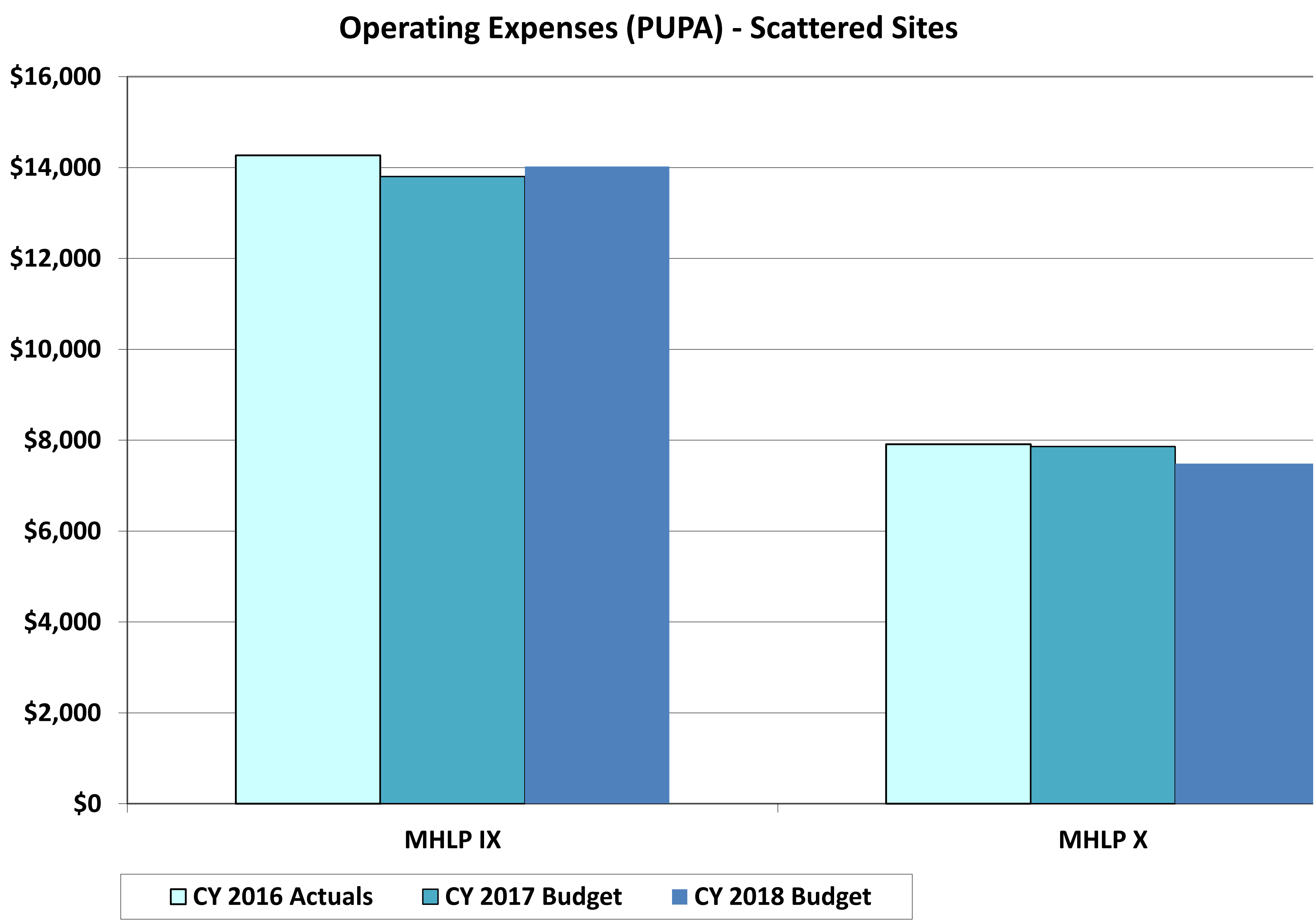
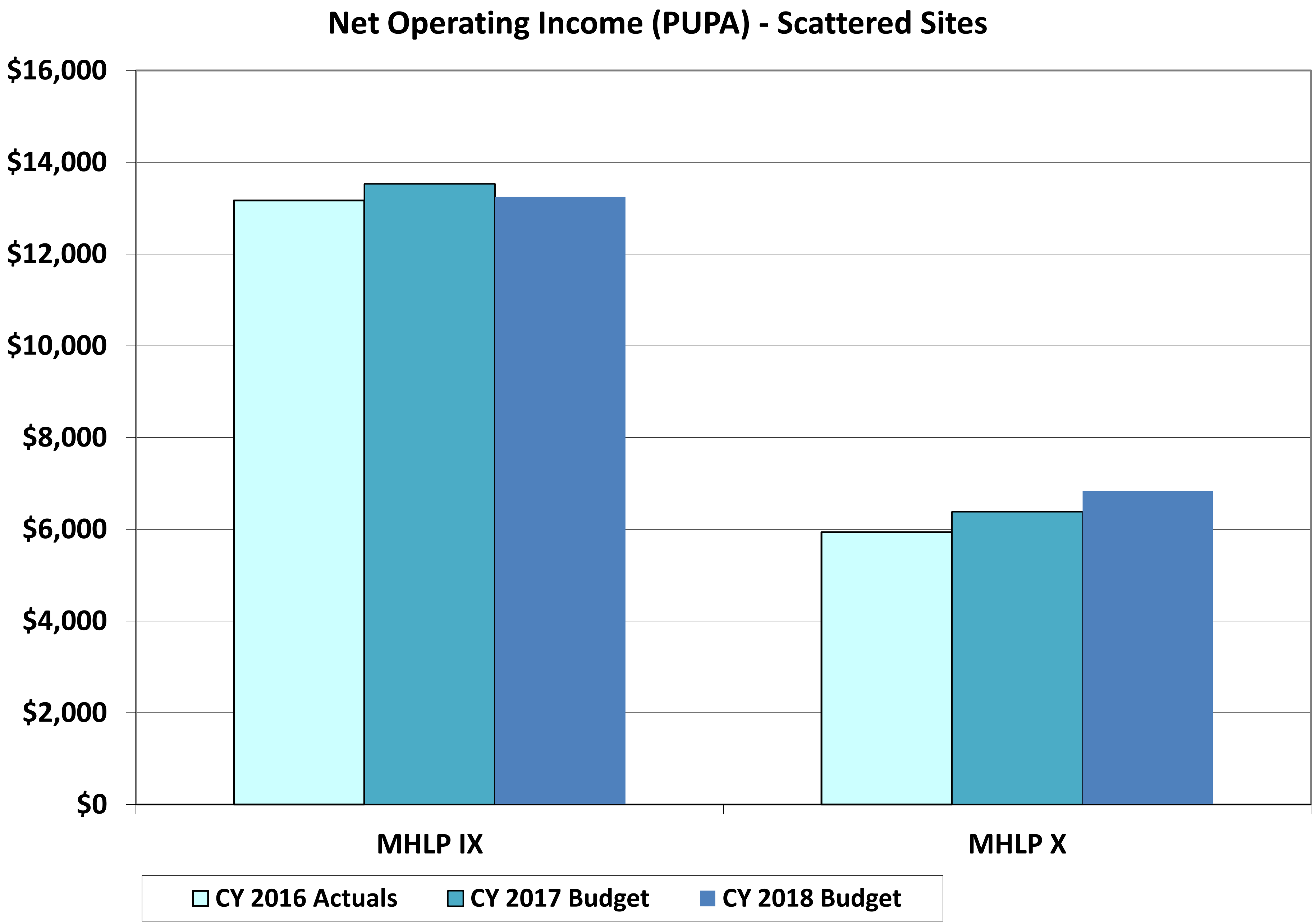
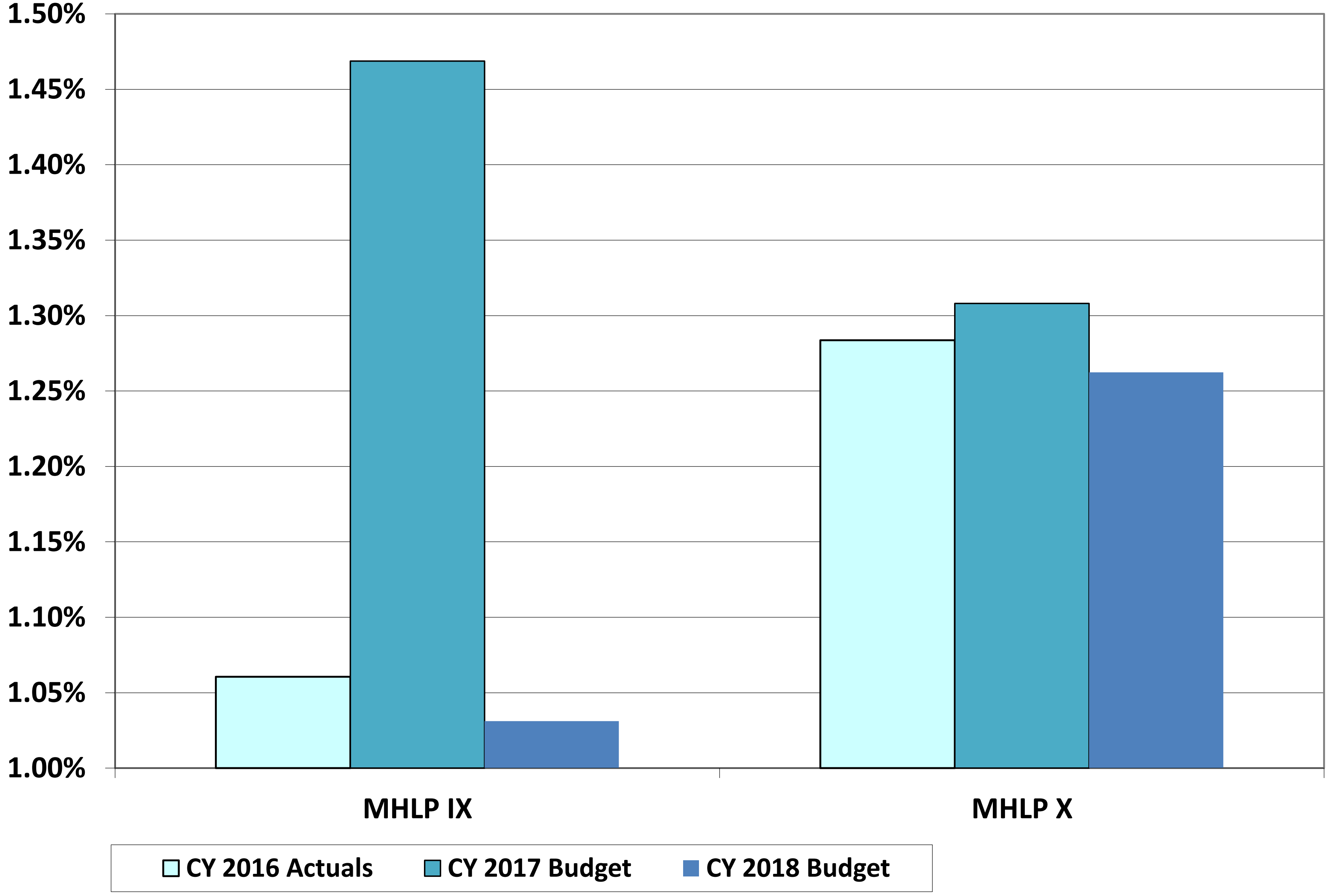

Operating Expenses (PUPA) - Scattered Sites
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
MHLP IX
MHLP X
CY 2016 Actuals
CY 2017 Budget
CY 2018 Budget



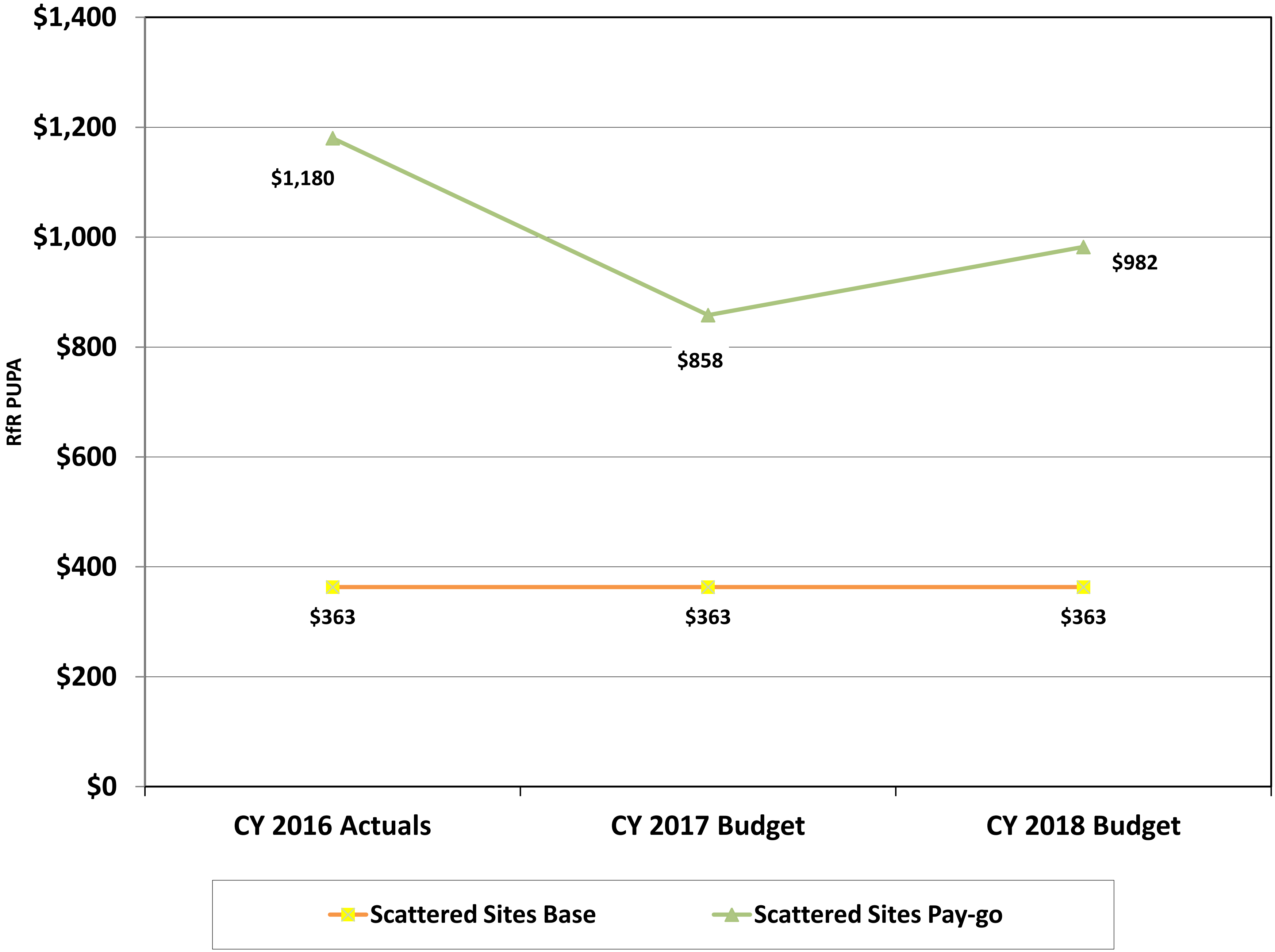
Attachment 5

Debt Service Coverage Ratios (DSC) - Scattered Sites

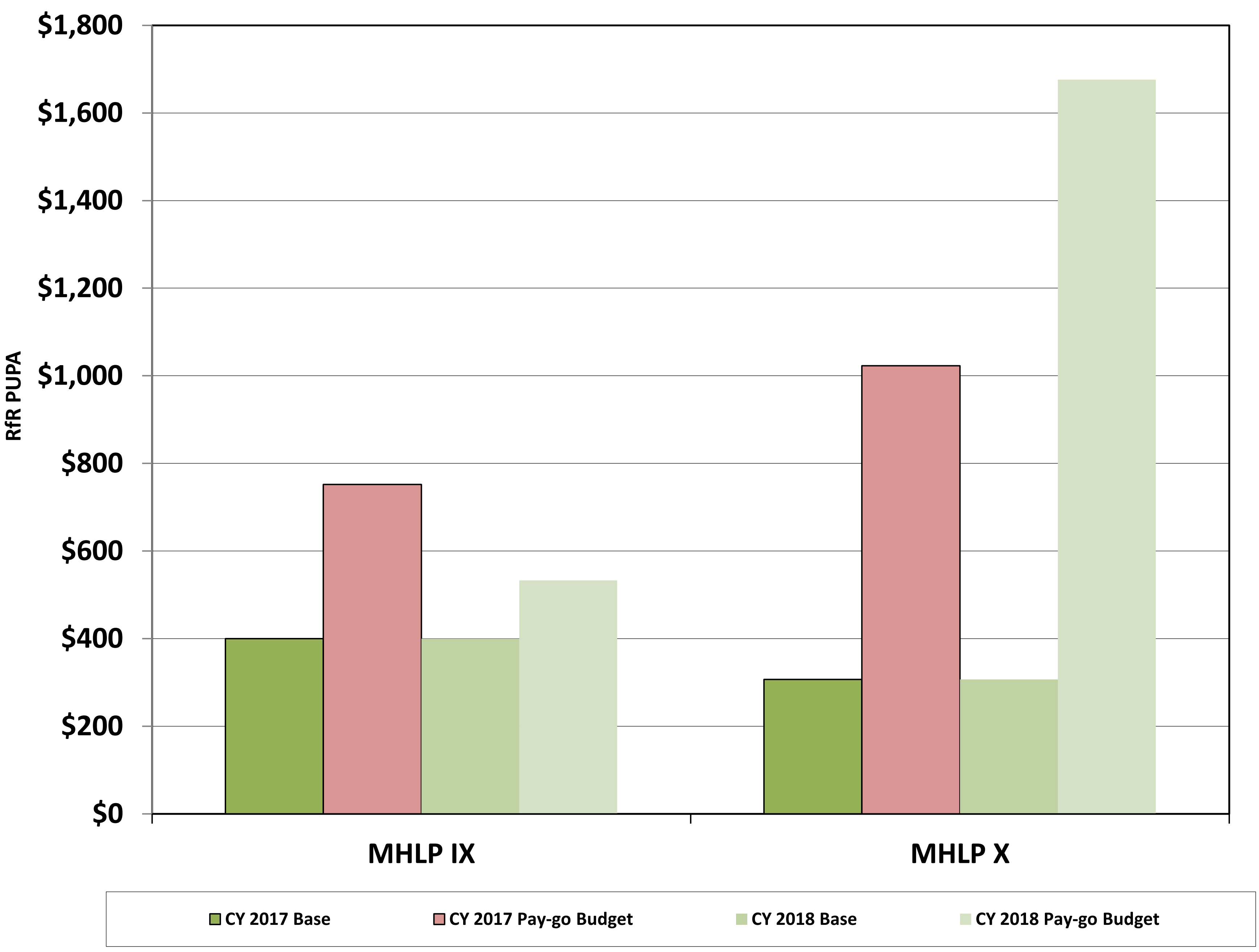


Attachment 6

RfR Contributions (PUPA) - Scattered Sites



CY 2017 and CY 2018 RfR Contributions (PUPA) - Scattered Sites



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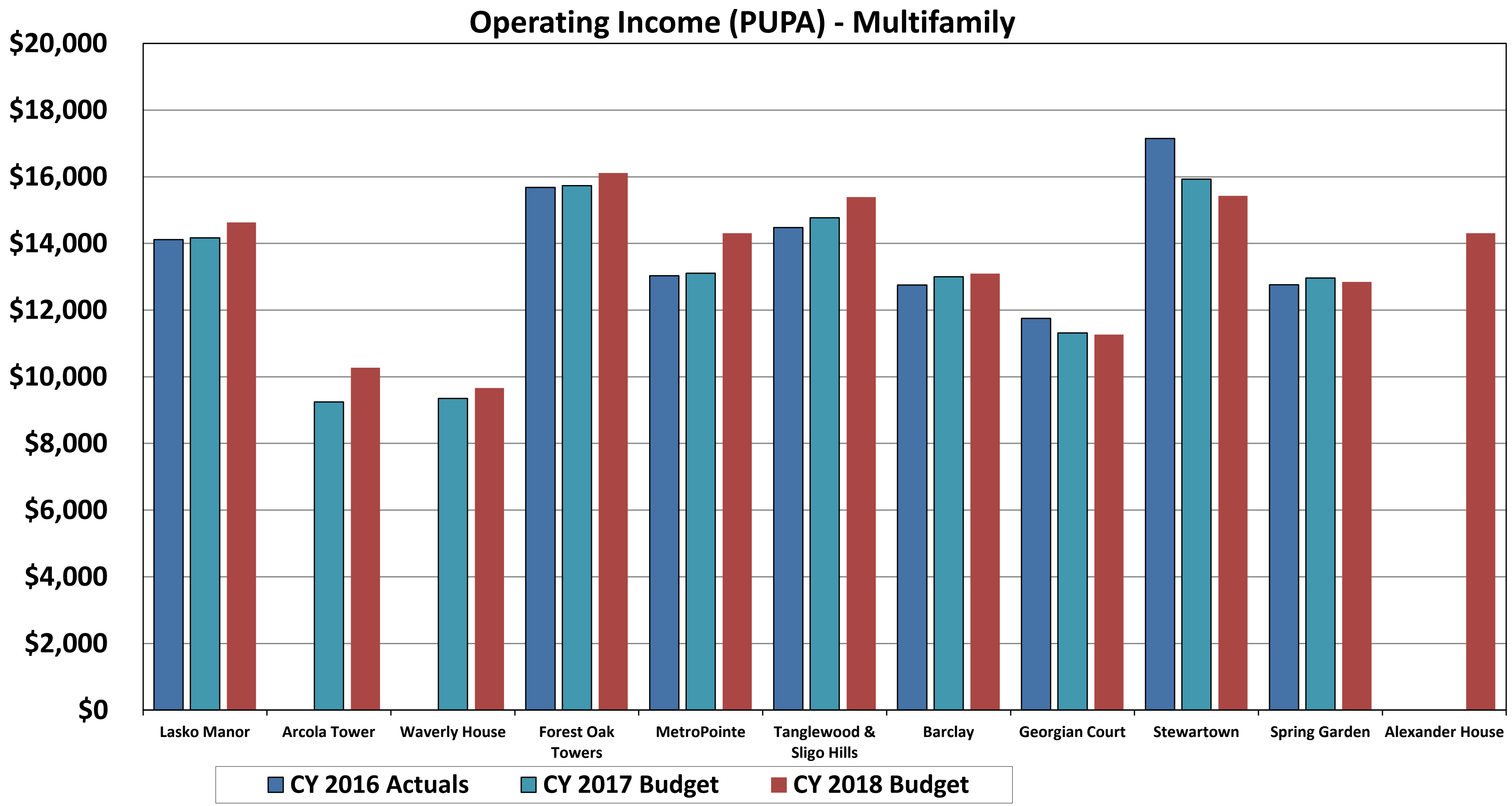
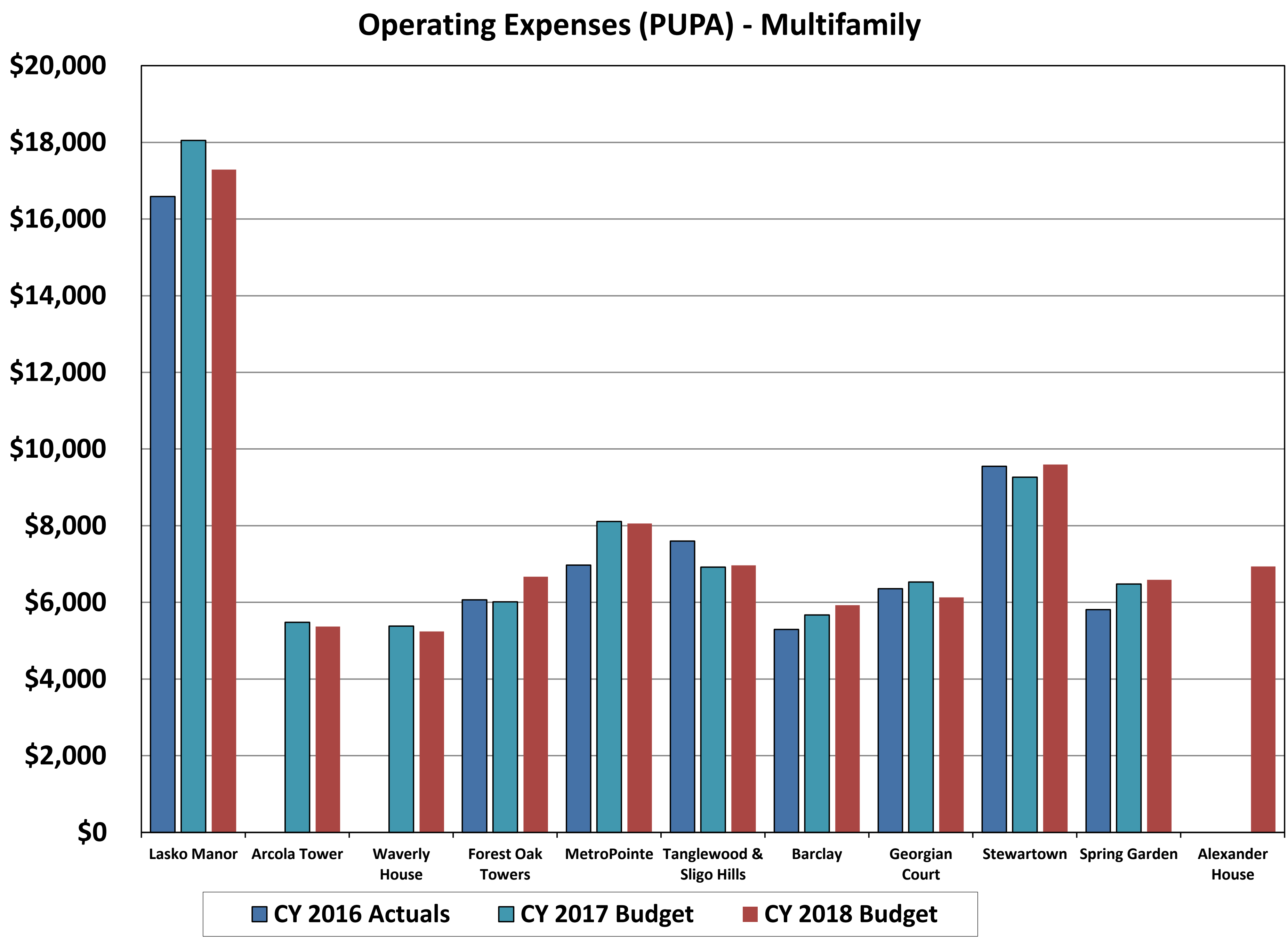
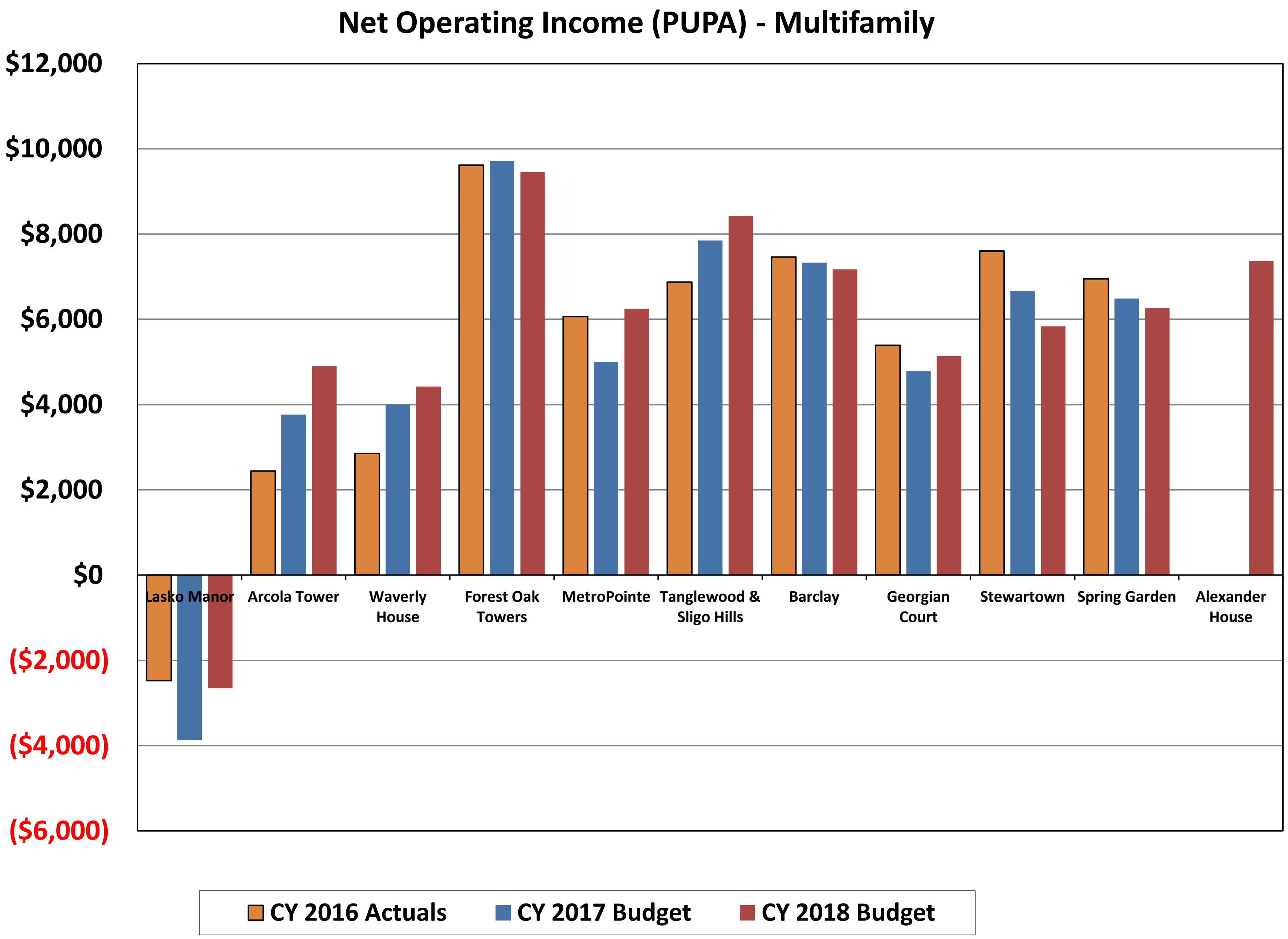
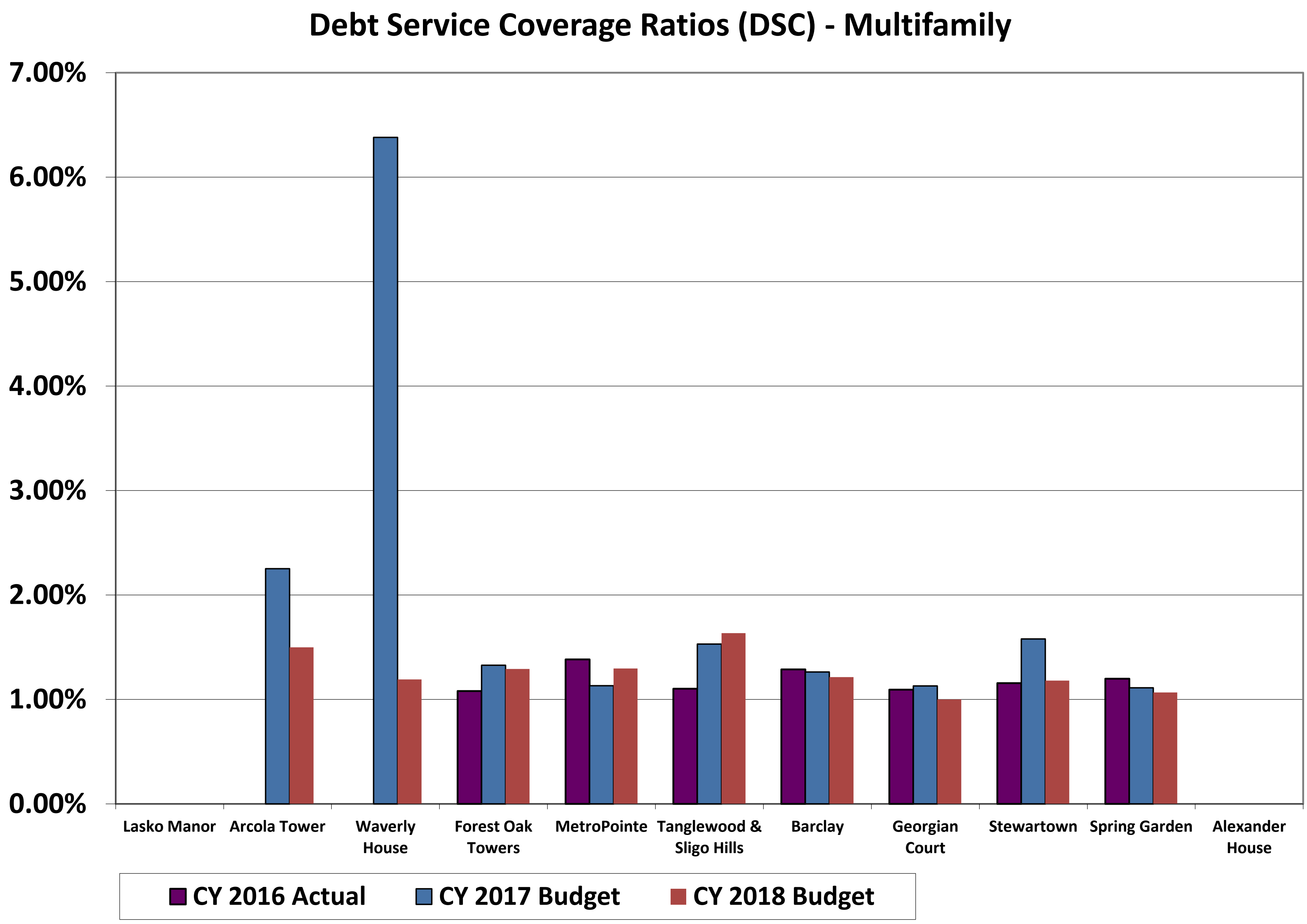

Operating Income (PUPA) - Multifamily
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
Lasko Manor
Arcola Tower
Waverly House
Forest Oak Towers
MetroPointe
Tanglewood & Sligo Hills
Barclay
Georgian Court
Stewartown
Spring Garden
Alexander House
CY 2016 Actuals
CY 2017 Budget
CY 2018 Budget

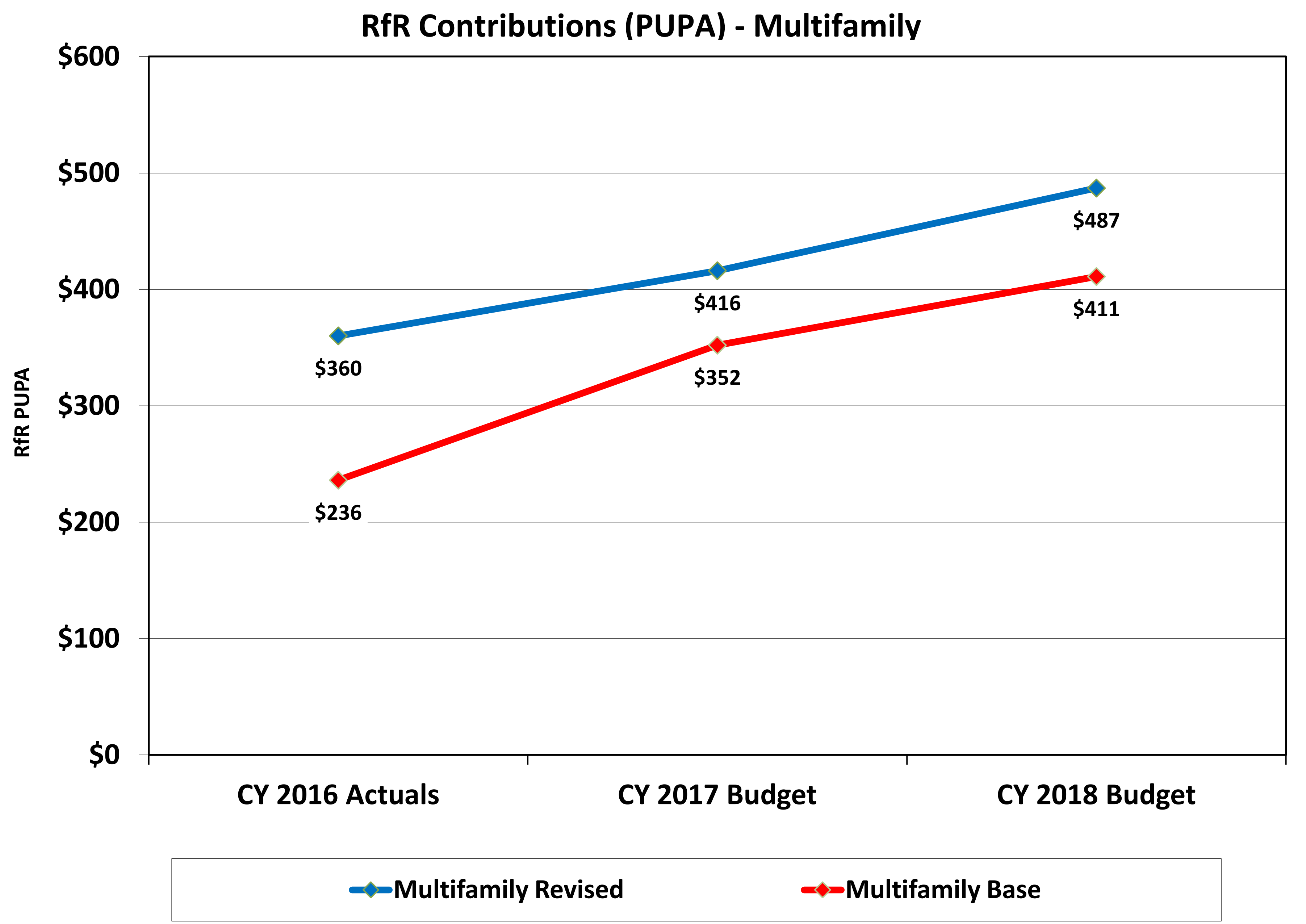


Attachment 10

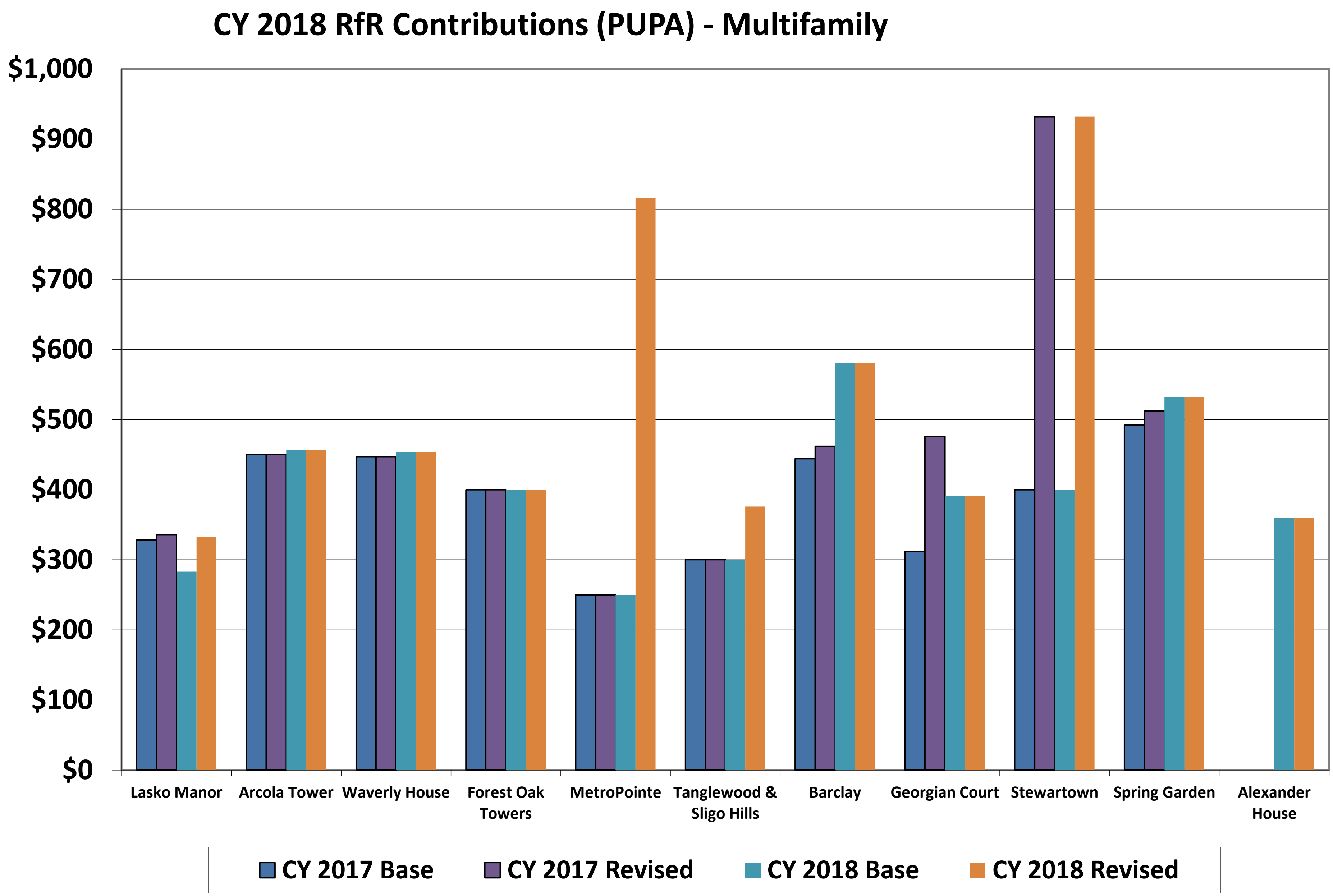

Net Operating Income (PUPA) - Multifamily
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
($2,000)
($4,000)
($6,000)
Lasko Manor
Arcola Tower
Waverly House
Forest Oak Towers
MetroPointe
Tanglewood & Sligo Hills
Barclay
Georgian Court
Stewartown
Spring Garden
Alexander House
CY 2016 Actuals
CY 2017 Budget
CY 2018 Budget



Attachment 12



Attachment 13



Attachment 14

		Revenue Sources		
Tax Credit CY'18 Capital Budget	Total Expenses	Property Reserves	OH Fund Property Reserve Loan	Current Year RfR Deposit
MHLP IX	**$126,850**	$69,979	$0	$56,871
MHLP X	**$121,000**	$0	$0	$121,000
Total Scattered Sites	**$247,850**	**$69,979**	**$0**	**$177,871**

		Revenue Sources		
Tax Credit CY'18 Capital Budget	Total Expenses	Property Reserves	Residual Cash	Current Year RfR Deposit
Hampden Lane Apts. LP (Lasko Manor)	**$3,400**	$3,400	$0	$0
Arcola Tower RAD LP	**$9,900**	$9,900	$0	$0
Waverly House RAD LP	**$5,000**	$5,000	$0	$0
Forest Oak Towers LP	**$135,580**	$135,580	$0	$0
Wheaton Metro LP (MetroPointe)	**$32,056**	$32,056	$0	$0
Tanglewood & Sligo Hills LP	**$115,930**	$115,930	$0	$0
Barclay One Assoc. LP	**$91,758**	$91,758	$0	$0
Georgian Court Silver Spring LP	**$139,185**	$44,640	$37,114	$57,431
MV Affordable Housing Assoc. LP (Stewartown)	**$84,080**	$84,080	$0	$0
Spring Garden One Assoc. LP	**$62,880**	$62,880	$0	$0
Alexander House	**$7,200**	$7,200	$0	$0
Total Multifamily	**$686,969**	**$592,424**	**$37,114**	**$57,431**

AUTHORIZATION TO SUBMIT
FY'19 COUNTY OPERATING BUDGET

November 1, 2017

- The FY'19 County Operating Budget submission is due to the County Office of Management and Budget (OMB) on November 9, 2017.

- The Agency is required to submit a base budget or Maximum Agency Request Ceiling (MARC) for FY'19 not to exceed $6,508,067 which is based on the current FY'18 MARC of $6,536,889 plus an adjustment for compensation of $157,560, Rental License fee of $14,898 and Less 3% MARC Reduction of ($201,280).

M E M O R A N D U M

TO:	Housing Opportunities Commission		
VIA:	Stacy L. Spann, Executive Director		
FROM:	Staff: Gail Willison Tiffany Jackson	Division: Finance	Ext. 9480 Ext. 9512
RE:	Authorization to Submit FY'19 County Operating Budget		
DATE:	November 1, 2017		

STATUS: Committee Report : Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Authorization to submit FY'19 County Operating Budget.

BACKGROUND:
The FY'19 Operating Budget submission is due to the County Office of Management and Budget (OMB) on November 9, 2017. The Agency is required to submit a base budget or Maximum Agency Request Ceiling (MARC) for FY'19 not to exceed $6,508,067. The MARC is based on the FY'18 approved MARC of $6,536,889 plus an adjustment for health and retirement benefits of $157,560.

For FY'19, OMB is not accepting competition list requests except to include programmatic obligations not already reflected in the MARC or to respond to legal mandates.

The County continues to face a constrained fiscal environment. The FY'17 income tax distribution was $36.3 million below Finance's estimate. The Wynne decision is projected to produce losses of $14.2 million in FY'19 and $28.2 million in FY'20, and $141.2 million between FY'19-FY'24. The State of Maryland estimates a FY'18 revenue shortfall of $53 million.

OMB reports that revenues are projected to increase by less than the known growth in obligations they will need to cover. These obligations include debt service, State-mandated Maintenance of Effort spending for MCPS and Montgomery College, retiree health insurance, employee compensation and benefits, and required reserve contributions. Furthermore, preliminary estimates for the end of FY'17 suggest a lower than anticipated fund balance, which puts addition strain on the FY'18 and FY'19 budgets. Unless economic factors improve in the updated forecasts later this year, the County will have to make difficult choices to balance the budget next March.

As a part of the FY'19 Budget, the County executive is requesting reductions of 1.5 percent for public safety departments, and reductions of 3.0 percent for all other tax-supported departments. For HOC this equates to $201,280.

The operating funds that HOC receives from the County are used toward a portion of the Agency's Resident Services activities, support the operations of customer service centers, reimburse the cost of rental license fees, and offset the cost of utilities at affordable properties. The FY'18 County contract totaled $6,536,889. As shown in the table below, this amount is the adjusted for health and retirement benefits of $157,560 and rental license fee adjustments of $14,898. In 2017, the Department of Housing and Community Affairs (DHCA) increased the rental license fee for multifamily units from $41 per unit to $44 dollars per unit. The three percent reduction is then applied resulting in a FY'19 amount of $6,508,067.

FY'18 County Contract	$	6,536,889
FY'19 Compensation Adjustment	$	157,560
FY'19 Rental License Fee Adjustment	$	14,898
	$	6,709,347
less: 3% MARC Reduction	$	(201,280)
FY'19 County Contract	**$**	**6,508,067**

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the submission of the FY'19 County Budget MARC of $6,508,067?

BUDGET IMPACT:

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

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the FY'19 MARC submission at the October 17, 2017 meeting. Commission action is requested at the November 1, 2017 meeting. Once approved, the FY'19 County Operating Budget will be submitted to the County.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit committee recommends to the full Commission authorization to submit the proposed FY'19 County Operating Budget of $6,508,067 at the November 1, 2017 meeting in order to meet the submission deadline of November 9, 2017 for the County Operating Budget process.

RESOLUTION NO: 17-72

RE: Authorization to Submit FY'19 County Operating Budget

WHEREAS, the Housing Opportunities Commission of Montgomery County wishes to submit a request for County funds for FY'19; and

WHEREAS, the County has instructed HOC to submit a base budget or "MARC" of $6,508,067 for FY'19 by November 9, 2017.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby submits a request for FY'19 County funds in the amount of $6,508,067.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 1, 2017.

Patrice Birdsong
Special Assistant to the Commission

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APPROVAL TO EXTEND THE BANKING SERVICES CONTRACT WITH PNC BANK, N.A.

November 1, 2017

- PNC Bank, N.A. (PNC Bank) has been the primary banking provider for HOC since 2008.

- HOC has the option to extend the contract with PNC Bank for three one-year renewals at the discretion of the Commission.

- PNC Bank's investment of time and significant effort into learning about HOC, its businesses, and the clients we serve puts it in a unique position to respond to the Commission's business needs.

- PNC Bank has also dedicated resources for HOC to access through its treasury management, capital markets, real estate and other disciplines.

- HOC currently has two existing revolving lines of credit with PNC Bank totaling $150 million which the Commission renewed in June 2017 through June 2020.

- PNC Bank continues to work collaboratively with HOC to address the Commission's ever changing financing requirements.

M E M O R A N D U M

TO:	Housing Opportunities Commission
VIA:	Stacy L. Spann, Executive Director
FROM:	Staff: Gail Willison Division: Finance Ext. 9480 Eugenia Pascual Finance Ext. 9476
RE:	Approval to Extend the Banking Services Contract with PNC Bank, N.A.
DATE:	November 1, 2017

STATUS: Committee Report: Deliberation __X__

OVERALL GOAL & OBJECTIVE:
To extend the Banking Services Contract with PNC Bank, N.A. (PNC Bank) for an additional one year through September 30, 2019.

BACKGROUND:
PNC Bank is the current primary banking provider for the Housing Opportunities Commission (HOC). The PNC Bank banking services contract (the "Banking Services Contract") has been in place since 2008. In October 2016, the Commission renewed the Banking Contract for a period of two years, which expires September 30, 2018. HOC has the option of extending the Banking Services Contract for three one-year renewals at the discretion of the Commission. The service levels have consistently met or exceeded all HOC expectations during the nine years HOC has banked with PNC Bank.

After contracting with PNC Bank in 2008, the relationship quickly evolved from a pure treasury management function to a comprehensive banking relationship. During the 2009 financial crisis, PNC Bank revealed itself as a partner and worked with the Commission to provide needed liquidity. The bank initially invested significant time and effort into learning about HOC, its businesses, as well as the clients we serve. PNC Bank has dedicated resources to HOC through its treasury management, capital markets, real estate, and other services and disciplines. As a result, HOC has been afforded the flexibility it requires for executing its mission. HOC continues to access the bank's resources which have solidified its banking relationship with the Commission.

Noteworthy are the two existing revolving lines of credit with PNC Bank, a $60 million Line of Credit (LOC) and a $90 million Real Estate Line of Credit (RELOC). In June 2017, the Commission approved renewing the two lines of credit through June 30, 2020. These two lines of credit provide three core benefits to the Commission—liquidity, transparency, and efficiency. PNC provided favorable pricing when compared to the other four banks which provided proposals at the time. PNC continues to offer both lines of credit at the same spread to the LIBOR index. PNC Bank remains more competitive than its market counterparts.

With its 10-year history with the Commission, PNC Bank continues to explore ways for a conservative bank to address the Commission's ever changing financing needs. Though not quantifiable, PNC Bank invests in HOC's non-financing initiatives, again providing evidence of its commitment to HOC's mission.

ISSUES FOR CONSIDERATION:

Does the Commission wish to extend the Banking Services Contract with PNC Bank, N.A. for an additional year through June 30, 2019?

PRINCIPALS:

PNC Bank, N.A.
HOC

BUDGET IMPACT:

All bank fees are included in the FY'18 Budget. Any fees for FY'19 will be included as the budget is developed.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the requested contract extension at the September 20, 2017 meeting. Action is requested at the November 1, 2017 Commission meeting

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission, approval to extend Banking Services Contract with PNC Bank, N.A. for a period of one year, through September 30, 2019.

RESOLUTION No:17-73 **RE:** Approval to Extend Banking Services Contract with PNC Bank, N.A.

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

WHEREAS, in furtherance of its mission, the Commission uses the services of commercial banks pursuant to which, PNC Bank, N.A. (PNC Bank) has served the Commission as its primary bank since 2008 and in addition to its Treasury Management services has provided the Commission with a menu of services that includes capital markets, real estate financing, and other financial services; and

WHEREAS, the current Banking Services Contract with PNC Bank will expire on September 30, 2018; however, the contract may be extended for two additional years; and

WHEREAS, an extension of the current Banking Services Contract must be requested of the Commission, which in its sole discretion may grant that extension but if such extension is not granted, a new procurement process must commence which would require up to one year for procurement and switching to a new bank; therefore, staff seeks action from the Commission at this time; and

WHEREAS, PNC Bank has established a mutually beneficial relationship with the Commission and continues to provide services at competitive cost in support of its mission.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director to extend the contract for banking services with PNC Bank, N.A. for one year through September 2019.

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

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at an Executive Session conducted on Wednesday, November 1, 2017.

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Patrice M. Birdsong
Special Assistant to the Commission

Extension of Property Assistance Contract

STACY L. SPANN, EXECUTIVE DIRECTOR

Clarence Landers

November 1, 2017

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Executive Summary

The Commission owns a broad portfolio of units throughout Montgomery County. By leveraging the U.S. Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program, HOC has preserved the number of affordable units in the county by deeply investing in its former Public Housing stock, while at the same time deconcentrating units across the county and providing greater housing choice.

Given the level of recent investment in HOC's rental assets, an RFP was issued on February 11, 2015 seeking a subcontractor with experience in management to draw upon its brand and expertise to assist the Commission in marketing and operating various units throughout the portfolio.

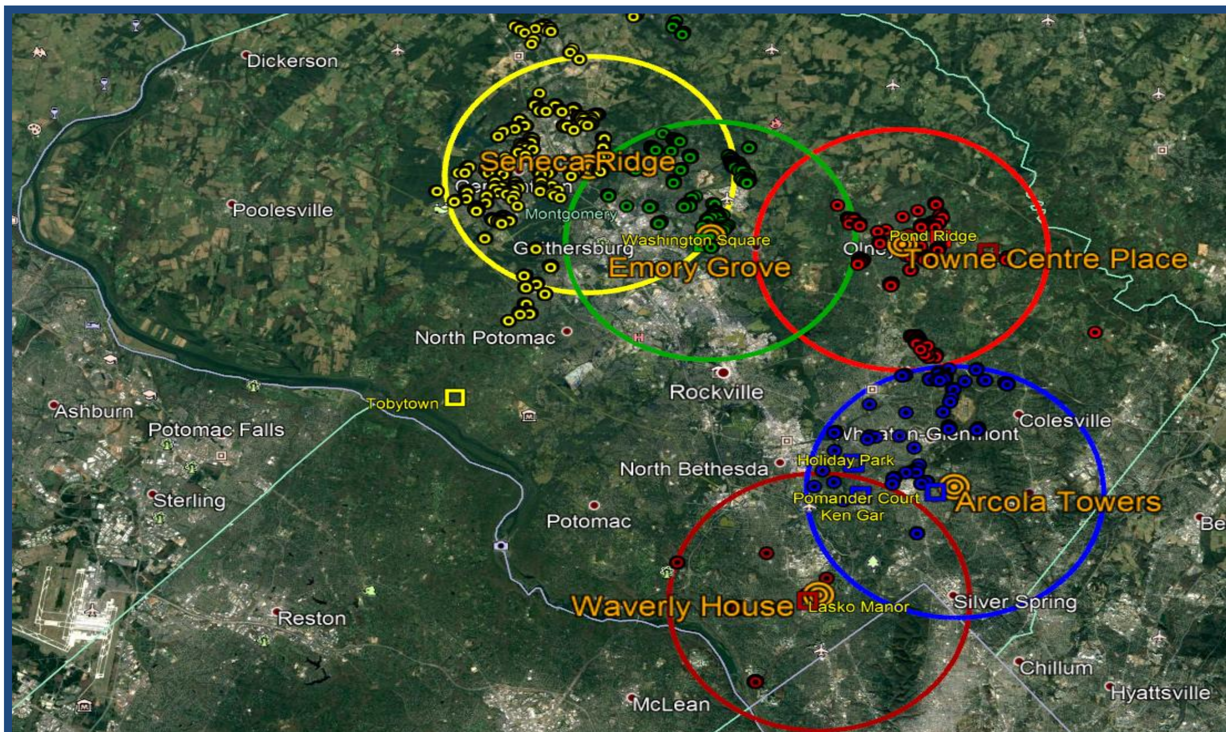
At its meeting on November 4, 2015, the Commission selected Edgewood-Vantage Management ("Edgewood") to perform these services for over 1,800 units across five (5) HUBs. Among all the responders, Edgewood offered the best mix of fee, experience, knowledge, and assistance with compliance requirements, including Section 3.

Background

A chart has been provided with detail of all the units within the HOC HUB structure (see Attachment).

The initial transfer of units began on February 1, 2016 with all five HUBs transitioned by late spring 2016. A team of HOC staff provided resources in the use of Yardi and HOC's existing polices and procedures. Staff from the Finance, Resident Services, and Compliance Divisions also provided documents and process outlines that were used to a create a comprehensive transition guide to help Edgewood staff acclimate to HOC systems.

Map of Edgewood Operated HUBs



Seneca Ridge (595 Units)

Emory Grove (416 Units)

Town Centre Place (344 Units)

Arcola Towers (302 Units)

Waverly House (222 Units)

Background

Edgewood has now been operating the five HUBs for approximately 18 months. Along the way, HOC and Edgewood have navigated a variety of challenges that include:

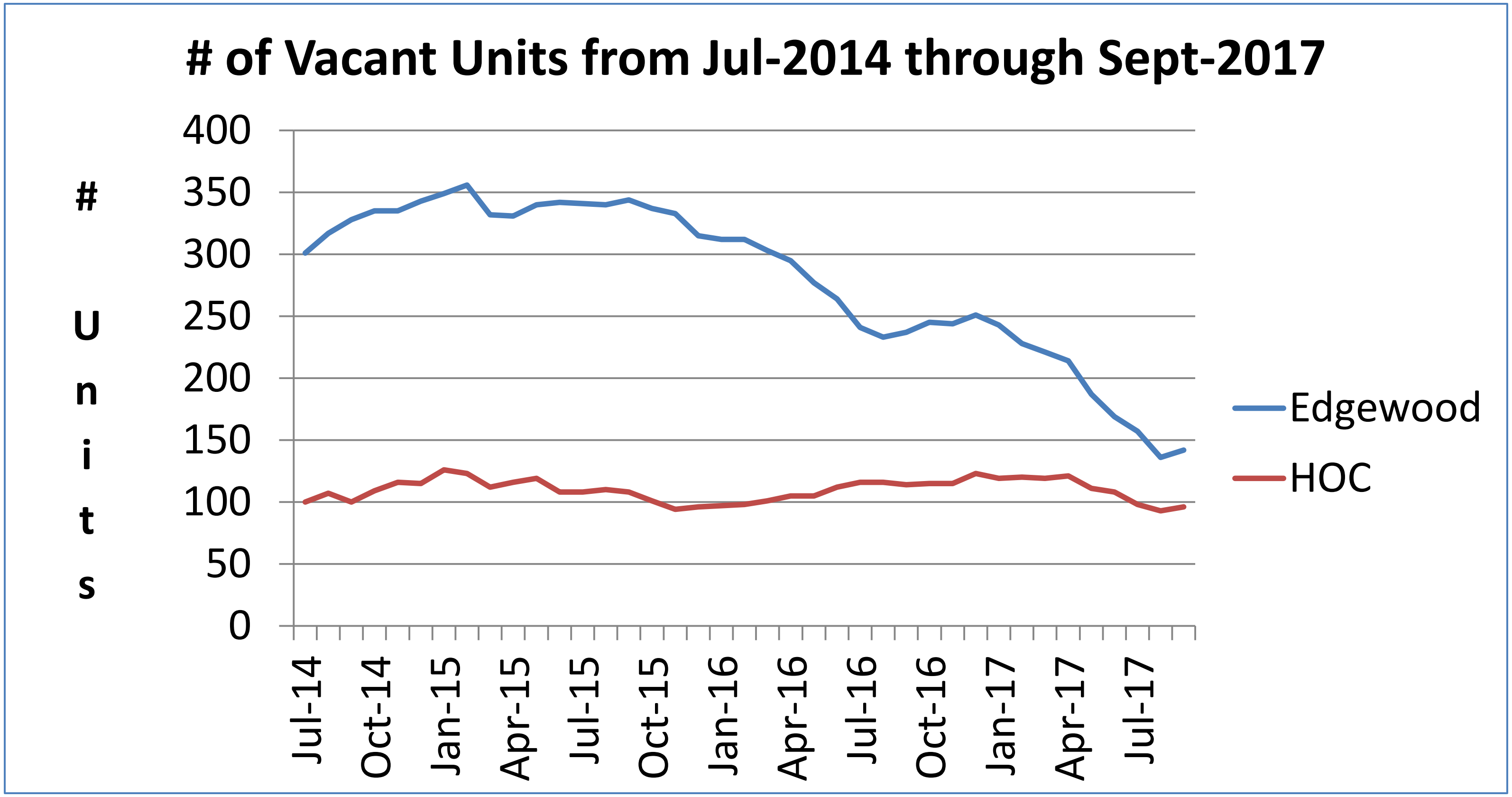
- HUD Rental Assistance Demonstration (RAD) Regulations post conversion.
  - HOC has now converted all seven multifamily Public Housing (PH) properties and two of the elderly PH properties under the RAD program as follows:
    - January 2015 – HOC converted seven multifamily properties including the RAD 6 comprised of Ken Gar, Parkway Woods, Seneca Ridge, Towne Centre Place, Sandy Spring Meadow, and Washington Square, as well as Emory Grove. Of the seven converted properties, six are operational with five of the six operating under the Edgewood contract. The seventh property, Emory Grove is currently vacant and slated for redevelopment.
    - January 2016 – HOC converted Arcola Towers and Waverly House both of which have Tax Credit financing and operate under the Edgewood contract.
    - The Federal funding streams for properties converted under the RAD program change in year two. The reporting process for these properties is new to both HOC and Edgewood which has resulted in a longer learning curve as both teams work through the process. This process was further complicated by the additional layer of Tax Credit Compliance for Arcola Towers and Waverly House.

Background (cont.)

- Multiple concurrent renovations throughout the 5 HUBs
  - Prior to the RAD conversions, HOC converted 669 scattered site PH units under the Section 18 Demolition/Disposition program. The conversion of these units was completed in December 2015. Renovations of the units spanned a three year period with the first of the renovated units being delivered in August 2014 continuing through July 2017. During renovations, significant staff coordination was required to facilitate the moving of existing tenants to renovated units. In addition, a great number of scattered site units became available for leasing to a new market.
  - During this same period, the RAD 6 properties underwent full renovation in 2015 with renovations at Arcola Towers and Waverly House continuing through 2016-2017.
  - Each of the renovations required major lease-up efforts which included income certifications.
- Preponderance of Scattered Sites reside in the 5 Edgewood HUBs
  - HOC's portfolio includes 1,629 scattered sites throughout the almost 500 square miles of Montgomery County. Approximately 72% or 1,178 of the scattered sites are within the 5 Edgewood HUBs. Of these units, 315 are in HUB G and 517 are in HUB S.
  - Edgewood must also manage pieces of entities, which presents a unique challenge when preparing budgets and variance reports. McHome, for example, crosses 8 HUBs, five of which are in the Edgewood HUBs.

Action Plan

Edgewood and HOC have worked diligently to overcome these challenges and the operations at the 5 HUBs has shown marked improvement. The following chart outlines the change in the number of vacant units from July 2014 to September 2017. The number of vacant units across the five Edgewood HUBs was relatively flat prior to the transition to Edgewood and has shown continual improvement since that time. Conversely, the five HUBs operated by HOC have remained relatively flat throughout the same period.



Action Plan

HOC and Edgewood are committed to this structure and are making every effort to assure its success.

Edgewood has brought in a new Executive Vice President, formerly of Bozzuto, to oversee HOC's portfolio. Edgewood has also hired a new Vice President, Regional Manager, and Senior Property Manager to directly manage the HUBs. These staff members have a long history with Edgewood/Vantage and bring tremendous experience to operations in our communities. In addition to the changes made to the executive leadership team, Edgewood has shifted a team of seasoned property managers to work at the HUB sites. Each of the managers has a proven track record for effectively managing properties.

Edgewood has also dedicated a position to assisting the HUBs with all leasing activity. The staff member occupying this position was responsible for the initial lease up of Seneca Ridge and Washington Square and has assisted with the lease up of the VPC units.

HOC Staff from the Finance, Mortgage Finance, Real Estate, Compliance, Executive, and Property Management divisions meet regularly to discuss the Property Assistance contract and provide updates and recommendations to the Executive Director. This internal group will continue meeting to discuss Edgewood's progress at the 5 HUBs and provide the Executive Director with a final recommendation on proceeding with the transfer of additional properties. Smaller group meetings are also held to address issues related to management operations, compliance, leasing and marketing, and financial management.

Summary and Recommendations

Issues for Consideration

The current contract is set to expire on December 31, 2017. Staff recommends that the commission authorize the Executive Director to extend the contract through December 31, 2018 to allow staff additional time to consider the transfer of additional properties to Edgewood. In March 2018, staff will return to the Commission to provide an update on the operations at the five Edgewood HUBs and a recommendation for the remaining five HUBs.

Does the Budget, Finance & Audit Committee wish to recommend to the Commission approval to allow the Executive Director to extend the Property Operations contract through December 31, 2018.

Time Frame

For action at the November 1, 2018 meeting of the Commission.

Budget Impact

There is no impact on the Agency's FY 2018 operating budget. The property operations contract fees are already incorporated into the FY 2018 budget.

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accepts the recommendation of the Budget, Finance, and Audit Committee to authorize the Executive Director to extend the Property Assistance Contract through December 31, 2018.

Attachment – HUB Property and Unit Count Details

	HUB Code	A	B	E	G	H	M	R	S	T	W								Affordabilty Levels Across Portfolio							
	HOC Regional Manager	Charnita	Charnita	Charnita	Pedro	Melody	Sherraine	Melody	Sherraine	Melody	Pedro															
Property	Property Code	Arcola Towers	Bauer Pa	Elizabeth House	Emory Grove	Holly Ha	Magruders Discover	Town Cntr Rville	Seneca Ridge	Towne Centre P	Waverly House	# Units in HOC HUBs	# Units in Edgewood HUBs	Total # of Units in all 10 HUB	HUB Counts per Propert	SS or M	Type		≤ 30% AMI	≤ 40% AMI	≤ 50% AMI	≤ 60% AMI	≤ 80% AMI	81% - 120% AMI	Market	Total Units
King Farm Village Center	443-100r							1				1	-	1	1	SS									1	1
McHome	452-469	1			7	5	2	2	12	7	2	9	29	38	8	SS					38					38
Holiday Park	454-451a	20										-	20	20	1	SS					10	10				20
Paint Branch	461-464h					14						14	-	14	1	SS	Project Based Section 8				14					14
McKendree	462-466g				13							-	13	13	1	SS									13	13
MPDU I (64)	463-467g				64							-	64	64	1	SS					13			51		64
Chelsea Towers	469-471m						21					21	-	21	1	MF	Project Based Section 8				21					21
State Partnership Combined	470-450	14			26	25	1	9	89	32		35	161	196	7	SS					196					196
CDBG	488-100h					2			1			2	1	3	2	SS	Foreclosure				3					3
NSP 1	489-000s	2							4	1		-	7	7	3	SS	Foreclosure				7					7
NCI 1	490-000t	6							7	1		-	14	14	3	SS	Foreclosure				14					14
Jubilee - Hermitage	499-500a	3										-	3	3	1	SS	Jubilee				3					3
Jubilee - Woodedge	499-501a	3										-	3	3	1	SS	Jubilee				3					3
Jubilee - Falling Creek	499-502h					3						3	-	3	1	SS	Jubilee				3					3
Jubilee - Horizon	499-503t				3							-	3	3	1	SS	Jubilee				3					3
MPDU 2007 - Phase II	499-900	2			1		3					3	3	6	3	SS					6					6
617 Olney Sandy Spring Road	499-902t									1		-	1	1	1	SS									1	1
Avondale Apartments	499-903w										25	-	25	25	1	MF									25	25
PH - Elizabeth House	511-402e			160								160	-	160	1	MF	PH-Elderly		-	-	160	-	-	-	-	160
PH - Holly Hall	511-413h					96						96	-	96	1	MF	PH-Elderly		-	-	96	-	-	-	-	96
PH - Tobytown Homeownership	524-411s								7			-	7	7	1	MF	PH-Homeownership		-	-	-	-	7	-	-	7
Arcola Towers LP	811-415a	141										-	141	141	1	MF	Former PH-Elderly - RAD TC		-	-	-	139	2	-	-	141
Waverly House LP	811-417w										157	-	157	157	1	MF	Former PH-Elderly - RAD TC		-	-	-	155	2	-	-	157
MHLP VII	817-720	2			4		2		9	18		2	33	35	5	SS					35					35
MHLP VIII	818-721				4	3	2	4	15	15	6	9	40	49	7	SS					49					49
MHLP IX - Pond Ridge	819-711t									40		-	40	40	1	MF	TC		3	2	10	25	-	-	-	40
MHLP IX - MPDU	819-712	1			1	9	10	13	37	5		32	44	76	7	SS	TC		-	-	26	50	-	-	-	76
MHLP X	820-713	2			5	6	6	15	32	9		27	48	75	7	SS	TC		-	-	19	56	-	-	-	75
Bauer Park Apts	871-701b		142									142	-	142	1	MF	HUD 236		-	-	-	-	142	-	-	142
Town Center Apts	873-704r							112				112	-	112	1	MF	HUD 236		-	-	-	-	112	-	-	112
Camp Hill Square	874-705g				51							-	51	51	1	MF	Expired HUD 236		-	-	10	-	-	-	41	51
Lasko Manor	899-000w										12	-	12	12	1	MF	TC		12	-	-	-	-	-	-	12
RAD 6 - Washington Square	911-405g				50							-	50	50	1	MF	Former PH - RAD				20				30	50
RAD 6 - Seneca Ridge	911-414s								71			-	71	71	1	MF	Former PH - RAD				55				16	71
RAD 6 - Ken Gar	911-422a	19										-	19	19	1	MF	Former PH - RAD				17				2	19
RAD 6 - Parkway Woods	911-426b		24									24	-	24	1	MF	Former PH - RAD				22				2	24
RAD 6 - Towne Centre Place	911-430t									49		-	49	49	1	MF	Former PH - RAD				47				2	49
RAD 6 - Sandy Spring Meadow	911-432t									55		-	55	55	1	MF	Former PH - RAD				48				7	55
Sligo Dev Corp - MPDU III	913-484	5			3		4	2	9			6	17	23	5	SS					15			8		23
TPM Dev Corp - Pomander Court	915-458	24										-	24	24	1	MF						5			19	24
TPM Dev Corp - MPDU II (59)	915-468	6	3		9	12		10	11	8		25	34	59	7	SS					18				41	59
Scattered Site One Dev Corp	921-100	8	1		45	23	26	16	50	15	6	66	124	190	9	SS					19	171				190
Scattered Site Two Dev Corp	921-200	4	2	3	2	4	2	4	32	1		15	39	54	9	SS				7	1			30	16	54
VPC One Corp	922-100	39				94	74	23	113	42	14	191	208	399	7	SS	Former PH - Section 18 Dispo				55		336		8	399
VPC Two Corp	922-200				128			11	96	45		11	269	280	4	SS	Former PH - Section 18 Dispo				58		222			280
Magruders Discovery	965-480m						134					134	-	134	1	MF	Project Based Section 8				134					134
	Total Units	**302**	**172**	**163**	**416**	**296**	**287**	**222**	**595**	**344**	**222**	1,140	1,879	**3,019**	**123**				**15**	**9**	**1,164**	**695**	**823**	**89**	**224**	**3,019**

RESOLUTION: 17-74

Re: Authorization to extend the Property Assistance Contract with Edgewood Management Company

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

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

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to extend the two-year contract for an additional year.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 1, 2017.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO SELECT A PROPERTY MANAGEMENT COMPANY FOR SPRING GARDEN APARTMENTS

STACY L. SPANN, EXECUTIVE DIRECTOR

Charnita Jackson

November 1, 2017

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Executive Summary

Spring Garden is an 83-unit garden-style apartment community consisting of 25 market rate and 58 affordable units which are rented to families at or below 55% of median income under the Low Income Housing Tax Credit program.

Built between Eastern Avenue and Newell Street, Spring Garden is close to downtown Silver Spring and within walking distance of the Silver Spring Metro Station.

On May 18, 2017, HOC issued a Request for Proposal (#2067) soliciting responses from firms to provide property management services for Spring Garden Apartments. Proposals were received from five management companies, Edgewood/Vantage, Avison Young, CAPREIT, Vista Capital and PMI.

After review of the five proposals, staff recommends that the Commission authorize the Executive Director to negotiate and execute a contract with Edgewood/Vantage

Edgewood/Vantage is currently managing Spring Garden. Edgewood/ Vantage has an exemplary compliance record in affordable properties, including LIHTC, RAD, and mixed-income properties. Edgewood/Vantage has a robust in-house Compliance Department that reviews all initial certifications, for affordable programs, to ensure residents are qualified and the property remains in compliance. In late August 2017 , Spectrum Enterprises conducted a file review with no compliance concerns. Spring Garden received a 96a on the latest REAC on July 6, 2016. Spring Garden has recently undergone a triennial inspection through the DHCA County Code Enforcement with minor findings.

Selection of Property Management - Criteria

HOC issued a Request for Proposals (RFP) #2067 for Property Management Services with affordable housing compliance for Spring Garden Apartments, in accordance with HOC's Procurement Policy. HOC received responses from five management companies. The scoring team (consisting of staff from Property Management, Mortgage Finance, and Compliance) completed its review of the responses on July 27, 2017, based on the following criteria:

- Firm's past experience with the management of similar multi-family apartment communities in Montgomery County, specifically in highly competitive submarkets. **(10 points)**
- Experience and qualifications of key personnel in managing similar types of apartment communities. **(15 points)**
- Successful property positioning and experience in managing capital improvements and major property renovation, in highly competitive submarkets. **(25 points)**
- Experience of the management company and key personnel in managing affordable housing programs. Demonstrated experience with initial tenant files and ongoing compliance. **(15 points)**
- References **(5 points)**
- Review of submitted materials and/or interview with review panel **(10 points)**
- Section 3 Policy **(5 points)**
- Fee Structure **(20 points)**

Selection of Property Management – Firm Experience

Edgewood/Vantage Management

- Edgewood was founded in 1973 and Vantage was launched in January 2012.
- Edgewood/Vantage is a leader in the Baltimore/Washington real estate market. It manages over 216 properties in 14 states and the District of Columbia, comprising over 30,000 units.
- Edgewood/Vantage was ranked the 9th largest manager of affordable housing by the National Affordable Housing Management Association ("NAHMA") in 2014, and its senior executives are actively involved on the NAHMA legislative and regulatory affairs committees. Edgewood is an Accredited Management Organization through the Institute of Real Estate Management ("IREM") and continues to grow, adapt and improve every year.

Current HOC Managed Properties	
Fairfax/Barclay	Shady Grove
Georgian Court	Spring Garden
Montgomery Arms	Stewartown Homes
Oaks @ Four Corners	Willows
Pooks Hill Court/Tower	

Selection of Property Management – Firm Experience

Avison Young

- Founded in 1978 and headquartered in Toronto, Canada, Avison Young is a global firm owned and operated by its principals.
- The company is comprised of 2,400 real estate professionals in 79 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and leases of office, retail, industrial and multi-family properties. A large portion of the properties operated by Avison Young are for commercial use only. The firm recently acquired McShea Management and assumed control of McShea's residential management portfolio.

Current HOC Managed Properties	
The Glen	Alexander House
Glenmont Crossing	Forest Oaks
Westwood Towers	

CAPREIT

- Headquartered in Rockville, Maryland, and founded in 1993 is a fully integrated real estate operating company that owns and manages apartment communities throughout the United States.
- Current ownership and management of 60+ properties, 13,000+ individual units, in 20 states with 400+ employees. Approximately $1.5 billion of real estate value.
- Does not currently manage any HOC properties.

Selection of Property Management – Firm Experience

Vista Capital

- Headquartered in Greenville, South Carolina, founded in 2007. Vista Capital is a full service real estate management company specializing in property management. Vista Capital Management currently provides property and asset management services for 1,999 units, representing a total asset valuation of over $200MM, throughout the Southeast and Mid-Atlantic Regions of the United States.
- Does not currently manage any HOC properties.

Property Management Inc. (PMI)

- Headquartered in Utah with branch offices in over 150 locations nationwide, PMI is recognized as an industry leader in providing the technological resources and operating procedures necessary to achieve success in today's highly competitive market. PMI has gained recognition through the achievements of numerous awards including Entrepreneur Magazine 2015 Top 100 Low Cost Franchises. PMI's team collectively has more than 50 years experience in providing residential property management services, including 8 years of experience in managing over 200 properties in Maryland and 5 year experience in managing affordable and mixed income rental housing properties , including those financed through the LIHTC, PRHP, PBV, or similar programs.
- Does not currently manage any HOC properties.

Proposed Fees

Edgewood/Vantage	Avison Young	Capreit	Vista Captial	PMI
$42.00 PUPM	$44.00 PUPM	$37.00 PUPM; $5.00 per LIHTC	$35.00 PUPM; $3.50 bookkeeping fee	$28 PUPM

Selection of Property Management – Scoring Summary

Five respondents submitted proposals to RFP #2067. Staff reviewed the submissions, with Edgewood/Vantage receiving the highest total points.

Firms	Experience managing similar communities in MOCO (10)	Key Personnel experience and qualifications managing affordable housing programs (15)	Successful property positioning and experience managing capital improvements (25)	Demonstrated experience with initial tenant files and ongoing compliance (15)	References (5)	Review of submitted materials (10)	Section 3 Policy (5)	Fees (20)	Total (105)
Edgewood/Vantage	9	14	18	14	5	10	5	15	**90**
Avison Young	9	13	13	11	5	10	5	12	**78**
Capreit	4	14	13	13	5	10	5	15	**79**
Vista Capital	4	12	8	10	5	7	5	17	**68**
PMI	4	10	5	9	5	8	5	20	**66**

Summary and Recommendations

Issues for Consideration

Does the Commission wish to accept the recommendation of the Budget, Finance and Audit Committee to select Edgewood/Vantage Management for Property Management Services at Spring Garden Apartments? Does the Commission authorize the Executive Director to negotiate and execute a Contract with Edgewood/Vantage for Property Management Service at Spring Garden.

Time Frame

For action at the November 1, 2017 Commission Meeting.

Budget Impact

Edgewood/Vantage proposed a management fee of $42.00 per unit per month.

Staff Recommendation and Commission Action Needed

Staff recommends the Commission accepts the recommendation of the Budget, Finance & Audit Committee to approve the selection of Edgewood/Vantage Management for property management services at Spring Garden.

RESOLUTION NO. 17-75 **RE: Approval of Management Contract for Spring Garden Apartments**

WHEREAS, the Housing Opportunities Commission issued a Request for Proposals (RFP) for management for Spring Garden Apartments; and

WHEREAS, based on the criteria included in the RFP and pricing from five responding companies, a panel of HOC staff from Property Management, Mortgage Finance and Compliance scored the results and determined that Edgewood/Vantage Management is the most qualified to manage Spring Garden Apartments.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission that the Executive Director is hereby authorized to negotiate and execute a contract for the term of two (2) years with three (3) one (1) year renewal options with Edgewood/Vantage Management for property management services at Spring Garden Court Apartments.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission on November 1, 2017.

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Patrice Birdsong
Special Assistant to the Commission

APPROVAL TO SELECT A PROPERTY MANAGEMENT COMPANY FOR BARCLAY APARTMENTS/FAIRFAX COURT APARTMENTS

PROPERTY MANAGEMENT SERVICES

STACY L. SPANN, EXECUTIVE DIRECTOR

Pedro Martins

November 1, 2017

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Executive Summary

Barclay Apartments is a 155-unit garden style apartment community consisting of 74 market rate units and 81 affordable units under the Low Income Housing Tax Credit Program (LIHTC). The units consist of efficiency, one-bedroom, and two-bedrooms. The Barclay is located in the heart of Chevy Chase, in one of the area's most desirable neighborhoods. The Barclay was constructed in 1955 and features a community room and fitness room on the property.

Executive Summary

Fairfax Court Apartments is an 18-unit garden style apartment community consisting of 14 market rate units and 4 affordable HOME units. The units consist of two-bedroom and three-bedroom apartments. Fairfax Court is located in the heart of Chevy Chase, in one of the area's most desirable neighborhoods. Fairfax Court shares amenities with The Barclay which features a community room and fitness room on the property.

Executive Summary

On May 18, 2017, HOC issued a Request for Proposal (#2068) soliciting responses from firms to provide property management services at The Barclay Apartments Apartments / Fairfax Court. Proposals were received from five management companies, Edgewood/Vantage, PMI, Avison Young, CAPREIT, and Vista Capital.

After review of the five proposals, staff recommends that the Commission authorize the Executive Director to negotiate and execute a contract with CAPREIT.

CAPREIT's portfolio extends across the country and includes market-rate, affordable and senior housing communities. CAPREIT's portfolio includes 200 multifamily communities encompassing over 40,000 units. CAPREIT owns 68% of their portfolio with 42% of CAPREIT's portfolio consisting of affordable units, which include Low Income Housing Tax Credit (LIHTC), Section 8 and senior communities. CAPREIT maintains an aggressive and effective property management strategy, leading to unparalleled financial success for their partners. CAPREIT also has a strong Compliance Team that reviews all initial certifications for affordable programs, to ensure residents are qualified and the property remains in compliance.

CAPREIT has proposed a management fee of $33 PUPM, which is lower than the current rate of $42 PUPM. This will result in a savings of $18,684 during the first year of the contract.

Selection of Property Management - Criteria

HOC issued a Request for Proposals (RFP) #2068 for Pre-construction and Property Management Services with affordable housing compliance for Barclay Apartments/Fairfax Court Apartments, in accordance with HOC's Procurement Policy. HOC received responses from five management companies. The scoring team (consisting of staff from Property Management, Mortgage Finance and Compliance) completed its review of the responses on August 9, 2017, based on the following criteria:

- Firm's past experience managing similar apartment communities in Montgomery County **(10 points)**
- Successful property positioning and experience in managing capital projects **(15 points)**
- Successful property positioning and experience in managing capital improvements and major property renovation **(25 points)**
- Experience of the management company and key personnel in managing affordable housing programs. Demonstrated experience with initial tenant files and ongoing compliance **(15points)**
- Three (3) References **(5 points)**
- Review of submitted materials and/or Interview with the Review Panel **(10 points)**
- Section 3 Policy **(5 points)**
- Fee Structure **(20 points)**

Selection of Property Management – Firm Experience

Edgewood/Vantage Management

- Edgewood Management was founded in 1973 and Vantage was launched in January 2012.
- Edgewood/Vantage is a leader in the Baltimore/Washington real estate market. It manages over 216 properties in 14 states and the District of Columbia, comprising over 30,000 units.
- Edgewood/Vantage was ranked the 9th largest manager of affordable housing by the National Affordable Housing Management Association ("NAHMA") in 2014, and its senior executives are actively involved on the NAHMA legislative and regulatory affairs committees. Edgewood is an Accredited Management Organization through the Institute of Real Estate Management ("IREM") and continues to grow, adapt and improve every year.

Current HOC Managed Properties	
Fairfax/Barclay	Shady Grove
Georgian Courts	Spring Gardens
Montgomery Arms	Stewartown Homes
Oaks @ Four Corners	Willows
Pooks Hill Court/Tower	

Selection of Property Management – Firm Experience

Property Management Inc (PMI)

- PMI has been providing property management services for about 20 years.
- PMI's corporate headquarters is located in Utah with branch offices in over 150 locations nationwide.
- PMI was named in the Franchise Magazine 2016 as one of the Top 100 Fastest Growing Franchises.

Avison Young

- Founded in 1978 and headquartered in Toronto, Canada, Avison Young is a global firm owned and operated by its principals.
- The company is comprised of 2,400 real estate professionals in 79 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and leases of office, retail, industrial and multi-family properties. A large portion of the properties operated by Avison Young are for commercial use only. The firm recently acquired McShea Management and assumed control of McShea's residential management portfolio.

Current HOC Managed Properties	
The Glen	Alexander House
Glenmont Crossing	Forest Oaks
Westwood Towers	

Selection of Property Management – Firm Experience

CAPREIT

- Headquartered in Rockville, Maryland, and founded in 1993 is a fully integrated real estate operating company that owns and manages apartment communities throughout the United States.
- Current ownership and management of 60+ properties, 13,000+ individual units, in 20 states with 400+ employees. Approximately $1.5 billion of real estate value.
- Does not currently manage any HOC properties.

Vista Capital

- Headquartered in Greenville, South Carolina, founded in 2007. Vista Capital is a full service real estate management company specializing in property management. Vista Capital Management currently provides property and asset management services for 1,999 units, representing a total asset valuation of over $200MM, throughout the Southeast and Mid-Atlantic Regions of the United States.
- Does not currently manage any HOC properties.

Selection of Property Management – Scoring Summary

Five respondents submitted proposals to RFP #2068. Staff reviewed the submissions, with CAPREIT and Edgewood/Vantage receiving the highest total points.

Firms	Experience Managing Similar Communities in Montgomery County especially in highly competitive submarkets (10)	Experience and qualifications of key personnel in managing similar types of communities (15)	Successful property positioning and experience in managing capital improvements and major renovations (25)	Experience of the management company and key personnel in managing tenant files and ongoing compliance (15)	Three (3) references (5)	Review of submitted materials and/or Interview with Review Panel (10)	Section 3 Policy (5)	Fee Structure (20)	Total (105)
Edgewood/ Vantage	9	11	20	12	5	10	5	16	**88**
CAPREIT	6	11	21	12	5	10	5	18	**88**
Avison Young	8	11	18	12	5	10	5	16	**85**
Vista Capital Management	5	7	19	10	4	10	5	17	**77**
PMI	4	7	18	10	4	10	5	16	**74**

CAPREIT and Edgewood/Vantage Management were asked to revisit their proposal and submit final pricing. After reviewing all the information, the panel selected CAPREIT as the best candidate to manage Barclay Square and Fairfax Court Apartments.

Proposed Fees

Property Management Services (cost per unit per month)

CAPREIT	Vista Capital	PMI	Vantage/Edgewood	Avison Young
$33.00 PUPM	$38.50 PUPM	$39.50 PUPM	$40.00 PUPM	$43.50 PUPM

Summary and Recommendations

Issues for Consideration

Does the Commission authorize the Executive Director to negotiate and execute a contract with CAPREIT for property management services at the Barclay Apartments Apartments/ Fairfax Court Apartments?

Time Frame

For action at the November 1, 2017 Commission Meeting

Budget Impact

Management fee will be $33 PUPM, which is lower than the current rate of $42 PUPM. This will result in a savings of $18,684 during the first year of the contract.

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accepts the recommendation of the Budget, Finance, and Audit Committee to approve the selection of CAPREIT for property management services at Barclay Apartments and Fairfax Court Apartments.

RESOLUTION NO. 17-76 **RE: Approval of Management Contract for The Barclay and Fairfax Court Apartments**

WHEREAS, the Housing Opportunities Commission issued a Request for Proposals (RFP) for management of The Barclay and Fairfax Court Apartments; and

WHEREAS, based on the criteria included in the RFP and pricing from each of the five companies, a panel of HOC staff from Property Management, Mortgage Finance and Compliance scored the results and determined that Edgewood Management Corporation is the most qualified to manage The Barclay and Fairfax Court Apartments.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission that the Executive Director is hereby authorized to negotiate and execute a contract for the term of two (2) years with two (2) one-year renewable terms with Edgewood Management Corporation for property management services at The Barclay and Fairfax Court Apartments.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission on November 1, 2017.

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Patrice Birdsong
Special Assistant to the Commission

Development and Finance Committee

Adoption of an Inducement Resolution for the Acquisition and Renovation of the Hillside Senior Living Transaction

Gaithersburg, MD

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VIVIAN BENJAMIN
ERIK SMITH

November 1, 2017

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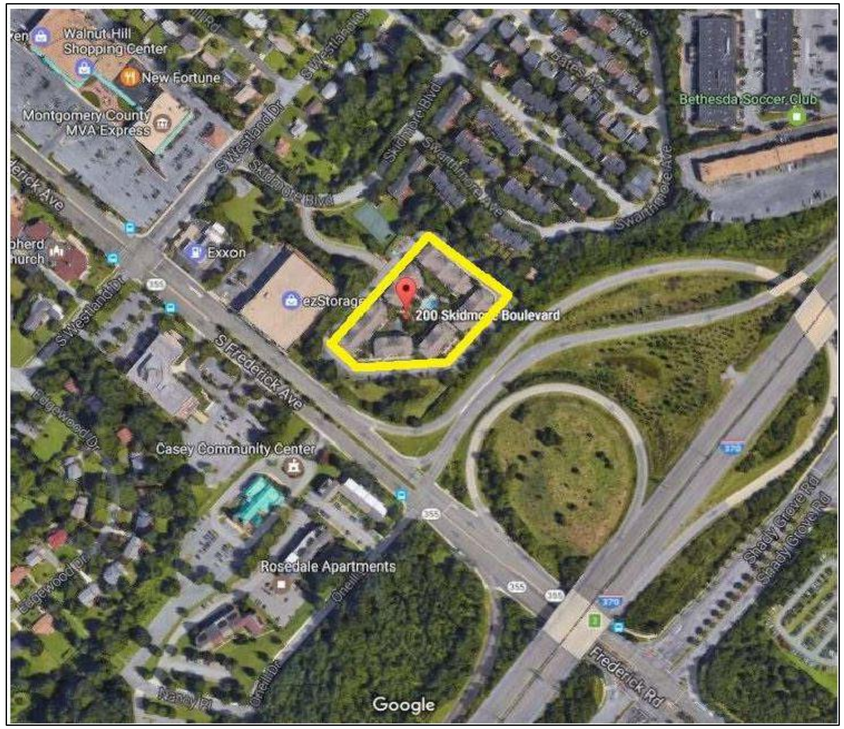
Executive Summary

- MRK Partners is a California based development company who has proposed a redevelopment of Hillside Senior Living (the "Development"), which is a 238,036 sq. ft. former hotel to be converted into a 140-unit affordable age-restricted rental community. On the site sits two three-story buildings and four two-story buildings.
- The Development is located at 200 Skidmore Boulevard, Gaithersburg MD, just north of Interstate 370, proximate to the Intercounty Connector (ICC/Route 200), and just east of Maryland Route 355. It is surrounded by commercial and residential attractions and offers quick and easy access to Montgomery County's public bus service along with major highways, the ICC, and Route 355.
- A market study, completed by RPRG, concludes that due to increased growth in the Gaithersburg elderly population, there is a need for more senior housing; which supports the recommendation for the approval of the Hillside Senior Living renovation.
- HOC has been asked to provide $28,897,000 in Bond Cap for the transaction.
- Transaction was approved by the Development and Finance Committee on October 17, 2017.



View of Building A/entrance to lobby

Photos

Gated swimming pool

Additional view of living area

BBQ area with outdoor seating

Typical living area in hotel suite

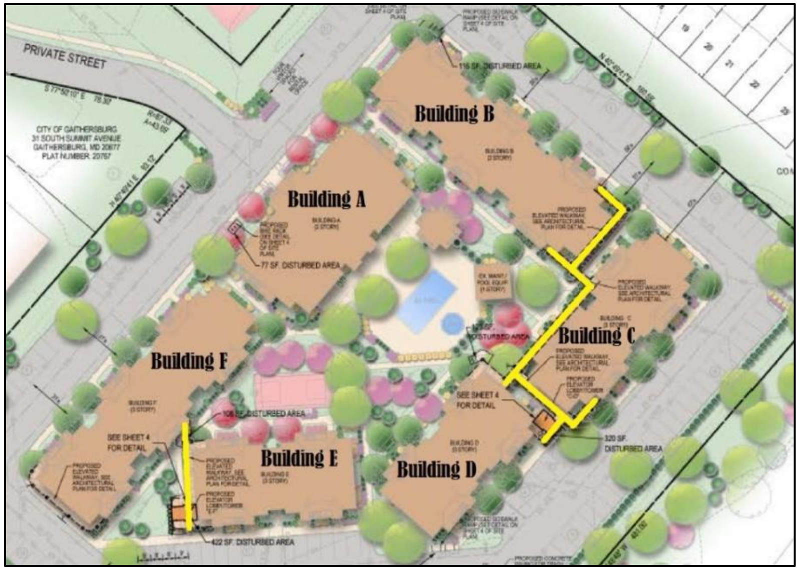
Unit Mix

Unit Type	# of Units	Area Median Income (AMI)	Net Rent	Unit SqFt	Rent/SqFt
1Bed/1Bath	7	50%	$970	536	$1.81
1Bed/1Bath	4	60% MPDU	$1,090	536	$2.03
1Bed/1Bath	71	60%	$1,090	536	$2.03
2Bed/2Bath	7	50%	$1,241	716	$1.73
2Bed/2Bath	3	60% MPDU	$1,328	716	$1.85
2Bed/2Bath	49	60%	$1,328	716	$1.85

- Ninety percent (90%) of the 140 units at the Development (126 units) will be restricted to households with income at or below 60% of the Washington Metropolitan Statistical Area Median Income ("AMI"). The remaining 10% (14 units) will be restricted to households earning 50% or less of AMI.
- 100% of the units at the Development will be restricted to seniors[1], aged 62 and older.

Site Changes

- To aid accessibility, walkways will be built between buildings to allow 95% of units elevator access as shown in yellow.
- Building A will be the only building without elevator access.
- Building A also contains the pre-existing lobby and kitchen, which will be converted into a clubroom for group activities.



[1]In accordance with Gaithersburg's approved definition of the Elderly Population, this site will be restricted to residents 62 and older with a leasing agreement prohibiting any occupants under 45 years of age.

Property Description

- Property amenities will include a swimming pool, spa, community room with kitchen, grilling area with outdoor seating, fitness center, and central laundry room. Other amenities open to consideration include a library, health room, on-site beauty/barbershop and gardening areas
- Onsite health care includes once per quarter health screenings, flu shots and vision/hearing tests to be provided by medical professionals.
- Transportation options close to the Development include:
  - Connect-A-Ride along with buses 55 and 59 on S. Frederick Avenue provides residents with free transportation.
  - Five minutes from the Shady Grove Metro station and Downtown Gaithersburg MARC station.
- On-Site resident activities will include but are not limited to: Yoga, Tai Chi, Bingo, and Water Aerobics

- The renovation will include a new exterior façade to be architecturally compatible with the surrounding residential area.

- Interior amenities include a modern kitchen with dishwasher, range with microwave hood, refrigerator and garbage disposal.

Top Right & Bottom Right: Renderings of Hillside Senior Living.

Transaction Summary

Sources of Funds	Total Amount	$ Per Unit
Tax-Exempt Bonds (Long-Term Only)	$ 23,750,000.00	$ 169,642.86
Short-Term Bonds	$ 2,520,000.00	$ 18,000.00
Low Income Housing Tax Credit ("LIHTC") Equity Proceeds	$ 8,992,704.00	$ 64,233.60
Developer's Equity (Not from Syndication)	$ 568,680.00	$ 30,312.00
Interim Income (Occupied Rehab Projects)	$ 607,282.00	$ 4,337.73
TOTAL	**$ 36,438,666.00**	**$ 260,276.19**

Uses of Funds	Total Amount	$ Per Unit
Construction or Rehabilitation Costs	$ 6,277,748.00	$ 44,841.06
Fees Related to Construction or Rehabilitation	$ 667,500.00	$ 4,767.86
Acquisition Costs	$ 20,235,160.00	$ 144,536.86
Financing Fees and Charges	$ 1,989,676.00	$ 14,211.97
Developer's Fee	$ 4,298,892.00	$ 30,706.37
Syndication Related Costs	$ 118,000.00	$ 842.86
Guarantees and Reserves	$ 331,690.00	$ 2,369.21
Pay off Short Term Bonds	$ 2,520,000.00	$ 18,000.00
TOTAL	**$ 36,438,666.00**	**$ 260,276.19**

- The projected sources of funds include a combination of a tax-exempt, long-term bonds from HOC for $23,750,000, short-term bonds of $2,520,000, LIHTC equity proceeds for $8,992,704, Deferred Developer Fee of $568,680 and Interim income from other properties of approximately $607,282.

- The projected development budget is $36,438,666.

- No credit enhancement will be necessary, as the tax-exempt bonds will be privately placed with R4 Capital Fund ("R4CF") at closing.

- An Inducement Resolution for $28,897,000 is requested; however, only $26,270,000 of tax-exempt bonds is expected to be issued—of this $2,520,000 is expected to be repaid within 24 months. The requested volume cap is available in 2017. See the current Volume Cap Chart on page 9.

- The permanent loan term will be 15 years, with a 40-year amortization. The interest rate will be based on the 15 year Municipal Market Data ("MMD") index plus 200 basis points (bps) during construction, changing to plus 225 bps post-stabilization. MMD is the municipal market Triple A index.

Transaction Summary (Cont.)

Source	Annual Income	Monthly	$ Per Unit
Residential Income (50% - 1bd/ 1ba)	$ 81,480.00	$ 6,790.00	$ 970.00
Residential Income (60% - 1bd/ 1ba)	$ 981,000.00	$ 81,750.00	$ 1,090.00
Residential Income (50% - 2bd/ 2ba)	$ 102,244.00	$ 8,687.00	$ 1,241.00
Residential Income (60% - 2bd/ 2ba)	$ 812,736.00	$ 67,728.00	$ 1,328.00
Laundry & Vending	$ 43,200.00	$ 3,600.00	$ 25.71
Application Fees, Late Fees, Pet Fees, Misc.	$ 19,200.00	$ 1,600.00	$ 11.43
Cable Revenue	$ 9,600.00	$ 800.00	$ 5.71
Vacancy Allowance *(Total Income x Vacancy Rate - 5%)*	$ (98,973.00)	$ (8,247.75)	$ (1,178.25)
TOTAL	**$ 1,952,487.00**	**$ 179,202.75**	**$ 5,911.60**

Expenses	Annual	Per Unit
Administrative Expenses	$ 218,264.00	$1,559.03
Utility Expenses	$ 172,500.00	$1,232.14
Operating & Maintenance Expenses	$ 197,815.00	$1,412.96
Taxes & Insurance	$ 93,344.00	$666.74
Replacement and Reserves	$ 35,000	$250.00
TOTAL	**$ 716,923.00**	**$5,120.88**

Totals	
Gross Income	$ 1,952,487.00
Total Operating Expenses	$ 716,923.00
Net Operating Income	**$ 1,235,564.00**

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	$29,011	$44,785	$1,029
Special Allocation[1]	$20,000							
Annual Bond Cap Allocation	$32,726	$32,618	$33,228	$35,429	$35,869	*$36,247*	*$35,643*	*$36,000*
	8%	-0.3%	1.9%	6.6%	1.2%	1.1%	-1.7%	1.0%
TOTAL BOND CAP AVAILABLE	**$47,967**	**$61,185**	**$76,413**	**$105,242**	**$124,611**	**$65,258**	**$80,428**	**$37,029**
HOC PROGRAMS								
Single Family[2]	$19,400	$18,000	$6,600	$0	$0	$19,503	$16,363	$25,000
Arcola Towers[3]					$13,545	$970		$0
Waverly House[3]					$22,305			$0
Metropolitan								$12,000
Alexander House[4]							$22,139	$0
Greenhills[5]							$12,000	$0
Elizabeth House III[6]								$18,800
Town Center Apartments								$9,100
900 Thayer								$15,000
Bauer Park								$11,200
Georgian Court								$7,000
Shady Grove								$12,400
Stewartown								$7,500
TOTAL HOC PROGRAMS	**$19,400**	**$18,000**	**$6,600**	**$0**	**$35,850**	**$20,473**	**$50,502**	**$118,000**
PRIVATE DEVELOPERS								
Gaithersburg - Olde Towne					$25,525			
Germantown - Churchill II				$16,500				
Bethesda – Lakeview House					$34,225			
Hillside Senior Living							$28,897	
TOTAL PRIVATE ACTIVITY	**$0**	**$0**	**$0**	**$16,500**	**$59,750**	**$0**	**$28,897**	**$0**
TOTAL BOND CAP REMAINING[8]	**$28,567**	**$43,185**	**$69,813**	**$88,742**	**$29,011**	**$44,785**	**$1,029**	**($80,971)**

- With the financing of the Hillside Senior Living transaction, HOC will have a remaining volume cap balance of $1,028,041 at the end of 2017.
- The projected volume cap usage for CY2018 is approximately $118,000, which exceeds estimated available bond cap for the year.
- HOC meets with the Maryland Department of Housing and Community Development ("DHCD") annually to review its annual volume cap needs. The first meeting was on April 19, 2016 and the second on March 3, 2017. While there is currently not a written agreement, to allocate additional volume cap to HOC with each LIHTC application, HOC outlines its volume cap needs and DHCD has agreed to allocate additional volume cap to fund related transactions.
- Further, at the end of the 2017 volume cap year, the state had $246 million of unused volume cap and staff will request an allocation the amount needed to fund the Hillside Senior Living transaction.
- HOC will request additional volume cap for anticipated CY2018 transactions.

Development Team

MRK PARTNERS INC HOUSING GROUP

- Development Company based out of California
- Has completed projects in Maryland including
    1. Park Tanglewood Apartments- Prince George's County, MD; $7.6MM construction budget
        - Hamel (General Contractor)
        - Apartment Management Consultants (Property Management)
    2. Participated in the renovation of Lakeview House Apartments – Bethesda, MD Renovation of 152 Units, Project Based Section 8

SUGAR MILL CONSTRUCTION WWW.SUGARMILL-CG.COM

- Full service construction company specializing in multi-family renovations from ground up to turnover/renovation
- Completed Numerous Projects in the Virginia Area
- Ongoing Projects Include:
    1. Graham Building – Alexandria , VA; $12,820,000 Interior Renovation of 450 Units
    2. Mark Apartments – Alexandria, VA; $1,500,000 Hotel Conversion into apartments (24 Units)
    3. The Monticello – Falls Church, VA; $800,000 Renovation in occupied building

R4 CAPITAL FUNDING

- Financial firm who specializes in Affordable Housing
- Currently engaged on our deals including:
    1. Alexander House – Silver Spring, MD; $100MM renovation of 305 Units
    2. Waverly House – Bethesda, MD; $50MM renovation of 150 senior housing units

Blumentals Architecture

- Architecture firm based out of Minnesota
- Very experienced Architectural firm with a healthy portfolio of 28 projects located throughout Minnesota and Iowa
- Projects range from commercial business design, multifamily high rise to townhome design.

Summary and Recommendations

Issues for Consideration

Does the Commission wish to accept the recommendation of the Development and Finance Committee to adopt an Inducement Resolution for the issuance of tax exempt bonds to fund the acquisition and renovation costs for the Hillside Senior Living transaction?

Does the Commission wish to accept the recommendation of the Development and Finance Committee to allocate the necessary bond cap of $28,897,000 for renovation of Hillside Senior Living?

Time Frame

- October 10th 2017 – Inducement to Finance Committee
- October 12th 2017 – -TEFRA hearing
- October 17th 2017 – Inducement Resolution - Development and Finance
- November 7th 2017 – Financing Plan Approval – Finance Committee
- November 17th 2017 – Financing Plan Approval – DevFin Committee
- December 6th 2017 – Commission

Budget Impact

There is no adverse impact for the Agency’s FY 2018 operating budget. The Commission will earn a 1% financing fee for the transaction. Annual loan management fee equivalent to 0.25% of the bond amount (approximately $65,000) will be paid to HOC while the bonds are outstanding.

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and adopt an Inducement Resolution for the issuance of tax-exempt bonds to fund the acquisition and renovation costs for the Hillside Senior Living transaction and approve the allocation of $28,897,000 of Volume Cap.

RESOLUTION No: 17-77 **Re: Adoption of an Inducement Resolution for the Hillside Senior Living Transaction**

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

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

WHEREAS, the Commission has been asked to consider the issuance of a maximum amount of $28,897,000 in tax-exempt bonds to finance the acquisition and rehabilitation loan for a multifamily rental housing development, Hillside Senior Living (the “Development”), a 140-unit development located at 200 Skidmore Boulevard, Gaithersburg, Montgomery County, Maryland 20788, which is intended for occupancy by independent elderly residents; and

WHEREAS, the Commission sees this financing arrangement 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 the staff to proceed with the review and processing of the necessary financing application.

BE IT FURTHER RESOLVED that it is the intention of the Commission to issue tax-exempt bonds in the maximum principal amount of $28,897,000 to provide financing for the acquisition and construction financing of the Development. The foregoing represents an expression of intent in order to satisfy the provision of 24 C.F.R. §1.150-2 of the United States Income Tax Regulations, and is not a commitment by the Commission to issue said bonds. Issuance of said bonds 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 project.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on November 1, 2017.

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Patrice Birdsong
Special Assistant to the Commission

Deliberation

and/or

Action

Acceptance of HOC FY'17 Audited Financial Statements, Single Audit Report, and Management Letter

November 1, 2017

- HOC received an unqualified audit opinion on the Financial Statement Audit.

- HOC also received an unqualified audit opinion on the Single Audit Report with no instances of material weaknesses identified related to internal control over financial reporting or major programs. However, there is a significant deficiency note in internal control over compliance for major programs which is reported as a Major Federal Program Finding.

- HOC received a Management Letter with three items: (1) Accounts Payable Accruals, (2) Information Technology Comment, and (3) Landlord Overpayment.

M E M O R A N D U M

TO:	Housing Opportunities Commission		
VIA:	Stacy L. Spann, Executive Director		
FROM:	Gail Willison, Chief Financial Officer	Finance	Ext. 9080
	Eugenia Pascual, Controller	Finance	Ext. 9078
	Francisco Vega, Assistant Controller	Finance	Ext. 4873
	Varun Chawla, Accounting Manager	Finance	Ext. 9572
	Claudia Wilson, Accounting Manager	Finance	Ext. 9474
RE:	Acceptance of HOC FY'17 Audited Financial Statements, Single Audit Report, and Management Letter		
DATE:	November 1, 2017		

STATUS: Deliberation __X__

OVERALL GOAL & OBJECTIVE:
Acceptance of the FY'17 Audited Financial Statements, Single Audit Report, and Management Letter of the Housing Opportunities Commission (HOC). The Audited Financial Statements must be published by December 1, 2017.

BACKGROUND:
HOC's auditor, CliftonLarsonAllen LLP (CLA), prepared the results of the FY'17 Audited Financial Statements, Single Audit Report, and Management Letter. Each Commissioner has had an opportunity to review the audit and request additional information from the auditor.

ISSUES FOR CONSIDERATION:

Financial Statement Audit

The final audited financial statements for FY'17 will be distributed to the Commission by CliftonLarsonAllen LLP on November 1, 2017. The Commission received an unqualified audit opinion for the year ended June 30, 2017. A draft of Management's Discussion and Analysis (MD&A) is included with this memorandum. The MD&A is intended to provide the reader with an overview and analysis of the financial activities of the Commission for the year ended June 30, 2017.

The financial statements for HOC's tax credit component units are presented on separate pages this year. The information is based on each tax credit partnership's audited financial statement as of December 31, 2016 with the exception of the Strathmore Court Limited Partnership and The Metropolitan Limited Partnership which are presented as of June 30, 2017.

Single Audit Report

Attached is the final draft Single Audit Report for FY'17. The signed bound copies will be distributed by CliftonLarsonAllen LLP on November 1, 2017. No changes are expected. There are no instances of material internal control weaknesses identified. HOC received an unqualified audit opinion and is qualified as a low-risk audit. However, there is a significant deficiency noted in internal control over compliance for major programs which is reported as a Major Federal Program Finding.

Finding 2017-001: Housing Choice Voucher Cluster, CFDA No. 14.871/14.879

Condition/Context
During our testing, we noted that the Commission's internal controls did not always ensure that tenant files included all required documentation.

Management's Action Taken in Response to Finding:
The Commission acknowledges the eligibility finding, however, would like to elucidate that all required verification forms were in the client files. Two of the five files included signed documents, though not dated.

Currently all annual re-certifications are completed by mail. To ensure that we obtain all required forms with client dates and signatures, the Commission will schedule client appointments if the submitted paperwork is missing or incomplete. Upon receipt of the recertification paperwork, the Housing Specialists will review for accuracy and completion. If client forms, signatures or dates are missing, the Housing Specialists will schedule an individual client appointment within 5 days of receipt of the recertification paperwork.

The Housing Specialists will continue to utilize the checklist to ensure receipt of all required documentation prior to completion of the action. Staff from the Housing Resources Division Management Team will continue to conduct monthly quality control reviews and identify corrective actions.

Lynn Hayes is the contact responsible for this corrective action.

Finding 2017-002: Housing Choice Voucher Cluster, CFDA No. 14.871/14.879

Condition/Context
During our testing, we noted that the Commission's internal controls did not always ensure that annual inspections, quality control re-inspections, or failed inspections were performed timely and/or properly documented.

Management's Action Taken in Response to Finding:
The Commission has modified procedures to ensure more internal quality control of the inspection process. The modified procedures include:

- Procurement of a new third party vendor for inspections
- Addition of expanded reporting requirements
- On-going staff training
- Completion of multiple internal audits by the Compliance Division.

Renee Harris is the contact responsible for this corrective action.

Management Letter

A requirement when performing an audit of an entity's financial statements is to write a Management Letter which communicates audit related findings related to internal controls to Management's Commission as required by SAS No. 112.

The Commission received Management Letter comments in the following areas: Accounts Payable Accruals, Information Technology and Landlord Overpayment. Please see attached letter and management's response.

BUDGET IMPACT:
None. A funding source for the audit is budgeted during the HOC budget process each year.

TIME FRAME:
Action is requested at the November 1, 2017 Commission meeting. The Audited Financial Statements must be published by December 1, 2017.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends to the full Commission acceptance of the HOC FY'17 Audited Financial Statements, Single Audit Report, and Management Letter.

RESOLUTION NO: 17-78

RE: Acceptance of HOC FY'17 Audited Financial Statements Single Audit Report, and Management Letter

WHEREAS, the independent auditors, CliftonLarsonAllen LLP (CLA), presented their report for FY'17 to the Commission; and

WHEREAS, at a meeting held on November 1, 2017, the Commission reviewed the HOC FY'17 Audited Financial Statements, Single Audit Report, and Management Letter.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission accepts the HOC FY'17 Audited Financial Statements, Single Audit Report, and Management Letter prepared by CliftonLarsonAllen LLP.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on November 1, 2017.

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Patrice M. Birdsong
Special Assistant to the Commission

As management of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), a component unit of Montgomery County, Maryland, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in the audited basic financial statements and related notes. This discussion and analysis is focused on the activities of the Commission as a primary governmental entity.

Financial Highlights

- The Commission's net position increased by $27.2 million (or 12.3%) from $220.4 million at June 30, 2016 to $247.6 million at June 30, 2017.

- The Commission's current ratio (ratio of current assets to current liabilities) decreased from 2.40 at June 30, 2016 to 2.27 at June 30, 2017 as a result of scheduled and early bond redemptions as well as the regular bond principal and interest payments. The drawdown of bond proceeds for RAD 6 Development Corporation (RAD 6), Arcola Towers RAD Limited Partnership (Arcola RAD LP) and Waverly House RAD Limited Partnership (Waverly RAD LP) also contributed to the decrease.

- Outstanding mortgage and construction loans receivable decreased from $314.6 million at June 30, 2016 to approximately $308.3 million at June 30, 2017. This is attributed to a decrease in Single Family mortgage loans receivable and was partially offset by the seller note from the sale of the Alexander House Development Corporation (Alexander House Dev. Corp.) affordable units to Alexander House Limited Partnership (Alexander House LP).

- The amount of U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payments (HAP) administered by the Commission increased by 4.5% from $91.4 million in fiscal year 2016 to $95.5 million in fiscal year 2017.

- During fiscal year 2017, the Multifamily Sub-Fund retired and refunded bonds in the amount of $9.5 million which consisted of $8.1 million from the 1996 indenture, $0.6 million from the 2002 Multiple Purpose Bonds, $0.2 million from the 1984 indenture, and $0.6 million from other indentures.

- The Single Family Sub-fund issued bonds in the amount of $33.3 million under the 1979 indenture to finance mortgage loans for qualifying first-time home buyers. During fiscal year 2017, the Single Family Sub-fund retired and refunded bonds in the amount of $75.3 million which consisted of $66.5 million from the 1979 indenture and $8.8 million from the 2009 indenture.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The annual financial report is comprised of three components: management's discussion and analysis, the financial statements, and notes to the financial statements.

The financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. These statements are prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the statement of revenues, expenses, and changes in net position.

The statement of net position presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information on how the Commission's net position changed during the fiscal year.

The statement of cash flows explains the sources and uses of cash during the fiscal year.

The Commission maintains only proprietary funds. Such funds are accounted for in a manner similar to that of businesses operating in the private-sector. Proprietary funds provide both long- and short-term financial information. The following is a brief description of the activity accounted for in each of the sub-funds.

Sub-Funds

General Sub-Fund – the Commission's primary operating fund. The entire administration and overhead of the Commission is maintained within this fund. In addition, in FY 2014, the Department of HUD required all public housing authorities to implement a Central Office Cost Center (COCC). As a result, the General Sub-fund was split into two components: one to reflect Agency overhead related to Federal programs and corresponding Fee Income, and one to reflect the Agency overhead related to Non-Federal Programs. All activities are consolidated for reporting purposes under the General Sub-Fund.

Opportunity Housing Sub-Fund – accounts for properties that provide affordable housing to low and moderate income residents. Properties owned by the Commission make up the primary assets in this fund.

Public Sub-Fund – accounts for grants from federal, state, and county governments. These grants are used to provide Housing Assistance Payments and supportive services for residents. Activities related to Public Housing and the Housing Choice Voucher Programs are maintained in this fund.

Single Family Sub-Fund – accounts for taxable and non-taxable bonds. These bonds are used to finance mortgage loans for qualifying first-time homebuyers. The primary assets are mortgage loans receivable and restricted cash and investments.

Multifamily Sub-Fund – accounts for taxable and non-taxable bonds. These bonds are used to finance the acquisition, rehabilitation, and/or construction of affordable multifamily housing. The primary assets are mortgage loans receivable and restricted cash and investments.

Discretely Presented Component Units

Real Estate Limited Partnerships – The Commission is the managing general partner in 17 real estate limited partnerships. Fifteen of the partnerships have calendar year ends and two have a June 30 fiscal year end.

The Commission is the sole member and 100% owner of HOC at Hillandale Gateway LLC (HOC Hillandale), a Maryland limited liability company, which is addressed as a blended component unit. HOC Hillandale is an owner member of Hillandale Gateway LLC, which has a June 30 fiscal year end and is included as a discrete component unit.

The Commission is the managing member and 50% owner of CCL Multifamily LLC, a Maryland limited liability company, which is addressed as a partnership with a private foundation. CCL Multifamily LLC, in turn, owns the Lindley, a 200-unit mixed-income apartment building under construction with projected completion by January 2019. This entity has a December 31 fiscal year end and is included as a discrete component unit.

Accordingly, the amounts included for each discretely presented component unit that comprise the aggregate component unit column in the combined financial statements are as of and for the respective year ends that fall within the year ended June 30, 2017.

Blended Component Units

Development Corporation – The Commission has 26 properties that are considered blended component units and presented with the Opportunity Housing Sub-Fund in the appropriate fund financial statement and combining statements.

Financial Analysis of the Commission as a Whole

The Commission's total net position in fiscal year 2017 increased by 12.3%.

Net investment in capital assets is -4.8% of the Commission's net position. These capital assets are used primarily to provide housing to low-income residents.

34.8% of the Commission's position reflects cash and investments, which are restricted as to their use. The preponderance of these restricted assets are used to finance and fund low-income housing.

70.0% of the Commission's net position is unrestricted. These non-restricted resources are used in the operations of the Commission.

Housing Opportunities Commission's Net Position
(In millions of dollars)

	2017	2016	Change ($)	Change (%)
Assets:				
Current and Other Assets	$ 386.2	$ 423.5	$ (37.3)	(8.8)%
Capital Assets	405.2	384.5	20.7	5.4%
Mortgage and Construction Loans Receivable	308.3	314.6	(6.3)	(2.0)%
Total Assets	**1,099.7**	**1,122.6**	**(22.9)**	**(2.0)%**
Deferred Outflows of Resources	17.8	16.3	1.5	9.2%
Liabilities:				
Current Liabilities (Including Current Portion of Long-Term Debt and Bonds Payable)	170.0	176.1	(6.1)	(3.5)%
Noncurrent Liabilities:				
Bonds Payable	469.8	508.5	(38.7)	(7.6)%
Other Liabilities	227.4	229.3	(1.9)	(0.8)%
Total Liabilities	**867.2**	**913.9**	**(46.7)**	**(5.1)%**
Deferred Inflows of Resources	2.7	4.6	(1.9)	(41.3)%
Net Position				
Net Investment in Capital Assets	(12.0)	(19.3)	7.3	(37.8)%
Restricted for:				
Debt Service	80.7	77.8	2.9	3.7%
Customer Deposits and Other	1.6	2.8	(1.2)	(42.9)%
Closing Cost Assistance Program	3.9	3.4	0.5	14.7%
Unrestricted	173.4	155.7	17.7	11.4%
Total Net Position	**$ 247.6**	**$ 220.4**	**$ 27.2**	**12.3%**

Total assets of the Commission decreased by $22.9 million or 2.0%, with a corresponding decrease in total liabilities of $46.7 million or 5.1% from fiscal year 2016.

The decrease in total assets was largely due to a decrease in cash, cash equivalents and investments related to bond redemptions and scheduled amortizations of bond principal and interest as well as the drawdown of the bond proceeds for RAD 6, Arcola RAD LP and Waverly RAD LP. This decrease was partially offset by an increase in net capital assets.

Based on Government Accounting Standards Board (GASB) 53, *Accounting and Financial Reporting for Derivative Instruments*, the changes in fair values of hedging derivative instruments are presented as either deferred inflows or outflows in the statement of net position. HOC has experienced a net decrease in fair value of $0.2 million as a net result of an increase in fair value of $4.0 million in the Single Family Sub-fund and the Multifamily Sub-fund which was partially offset by the addition of the Chevy Chase Lake FFB Hedge and the Alexander House FFB Hedge with a combined negative fair value of $4.2 million.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

Housing Opportunities Commission's Changes in Net Position
(In millions of dollars)

	2017	2016	Change ($)	Change (%)
Operating Revenues				
Dwelling Rental	$ 68.0	$ 68.3	$ (0.3)	(0.4)%
Intergovernmental Grants	118.4	116.0	2.4	2.1%
Investment Income	3.8	3.5	0.3	8.6%
Unrealized Gains (Losses) on Investments	(3.5)	3.4	(6.9)	(202.9)%
Interest on Mortgages and Construction Loans Receivable	11.1	12.1	(1.0)	(8.3)%
Management Fees and Other Income	12.8	10.2	2.6	25.5%
Total Operating Revenues	**210.6**	**213.5**	**(2.9)**	**(1.4)%**
Operating Expenses				
Housing Assistance Payments	95.5	91.4	4.1	4.5%
Administration	39.4	35.6	3.8	10.7%
Maintenance	17.0	17.4	(0.4)	(2.3)%
Depreciation and Amortization	14.3	13.9	0.4	2.9%
Utilities	4.9	5.4	(0.5)	(9.3)%
Fringe Benefits	9.8	10.4	(0.6)	(5.8)%
Pension Expense	1.5	0.8	0.7	87.5%
Interest Expense	21.9	22.3	(0.4)	(1.8)%
Other Expenses	11.6	9.9	1.7	17.2%
Total Operating Expenses	**215.9**	**207.1**	**8.8**	**4.2%**
Operating Income (Loss)	(5.3)	6.4	(11.7)	(182.8)%
Nonoperating Revenues, Net	32.3	28.8	3.5	12.2%
Income Before Contributions	27.0	35.2	(8.2)	(23.3)%
Capital Contributions	0.2	3.4	(3.2)	(94.1)%
Change in Net Position	27.2	38.6	(11.4)	(29.5)%
Total Net Position - Beginning of Year	220.4	181.8	38.6	21.2%
TOTAL NET POSITION - END OF YEAR	**$ 247.6**	**$ 220.4**	**$ 27.2**	**12.3%**

In January 2006, HUD issued PIH Notice 2006-03, which requires that the Annual Budget Authority (ABA) that the Commission receives be reported as income in the same fiscal year regardless of the total housing assistance payments incurred. As of June 30, 2017, the Commission has recorded all ABA received as income.

Intergovernmental grants increased by $2.4 million as a result of an increase in County, State and HUD subsidies.

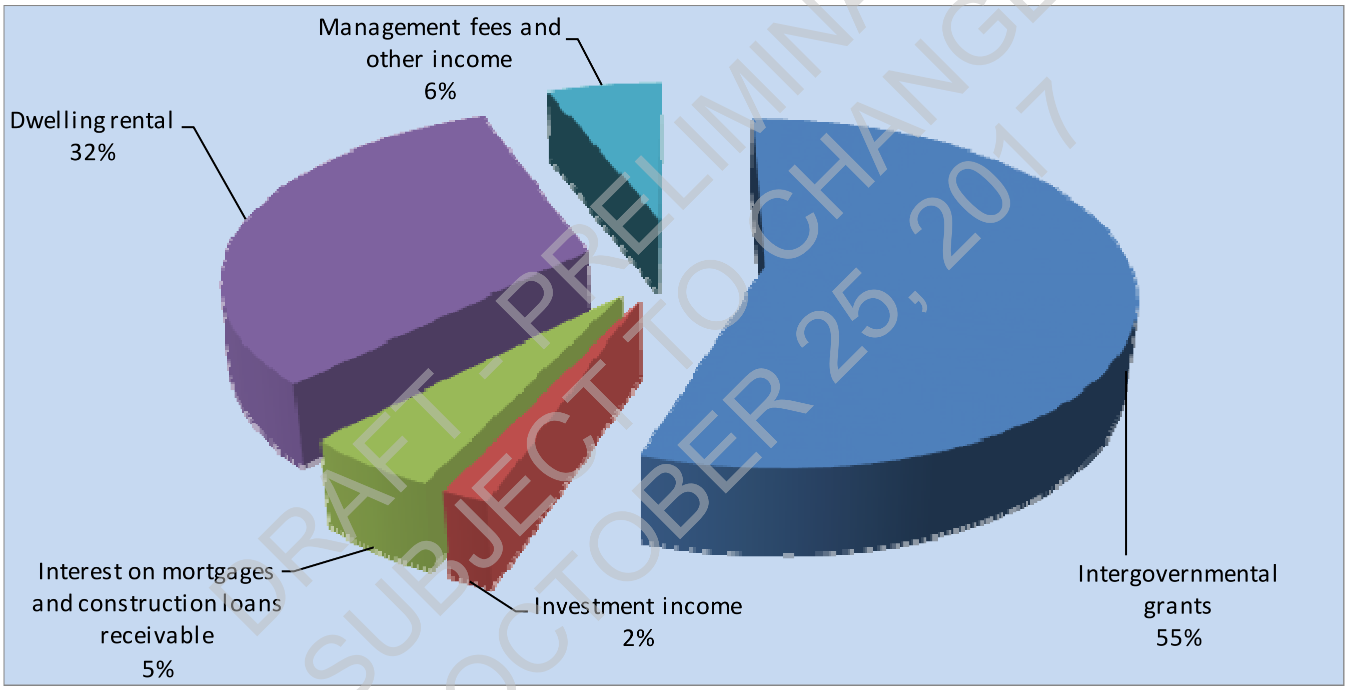
Unrealized losses on investments increased by $6.9 million in FY 2017. The unrealized losses in FY 2017 were due to changes in interest rates and the investing environment.

Interest on mortgages receivable decreased by $1.0 million as a result of a decrease in the average outstanding mortgages in both the Single Family Sub-fund and the Multifamily Sub-fund.

Management fees and other income increased by $2.6 million mainly due to the fees received for the alternative affordable units at Pooks Hill and the recognition of deferred commitments fees related to several loans which have been paid off or refinanced.

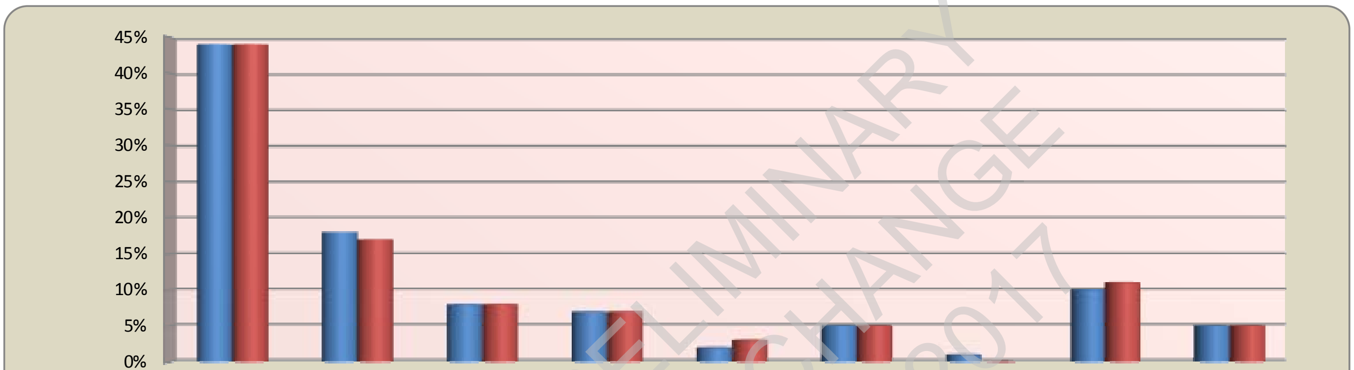
The following chart illustrates the Commission's sources of revenue as a percentage of total revenue excluding unrealized losses on investments. The primary sources of revenue for the Commission are grants from federal, state, and local governments, and dwelling rental income.

FY 2017 SOURCES OF REVENUE



The following chart is a comparison of the Commission's current and prior year operating expenses as a percentage of total expenses:

FY 2017 OPERATING EXPENSES



	Housing Assistance Payments	Administration	Maintenance	Depreciation & Amortization	Utilities	Fringe Benefits	Pension Expense	Interest Expense	Other
2017	44%	18%	8%	7%	2%	5%	1%	10%	5%
2016	44%	17%	8%	7%	3%	5%	0%	11%	5%

Housing Assistance Payments are the major contributor to the total operating expenses of the Commission and remain flat at 44% of the total operating expenses.

The proportionate shares of administrative expenses, maintenance, depreciation & amortization, utilities, fringe benefits, pension expense, interest expense and other expenses have not changed significantly from the prior year.

Housing Opportunities Commission's Capital Assets
Net of Accumulated Depreciation
(In millions of dollars)

	2017	2016	Change ($)	Change (%)
Property and Equipment, Net of Depreciation	$ 395.2	$ 374.0	$ 21.2	5.7%
Capitalized Lease (Net of Amortization)	10.0	10.5	(0.5)	(4.8)%
Total Capital Assets, Net	**$ 405.2**	**$ 384.5**	**$ 20.7**	**5.4%**

Real property is depreciated using the straight line method over a 40 year period. During the year, the Commission acquired assets of approximately $33.6 million, while disposing of capital assets with a net book value of approximately $3.9 million. The increase is largely attributable to the renovation work at VPC One Development Corporation and VPC Two Development Corporation, the RAD 6 Multifamily properties, TPM Development Corporation properties and additional pre-development expenses for Elizabeth House. This increased renovation work was partially offset by the sale of Alexander House Dev. Corp. affordable units to Alexander House LP. Note 4 (Capital Assets) provides detailed information about capital asset activity.

Housing Opportunities Commission's Outstanding Debt
(In millions of dollars)

	2017	2016	Change ($)	Change (%)
Multifamily Bonds	$ 301.7	$ 311.1	$ (9.4)	(3.0)%
Single Family Mortgage Purchase Program Bonds	210.9	253.1	(42.2)	(16.7)%
Mortgage Notes and Loans Payable	165.6	144.6	21.0	14.5%
Capitalized Lease Obligation	19.9	19.9	-	0.0%
Loans Payable to Montgomery County	62.9	66.7	(3.8)	(5.7)%
Total	**$ 761.0**	**$ 795.4**	**$ (34.4)**	**(4.3)%**

The following are key elements of the Commission's outstanding debt as of June 30, 2017:

- As of June 30, 2017, $301.7 million of multifamily mortgage bonds was outstanding. Sources of payments for the bonds are multifamily mortgages receivable of $296.0 million and restricted cash, cash equivalents and investments of $51.0 million.
- As of June 30, 2017, $210.9 million of Single Family mortgage bonds was outstanding. Sources of payment for the bonds are Single Family mortgages receivable of $96.0 million and restricted cash, cash equivalents and investments of $141.9 million.

The outstanding debt is secured by real estate or by first mortgages on real estate. The exception is the closing cost assistance program.

Note 8 (Bonds, Mortgage Notes, and Loans Payable) provides detailed information about long-term debt activity.

Economic Outlook

The FY 2018 HOC Budget reflects the agency's intention to be nothing less than transformational in the affordable housing space, aggressively pursuing the expansion of the affordable housing supply in Montgomery County. As federal resources diminish, it is imperative that HOC continues to find innovative and efficient means to serve the county's most vulnerable families, building upon the successful repositioning of its Public Housing portfolio through the Rental Assistance Demonstration (RAD) program and other unconventional partnerships. HOC is best positioned to serve its customers through the development of Community Connected Housing, located in amenity-rich communities with access to exceptional educational, employment, and recreational opportunities that cultivate social interaction between neighbors. To do this work, the agency is focused on just three things: getting people housed, keeping people housed, and helping customers reach their fullest potential.

With these principles in mind, HOC has worked with a sense of urgency to close the affordability gap for the county's low- and moderate-income families. The rising need for affordable housing comes at a time when the County and State continue to predict revenue shortfalls, as well as slow economic and stagnant income growth. The agency recognizes that, in order to address the needs of the 13,800 families we serve and the over 32,000 individuals on our wait list, we must use every tool at our disposal to meet people where they are along the spectrum of affordable housing needs. That means building units at a range of affordability, using federal programs to provide deep rental subsidies, helping families increase their employment prospects through training and education, and helping those who are able become homeowners.

As the largest provider and developer of affordable housing in the county, it is essential that we work with partners – both public and private – to ensure we meet the current and prospective housing needs of our customers in a constrained fiscal environment.

Request for information

This financial report is designed to provide a general overview of the Commission's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 10400 Detrick Avenue, Kensington, Maryland, 20895.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2017

HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Housing Opportunities Commission of
Montgomery County, Maryland
Kensington, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), a component unit of Montgomery County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated _________, 2017. Our report includes a reference to other auditors who audited the financial statements of Montgomery Homes Limited Partnership IX, Montgomery Homes Limited Partnership X, Shady Grove Apartments Limited Partnership, Manchester Manor Apartments Limited Partnership, Georgian Court Silver Spring Limited Partnership, MV Affordable Housing Associates Limited Partnership, Barclay One Associates Limited Partnership, Strathmore Court Associates Limited Partnership, Metropolitan of Bethesda Limited Partnership, Spring Garden One Associates Limited Partnership, Forest Oak Towers Limited Partnership, the Willows of Gaithersburg Associates Limited Partnership, 4913 Hampden Lane Limited Partnership, Tanglewood and Sligo Limited Partnership, Wheaton Metro Limited Partnership, Arcola Towers RAD Limited Partnership, and Waverly House RAD Limited Partnership as described in our report on the Commission's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The audits of all of the discretely presented component units were not performed in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Baltimore, Maryland
_______________, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Opportunities Commission of
Montgomery County, Maryland
Kensington, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Housing Opportunities Commission of Montgomery County's (the Commission), a component unit of Montgomery County, Maryland compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2017. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Commission's basic financial statements include the operations of the discretely presented component units which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2017. Other auditors were separately engaged to perform and have separately reported on the results of the audits of the component units in accordance with OMB Circular Uniform Grant Guidance, if required.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Grant Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

The Commission's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Grant Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

The Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Commission as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated ________, 2017, which contained unmodified opinions on those financial statements. We did not audit the discretely presented component units as of and for the year ended June 30, 2017. The federal expenditures, where applicable, for the discretely presented component units are not included in the accompanying schedule of expenditures of federal awards. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
________________, 2017

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs:				
Section 8 Housing Choice Vouchers	14.871	-	$ -	$ 99,499,240
5 Year Mainstream Vouchers	14.879	-	-	169,588
Total Housing Choice Vouchers Cluster				**99,668,828**
Public Housing Capital Fund	14.872	-	-	384,230
Public and Indian Housing	14.850	-	-	2,140,458
Continuum of Care	14.267	-	-	3,955,614
Section 8 Moderate Rehabilitation	14.856	-	-	328,614
Family Self-Sufficiency	14.870	-	-	396,494
Subtotal - Direct Program				106,874,238
Pass-through Department of Housing and Urban Development via Montgomery County Department of Health and Human Services:				
Home Investment Partnerships Program	14.239	-	-	178,953
Total Department of Housing and Urban Development				**107,053,191**
Department of Health and Human Services				
Pass-through Department of Health and Human Services via State Office on Aging and Montgomery County Department of Family Resources:				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	-	-	349,308
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	-	-	45,525
Total Federal Financial Awards				**$ 107,448,024**

See accompanying Note to the Schedule.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Commission.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through, entity identifying numbers are presented where available.

NOTE 3 INDIRECT COST RATE

The Commission has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 NON-CASH FEDERAL ASSISTANCE

The Commission did not receive any non-cash Federal assistance for the year ended June 30, 2017.

See accompanying Schedule of Expenditures of Federal Awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes __X__ no
   - Significant deficiency(ies) identified? ______ yes __X__ none reported
3. Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ______ yes __X__ no
   - Significant deficiency(ies) identified? __X__ yes ______ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ yes ______ no

Identification of Major Federal Programs

CFDA Number(s)	**Name of Federal Program or Cluster**
14.871/14.879	Housing Choice Voucher Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 3,000,000

Auditee qualified as low-risk auditee? __X__ yes ______ no

HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

<u>2017 – 001</u>

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program Title:	Housing Choice Voucher Cluster
CFDA Number:	14.871/14.879
Award Period:	July 1, 2016 through June 30, 2017
Type of Finding:	Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 24 CFR 982.516 requires the PHA to annually obtain and document in the family file the third-party verification of reported family annual income. As a condition of admission or continued occupancy, the PHA must require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).

Condition: During our testing, we noted that the Commission's internal controls did not always ensure that tenant files included all required documentation.

Questioned costs: Unable to determine.

Context: Exceptions noted in 5 out of 40 files tested. 2 files did not include the required signed documents (1 file did not include the Declaration of 214 status form; 1 file did not include the HUD-9886 authorization for release form). 3 files did not include supporting documentation for the income calculation.

Cause: The Commission did not follow established procedures as documented in its Administrative Plan to ensure that tenant files included all required documentation.

Effect: The Commission did not obtain all required documentation and releases at the time of recertification to support housing assistance payment calculations. The Commission may have made incorrect payments to landlords.

Repeat Finding: No

Recommendation: We recommend that the Commission reviews the checklists used by housing specialists when they complete an annual recertification to ensure the checklist adequately identifies all information required.

Views of responsible officials: There is no disagreement with the audit finding.

2017 – 002

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program Title:	Housing Choice Voucher Cluster
CFDA Number:	14.871/14.879
Award Period:	July 1, 2016 through June 30, 2017
Type of Finding:	Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 24 CFR sections 982.158(d) and 982.404(b) states that the PHA must inspect the units leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS). The PHA must prepare a unit inspection report. For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension.

Condition: During our testing, we noted that the Commission's internal controls did not always ensure that annual inspections or failed inspections were performed timely and/or properly documented.

Questioned costs: Unable to determine.

Context: Exceptions noted in 7 out of 80 files tested for special tests and provisions relating to inspection compliance requirements. Exceptions noted in 6 out of 40 failed inspections tested. 4 files did not include a letter notifying the tenant or landlord the outcome of the inspection. 2 files did not include a passed inspection and the Commission did not take proper actions to enforce the HAP contract. 1 out of 40 files tested for annual HQS inspections was not inspected on an annual basis.

Cause: The Commission did not follow established procedures as documented in its Administrative Plan to ensure that inspections and re-inspections were completed timely and that all relevant parties were notified of the outcome.

Effect: The Commission did not perform certain annual inspections and re-inspections in the time frame required by their Administrative Plan and HUD regulations. The Commission may have disbursed HAP to landlords for ineligible units.

Repeat Finding: No

Recommendation: We recommend that management review the Commission's policy relating to inspections to determine whether any changes are necessary to ensure compliance.

Views of responsible officials: There is no disagreement with the audit finding.

Housing Opportunities Commission
OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9400

**HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND
(A COMPONENT UNIT OF MONTOMERY COUNTY, MARYLAND)
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017**

U.S. Department of Housing and Urban Development

The Housing Opportunities Commission of Montgomery County, Maryland respectfully submits the following corrective action plan for the year ended June 30, 2017.

Audit period: July 1, 2016-June 30, 2017

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

There are no financial statement findings during the fiscal year under audit that would require a corrective action plan.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2017-001 Housing Choice Voucher Cluster – CFDA No. 14.871/14.879

Recommendation: We recommend that the Commission reviews the checklists used by housing specialists when they complete an annual recertification to ensure the checklist adequately identifies all information required.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Commission acknowledges the eligibility finding however would like to elucidate that all required verification forms were in the client files. Two of the five files included signed documents, though not dated.

Currently all annual recertifications are completed by mail. To ensure that we obtain all required forms with client dates and signatures, the Commission will schedule client appointments if the submitted paperwork is missing or incomplete. Upon receipt of the recertification paperwork, the Housing Specialists will review for accuracy and completion. If client forms, signatures or dates are missing, the Housing Specialists will schedule an individual client appointment within 5 days of receipt of the recertification paperwork.

The Housing Specialists will continue to utilize the checklist to ensure receipt of all required documentation prior to completion of the action. Staff from the Housing Resources Division Management Team will continue to conduct monthly quality control reviews and identify corrective actions.

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OF MONTGOMERY COUNTY

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CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

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Name of the contact person responsible for corrective action: Lynn Hayes

Planned completion date for corrective action plan: We will implement the plan effective November 1, 2017 and continue ongoing.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please contact Lynn Hayes at 240-627-9622.

2017-002 Housing Choice Voucher Cluster – CFDA No. 14.871/14.879

Recommendation: We recommend that management review the Commission's policy relating to inspections to determine whether any changes are necessary to ensure compliance.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Commission has modified procedures to ensure more internal quality control of the inspection process. The modified procedures include:

- Procurement of a new third party vendor for inspections
- Addition of expanded reporting requirements
- On-going staff training
- Completion of multiple internal audits by the Compliance Division

Name of the contact person responsible for corrective action: Renee Harris, Inspections Program Coordinator.

Planned completion date for corrective action plan: We will implement the plan effective November 1, 2017 and continue ongoing.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please contact Renee Harris at 240-627-9641.

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OF MONTGOMERY COUNTY

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**HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND
(A COMPONENT UNIT OF MONTGOMERY COUNTY, MARYLAND)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

U.S. Department of Housing and Urban Development

The Housing Opportunities Commission of Montgomery County, Maryland respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

Audit period: July 1, 2016-June 30, 2017

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2016 – 001 Significant Deficiency in Internal Control over Compliance

Condition: The Commission did not submit the Section 3 reports (form HUD-60002) related to the cycle under audit.

Status: Corrective action was taken.

If the U.S. Department of Housing and Urban Development has questions regarding this schedule, please call Darcel Cox at 240-627-9427.

Management
Housing Opportunities Commission of Montgomery County
Kensington, Maryland

In planning and performing our audit of the financial statements of Housing Opportunities Commission of Montgomery County (the Commission) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated November _____, 2017, contains our written communication of significant deficiencies in the Commission's internal control. This letter does not affect our communication dated November _____, 2017.

ACCOUNTS PAYABLE ACCRUALS

Testing of subsequent disbursements for construction expenditures identified certain disbursements that were not included in the accounts payable balance at June 30, 2017. Construction expenditures of $3,291,150 related to developments in process were not accrued as of June 30, 2017. The Commission recorded an entry to accrue these amounts at June 30, 2017. Since these expenditures relate to developments in process this entry increased the balance of capital assets and had no effect on the income statement.

We recommend the Commission continue to review their process and procedures of accruals so they can identify those costs which are incurred prior to fiscal year end.

Management Response

In order to facilitate the year end closing, the Commission currently accrues unrecorded liabilities up to 30 days after year end. The reimbursement of construction draws often results in an extended review process and therefore can exceed 30 days. The Commission does not wish to extend this date; however, it will commit to reviewing individual construction draws on a quarterly basis and recording disbursements to ensure all capital assets are reflected on the balance sheet in the current fiscal year

INFORMATION TECHNOLOGY

Our review of information technology (IT) controls and tests of general controls noted certain areas where the Commission can strengthen their controls. Inadequate IT general controls can place the Commission's financial information and other sensitive information at risk. The following item was noted:

The Commission receives System and Organization Controls (SOC) reports for ADP (payroll services) and Yardi Cloud Services (accounting software). The Commission utilizes third party vendors for their payroll and accounting software services, but internal controls over these processes remain the responsibility of the Commission. SOC reports provide information to the Commission about controls in place at the third party vendors, the effectiveness of those controls, and the controls the Commission should have in place to complement the controls of the third party vendor.

CLA noted that while the Commission obtains copies of these report, there is no documentation indicating a review of the reports. This increases the risk that complementary user entity control considerations (CUEC's) or vulnerabilities existing at the vendor are not properly addressed.

We recommend the Commission maintain and document reviews of all third party servicer provider SOC reports annually to ensure risks are properly monitored.

Management Response

Management acknowledges and agrees with the auditor's comments. The Information Technology division will work with Payroll and the Accounting departments to develop a review process of the annual System and Organization Controls (SOC) reports provided by both ADP and Yardi Cloud Services.

Review of the current year's SOC will be performed by December 1, 2017 and at the end of each calendar year going forward.

LANDLORD OVERPAYMENT (REPEAT)

Landlord overpayments for Housing Choice Voucher participants can occur when tenants move or change units without providing proper notification to the Commission. These overpayments occur on a routine basis throughout the year. When this occurs the Commission seeks reimbursement from the landlord but the timing of repayments depends on how quickly the Commission received notification and when they notified the landlord. A balance due from landlords at the end of each fiscal year is reasonable based on the timing of these factors, but the Commission has some payments due that are older than 1 year and the overall balance has continued to increase. The Commission has established an allowance against certain amounts due them in instances when collection of the balance is uncertain.

We recommend the Commission review and refine their process for halting payments to landlords when tenants vacate a unit so new overpayments do not occur. The Commission should also review the process for requesting repayments from landlords to determine whether it efficiently identifies overpayments and requests repayments. On a monthly basis the Commission should review all amounts due from landlords to assess the need for follow up activity or assignment to a collection agent. This will also help determine whether amounts can be withheld from landlords who receive payments for other tenants.

Management Response:

The Commission acknowledges the landlord receivable balance. Much of the debt is from prior years, commencing from 2008. As such, we vigorously increased our collection efforts. This year letters were sent to 641 landlords requesting reimbursement. Overall collection efforts yielded $41,378. Additionally we executed 25 repayment agreements and referred 93 landlords to three credit bureaus, as they were non-responsive to our communications.

Staff will continue monthly collection efforts and make a concerted effort to reduce overpayments. Existing clients are only permitted to move into new units on the first day of the month to alleviate subsidy overpayments. If the landlord enters into a new rental agreement with a new tenant, the overpayment is recaptured from future housing assistance payments until the debt is paid in full. Additionally, The Commission is considering the implementation of inspection abatements on the first day of the month following the failed inspection. Currently, the abatement is effective the day after the failed inspection, often resulting in an overpayment.

CliftonLarsonAllen LLP

Baltimore, Maryland
DATE OF REPORT

Approval of Renovation Budget and Scope of Work for Public Housing Common Area Amenities at Tobytown and Authorization to Select General Contractor for Renovation of Tobytown Community Clubhouse in Accordance with IFB #2082

POTOMAC

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
JAY SHEPHERD

November 1, 2017

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Executive Summary

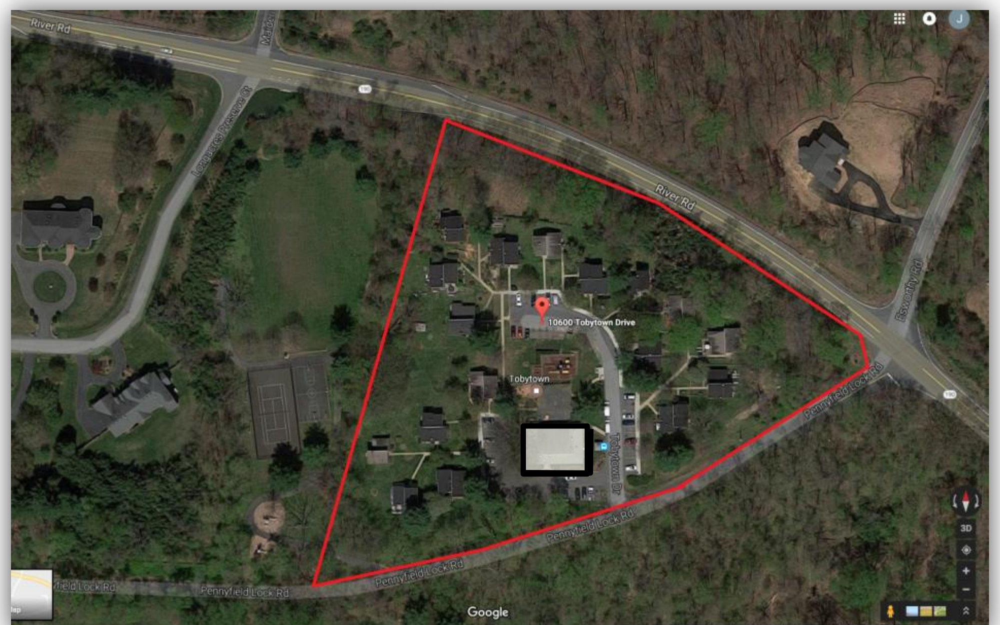
- By November 2017, HOC will have converted nearly all of its former Public Housing units to a Section 8 project-based contract under the U.S. Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program. Complete conversion or sale must be accomplished in order for HOC to remove the regulatory framework of the Public Housing program and promote the Agency's ability to transfer all remaining Public Housing funds to already converted properties.
- Tobytown is a 26-unit residential townhouse development principally located at 12600 Tobytown Drive in Potomac and was developed by HOC around 1972 under the former HUD Turnkey III Public Housing Homeownership program ("Turnkey III"). Turnkey III was so intentional in reducing barriers to homeownership among low-income households that the regulations provided that subsequent homebuyers accrued the "benefit" for some portion of the financial contributions made by initial or previous occupants. Given the age of the development, all properties were anticipated to have been purchased by this point.
- HUD began phasing out the Turnkey III program in 1999 by not accepting new developments or units. As a result, HUD no longer provides Public Housing Operating funds at a level consistent with subsidies provided to traditional Public Housing rental units. HUD has shown interest in working with PHAs, HOC specifically, to develop a strategy to dispose of remaining Turnkey III legacy units.
- In June 2017, as part of the disposition process, the Commission approved a contract award to CBP Constructors, LLC for the renovations contemplated under IFB #2072 to the seven (7) remaining units and in September 2017 the work commenced.
- HOC now seeks approval from the Commission to contract with Visionary Construction Consultants, LLC, selected through a competitive Invitation-to-Bid (IFB) procurement, for renovating the 3,576 square foot Community Clubhouse at 12600 Tobytown Drive.
- Renovations will focus on creating a new main entrance, loft meeting space, and multiple interior like-kind replacements including HVAC (from oil to electric heat pumps), warming kitchen and accessible baths, flooring, lighting, and doors/windows. Exterior improvements will include new roofing, siding, and LED lighting.
- Additionally, HOC will upgrade the common area playground and will complete the disposition in early 2018.
- Staff presented and discussed the Community Clubhouse design at the October 17, 2017 meeting of the Development and Finance Committee. Revisions to the design were provided by the architect in response to the Committee's comments and are reflected in subsequent slides.

Property Overview

Tobytown, circa 1950.

Situated at the corner of River Road and Pennyfield Lock Road in North Potomac, MD, Tobytown was originally founded by emancipated slaves in 1875. Originally, there were 15 houses, most of which were structurally unsound, lacking basic amenities such as indoor plumbing and electricity.

In 1972, capitalizing on HUD's Turnkey III program, the units were demolished and HOC developed 26 replacement units. Currently, 19 units have been purchased; seven units and the common areas of the community, including the clubhouse, continue to be owned by HOC. The seven units are undergoing renovation in preparation for sale to the respective leaseholders.



Aerial view showing location of the Tobytown Community Clubhouse (gray shaded box area).

Tobytown, today.

IFB #2082 – Procurement and Scope of Work

Procurement

On September 12, 2017, HOC issued IFB #2082 Renovation of Community Clubhouse at Tobytown designed to solicit bids from qualified General Contractors who are licensed by the State of Maryland and insured to conduct business within the State of Maryland and Montgomery County.

On September 22, 2017, a non-mandatory pre-bid conference was held at Tobytown and representatives from six firms were present for the conference.

On October 6, 2017, seven qualified (7) bids were received by the HOC Procurement Office.

Existing view of Community Clubhouse, 9/2017

IFB #2082 Scope of Work

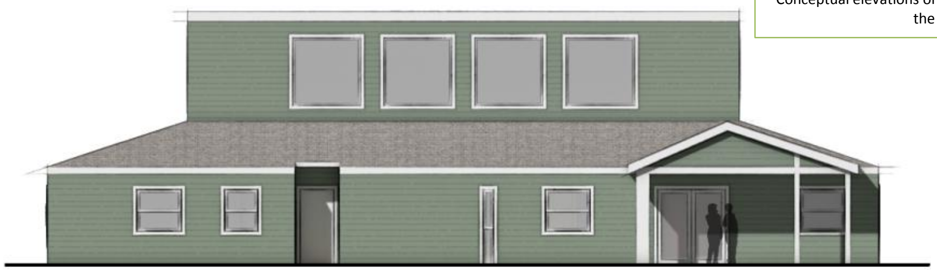
- Roof replacement.
- New mezzanine build out (Additional 281 square feet).
- Window replacement.
- New front entry door & canopy with ramp.
- Electrical and lighting upgrades.
- Rear entry patio doors replacement.
- HVAC replacement. Conversion from heating oil system to high efficient electric heat pump units.
- Clean air ducts and replace grills/registers.
- Interior painting and replacement of interior doors.
- Kitchen cabinets & island, laminate countertops, faucet and sink, new appliances limited to refrigerator and wall oven.
- New GFCI outlets, outlets, smoke detectors.
- Replace Hot Water Heater.
- Flooring: carpet in the offices and upper level and stairs, LVT in main hall and kitchen, tile in bathrooms.
- Bathrooms: standard and fully-accessible.

Conceptual view of Community Clubhouse with new loft meeting space and furniture layout.

Additional Design Considerations

The Development and Finance Committee did not vote on the measure due to shortcomings in the design of the Community Clubhouse. Concerns about the aesthetic design of the front canopy, as well as access to the newly proposed, community supported, loft meeting space area were raised at the meeting held on October 17, 2017. Staff further refined the design elements to reflect and incorporate these concerns.

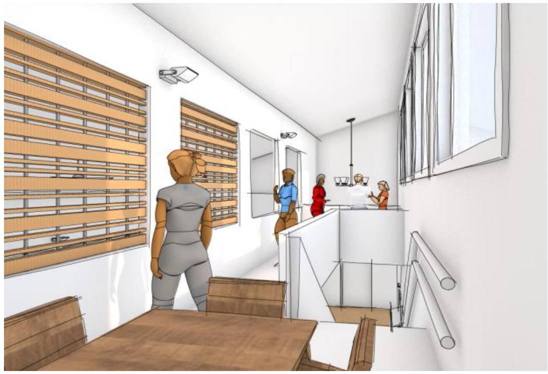
Front Canopy Design: This design incorporates a larger canopy with a more visually-appealing symmetry with the existing roof angles while providing more robust column supports on both ends.



Conceptual elevations of the new front entry canopy that mimics the existing roof lines .

Loft Meeting Space Design: This design incorporates a stair chair to provide better accessibility to the loft area while also adding screens to promote privacy and reduce the likelihood of objects accidently falling onto patrons below.

Two conceptual views of the new loft meeting area and proposed addition of a stair chair to facilitate accessibility. The stair chair can be folded up when not in use.



Conceptual view from the newly constructed loft meeting area showing area of the new loft meeting area and proposed addition of a stair chair to facilitate accessibility.

IFB #2082 – Winning Bidder & Bid Evaluations

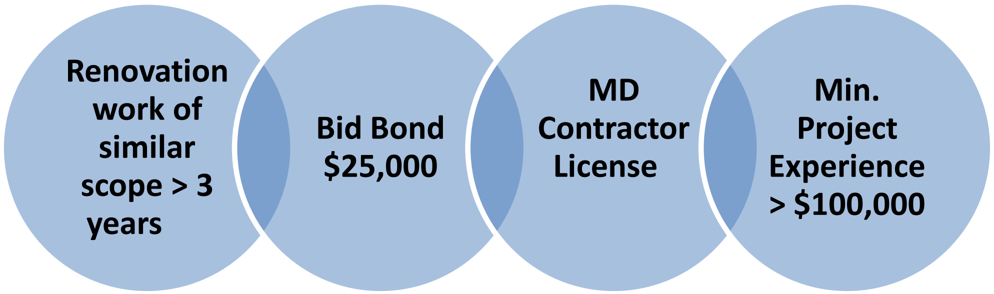
Winning Bidder[1]

Visionary Construction Consultants, LLC
8115 Maple Lawn, Suite 350
Fulton, MD 20759

Bid Tabulation

Name of Contractor	Base Bid[2]
Visionary Construction Consultants, LLC	$458,120
CBP Constructors	$469,872
Nichols Contracting	$561,690
Harris Design and Construction	$641,700
Teto Construction	$702,922
Kane Construction	$746,900
CFI Construction	$954,900

Minimum Bid Requirements



Visionary Construction Consultants, LLC, a small, minority-owned business is a responsible and responsive bidder and is recommended to proceed with the work.

The aforementioned design modifications added subsequent to the IFB, or post-IFB, will be added to the scope of the contractor's bid and paid from the Public Housing Asset Repositioning Fees. On-going maintenance costs of a stair chair will have to be added to the operating budget of the Homeowners Association.

Selection of the low bidder remains unchanged despite the post-IFB design changes by the Commission. The proposed changes are a part of the stakeholder involvement process. These changes are relatively small and represent building material purchases which are expected to be equal across all bidders.

NOTES:

1. **Bid requirements included bidders meet Davis-Bacon requirements to satisfy the funding restrictions enforced under HUD Capital Fund Program ("CFP") and Section 3 required by the federal government on projects greater than $50,000.**

Renovation Funding

Sources and Uses:

Request

$686,000 – **Remaining Budget** to complete the community clubhouse, playground and cemetery improvements. Cost resulting from design changes would increase this estimate.

Funding Sources:

- $189,912 in Federal CFP Funding
- $496,088 in Public Housing Asset Repositioning Fees

$594,936 – **Previously Approved or Expended** capital costs to repair and renovate the seven residential units plus exterior site improvements including sidewalk repairs, parking lot (mill, overlay and restriping) and storm water management.

- $594,936 in CFP Funding

Playground Equipment

Staff solicited the community input for new playground options at Tobytown. Feedback included interest in equipment for all ages, including young adults. Staff has worked with PlayPower LT Farmington (Little Tykes) under a national joint powers alliance contract to procure the equipment.

Existing view of playground, 10/2017

Two conceptual views of the new adult fitness station and playground.

Conceptual view of new playground.

Renovation Schedule

- As of November 2017, HOC has completed renovation to the parking lot, leadwalks and made improvements to the stormwater management of the community. All seven units are also underway with completion of renovation activities in early December 2017.
- Plans for the Clubhouse were developed and submitted for permitting in Summer 2017 and a building permit was approved.
- The 3,295 square foot clubhouse will add a 281 square foot mezzanine level for a variety of activities within the updated community Clubhouse. Work will commence in early January 2018 and finish in March 2018.
- All work will include prevailing Davis Bacon wages, Federal Section 3, and will comply with HOCs background check policy.

Tobytown Renovation -7 units	Month														
Item	Jan - 17	Feb- 17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Parking Lot and stormwater imp.															
7 Unit Procurement & Renovation															
HOA Creation															
Clubhouse Notice to Proceed															
Job Material Procurement															
7 unit Disposition															
Clubhouse Renovation															
Property Transfer to HOA															

Summary and Recommendations

Issues for Consideration

Does the Commission wish to approve the Budget and Scope of Work for renovation of the Tobytown community center, playground, and repairs to the cemetery, totaling approximately $586,000?

Does the Commission wish to approve the selection of Visionary Construction Consultant as the general contractor for the renovation of the Tobytown community center and authorize the Executive Director to execute a contract for $560,000 plus additional costs, if any, related to the design changes?

Time Frame

Action at the November 1, 2017 meeting of the Commission.

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY 2017 or FY2018 budget. Funding for the work will be paid from the Capital Funds Program (CFP) programming budget plus Public Housing Asset Repositioning Fees.

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission approve the Budget and Scope of Work for renovation of the Tobytown community center, playground, and repairs to the cemetery, totaling approximately $686,000, plus additional costs, if any, from design changes.

Staff also recommends that the Commission approve the selection of Visionary Construction Consultant as the general contractor for the renovation of the Tobytown community center and authorize the Executive Director to execute a contract for $560,000, plus additional costs, if any, from design changes?

- Separate contracts will be executed for the playground and cemetery repair work.

RESOLUTION No: 17-79 **RE:** **Approval of Renovation Budget and Scope of Work for Public Housing Common Area Amenities at Tobytown and Authorization to Select General Contractor for Renovation of Tobytown Community Clubhouse in Accordance with IFB #2082.**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") receives funding from the Department of Housing and Urban Development ("HUD") under its Capital Funds Program ("CFP") for use by HOC at its Public Housing properties; and

WHEREAS, Tobytown is a 26-unit residential townhouse development principally located at 12600 Tobytown Drive in Potomac and was developed by HOC around 1972 under the former HUD Turnkey III Public Housing Homeownership program; and

WHEREAS, the HUD Turnkey III program was designed to encourage self-sufficiency through homeownership whereby during the period of tenancy, the family made equity payments based on their household income and maintained their own property such that when a family's income and equity accounts increased to the point where it could obtain permanent financing for the unit, or when the equity account equaled the unamortized debt and closing costs, ownership passed to the family; and

WHEREAS, HUD began phasing out the Turnkey III program in 1999 and by May 31, 2017, ownership had transferred from HOC to the respective families in 19 of the 26 units at Tobytown (73% of the units) and in June 2017, as part of the disposition process, the Commission approved a contract award with CBP Constructors, LLC for the renovations contemplated under IFB #2072 to the seven (7) remaining units and in September 2017 the work commenced; and

WHEREAS, aside from these remaining seven units, HOC owns common areas including a 3,295 square foot community clubhouse, a cemetery, and a playground which were originally built in the early 1970's, and although the clubhouse received intermittent renovation work over the previous 45 years it requires substantial renovation to meet code compliance, current resident usage expectations, and to allow HOC to fully exit the Public Housing regulatory environment; and

WHEREAS, in the CFP Year 23 (federal fiscal year 2014) Federal Capital Funds Program (CFP), HUD authorized $1,762,821, of which $784,848 is available for use at Tobytown to renovate HOCs remaining assets, and up to $496,088,000 available in the Public Housing Asset Repositioning funds to cover additional expenses to renovate and convert the Common area amenities; and

WHEREAS, renovations include code-required work to the clubhouse for front entrance and canopy, loft meeting space, systems, and finish replacements; and

WHEREAS, staff has solicited competitive Invitation-to-Bid (IFB) procurement (IFB #2082 RENOVATION OF TOBYTOWN COMMUNITY CLUBHOUSE IN TOBYTOWN) targeted at small-businesses in Montgomery County and received several compliant responses from seven firms; and

WHEREAS, staff recommends proceeding with the selection of the lowest responsible and responsive bidder, Visionary Construction Consultants, LLC to complete the renovation and fund the contract from residual dedicated CFP and Public Housing Asset Repositioning funds; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Scope of Work for common areas at the Tobytown community is approved and the Executive Director is authorized to award a contract to Visionary Construction Consultants, LLC as contractor for the renovations contemplated under IFB #2082.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to execute a contract with Visionary Construction Consultants LLC for $560,000 plus additional costs, if any, to reflect design changes with final contract numbers to be reported to the Commission when they are known and that such funding will be provided from budgeted HUD Capital Fund Program and Public Housing Asset Repositioning Fee for use by HOC at its Public Housing properties.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on June 7, 2017.

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Patrice M. Birdsong
Special Assistant to the Commission

Future Action

New Business

Adjourn