



EXPANDED AGENDA

October 3, 2018

| | | Res # |
|-----------|--|---------------|
| 4:00 p.m. | I. <u>CONSENT ITEMS</u> | |
| Page 04 | A. Approval of Minutes of September 5, 2018 | |
| | B. Approval of Minutes of September 5, 2018 Administrative Session | |
| | C. Approval of Minutes of September 28, 2018 Special Administrative Session | |
| 15 | D. Approval of Theresa Finney Dumais to the Board of Directors of The Housing Opportunities Community Partners, Inc. | 18-80(pg. 18) |
| 4:05 p.m. | II. <u>INFORMATION EXCHANGE</u> | |
| 20 | A. Report of the Executive Director | |
| 23 | B. Calendar | |
| | C. Commissioner Exchange | |
| | D. Resident Advisory Board | |
| | E. Community Forum | |
| 4:15 p.m. | III. <u>ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION</u> | |
| 25 | A. Ratification of Action taken in Administrative Session on August 14, 2018: Authorization for the Executive Director to Negotiate and Execute a Purchase and Sale Agreement for the Acquisition of Real Property Located in Gaithersburg and Approval of Predevelopment Funding and the Formation of an Ownership Entity | 18-60R(pg 26) |
| 27 | B. Ratification of Action taken in Administrative Session on September 5, 2018: Authorization to Accept at the Time of Closing the Assignment of Purchase and Sale Contracts to Purchase Three Properties Located in Germantown, Olney, and Silver Spring; and Approval of other Related Actions | 18-68R(pg 28) |
| 29 | C. Ratification of Action taken in Administrative Session on September 5, 2018: Approval to Draw on the PNC Bank, N.A. Line of Credit to Fund Conceptual Design and Predevelopment for Property Located in Silver Spring in the Amount of \$264,500 | 18-69R(pg 30) |
| 31 | D. Ratification of Action taken in Administrative Session on September 5, 2018: Approval to Form a New Mezzanine Borrower Entity for Cider Mill Apartments; Approval for the Commission to Exit MV Gateway LLC (“MV Gateway”); Approval for New Mezzanine Borrower to Enter MV Gateway; and Approval to Amend the Operating Agreement for MV Gateway | 18-70R(pg 32) |
| 33 | E. Ratification of Action taken in Special Administrative Session on September 28, 2018: Authorization to Extend the Maturity Date of the Bridge Loan Drawn on the PNC Bank, N.A. Line of Credit for the Acquisition of Cider Mill Apartments | 18-81R(pg 34) |
| 4:35 p.m. | IV. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u> | |
| 4:55 p.m. | A. Budget, Finance and Audit Committee – Com. Nelson, Chair | |
| 37 | 1. Acceptance of Fourth Quarter FY’18 Budget to Actual Statements, and Approval to Transfer Funds from the General Fund Operating Reserve to the General Fund to Balance the FY’18 Budget | 18-72(pg 50) |

| | | |
|-----------|--|---------------|
| 51 | 2. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable (April 1, 2018 – June 30, 2018) | 18-73(pg 56) |
| Page 58 | B. Development and Finance Committee – Com. Simon, Chair | |
| 78 | 1. Approval of the Development Plan for Upton II and Approval to Increase the Predevelopment Budget and a Second Installment of Predevelopment Funding from the Opportunity Housing Reserve Fund (the “OHRF”) to fund Related Expenses | 18-74(pg 76) |
| 84 | 2. Approval of Advance Funds from the Opportunity Housing Reserve Fund (the “OHRF”) for Consulting Services Related to Conversion of The Willows Apartments under Component II of the Rental Assistance Demonstration Program (“RAD”) | 18-75(pg 82) |
| | 3. Approval to Add Freddie Mac HFA Advantage Conventional Mortgage Product to the Single Family Mortgage Purchase Program and Increase the Sales Price and Income Limits for the Program | 18-76(pg 97) |
| 5:15 p.m. | V. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u> | |
| Page 100 | 1. Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP for one additional year | 18-77(pg 103) |
| | VI. <u>*FUTURE ACTION ITEMS</u> | |
| | 1. None | |
| 5:25 p.m. | <u>ADJOURN</u> | |
| 5:30 p.m. | VII. <u>ADMINISTRATIVE SESSION</u> <i>This Administrative Session will be called to order pursuant to Section 3-305(b) (3)(Real Estate) of the Open Meetings Act.</i> | |

NOTES:

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

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

Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

September 5, 2018

18-09

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, September 5, 2018 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:00 p.m. Those in attendance were:

Present

Jackie Simon, Chair
Richard Y. Nelson, Jr., Vice Chair
Margaret McFarland
Pamela Byrd
Roy Priest
Linda Croom

Absent

Edgar Rodriguez, Chair Pro Tem

Also Attending

Stacy L. Spann, Executive Director
Patrick Mattingly
Christina Autin
Ellen Goff
Ethan Cohen
Hyunsuk Choi
Paul Vinciguerra
Zachary Marks
Marcus Ervin
Shauna Sorrells
Ariel Vallecillo
Cornelia Kent
Leidi Reyes

Aisha Memon, Acting General Council
Fred Swan
Victoria Dixon
Rita Harris
Terri Fowler
Terry Sidney
Ali Khademian
Ibrahima Fall
John Vass
Kayrine Brown
Jennifer Arrington
Sheryl Hammond

Resident Advisory Board

Yvonne Caughman

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

IT Support

Rony Joseph
Karlos Taylor

Consent Calendar was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Simon, Nelson, McFarland, Byrd, and Priest. Commissioner Croom abstained. Commissioner Rodriguez was necessarily absent and did not participate in the vote.

I. CONSENT ITEMS

- A. Approval of Minutes of July 11, 2018 regular meeting** - The minutes were approved as submitted.
- B. Approval of Minutes of July 11, 2018 Administrative Session** – The minutes were approved as submitted.
- C. Approval of Minutes of August 14, 2018 Special Session** – The minutes were approved as submitted.
- D. Approval of Minutes of August 14, 2018 Administrative Session** – The minutes were approved as submitted.

II. INFORMATION EXCHANGE

- A.** Report of the Executive Director – Nothing additional to add to the written report. Mr. Spann acknowledge staff outstanding work on the Backpack Drive.
- B.** Commissioner Exchange – Com. Priest attended National Nightout
 - Chair Simon gave an update on Westbard
- C.** Community Forum: Bill Cook, Carol Ehrlick, and Lynn Pekkanen address the Board regarding the African American Cemetery/Westbard.

III. ADMINISTRATIVE AND SPECIAL SESSION RATIFICATIONS

- A. Ratification of Action Taken in Administrative Session on July 11, 2018: Authorization to Complete the Acquisition of the 880 Bonifant Street Site and Approval of the Final Development Plan**

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

RESOLUTION NO.: 18-58R

RE: Authorization to Complete the Acquisition of the 880 Bonifant Street Site and Approval of the Final Development Plan

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, 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, to effectively carry out its business of delivering affordable housing to persons of eligible income, the Commission requires appropriate office space from which to conduct business; and

WHEREAS, at an Administrative Session duly called and held on July 11, 2018, with a quorum present, the Commission duly adopted Resolution 18-58AS, Commissioners McFarland, Priest, and Byrd voting in approval, which authorized the Executive Director to execute and complete of the acquisition of all real property located at 880 Bonifant Street in Silver Spring, Maryland, and approved the final development plan. Commissioner Nelson voted no, Commissioner Simon abstained, and Commissioners Rodriguez and Croom were necessarily absent and did not participate in the vote.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-58R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

B. Ratification of Action Taken in Administrative Session on July 11, 2018: Approval for the Commission to Accept a County Loan for Cider Mill Apartments and Issue a Loan to MV Gateway LLC in the Amount of the County Loan; and Approval for MV Gateway LLC to Accept a Commission Loan in the Amount of the County Loan and Accept a Mezzanine Loan to Complete the Financing

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

RESOLUTION NO.: 18-59R

RE: Approval for the Commission to Accept a County Loan for Cider Mill Apartments and Issue a Loan to MV Gateway LLC in the Amount of the County Loan; and Approval for MV Gateway LLC to Accept a Commission Loan in the Amount of the County Loan and to accept a Mezzanine Loan to Complete the Financing

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, is authorized thereby to effectuate the purpose of providing affordable housing, including providing for the 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, at an Administrative Session duly called and held on July 11, 2018, with a quorum present, the Commission duly adopted Resolution 18-59AS, Commissioners Simon, Nelson, McFarland, Byrd, and Priest voting in approval, which approved the Commission’s acceptance of a County loan and the issuance of a financing commitment in the amount of the County loan to MV Gateway LLC (“MV Gateway”); and, acting in its own capacity and as the sole member of MV Gateway, approved the acceptance by MV Gateway of both a Commission loan in the amount of the

County loan and a mezzanine loan for the permanent financing of Cider Mill Apartments. Commissioners Rodriguez and Croom were necessarily absent and did not participate in the vote.

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 Commission in adopting Resolution 18-59R and any action taken since July 11, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-59R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

C. Ratification of Action Taken in Administrative Session on August 14, 2018: Authorization for the Executive Director to Negotiate and Execute a Purchase and Sale Agreement for the Acquisition of Real Property and Approval of Predevelopment Funding and the Formation of an Ownership Entity

The Resolution was removed no action taken.

IV. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

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

1. Authorization to Submit County FY 20-25 Capital Improvement Program (CIP) Budget

Cornelia Kent, Chief Financial Officer, and Terri Fowler, Budget Officer, were the presenters.

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

RESOLUTION NO.: 18-62

**RE: Authorization to Submit County
FY’20-25 Capital Improvements
Program (CIP) Budget**

WHEREAS, the Housing Opportunities Commission of Montgomery County, Maryland (“HOC”), 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, to carry out and effectuate the purpose of providing affordable housing including providing for the construction and rehabilitation of rental housing properties which provide a public purpose; and

WHEREAS, the Capital Improvements Program (CIP) is a program administered by Montgomery County that provides funds for larger long- term investments in facilities & infrastructure, and affordable housing; and

WHEREAS, HOC receives funds from the CIP to further its purpose in providing affordable housing; and

WHEREAS, the County is considering amendments to the Capital Improvement Plan (CIP) Budget for FY'20-25 (the "Budget"), and requests are due to the Office of Management and Budget by September 11, 2018; and

WHEREAS, HOC has reviewed and desires to submit a request to the County that the Budget (i) continues to fund our current Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements at the \$1,250,000 annual level and, (ii) maintains the current \$1,900,000 funding for the demolition of the Ambassador Apartments and Emory Grove Apartments.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, that it authorizes the submission to the County of a request that the Capital Improvements Program (CIP) Budget for FY'20-25 continue to fund the current Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements at the \$1,250,000 annual level, and maintains the current \$1,900,000 funding for the demolition of the Ambassador Apartments and Emory Grove Apartments.

2. Authorization to Add the Chief Operating Officer as a Fourth Signer to HOC's Bank Accounts

Cornelia Kent, Chief Financial Officer, was the presenter.

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

RESOLUTION NO.: 18-63

RE: Authorization to add the Chief Operating Officer as a Fourth Signer to HOC's Bank Accounts

WHEREAS, the Housing Opportunities Commission of Montgomery County, Maryland ("HOC") has several bank accounts with various banking institutions (the "Accounts"); and

WHEREAS, HOC's Accounts currently have three (3) authorized signatories; the Executive Director, the Chief Financial Officer, and the Chief Investment and Real Estate Officer; and

WHEREAS, a fourth (4) authorized signer should be added to the Accounts in order to ensure an authorized signer is always available; and

WHEREAS, the fourth (4) authorized signer shall be limited to members of the Executive Staff; and

WHEREAS, the Chief Operating Officer is a member of the Executive Staff; and

WHEREAS, the Accounts shall have a maximum of four (4) authorized signers at any point in time.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to add the Chief Operating Officer as an authorized signer to the Accounts, provided that the Accounts shall have a maximum number of four authorized signers at any point in time, all of whom shall be members of the Executive Staff.

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

1. Approval to Select a Pool of General Contractors for Renovations and Unit Turns of Various Scattered Site Properties in Accordance with Request for Qualifications (“RFQ”) #2110

Zachary Marks, Director of Development, and Sheryl Hammond, Planner, were the presenters.

The following resolution was adopted, as amended, upon a motion by Commissioner McFarland and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Simon, Nelson, McFarland, Croom, Byrd, and Priest. Commissioners Rodriguez was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 18-64

RE: Approval to Select a Pool of General Contractors for Renovations and Unit Turns of Various Scattered Site Properties in Accordance with RFQ 2110.

WHEREAS, in furtherance of its mission to provide affordable housing and supportive services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County, Maryland to ensure that no one in Montgomery County is living in substandard housing, the Housing Opportunities Commission of Montgomery County, Maryland (“HOC” or the “Commission”) has begun a renovation program for its scattered site units (“Scattered Sites”); and

WHEREAS, HOC owns and operates approximately 1,600 Scattered Sites throughout Montgomery County, of which approximately 900 units have not had significant updates nor undergone renovation since acquisition and now require differing level of rehabilitation, including full unit renovation (“Unit Renovations”); and

WHEREAS, all Scattered Sites in the portfolio will require some level of renovation upon tenant turnover to prepare the unit for new leases (“Unit Turns”), but such renovation is not expected to be comprehensive nor be completed at the level anticipated for Unit Renovations; and

WHEREAS, to meet the comprehensive Unit Renovations and the ongoing Unit Turns maintenance needs of the Scattered Sites, staff proposed creating a pool of General Contractors to perform required construction services, and as a consequence issued Request for Qualifications No. 2110 (the “RFQ”) on April 23, 2018, soliciting proposals from General Contractors interested in providing these services on an as-needed basis; and

WHEREAS, proposals were timely received from 19 firms and evaluated with numerical points allocated as outlined in the RFQ for Management Skills (50%), Renovation Experience (30%), and Historical Operations (20%); and

WHEREAS, applying the criteria described above to the Unit Renovations submissions, the following 12 firms received a score of 50 or higher: CBP Constructors, LLC; Colossal Contractors, Inc.; Consolidated Commercial Services, LLC; D&A Contractors, Inc.; Earn Contractors, Inc.; FLB Construction, LLC; OMF Contractors, Inc.; Sago Building Management, LLC; SNG Engineering, Inc.; Tito Contractors, Inc.; TNC Implementation Group, LLC; and Visionary Construction Consultants; and

WHEREAS, applying the criteria described above to the Unit Turns submissions, the following 13 firms received a score of 50 or higher: CBP Constructors, LLC; Colossal Contractors, Inc.; D.R.S. Remodeling General Contractor, LLC; Earn Contractors, Inc.; FLB Construction, LLC; J B Antar Improvements, LLC; OMF Contractors, Inc.; Sago Building Management, LLC; SNG Engineering, Inc.; Tito Contractors, Inc.; TNC Implementation Group, LLC; Toossi & Associates, Inc.; and Visionary Construction Consultants;

WHEREAS, contractors accepted into the Unit Turns pool may submit the required documents for consideration for the Unit Renovations pool and upon scoring 50 or above using the criteria previously described and outlined in the RFQ, and with the approval of the Executive Director, may be added to the Unit Renovations pool;

WHEREAS, staff will then solicit bids from contractors within the appropriate pool based on the following criteria: pricing; project schedule; firm's capacity and staff availability; prior experience with HOC, with preference given to contractors without prior experience with HOC; prior experience with Section 3; and certification(s) for MWE/MBE/DBE/SBE acceptable to the Commission;

WHEREAS, initial funding for Unit Renovations will be from the Montgomery County Capital Improvement Program for deeply subsidized units (CIP #P091501), which currently has \$3,265,000 in available funds from prior appropriations, and if future annual appropriation of approximately \$1,250,000 is funded during the Montgomery County budget preparation, the available funds will increase accordingly; and

WHEREAS, funding for the Unit Turns will be from the respective property's current and future Commission-approved capital and operating budgets.

NOW, THEREFORE, BE IT RESOLVED, that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to negotiate and execute contracts with: CBP Constructors, LLC; Colossal Contractors, Inc.; Consolidated Commercial Services, LLC; D&A Contractors, Inc.; Earn Contractors, Inc.; FLB Construction, LLC; OMF Contractors, Inc.; Sago Building Management, LLC; SNG Engineering, Inc.; Tito Contractors, Inc.; TNC Implementation Group, LLC; and Visionary Construction Consultants to create a pool of General Contractors to provide Unit Renovations services as-needed for annual zero-dollar contracts, and that such contracts shall be for an initial two-year term with three optional one year renewals for a maximum term of five years.

BE IT FURTHER RESOLVED, that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to negotiate and execute contracts with: CBP Constructors, LLC; Colossal Contractors, Inc.; D.R.S. Remodeling General Contractor, LLC; Earn Contractors, Inc.; FLB Construction, LLC; J B Antar Improvements, LLC; OMF Contractors, Inc.; Sago Building Management, LLC; SNG Engineering, Inc.; Tito Contractors, Inc.; TNC Implementation Group, LLC; Toossi & Associates, Inc.; and Visionary Construction Consultants; to create a pool of General Contractors to provide Unit Turns services as-needed for annual

zero-dollar contracts, and that such contracts shall be for an initial two-year term with three optional one year renewals for a maximum term of five years.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to include respondents from the Unit Turns pool who have demonstrated successful Unit Turns performance, submitted the required documents as outlined in the RFQ, and scored 50 points or higher into the Unit Renovations pool.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes staff to solicit bids from contractors within the appropriate pool based on the following criteria: pricing; project schedule; firm's capacity and staff availability; prior experience with HOC, with preference given to contractors without prior experience with HOC; prior experience with Section 3; and certification(s) for MWE/MBE/DBE/SBE acceptable to the Commission.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves initial funding for Unit Renovations in the aggregate amount \$3,265,000 from prior years appropriations of Montgomery County Capital Improvement Program ("CIP") funds, plus any future annual appropriation; and approves the funding of Unit Turns contracts from current and future Commission-approved capital and operating budgets for each property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that if a General Contractor's proposed aggregate scope of work for Unit Renovations exceeds the Executive Director's \$250,000 authorization limit, and the units have no previously approved funding, and the renovations cannot be funded with CIP funds, staff must return to the Commission for approval prior to awarding a contract.

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

C. Legislative and Regulatory Committee – Com. Byrd, Chair

1. Revision of HOC's Administrative Plan for the Housing Choice Voucher Program to Add Wait List Related Changes to the Plan

Ethan Cohen, Housing Programs Coordinator, was the presenter.

The following resolution was adopted, as amended, upon a motion by Commissioner Byrd and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Simon, Nelson, McFarland, Croom, Byrd, and Priest. Commissioner Rodriguez was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 18-66

RE: Revision of HOC's Administrative Plan for the Housing Choice Voucher Program to Add Wait List Related Changes to the Plan

WHEREAS, the Housing Opportunities Commission of Montgomery County (Commission) desires to revise its Administrative Plan for the Housing Choice Voucher Program to add wait list related changes to the Plan; and

WHEREAS, a public comment period for this revision to HOC's Administrative Plan for the Housing Choice Voucher Program to add wait list related changes to the Plan began on June 11, 2018 and concluded on September 5, 2018 with a public hearing.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County to adopt provisions for wait list related changes to the Plan, as identified in the revised Plan attached hereto as Exhibit A;

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed, without any further action on its part, to take all actions necessary and proper to incorporate the revisions adopted hereby into the HOC Administrative Plan for the Housing Choice Voucher program and make the wait list related changes to the Plan as contemplated herein.

2. Revision of HOC's Administrative Plan for the Housing Choice Voucher Program to Add Wait List Related Changes to the Plan

Ethan Cohen, Housing Programs Coordinator, was the presenter.

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

RESOLUTION NO.: 18-67

RE: Revision of HOC's Administrative Plan for the Housing Choice Voucher Program to Add Additional Choice Mobility Language and a RAD Turnover Cap for Project-Based Voucher (PBV) and Project-Based Rental Assistance (PBRA) Customers in Accordance with HUD Notice PIH-2012-32 (HA), REV-2

WHEREAS, the Housing Opportunities Commission of Montgomery County (Commission) desires to revise its Administrative Plan for the Housing Choice Voucher Program to add additional Choice Mobility language and a RAD Turnover Cap for Project-Based Voucher (PBV) and Project-Based Rental Assistance (PBRA) customers in accordance with HUD Notice PIH-2012-32 (HA), REV-2; and

WHEREAS, a public comment period for this revision to HOC’s Administrative Plan for the Housing Choice Voucher Program to add additional Choice Mobility language and a RAD Turnover Cap for Project-Based Voucher (PBV) and Project-Based Rental Assistance (PBRA) customers in accordance with HUD Notice PIH-2012-32 (HA), REV-2 began on June 11, 2018 and concluded on September 5, 2018 with a public hearing.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County to adopt provisions for additional Choice Mobility language and a RAD Turnover Cap for Project-Based Voucher (PBV) and Project-Based Rental Assistance (PBRA) customers in accordance with HUD Notice PIH-2012-32 (HA), REV-2, as identified in the revised Plan attached hereto as Exhibit A;

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed, without any further action on its part, to take all actions necessary and proper to incorporate the revisions adopted hereby into the HOC Administrative Plan for the Housing Choice Voucher program and make the Choice Mobility and RAD Turnover Cap changes to the Plan as contemplated herein.

V. **NEW BUSINESS**

1. Approval of Morgan G. Smith to the Board of Directors of The Housing Opportunities Community Partners, Inc.

John Vass, Grants Coordinator, was the presenter.

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

RESOLUTION NO.: 18-71

RE: Approval of the Appointment of Morgan G. Smith to the Board Directors of Housing Opportunities Community Partners, Inc.

WHEREAS, the Housing Opportunities Commission of Montgomery County (“Commission”) approved the creation of the non-profit, Housing Opportunities Community Partners, Inc. (“Community Partners”), in 1999 to support the residents and programs of the Commission; and

WHEREAS, the Board of Community Partners has recommended the appointment of Morgan G. Smith to the Community Partners Board; and

WHEREAS, the Commission is required, by the Community Partners’ by-laws, to approve nominees to the Board of Directors of Community Partners.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Morgan G. Smith is hereby approved and appointed to serve a three-year term on the Board of Directors of Housing Opportunities Community Partners, Inc.

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

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

The open session adjourned at 5:20 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

APPROVAL OF THERESA FINNEY DUMAIS TO THE BOARD OF DIRECTORS OF THE HOUSING OPPORTUNITIES COMMUNITY PARTNERS, INC.

OCTOBER 3, 2018

- Housing Opportunities Community Partners, Inc. (“Community Partners”), a 501c(3) charitable organization, supports residents and resident programs operated by the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”).
- The Commission is required, per Community Partners’ bylaws, to review nominees submitted to fill vacancies of the Board of Directors of Community Partners.
- The Community Partners Board recommends the appointment of Theresa Finney Dumais for a three-year term on the Community Partners Board.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy Spann, Executive Director

FROM: Division: LPA Staff: Shauna Sorrells Ext. 9461

RE: Approval of an appointment to the Board of Directors of Housing Opportunities Community Partners, Inc.

DATE: October 3, 2018

STATUS: Consent Deliberation _____ Status Report _____ Future Action _____

OVERALL OBJECTIVE:

To approve the appointment of Theresa Finney Dumais to the Board of Directors of Housing Opportunities Community Partners, Inc. (“Community Partners”).

BACKGROUND:

Community Partners collaborates with the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) on many programs that assist HOC residents. Thanks to competitive grant funding, Community Partners and HOC have established afterschool Kids’ STEM clubs and camps that bring exciting robotics activities to more than 200 elementary and middle school aged children. Over the years, Community Partners and HOC have helped more than 200 low-income working families purchase refurbished vehicles propelling them to greater self-sufficiency. Community Partners has helped 300 homeless families obtain stable, permanent housing and have provided job search, life and soft skills training services to hundreds of adults helping many of them to secure employment. Also, 17 foster youth successfully transitioned into independence and are still in stable housing.

Community Partners may elect up to seven Board Directors including four designated seats, for an Attorney, Montgomery County low-income resident, Accountant and Marketing Professional. The HOC Commission, in accordance with Community Partners’ by-laws, must approve the final selection of Board Directors. Currently, the *Marketing* seat is vacant. The Community Partners Board recommends the appointment of Theresa Finney Dumais to fill the *Marketing* vacancy on the Board.

ISSUES FOR CONSIDERATION:

Does the Commission wish to appoint the nominee to serve on the Board of Community Partners for a three-year term?

PRINCIPALS:**Theresa Finney Dumais**

Currently, Ms. Finney Dumais is the Director of Government & Industry Relations at Freddie Mac. In this position since April 2018, she provides policy analysis and strategic guidance to Freddie Mac business units and to Freddie Mac's regulator, the Federal Housing Finance Agency, and company leadership on a variety of housing issues and corporate governance.

Before joining Freddie Mac, Ms. Finney Dumais worked four years as the Director of Housing Policy for the House Committee on Financial Services in Maxine Waters' office. There she formulated and oversaw all housing policy strategies and activities for the Minority, including all issues related to affordable rental housing, homelessness, low-income homeownership, housing finance, fair housing homeownership, disaster recovery, appraisal standards, and the racial wealth gap. Previously, for three years she worked as the Legislative & Policy Analyst for the Council of Large Public Housing Authorities (CLPHA), where she conducted rigorous analysis of statutory and regulatory changes affecting HUD's rental housing programs, and provided policy recommendations and legislative action to CLPHA's senior staff, Board of Directors, members, congressional offices, and external stakeholders.

Ms. Finney Dumais holds a Master's Degree in Public Policy & Administration. Because of her extensive work experience in advocating for affordable housing, the Community Partners' Board of Directors recommends her to fill the current vacancy on the Board.

BUDGET IMPACT

None

TIME FRAME:

Commission action is requested at the October 3, 2018 Commission meeting

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve the appointment of Theresa Finney Dumais to serve a three-year term on the Board of Directors of Housing Opportunities Community Partners, Inc.

RESOLUTION NO.: 18-80

**RE: Approval of the Appointment of
Theresa Finney Dumais
to the Board of Directors of the
Housing Opportunities Community Partners, Inc.**

WHEREAS, the Housing Opportunities Commission of Montgomery County (“Commission”) approved the creation of the non-profit, Housing Opportunities Community Partners, Inc. (“Community Partners”), in 1999 to support the residents and programs of the Commission; and

WHEREAS, the Board of Community Partners has recommended the appointment of Theresa Finney Dumais to the Community Partners Board; and

WHEREAS, the Commission is required, by the Community Partners’ by-laws, to approve nominees to the Board of Directors of Community Partners.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Theresa Finney Dumais is hereby approved and appointed to serve a three-year term on the Board of Directors of Housing Opportunities Community Partners, Inc.

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

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

Information Exchange

Community Partners Hosts Second Bi-Annual Inspire Gala



On Wednesday, September 26, 2018, Housing Opportunities Community Partners (HOCP) and HOC held the second bi-annual Inspire Gala at the Fillmore in downtown Silver Spring. The Inspire Gala raises funds to support impactful programming for HOC households, including youth STEM activities, financial literacy training, and emergency grants for those transitioning out of homelessness.

Thanks to the evening's many sponsors, we raised over **\$224,000**, all of which will go toward programs for HOC individuals and families.

The welcome address was provided by Mr. Campbell Martens of Rockin' Jump Gaithersburg, who was awarded a 2018 Inspire Award for his contributions to events that serve our community, including HOC's Back to School Fest and Food for Thought celebrations for youth. The evening was filled with stories from HOC residents who faced obstacles and seized the opportunity to move closer towards their potential. Featured videos included Mr. Dave Chhakchuak who recounted HOCP's role in equipping him with a laptop and adaptive software to continue courses at Montgomery College; Ms. Stephanie Lamarre who provided STEM robotics instruction to promising HOC youth during the summer months; and Mr. Tai Campbell, whose nonprofit organization conducted a summer chess camp for the youth at Towne Centre Place. Those who were unable to join us can view stories from the evening on [HOC's YouTube page](#) or visit www.hocmc.org for more information.

The evening concluded with a proclamation by County Executive Isiah Leggett, who received our Distinguished Inspire Award for his many years of service to the Montgomery County community and support for affordable housing.



Topping Out at Pointe View at Aspen Hill



On Wednesday, September 26, 2018, Pennrose, HOC, Harkins Builders and partners celebrated the topping out for Pointe View at Aspen Hill. Pointe View, scheduled for delivery by April 2019, is a 120-unit mixed-income apartment community for seniors in the Aspen Hill neighborhood. The property is proximately located to retail, health care, and transportation options, in addition to the County's largest senior center. HOC was able to support the development by project-basing 40 former public housing units and placing them at Pointe View – ensuring the property would be accessible to seniors at all income levels.

In attendance and expressing support for the new senior property were County Executive Isiah Leggett and District 4 Councilmember Nancy Navarro, in addition to representatives from the County's

Department of Housing and Community Affairs and the State's Department of Housing and Community Development.

HOC is proud to be part of this effort to ensure even the most vulnerable seniors in our community remain stably housed as they opt to spend their twilight years in the County they call home.



Family Self-Sufficiency Workshops

HOC's Family Self-Sufficiency (FSS) program provides ongoing programming and support for low-income families striving to reach self-sufficiency by increasing their skills, education, and career prospects. During September, the FSS program hosted several workshops focused on financial capacity and career development for participants.

In partnership with Emanuel Brinklow Seventh-Day Adventist Church and BB&T Bank, FSS hosted two workshops designed to help participants build their financial literacy skills. In “Understanding Credit from a Lender’s Perspective,” participants received information and were able to hold a question and answer session with a real lender to better understand issues surrounding access to credit. Topics included a general overview of credit, understanding your credit score, and the pros and cons of credit cards and credit card debt. “The Importance of Budgeting” workshop provided participants with a thorough overview of budgeting tactics they can apply to all of their financial activities.

In partnership with Destination Achievers, FSS held a weekend career development workshop lead by President and Executive Director, Ms. Anne Alston. Ms. Alston has more than 25 years of experience providing career transition, professional development, mentoring and empowerment services to individuals and students throughout the state. Participants were equipped with information on how to successfully manage a job into their desired career. Each workshop participant also received one-on-one coaching and resume review.

At HOC, we recognize the critical importance of community partnerships in providing holistic programming to our customers. We aim to continue providing inclusive programming that addresses customer needs beyond housing, and thank ongoing partners like Emanuel Brinklow for helping customers gain the skills they need to become upwardly mobile.

Stewartown Community Day



Each year, Stewarton Homes in Gaithersburg holds a community event to kick off the school year for HOC residents and the surrounding community. At the end of August 2018, nearly 200 residents and community members attended the Annual Stewartown Homes Community Day in Gaithersburg.

Tables were staffed by Montgomery County Fire and Rescue, the Montgomery County Police Department, Montgomery County Recreation, Head Start, and others to provide important information and answer community questions. The day was filled with food, fun, games and giveaways for all to enjoy.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

October 2018

| | | |
|-------|--|------------|
| 3 | HOC Regular Meeting (<i>All</i>) | 4:00 p.m. |
| 11 | Banor Board Meeting (Simon, Nelson, Priest) – Banor Park Apt. Community Rm., 14635 Bauer Dr., Rockville, MD 20853) | 2:00 p.m. |
| 11 | FSS Graduation (<i>All</i>) – HOC, 10400 Detrick Ave., Kensington, MD | 5:00 p.m. |
| 15 | The Lindley Ribbon Cutting Ceremony (<i>All</i>) – 8405 Chevy Chase Lake Dr., Chevy Chase, MD 20815 | 11:30 a.m. |
| 15 | Resident Advisory Board (Croom) | 6:00 p.m. |
| 16 | Budget, Finance and Audit Committee Meeting – re: Tax Credit & County Operating Budget) (<i>Nelson, Simon, Priest</i>) | 10:00 a.m. |
| 25-27 | NAHRO National Conference - Innovate 2018: IMPLEMENT (<i>All</i>) – Atlanta, GA | |
| 26 | Development and Finance Committee Meeting (<i>Simon, McFarland, Nelson</i>) | 10:00 a.m. |
| 26 | Status/Lunch Meeting w/Executive Director (<i>All</i>) – Location TBD | 12:00 noon |
| 29 | Agenda Formulation (<i>Simon, Byrd</i>) | 12:00 noon |

November 2018

| | | |
|-------|---|------------|
| 7 | Budget, Finance and Audit Committee Meeting – re: Audit Review (<i>Nelson, Simon, Priest</i>) | 2:00 p.m. |
| 7 | Public Hearing (<i>Simon</i>) – re: Administrative Plan Revisions; Amendment to HOC's FY '19 PHA Plan | 3:30 p.m. |
| 7 | HOC Regular Meeting (<i>All</i>) | 4:00 p.m. |
| 12 | Veterans Day (<i>HOC Offices Closed</i>) | |
| 14 | Legislative and Regulatory Committee Meeting (<i>Byrd, Croom, Rodriguez</i>) | 4:00 p.m. |
| 16 | Development and Finance Committee Meeting (<i>Simon, McFarland, Nelson</i>) | 10:00 a.m. |
| 19 | Agenda Formulation (<i>Simon, Byrd</i>) | 12:00 noon |
| 22-23 | Thanksgiving Holiday (<i>HOC Office Closed</i>) | |

December 2018

| | | |
|----|--|------------|
| 5 | HOC Regular Meeting (<i>All</i>) | 4:00 p.m. |
| 12 | Budget, Finance and Audit Committee Meeting – re: 1 st Quarter (<i>Nelson, Simon, Priest</i>) | 10:00 a.m. |
| 14 | Development and Finance Committee Meeting (<i>Simon, McFarland, Nelson</i>) | 10:00 a.m. |
| 14 | Status/Lunch Meeting w/Executive Director (<i>All</i>) – Location TBD | 12:00 noon |
| 17 | Agenda Formulation (<i>Simon, Rodriguez</i>) | 12:00 noon |
| 25 | Christmas Holiday (<i>HOC Offices Closed</i>) | |

January 2019

| | | |
|---|------------------------------------|-----------|
| 9 | HOC Regular Meeting (<i>All</i>) | 4:00 p.m. |
|---|------------------------------------|-----------|

Activities of Interest

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

Administrative Session Ratifications

RATIFICATION OF ACTION TAKEN IN ADMINISTRATIVE SESSION ON

AUGUST 14, 2018:

RATIFICATION OF AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE A PURCHASE AND SALE AGREEMENT FOR THE ACQUISITION OF REAL PROPERTY LOCATED IN GAITHERSBURG AND APPROVAL OF PREDEVELOPMENT FUNDING AND THE FORMATION OF AN OWNERSHIP ENTITY

OCTOBER 3, 2018

- At an Administrative Session held on August 14, 2018, the Commission adopted Resolution 18-60AS in which the Commission authorized the execution of a Purchase Agreement for the acquisition of real property located in Gaithersburg, Maryland; a loan from the Opportunity Housing Reserve Fund for the earnest money deposit and due diligence costs; the deposit of earnest money funds; and the creation of a single purpose entity for the purposes of acquiring and holding the property.
- 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 August 14, 2018 Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 18-60R

RE: Authorization for the Executive Director to Negotiate and Execute a Purchase and Sale Agreement for the Acquisition of Real Property Located in Gaithersburg and Approval of Predevelopment Funding and the Formation of an Ownership Entity.

WHEREAS, the Housing Opportunities Commission of Montgomery County, Maryland (the “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, to carry out and effectuate the purpose of providing affordable housing; and

WHEREAS, to effect its corporate purpose, the Commission routinely acquires land and buildings in Montgomery County, Maryland for the development or preservation of multifamily housing developments that serve eligible households; and

WHEREAS, at an Administrative Session duly called and held on August 14, 2018, with a quorum present, the Commission duly adopted Resolution 18-60AS, Commissioners Simon, McFarland, and Priest voting in approval, which approved the execution of the Purchase Agreement for real property located in Gaithersburg, Maryland; approved a loan of from the Opportunity Housing Reserve Fund for an earnest money deposit and due diligence costs; approved the deposit of earnest money; and approved the creation of a single purpose entity for the purposes of acquiring and holding the property. Commissioner Nelson abstained and Commissioners Rodriguez, Croom, and Byrd were necessarily absent and did not participate in the vote.

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 18-60R and any action taken since August 14, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-60R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

RATIFICATION OF ACTION TAKEN IN ADMINISTRATIVE SESSION ON

SEPTEMBER 5, 2018:

RATIFICATION OF AUTHORIZATION TO ACCEPT AT THE TIME OF CLOSING THE ASSIGNMENT OF PURCHASE AND SALE CONTRACTS TO PURCHASE THREE PROPERTIES LOCATED IN GERMANTOWN, OLNEY, AND SILVER SPRING; AND APPROVAL OF OTHER RELATED ACTIONS

OCTOBER 3, 2018

- At an Administrative Session held on September 5, 2018, the Commission adopted Resolution 18-68AS in which the Commission:
 1. Authorized the Executive Director to accept at the time of closing the assignment of three purchase and sale contracts for the acquisition of three properties located in Germantown, Olney, and Silver Spring; to retain a management company for each property; and to create three single-purpose entities for the purpose of acquiring the properties.
 2. Approved a loan from the Opportunity Housing Reserve Fund to be used for due diligence activities related to the acquisition of the three properties.
 3. Authorized the restriction of property cash flow to each of the respective properties.
- 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 September 5, 2018 Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 18-68R

RE: Authorization to Accept at the Time of Closing the Assignment of Purchase and Sale Contracts to Purchase Three Properties Located in Germantown, Olney, and Silver Spring; and Approval of Other Related Actions

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

WHEREAS, at an Administrative Session duly called and held on September 5, 2018, with a quorum present, the Commission duly adopted Resolution 18-68AS, with Commissioners Simon, McFarland, Priest, Nelson, Croom, and Byrd voting in approval, which approved (1) the acceptance at the time of closing the assignment of three purchase and sale contracts for the acquisition of three properties located in Germantown, Olney, and Silver Spring; (2) retaining a management company for each property; (3) creating three single-purpose entities for the purpose of acquiring the properties; (4) a loan from the Opportunity Housing Reserve Fund to be used for due diligence activities; and (5) restricting the properties’ cash flow to each of the respective properties. Commissioner Rodriguez was necessarily absent and did not participate in the vote.

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 18-68R and any action taken since September 5, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-68R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

RATIFICATION OF ACTION TAKEN IN ADMINISTRATIVE SESSION ON

SEPTEMBER 5, 2018:

RATIFICATION OF APPROVAL TO DRAW ON THE PNC BANK, N.A. LINE OF CREDIT TO FUND CONCEPTUAL DESIGN AND PREDEVELOPMENT FOR PROPERTY LOCATED IN SILVER SPRING IN THE AMOUNT OF \$264,500

OCTOBER 3, 2018

- At an Administrative Session held on September 5, 2018, the Commission adopted Resolution 18-69AS in which the Commission authorized a draw of \$264,500 on the PNC Bank, N.A. Line of Credit to fund feasibility and concept studies for a property located in Silver Spring.
- 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 September 5, 2018 Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 18-69R

RE: Approval to Draw on the PNC Bank, N.A. Line of Credit to Fund Conceptual Design and Predevelopment for Property located in Silver Spring in the Amount of \$264,500

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) is studying property located in Silver Spring, MD (the “Property”) to potentially acquire or lease; and

WHEREAS, the Commission wishes to begin feasibility and concept studies for the Property in advance of acquisition or lease, and the cost of such studies is estimated to be \$264,500; and

WHEREAS, the Commission may make draws on the PNC Bank, N.A. Line of Credit (the “LOC”); and

WHEREAS, at an Administrative Session duly called and held on September 5, 2018, with a quorum present, the Commission duly adopted Resolution 18-69AS, with Commissioners Simon, McFarland, Priest, Nelson, Croom, and Byrd voting in approval, which approved the draw of \$264,500 on the LOC to fund feasibility and concept studies for the Property. Commissioner Rodriguez was necessarily absent and did not participate in the vote.

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 18-69R and any action taken since September 5, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-69R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

RATIFICATION OF ACTION TAKEN IN ADMINISTRATIVE SESSION ON

SEPTEMBER 5, 2018:

RATIFICATION OF APPROVAL TO FORM A NEW MEZZANINE BORROWER ENTITY FOR CIDER MILL APARTMENTS; APPROVAL FOR THE COMMISSION TO EXIT MV GATEWAY LLC (“MV GATEWAY”); APPROVAL FOR NEW MEZZANINE BORROWER TO ENTER MV GATEWAY; AND APPROVAL TO AMEND THE OPERATING AGREEMENT FOR MV GATEWAY

OCTOBER 3, 2018

- At an Administrative Session held on September 5, 2018, the Commission adopted Resolution 18-70AS in which the Commission:
 1. Authorized the creation of a new mezzanine borrower entity (“New Borrower”).
 2. Acting in its own capacity and as the sole member of MV Gateway LLC (“MV Gateway”), authorized the Executive Director to (A) relinquish the Commission’s membership interest in MV Gateway; (B) accept New Borrower as a member of MV Gateway; and (C) amend the Operating Agreement of MV Gateway.
- 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 September 5, 2018 Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 18-70R

RE: Approval to Form a New Mezzanine Borrower Entity for Cider Mill Apartments; Approval for the Commission to Exit MV Gateway LLC (“MV Gateway”); Approval for New Mezzanine Borrower to Enter MV Gateway; and Approval to Amend the Operating Agreement for MV Gateway

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

WHEREAS, at an Administrative Session duly called and held on September 5, 2018, with a quorum present, the Commission duly adopted Resolution 18-70AS, with Commissioners Simon, McFarland, Priest, Nelson, Croom, and Byrd voting in approval, in which the Commission approved the creation of a new mezzanine borrower entity (“New Borrower”); and the Commission, acting in its own capacity and in its capacity as sole member of MV Gateway LLC (“MV Gateway”), approved relinquishing its interest in MV Gateway, accepting New Borrower as a member of MV Gateway, and amending the Operating Agreement of MV Gateway. Commissioner Rodriguez was necessarily absent and did not participate in the vote.

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 18-70R and any action taken since September 5, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-70R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

**RATIFICATION OF ACTION TAKEN IN SPECIAL ADMINISTRATIVE
SESSION ON**

SEPTEMBER 28, 2018:

**RATIFICATION OF AUTHORIZATION TO EXTEND THE MATURITY DATE
OF THE BRIDGE LOAN DRAWN ON THE PNC BANK, N.A. LINE OF CREDIT
FOR THE ACQUISITION OF CIDER MILL APARTMENTS**

OCTOBER 3, 2018

- At a Special Administrative Session held on September 28, 2018, the Commission adopted Resolution 18-81AS in which the Commission authorized extending the maturity date of the PNC Bank, N.A. Line of Credit Bridge Loan until December 31, 2018.
- 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 September 28, 2018 Special Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Special Administrative Session with respect to the approved transaction.

RESOLUTION: 18-81R

RE: Authorization to Extend the Maturity Date of the Bridge Loan Drawn on the PNC Bank, N.A. Line of Credit for the Acquisition of Cider Mill Apartments

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

WHEREAS, at a Special Administrative Session duly called and held on September 28, 2018, with a quorum present, the Commission duly adopted Resolution 18-81AS, with Commissioners Simon, Priest, Nelson, and Byrd voting in approval, in which the Commission approved extending the maturity date of the PNC Bank, N.A. Line of Credit Bridge Loan until December 31, 2018. Commissioners Rodriguez, McFarland, and Croom were necessarily absent and did not participate in the vote.

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 18-81R and any action taken since September 28, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-81R, and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

ACCEPTANCE OF FOURTH QUARTER FY'18 BUDGET TO ACTUAL STATEMENTS, AND APPROVAL TO TRANSFER FUNDS FROM THE GENERAL FUND OPERATING RESERVE TO THE GENERAL FUND TO BALANCE THE FY'18 BUDGET

October 3, 2018

- The Agency ended the year with a net cash deficit of \$181,678, which equates to 0.07% of the total operating budget of \$246,899,229 and 0.11% of the total adjusted operating budget of \$164,355,093 which excludes Housing Assistance Payments (HAP).
- The primary causes were lower than anticipated income in the General Fund coupled with lower than projected cash flow in the unrestricted Development Corporations, as a result of property performance, which is reflected as fee income in the General Fund.
- At the end of the year, several of the unrestricted properties in the Opportunity Housing fund exceeded budget expectations; however, the overall recognizable cash flow to the Agency did not meet budget due to shortfalls in the majority of the unrestricted properties.
- The Public Housing Program ended FY '18 with a deficit of \$77,573 primarily as a result of greater than anticipated expenses that were partially offset by higher subsidies due to a higher pro-ration factor coupled with the continued receipt of Asset Repositioning Fees for some of the converted scattered site units. There are sufficient funds in the program to cover the shortfall.
- The Housing Choice Voucher Program (HCVP) ended the year with an administrative surplus of \$819,068 as a result of higher administrative fees coupled with savings in expenses. The administrative surplus will be restricted to the program for future administrative costs.
- The FY'18 Agency budget projected a surplus of \$881,735 to be contributed to the General Fund Operating Reserve (GFOR). Staff recommends that the budgeted contribution to the GFOR not be made and that a draw of \$181,678 be taken from the GFOR to balance the Agency budget.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
 Terri Fowler Ext. 9507

RE: Acceptance of Fourth Quarter FY'18 Budget to Actual Statements, and Approval to Transfer Funds from the General Fund Operating Reserve to the General Fund to Balance the FY'18 Budget

DATE: October 3, 2018

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:

Acceptance of the Fourth Quarter FY'18 Budget to Actual Statements and Approval to Balance the FY'18 Budget.

BACKGROUND:

In accordance with the Commission's budget policy, the Executive Director will present the budget to actual statements and amendments to the Budget, Finance and Audit Committee on a Quarterly basis. The Budget, Finance and Audit Committee will review any proposed budget amendments and make a recommendation to the full Commission.

ISSUES FOR CONSIDERATION:

To assess the financial performance of the Agency for the fourth quarter of FY'18 against the budget for the same period.

BUDGET IMPACT:

Please see Discussion section of the memo for the budget impact of recommended actions for FY'18.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the Fourth Quarter Budget to Actual Statements at the September 18, 2018 Committee meeting. Commission actions is requested at the October 3, 2018 meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission acceptance of the Fourth Quarter FY'18 Budget to Actual Statements and approval to transfer funds from the General Fund Operating Reserve to the General Fund to balance the FY'18 Budget.

DISCUSSION – FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the fourth quarter of FY'18 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

HOC overall (see Attachment A)

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

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

The Commission approves the revenue and expenses and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'18 Fourth Quarter Capital Budget to Actual Comparison.

The Agency ended the year with a net cash deficit of \$181,678 which equates to .07% of the total operating budget of \$246,899,229 and 0.11% of the total adjusted operating budget of \$164,355,093 which excludes Housing Assistance Payments (HAP). It is important to note that the FY'18 Amended Budget assumed a contribution to the General Fund Operating Reserve of \$881,235. If the contribution were made, the net cash deficit for FY'18 would be \$1,062,913, which equates to .43% of the total operating budget and .65% of the total adjusted operating budget less HAP. The primary causes were lower than anticipated income in the General Fund (see General Fund) coupled with lower than projected cash flow in the unrestricted Development Corporations, as a result of property performance (see Opportunity Housing Fund), that is reflected as fee income in the General Fund.

Explanations of major variances by fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the year with a deficit of \$909,984 which resulted in a positive variance of \$498,675 when compared to the projected deficit of \$1,408,649.

As of June 30, 2018, income in the General Fund was \$304,595 higher than budgeted. If we were to exclude the \$2,558,256 received by properties with debt on the Real Estate Line of Credit (RELOC), income in the General Fund would have been \$2,253,661 less than budget. The interest is paid by the properties to the General Fund and then reflected as interest expense in the General Fund when paid to PNC Bank, N.A. (PNC). Ideally, the timing of the receipt of interest income from the properties and the interest expense paid to PNC from the General Fund should offset one another and are therefore not budgeted. The amount of interest income and expense was significantly higher than previous years as a result of delays in the refinancing of Timberlawn and Pomander Court, delays in the financing for VPC One and VPC Two, and the acquisition of Cider Mill.

The negative income variance is primarily due to delays in the receipt of budgeted development and commitment fees. The FY'18 amended budget projected \$2,694,927 of development and commitment fee income for the year. However, \$1,062,520 in development fees and \$460,015 in commitment fees to the general fund were not realized in FY'18. This was primarily due to delays in the receipt of fees from various development projects, due to changes in the timing and scope of the projects, that were partially offset by the unbudgeted commitment fees received from Hillside, Timberlawn and Pomander Court, and Woodfield Commons coupled with the unplanned receipt of development fees from Woodfield Commons, Park View at Aspen Hill, and deferred development fees from MetroPointe and Forest Oak Towers. Receipt of the majority of delayed commitment and development fees was incorporated in the FY'19 Adopted Budget. Furthermore, cash flow to the General Fund in the form of Development Corporation Fees from the unrestricted Development Corporations was \$639,234 less than projected (See Opportunity Housing).

Expenses in the General Fund were \$194,079 less than budgeted. As referenced above, if we were to exclude the interest expense of \$2,523,217 paid on the PNC RELOC account, expenses in the General Fund would have been \$2,717,296 less than budget. The primary reasons for the positive expense variance were savings in administrative salaries and benefits due to position vacancies and staff turnover, employee training costs, food, travel, computer software expenses, and utilities. In addition, the budgeted contribution of surplus funds to the GFOR of \$881,235 was not made due to the anticipated shortfall of revenue in the General Fund.

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

The Multifamily Bond Fund draw for FY'18 was reduced by the \$216,989 of savings left in the fund at FY'17 year-end. As a result of savings in administrative salaries and benefits, and legal expenses, the fund ended the year with a positive expense variance of \$94,595. This savings in expenses offset by the reduced bond draw results in a year-end shortfall of \$122,394 (\$94,595 savings in expenses less \$216,989 reduction in the draw). Staff is recommending that the budgeted draw for FY'19 for the Multifamily Bond Fund be reduced by the remaining cumulative savings of \$94,595 (\$216,989 - \$122,394).

| Multifamily Bond Fund | |
|------------------------------------|---------------|
| Cumulative Surplus | Amount |
| At June 30, 2017 | \$216,989 |
| FY'18 Year End Surplus/(Shortfall) | (\$122,394) |
| At June 30, 2018 | \$94,595 |

The Single Family Bond Fund draw for FY'18 was reduced by the \$59,716 of savings left in the fund at FY'17 year-end. As a result of savings in administrative salaries and benefits, legal and financial services, and trustee fees, the fund ended the year with a positive expense variance of \$102,031. This savings in expenses offset by the reduced bond draw results in a year-end surplus of \$42,315 (\$102,031 savings in expenses less \$59,716 reduction in the draw). Staff is recommending that the budgeted draw for FY'18 for the Single Family Bond Fund be reduced by the cumulative savings of \$102,031 (\$59,716 + \$42,315).

| Single Family Bond Fund | |
|------------------------------------|---------------|
| Cumulative Surplus | Amount |
| At June 30, 2017 | \$59,716 |
| FY'18 Year End Surplus/(Shortfall) | \$42,315 |
| At June 30, 2018 | \$102,031 |

The Opportunity Housing Fund

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

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'18 Operating Budget. It should be noted that several of these properties also had a portion of operating cash flow restricted for various reasons. For properties that did not meet their total cash flow expectations and also had partially restricted cash flow – **Alexander House, The Metropolitan, VPC One Corp, and VPC Two Corp.** – the Development Corporation fee has been recognized, by property, up to the lesser of the amount budgeted or generated, and any remaining cash flow was then restricted. This group ended the year with cash flow of \$7,133,667 or \$58,865 less than projected. It should be noted that we can only recognize revenue up to the amount budgeted for each property. Several of the properties in this portfolio exceeded budgeted cash flow; however, when we exclude the extra income earned on properties exceeding their budgets, the year's recognizable cash flow is \$6,177,636 or \$897,166 below budget.

Unrestricted Development Corporations

| | (12 Months) | (12 Months) | | (12 Months) |
|------------------------------------|----------------------|-------------------------------|--------------------------|------------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Adjusted</u> |
| Alexander House | \$500,000 | \$342,541 | (\$157,459) | \$342,541 |
| The Barclay | \$18,763 | \$90,079 | \$71,316 ⁽¹⁾ | \$18,763 |
| Glenmont Westerly | \$61,439 | \$89,562 | \$28,123 ⁽¹⁾ | \$61,439 |
| Magruder's Discovery | \$827,700 | \$771,673 | (\$56,027) | \$771,673 |
| The Metropolitan | \$940,808 | \$940,808 | \$0 | \$940,808 |
| Montgomery Arms | \$386,135 | \$391,912 | \$5,777 ⁽¹⁾ | \$386,135 |
| TPM - 59 MPDUs | \$377,938 | \$439,569 | \$61,631 ⁽¹⁾ | \$377,938 |
| Paddington Square | \$429,178 | \$563,921 | \$134,743 ⁽¹⁾ | \$429,178 |
| TPP LLC Pomander Court | (\$26,557) | \$123,051 | \$149,608 ⁽¹⁾ | \$0 |
| Pooks Hill High-Rise | \$452,634 | \$448,723 | (\$3,911) | \$448,723 |
| Scattered Site One Dev. Corp. | \$398,329 | \$158,370 | (\$239,959) | \$158,370 |
| Scattered Site Two Dev. Corp. | (\$278) | (\$54,964) | (\$54,686) | (\$54,964) |
| Sligo Development Corp. | \$69,220 | \$12,400 | (\$56,820) | \$12,400 |
| TPP LLC Timberlawn | \$220,679 | \$752,069 | \$531,390 ⁽¹⁾ | \$220,679 |
| VPC One Corp. | \$1,367,693 | \$1,367,693 | \$0 | \$1,367,693 |
| VPC Two Corp. | \$899,109 | \$899,109 | \$0 | \$899,109 |
| RAD 6 Total | \$152,012 | (\$202,849) | (\$354,861) | (\$202,849) |
| Ken Gar | \$22,513 | \$7,007 | (\$15,506) | \$7,007 |
| Parkway Woods | \$29,079 | \$8,926 | (\$20,153) | \$8,926 |
| Sandy Spring Meadow | \$22,814 | (\$7,294) | (\$30,108) | (\$7,294) |
| Seneca Ridge | (\$47,479) | (\$172,940) | (\$125,461) | (\$172,940) |
| Towne Centre Place | \$31,165 | \$27,859 | (\$3,306) | \$27,859 |
| Washington Square | \$93,920 | (\$66,407) | (\$160,327) | (\$66,407) |
| Subtotal | \$7,074,802 | \$7,133,667 | \$58,865 | \$6,177,636 |
| | | Recognizable Cash Flow | | (\$897,166) |

Notes:

(1) - Properties exceeding budgeted cash flow.

Alexander House ended the year with a negative cash flow variance of \$2,005,017 (\$157,459 + \$1,847,558) primarily as a result of the high vacancy loss during renovations. **The Barclay** exceeded the budget by \$71,316 mainly due to lower concessions coupled with savings in administrative staff costs. Cash flow for **Glenmont Westerly** was \$86,846 (\$28,123 + \$58,723) more than anticipated mostly driven by savings in administrative staff costs, advertising due to lower vacancies, utilities, and maintenance expenses. **Magruder's Discovery** had a negative variance of \$56,027 mainly driven by higher staffing costs and maintenance expenses exceeding budget as a result of required repairs based on the Real Estate Assessment Center (REAC) inspection coupled with slightly lower gross rental income that was partially offset by a larger than projected transfer of County utility funding to the property. **The Metropolitan** ended the year with negative variance of \$247,048 (\$0 + \$247,048) as a result of higher vacancies, both tenant and retail, and lower than anticipated corporate furniture rental and parking income coupled with higher than anticipated staffing costs, maintenance and tenant bad debt expenses that were partially offset by a savings in

utilities. Cash flow for **Paddington Square** was \$134,743 higher than anticipated as a result of lower concessions and vacancies coupled with savings in administrative and maintenance expenses. These positive variances at the property were partially offset by slightly lower gross rents and higher tenant bad debt expense. Cash flow for **Pomander Court** was \$149,608 higher than anticipated **primarily** due to delay in financing which resulted in savings in debt service payments. **Scattered Site One Development Corporation** experienced a negative cash flow variance of \$239,959 mainly driven by lower gross rents and higher vacancies coupled with higher than anticipated administrative staff costs, maintenance expenses and tenant bad debt. **Scattered Site Two Development Corporation** experienced a negative cash flow variance of \$54,686 largely due to lower gross rents and higher vacancies. **Sligo Development Corporation** had a negative \$56,820 cash flow mainly driven by higher than anticipated vacancies loss. **TPP – LLC Timberlawn** exceeded budget by \$531,390 mainly as a result of savings in debt service payments resulting from the delay in the refinancing of Timberlawn and Pomander Court.

VPC One and **VPC Two Development Corporation** ended the year with negative cash flow variances of \$265,303 and \$164,845, respectively. The FY'18 Amended Budgets for both properties restricted a portion of the projected cash flow to minimize the impact of any negative variances experienced during the continued lease-up efforts at the properties. Several factors contributed to the negative cash flow variances. The budgets assumed draws from each property's Debt Service Reserve (DSR) of \$451,761 and \$354,372, respectively, to ensure that the Agency would be able to fully recognize the budgeted development corporation fee income from the properties. In addition, it was anticipated that both **VPC One** and **VPC Two** would be refinanced and the debt on the RELOC paid off. This did not occur until February resulting in continued deposits to each property's debt service reserves. Finally, in order to minimize the back and forth movement to and from the DSRs, a decision was made to cease contributions to the reserves until year-end and to only deposit a total amount equal to the difference between total net cash flow performance for the year and the budgeted development corporation fees to the Agency. As a result of these changes, both income and expenses at each property were less than budget to reflect the elimination of the draw from the reserves and cumulative savings in debt service.

If we were to remove the impacts of the not making the planned draw from the DSRs and savings in debt service, actual performance at each property would have produced negative cash flow variances of \$388,805 and \$142,427 for VPC One and VPC Two, respectively, as displayed in the following chart.

| | FY'18 Variance | | |
|---|-------------------|--------------------|--------------------|
| | Income | Expenses | Net Cash Flow |
| VPC One | (\$513,075) | \$247,772 | (\$265,303) |
| Remove planned draw from Debt Service Reserve | \$451,761 | | \$451,761 |
| Remove impact of savings in Debt Service | | (\$575,263) | (\$575,263) |
| Revised Variance | (\$61,314) | (\$327,491) | (\$388,805) |
| VPC One | (\$433,871) | \$269,026 | (\$164,845) |
| Remove planned draw from Debt Service Reserve | \$354,372 | | \$354,372 |
| Remove impact of savings in Debt Service | | (\$331,954) | (\$331,954) |
| Revised Variance | (\$79,499) | (\$62,928) | (\$142,427) |

Occupancy at both **VPC One** and **VPC Two Corporations** has remained stable averaging 95% for FY'18 compared to the budget of 92%. However, income at both properties was lower than anticipated for the year primarily as a result of the lower rents and higher concessions offered to increase and maintain occupancy. In addition, both properties experienced an increase in administrative and maintenance costs to support lease-up and maintain occupancy coupled with higher tenant bad debt.

For FY'18, the Agency budgeted to use 50% of the cash generated by the **RAD 6** properties (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square). The RAD 6 properties ended the year with a negative variance of \$405,698 (\$202,849 + \$204,849) which consisted primarily of negative variances at **Seneca Ridge** and **Washington Square**. **Seneca Ridge** ended the year with a negative cash flow variance of \$345,880 (\$172,940 + \$172,940) mainly due to higher than anticipated vacancy and lower gross rents coupled with greater than anticipated utility, maintenance tenant bad debt expenses. Cash flow for **Washington Square** was \$132,814 (\$66,407 + \$66,407) lower than projected largely due to higher vacancy and lower gross rents coupled with higher than anticipated administrative, utility and maintenance costs. It should be noted that occupancy at Washington Square improved to 92% by year-end. The total net unbudgeted loss on the **RAD 6** will be covered by unrestricted cash flow from other properties in the Opportunity Housing portfolio.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'18 Operating Budget. Cash flow from this group of Development Corporation properties was \$2,775,748 less than budgeted. The negative cash flows are primarily the result of the negative variances related to properties that were partially restricted (see above for explanations).

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

- The first group consists of properties whose unrestricted net cash flow will be used for the Agency’s FY’18 Operating Budget. This group ended the year with cash flow of \$1,270,450 or \$160,875 less than budgeted. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter’s recognizable cash flow for this group is \$1,242,675 or \$188,650 below budget.

Unrestricted Opportunity Housing Properties

| | (12 Months) | (12 Months) | | (12 Months) |
|-----------------------------|----------------------|-------------------------------|-------------------------|------------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Adjusted</u> |
| 64 MPDUs | \$88,962 | \$68,026 | (\$20,936) | \$68,026 |
| Chelsea Towers | \$71,568 | \$52,074 | (\$19,494) | \$52,074 |
| Fairfax Court | \$74,116 | \$80,921 | \$6,805 ⁽¹⁾ | \$74,116 |
| Holiday Park | \$74,812 | \$63,131 | (\$11,681) | \$63,131 |
| Jubilee Falling Creek | \$10,056 | \$16,519 | \$6,463 ⁽¹⁾ | \$10,056 |
| Jubilee Hermitage | \$5,695 | \$6,159 | \$464 ⁽¹⁾ | \$5,695 |
| Jubilee Horizon Court | \$7,765 | (\$1,294) | (\$9,059) | (\$1,294) |
| Jubilee Woodedge | \$9,486 | \$7,388 | (\$2,098) | \$7,388 |
| McHome | \$129,302 | \$104,964 | (\$24,338) | \$104,964 |
| McKendree | \$37,029 | \$51,072 | \$14,043 ⁽¹⁾ | \$37,029 |
| MHLP VII | \$168,712 | \$88,498 | (\$80,214) | \$88,498 |
| MHLP VIII | \$197,867 | \$191,372 | (\$6,495) | \$191,372 |
| MPDU 2007 Phase II | \$30,168 | \$25,937 | (\$4,231) | \$25,937 |
| Pooks Hill Mid-Rise | \$173,508 | \$172,686 | (\$822) | \$172,686 |
| Strathmore Court | \$352,279 | \$342,997 | (\$9,282) | \$342,997 |
| Subtotal | \$1,431,325 | \$1,270,450 | (\$160,875) | \$1,242,675 |
| | | Recognizable Cash Flow | | (\$188,650) |

Notes:

(1) - Properties exceeding budgeted cash flow.

- A few properties in this portfolio experienced small negative income variances that were offset by savings in expenses. **64 MPDUs** ended the year with a negative cash flow variance of \$20,936 as a result of slightly higher vacancies coupled with small overages in administrative, utility and tenant bad debt expenses that were offset by savings in maintenance costs. **Chelsea Towers** experienced a \$19,494 negative cash flow variance mostly driven by higher vacancies coupled with higher than anticipated maintenance cost. Cash flow at **Holiday Park** was \$11,681 less than budgeted as a result of slightly lower gross rents that were partially offset by higher occupancy coupled with small overages in administrative, utility and tenant bad debt expenses. **Jubilee Horizon Court** experienced a negative cash flow variance of \$9,059 primarily as a result of higher administrative costs

from the reclass of a receivable balance for a prior insurance claim and small overages in utility and maintenance costs. **McHome** ended the year with a negative cash flow of \$24,338 which was a result of higher vacancy loss coupled with higher administrative cost and tenant bad debt expense. **MHLP VII** experienced a negative cash flow variance of \$80,214 mostly driven by higher vacancies and a \$45,555 PILOT payment that was not included in the budget. **MHLP VIII** ended the year with a negative cash flow of \$6,495 as a result of slightly lower gross rents and higher vacancies. In addition, the property experienced higher tenant bad debt expense that was more than offset by savings in maintenance expenses. **Strathmore Court** ended the year with a negative cash flow variance of \$9,282 largely as a result of lower gross rents and slightly higher vacancies that were partially offset by savings in utility and maintenance costs.

The second group consists of properties whose cash flow will not be used for the Agency's FY'18 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was \$111,552 higher than budgeted. **The Ambassador**, which has been decommissioned, experienced expenses of \$229,739 mainly driven by continued utility costs in the building, plumbing contract expenses, taxes, and interest paid on the outstanding debt on the PNC RELOC. There are sufficient reserves at the property to cover the costs. **Avondale Apartments** reported a negative cash flow variance of \$45,567 primarily attributable to a higher interest rate being paid on the RELOC due to changes in the London Interbank Offered Rate (LIBOR) and higher than anticipated maintenance expenses. The negative variances were partially offset by lower vacancies and utility costs. **Cider Mill Apartments** reported a negative cash flow variance of \$456,863 primarily due to higher than projected Interest Payments on the LOC that were partially offset by lower vacancies and lower than projected expenses across all major expense categories. **Greenhills Apartments** ended the year with negative cash flow variance of \$111,058 due to the increased vacancy to support renovations coupled with higher tenant bad debt expense and continued debt service reserve contributions through September as a result of the timing of the refinancing. Cash flow from the **NCI** units is restricted at year-end to each respective properties Operating Reserve. As a result of a long-term vacancy coupled with higher than anticipated utility, maintenance, and tenant bad debt expense at one of the units, the deficit at year-end exceeded the available operating reserves at the property and will be covered by unrestricted cash flow from other properties in the Opportunity Housing portfolio. **Southbridge** ended the year with negative cash flow of \$34,609 due to slightly lower gross rents coupled with slightly higher vacancy loss and higher than anticipated utility expenses for water. Cash flow at **Shady Grove Apartments** was \$9,426 less than budget as a result of small overages in administrative and utility costs that were partially offset by slightly higher gross rents at the property. **State Rental Combined** had a negative cash flow variance of \$72,468 driven by lower gross rental income coupled with higher than anticipated administrative staff costs, HOA fees, utilities, and tenant bad debt expense. **Westwood Tower** ended the year with a positive cash flow variance of \$901,486. This variance was driven by lower vacancies and concessions coupled with savings in administrative, utility and maintenance expenses. In addition, HOC purchased the property in December 2018 by

drawing on the RELOC and subsequently financing with a short-term loan from BB&T Bank which resulted in savings in debt service payments. **The Willows** ended the year with a positive cash flow variance of \$119,472 largely due to higher gross rents and lower than anticipated utility and maintenance expenses.

The Public Fund (Attachment D)

- The Public Housing Rental Program ended the year with a deficit of \$77,573. Income was \$61,370 more than budget largely due to the receipt of higher than anticipated operating subsidy. Several factors impacted the positive variance. The budget assumed an operating subsidy pro-ration of 85%. We received 94.1% for the CY'17 and 90% for the first quarter of CY'18 and 92.18% for the second quarter of CY '18 (average of 91.09%). In addition, the agency continued to receive operating subsidy, in the form of Asset Repositioning Fees (ARF), through December 2017 for Scattered Site North that converted to the **VPC Two Corporations**. Expenses in the portfolio were \$138,943 more than budget. **Elizabeth House** experienced lower rental income and slightly higher maintenance costs that were more than offset by savings in utility costs. In addition, expenses throughout most major categories were slightly greater than anticipated at **Holly Hall**. Finally, Emory Grove, which was vacated by the end of FY'15, continued to experience small amounts of utility and grounds and landscaping expenses to maintain the site until demolition which is planned for later this calendar year. There are sufficient funds in the program to cover the shortfall.
- The Housing Choice Voucher Program (HCVP) ended the year with a surplus of \$513,416. The surplus was comprised of Housing Assistance Payments (HAP) that exceeded HAP revenue by \$305,652 coupled with an administrative surplus of \$819,068. The HAP shortfall was funded from the HCVP reserve (NRP), which includes funds received in prior years that were recognized but not used. It is worth noting that both HAP revenue and HAP expenses exceeded the budget as a result of the major lease-up efforts that brought the program to 98.3% utilization by year-end coupled with a higher pro-ration factor of 97% compared to the budgeted pro-ration of 94%. As a result of the greater utilization and higher pro-ration factor, the draw on the NRP was significantly less than the anticipated draw of \$4,472,790. The program ended the period with an administrative surplus of \$819,068. The positive income variance is due to greater than projected administrative revenue as a result of increased utilization. The HCVP also experience lower than anticipated expenses for FY'18. The savings in expenses were primarily due to salary and benefit lapse coupled with slightly lower than anticipated management fee expenses. The administrative surplus will be restricted to the program for future administrative costs.

Budget Impact – FY'18

- As explained in this memo, the Agency ended the year with an \$181,678 deficit primarily as a result of lower than anticipated development and commitment income in the General Fund coupled with lower than anticipated cash flow in the unrestricted Development Corporations, as a result of property performance, that is reflected as fee income in the General Fund.

- The FY'18 budget projected a surplus of \$881,735 to be contributed to the General Fund Operating Reserve (GFOR).
- Staff recommends that the budgeted contribution of \$881,735 to the General Fund Operating Reserve (GFOR) not be made and that a draw of \$181,678 be taken from the GFOR to balance the Agency budget.
- The balance of the GFOR at June 30, 2018 was \$4,321,764 or 3.68% of the adjusted operating budget. A draw of \$246,507 will be made to cover the shortfall at MetroPointe as was planned in budget. The remaining unobligated balance of \$4,075,257 will be reduced by the \$181,678 draw for the Agency shortfall leaving a balance of \$3,893,579 or 3.31% of the FY'18 adjusted operating budget.

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'18. The chart is grouped in two sections – General Fund and Opportunity Housing properties. Several properties exceeded their budget due to unanticipated physical needs at the properties. On properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve (OHPR) for FY '18. Total expenditures for the portfolio did not exceed the authorized amount of \$907,820 allocated from the OHPR for FY'18. Capital budgets from projects with positive variances may be rolled forward as requested for projects that were planned for FY'18 but not completed.

Capital expenditures for the East Deer Park (EDP) and Kensington locations exceeded their annual budgets as a result of unplanned improvements required at the facilities. Some of these expenditures for EDP were erroneously included in operating budget expense categories. The expenditures will be funded from existing replacement reserves established for facilities related capital.

Following is an explanation of properties that have exceeded their annual capital budget. There are sufficient property reserves to cover the overages at all of the properties except **Holiday Park, Jubilee Horizon Court, McKendree, and 617 Olney Sandy Spring Road**. The overages at these properties will be covered by the OHPR. There are sufficient savings in other capital budgets that were drawing from this reserve to cover the overage at this time.

Capital expenditures at **Holiday Park** exceeded the budget as a result of unplanned plumbing expenses to replace the water pipes at the property. **Magruder's Discovery** exceeded its capital budget for the year as a result of unplanned landscaping improvements (removing 11 dead trees) and the REAC inspection that required painting of the trash room. The negative capital expenditure variance at **Manchester Manor** was driven by unplanned appliance purchases and replacing both hot water heaters. **Montgomery Arms** exceeded its capital budget as a result of the replacement of HVAC units in two units due to age and emergency replacement of the Elevator Sheave. **Seneca Ridge** experienced unplanned flooring and carpeting contract expenses due to a higher rate of vacancy and turnover coupled with

unplanned grounds and landscaping expenses. Capital expenditures at **Shady Grove** exceeded the budget as a result of a higher amount of HVAC Equipment being replaced due to age, life expectancy and no longer being repairable coupled with final payments for the fence replacement that had been budgeted in the prior year. **VPC One** exceeded its capital budget as a result of replacement of roofs as several units coupled with concrete work to replace damaged steps and higher than anticipated replacement of flooring and carpeting. **VPC Two** exceeded its capital budget as a result of roof replacements, replacement of ADA appliances, and HVAC replacements in a few units. Finally, the capital overage at **The Willows** was driven largely by the unplanned plumbing expenses incurred to replace the 4" main water valve and pool house maintenance coupled with a higher level of flooring and carpeting replacement as a result of reasonable accommodation requests in three units.

RESOLUTION NO.: 18-72

Re: Acceptance of Fourth Quarter FY'18 Budget to Actual Statements, and Approval to Transfer Funds from the General Fund Operating Reserve to the General Fund to Balance the FY'18 Budget

WHEREAS, the Budget Policy for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") states that (1) quarterly budget to actual statements will be reviewed by the Commission, and (2) the Commission will end the fiscal year with a balanced budget; and

WHEREAS, the Commission reviewed the Fourth Quarter FY'18 Budget to Actual Statements during its October 3, 2018 meeting; and

WHEREAS, the Agency ended FY'18 with an operating deficit of \$181,678; and

WHEREAS, in order to balance the budget, it is recommended that \$181,678 be transferred from the General Fund Operating Reserve to the General Fund.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Fourth Quarter FY'18 Budget to Actual Statements.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes staff to transfer \$181,678 from the General Fund Operating Reserve to the General Fund to balance the FY'18 Budget.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, October 3, 2018.

Patrice Birdsong
Special Assistant to the Commission

S
E
A
L

AUTHORIZATION TO WRITE OFF BAD DEBT RELATED TO TENANT ACCOUNTS RECEIVABLE

October 3, 2018

- The BF&A Committee requested that the Finance Department present quarterly write-offs so that more timely information would be available.
- HOC's current policy is to provide for an allowance for any tenant accounts receivable balance in excess of 90 days. In addition, HOC periodically proposes the write-off of uncollected former resident balances.
- The quarter ending June 30, 2018 proposed a write-off of bad debt balances from former tenants totaling \$75,458 and covers the time period of April 1, 2018 through June 30, 2018.
- The combined recommended write-off of \$75,458 consists of \$56,674 from Opportunity Housing properties, \$66 from RAD 6 properties, \$16,114 from Public Housing properties, \$0 from Tax Credit properties, \$959 from Supportive Housing and \$1,645 from 236 properties.
- The next anticipated write-off of former tenants' bad debt balance will be for the period covered July 1, 2018 through September 30, 2018, and will be performed in the second quarter of FY'19.

M E M O R A N D U M

TO: Housing Opportunities Commission Budget, Finance and Audit Committee

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9475
 Eugenia Pascual Finance Ext. 9478
 Shauna Sorrells Property Management Ext. 9524

RE: Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable
(April 1, 2018 – June 30, 2018)

DATE: October 3, 2018

STATUS: Committee Report: Deliberation X

OVERALL GOAL & OBJECTIVE:

To approve the authorization to write-off bad debt related to tenant accounts receivable.

BACKGROUND:

The BF&A Committee requested at the May 22, 2018 meeting that Finance presents quarterly write-offs so that more timely financial information would be available.

The agency’s current policy is to provide for an allowance for any tenant accounts receivable balance more than 90 days. HOC records all proposed write-offs of former tenant accounts receivable balances in HOC’s “Bad Debt Database”, as well as in the various individuals’ Equifax Credit Bureau files. This process updates the financial records to accurately reflect the receivables and provides greater potential for debt collection.

HOC also maintains a rent collections firm, Rent Collect Global (RCG). All delinquent balances of \$200.00 or more are submitted to RCG for further pursuit. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a security bond, at a much lower rate, from the firm SureDeposit, Inc. instead of paying a traditional security deposit to the Agency. Moreover, the full value of the surety bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC’s collection efforts and the services of RCG and SureDeposit, HOC makes every effort to pursue all tenant debts.

The last approved write-off on May 22, 2018, in the amount of \$411,485, which covered the twelve-month period from April 1, 2017 through March 31, 2018.

The proposed write-off of former tenant accounts receivable balances for the fourth quarter of 2018, April 1, 2018 through June 30, 2018, is \$75,458.

The current fourth quarter write-off of \$75,458 is primarily due to an increase in two Opportunity Housing properties, VPC One Corp and VPC Two Corp, and former Public Housing tenants who left HOC programs with outstanding debt. If we annualize the fourth quarter write-offs taking into account the previous year's write-off history, the estimated write-offs for the next twelve-month period would be \$327,696 or \$83,789 less than the previous twelve-month period write-off. The primary reasons for the write-offs include tenants who voluntarily left their units, were evicted for non-payment, and tenants who died while in the units.

The following table shows the write-offs by fund:

| <u>Property Type</u> | <u>Write-offs</u> | <u>Estimated Annualized</u> | <u>Actual Prior</u> | <u>\$ Change</u> | <u>% Change</u> |
|----------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| | <u>4/1/2018-6/30/2018</u> | <u>4/1/2018-3/31/2019</u> | <u>4/1/2017-3/31/2018</u> | <u>4/1/2018-3/31/2019</u> | <u>4/1/2018-3/31/2019</u> |
| Public Housing | \$ 16,114 | \$ 25,000 | \$ 18,836 | \$ 6,164 | 33% |
| Opportunity Housing | 56,674 | 226,696 | 245,149 | (18,453) | -8% |
| Tax Credits | - | 15,000 | 13,533 | 1,467 | 11% |
| 236 Properties | 1,645 | 4,000 | 3,805 | 195 | 5% |
| Supportive Housing | 959 | 7,000 | 8,899 | (1,899) | -21% |
| RAD 6 | 66 | 50,000 | 121,263 | (71,263) | -59% |
| Total | \$ 75,458 | \$ 327,696 | \$ 411,485 | (83,789) | -20% |

The following tables show the write-offs by fund and property.

| <u>Public Fund</u> | <u>Write-offs</u> |
|--------------------------|----------------------------|
| | <u>04/01/18 - 06/30/18</u> |
| Former PH Tenants | \$ 16,114 |
| Total Public Fund | \$ 16,114 |

Within the Public Housing properties, the \$16,114 write-off amount is attributable to former Public Housing tenants that have left the HOC programs entirely. The annualized amount of the write-off for Public Housing is expected not to exceed \$25,000, as most tenants have transitioned to other programs through the RAD conversion.

| | Write-offs | |
|---|-----------------------------------|---------------|
| | <u>04/01/18 - 06/30/18</u> | |
| <u>Opportunity Housing (OH) Fund</u> | | |
| McHome | \$ | 1,401 |
| VPC One Corp | | 9,782 |
| VPC Two Corp | | 45,483 |
| MHLP VII | | <u>8</u> |
| Total OH Fund | \$ | 56,674 |

Within the Opportunity Housing portfolio, the \$56,675 write-off amount is primarily due to VPC One and VPC Two Corporation. Most of these tenants voluntarily vacated their units or were evicted due to non-payment of rents.

Tax Credit Properties

Although there were no write-offs in the first quarter for the tax credit properties, we have estimated the annual write-off to be \$15,000 which is consistent with the previous twelve-month period.

| | Write-offs | |
|------------------------------|-----------------------------------|--------------|
| | <u>04/01/18 - 06/30/18</u> | |
| <u>236 Properties</u> | | |
| Town Center Apts | \$ | <u>1,645</u> |
| Total 236 Properties | \$ | 1,645 |

Within the 236 properties, the \$1,645 write-off amount is due to one tenant at the Town Center Apartments.

| | Write-offs | |
|----------------------------------|-----------------------------------|------------|
| | <u>04/01/18 - 06/30/18</u> | |
| <u>Supportive Housing</u> | | |
| McKinney X - HUD | \$ | 279 |
| McKinney X - Program Revenue | | <u>680</u> |
| Total Supportive Housing | \$ | 959 |

Within the Supportive Housing program, the \$959 write-off amount was due to one tenant eviction and one tenant passing away.

| | Write-offs | |
|---------------------------|-----------------------------------|-----------|
| | <u>04/01/18 - 06/30/18</u> | |
| <u>RAD 6</u> | | |
| RAD 6 - Washington Square | \$ | <u>66</u> |
| Total RAD 6 | \$ | 66 |

Within the RAD 6 properties, the \$66 write-off was due to a tenant moving out to purchase a home. This is a significant decrease from the actual prior write-offs of RAD 6 units.

The next anticipated write-off will be for the first quarter of FY'19, covering July 1, 2018 through September 30, 2018. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the debt database.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the write-off of bad debt related to tenant accounts receivable?

BUDGET IMPACT:

The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The bad debt expense was recorded when the initial bad debt allowance was established as a result of the receivable balance being 90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the write-off of bad debt at September 18, 2018 meeting. Action is requested at the October 3, 2018 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission the authorization to write-off bad debt related to tenant accounts receivable.

RESOLUTION NO.: 18-73

**RE: Authorization to Write off Bad
Debt Related to Tenant
Accounts Receivable**

WHEREAS, the current policy of the Housing Opportunities Commission of Montgomery County (“HOC”) is (i) to provide for an allowance for tenant accounts receivable balances that are delinquent for more than ninety (90) days; and (ii) to propose the write-off of former tenant balances; and

WHEREAS, HOC periodically proposes the write-off of uncollected former resident balances which updates the financial records to accurately reflect the receivables and the potential for collection; and

WHEREAS, the proposed write-off of former tenant accounts receivable balances for the period April 1, 2018 through June 30, 2018 is \$75,458 consisting of \$56,674 from Opportunity Housing properties, \$66 from RAD 6 properties, \$16,114 from Public Housing properties, \$0 from Tax Credit properties, \$959 from Supportive Housing properties, and \$1,645 from 236 properties.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes and directs the Executive Director, without further action on its part, to take any and all other actions necessary and proper to write off \$75,458 in bad debt related to (i) tenant accounts receivable balances that are delinquent for more than ninety (90) days, and (ii) former tenant balances, including the execution of any and all documents related thereto.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on Wednesday, October 3, 2018.

Patrice M. Birdsong
Special Assistant to the Commission

S
E
A
L

Development and Finance Committee

APPROVAL OF A DEVELOPMENT PLAN FOR UPTON II AND
APPROVAL TO INCREASE THE PREDEVELOPMENT BUDGET AND
A SECOND INSTALLMENT OF PREDEVELOPMENT FUNDING
FROM THE OPPORTUNITY HOUSING RESERVE FUND (“OHRF”)
TO FUND RELATED EXPENSES



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
ERIK SMITH

October 3, 2018

Table of Contents

| Topics | Page |
|--------------------------------|------|
| Executive Summary | 3 |
| Project Summary | 4 |
| Property | 5 |
| Development Plan | 6 |
| Residential Unit Mix | 7 |
| Sources and Uses | 8 |
| Operating Proforma | 9 |
| First Floor Concept | 10 |
| Second Floor Concept | 11 |
| Third Floor Concept | 12 |
| Fourth and Sixth Floor Concept | 13 |
| Eighth Floor Concept | 14 |
| Predevelopment Budget | 15 |
| Development Timeline | 16 |
| Team Assembly | 17 |
| Summary and Recommendations | 18 |

Executive Summary

- Upton II is entitled for 400 apartments, retail, and public parking. HOC and Victory Housing, Inc. (“VHI”) will own and operate 150 of the 400 apartments in a single purpose entity known as HOC at The Upton II (“HOC Upton Development”). Construction permit drawings will be finalized over the next six months with expected permit issuance in late calendar year 2018.
- The HOC Upton Development proposes to serve seniors across a wide income range through the implementation of the new income averaging component of the Low Income Housing Tax Credit (“LIHTC”) program. Income averaging will allow households with income from 40% up to 80% of the Washington DC Area Median Income (“AMI”) to enjoy rent protection without impairing the LIHTC equity for the development.
- The HOC Upton Development is an important element in HOC’s portfolio because its development will replace housing for the 112 seniors who currently reside in Town Center Apartments.
- On October 17, 2017, the Commission approved \$1,155,198 to the predevelopment budget to be funded with a loan from the Opportunity Housing Reserve Fund (“OHRF”) to fund the remaining design and permitting costs for the Upton II.
- The projected Total Development Cost is \$45,831,928 to be funded with HOC-issued tax-exempt bonds, LIHTC equity, subordinate



financing from Montgomery County, deferred developer fee, and Developer equity.

- The HOC Upton Development will be owned by a 0.01% general partner comprised of HOC and Victory Housing Inc. and a 99.99% to-be-determined investor limited partner.
- The HOC Upton Development will include design elements that are appropriate for the target population.
- A development team led by Duball LLC has been assembled and the HOC Upton Development is projected to be delivered in May of 2021.
- Staff herein requests approval of the development plan as well as approval to increase the predevelopment budget by \$300,000, to be funded from the Opportunity Housing Reserve Fund (“OHRF”), bringing the total predevelopment budget to \$1,455,198.

Project Summary

| | | | | | |
|---------------------|----------------------|-------------------------------|---------------|------------------------------|--------------------------|
| Project Name | Upton II | Units | 150 | Expected Closing Date | 1 st Qtr 2019 |
| Location | Rockville, MD | Average Unit Size (SF) | 705 sq ft | Stabilization Date | November 2021 |
| Product Type | Multi-Family Hi-Rise | Total Rentable Sq Ft | 105,712 sq ft | Funding Strategy | 4% LIHTC/ Bonds |

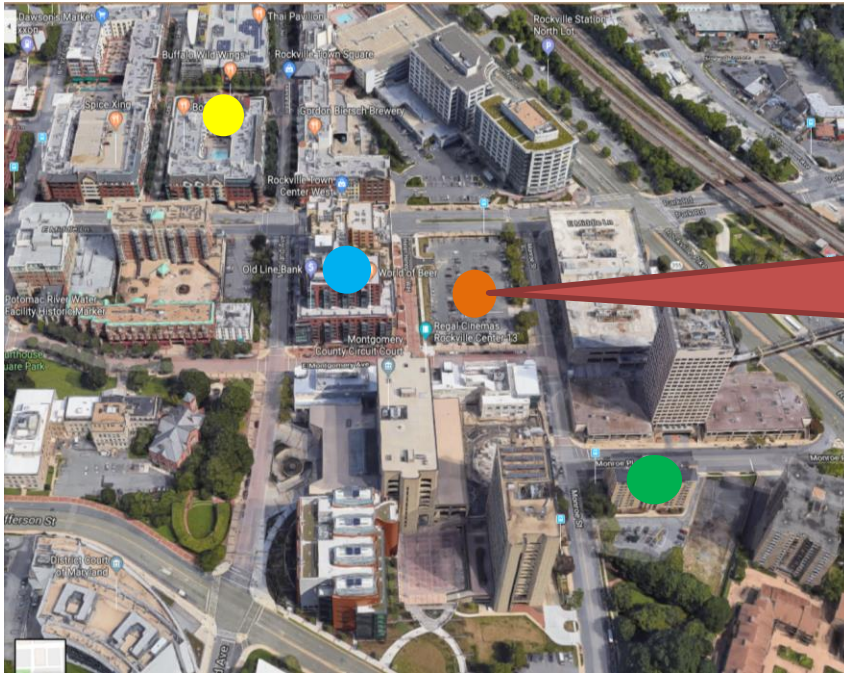
Development Plan

- This building will mirror the existing standing Upton I. Upton I is similar in design in that it is split between two separate owner entities; one operated as a multifamily rental development and the other a hotel.
- The HOC Upton Development will be a rental development that serve seniors and the remaining units will be offered to market rate family renters and owned and operated separately.
- Final construction will include 400 units (150 HOC units), a multi-level parking garage, retail, fitness space, a pet spa, pool, and a clubroom.
- Due to the similar nature of the Upton I with the Upton II very few setbacks and delays are likely to occur during construction.
- Utilize income averaging for 135 units (90%) to increase the number of rent-restricted units available to those within the ranges of 40%-80% AMI.
- LIHTC equity (4% credits), a tax-exempt loan, HOC equity and deferred developer fees, and County loan funds will complete the financing of the development.



- Construction loan for a term of three years with two six-month extensions with expected execution of a forward starting swap hedge agreement with a counter party to hedge interest rate risk.
- The HOC Upton Development and the seniors that will relocated from Town Center Apartments will benefit from significant subsidy to be secured and made available to the development.
- The very low-income seniors are afforded the opportunity to remain in an urban location with which they are familiar, larger units, with no significant increase to their housing costs.

Property



- The Upton I at Rockville Town Center
- Town Center Apartments
- Upton II Location
- Rockville Town Square

- The property will be located at 198 East Montgomery Avenue in Rockville, Montgomery County, Maryland and will provide HOC with 107,920 SF of residential space. The site sits on the corner of the intersection of Monroe Street and E. Montgomery Avenue.
- HOC's 150-unit portion of the multifamily development site will be contained within the first eight floors of the building along with the following amenities: First floor lobby, second floor leasing center and lounge, third floor clubroom and eighth floor fitness and yoga area.
- Not only is the walkability score of the proposed development extremely high (90), but the residents will also be within a two minute walk of public transportation and there will be 20+ bike racks installed in the garage of the building.
- After construction, the building and housing units are expected to qualify under International Green Construction Code ("IGCC") guidelines. IGCC is comparable to Leadership in Energy and Environmental Design ("LEED") Silver status.

Residential Unit Mix

| Units | AMI Target | Average Unit Size | Residential Units | Total SQFT | Gross Rent | Per SQFT | Utility Allowances | Effective Rent |
|------------------|------------|-------------------|-------------------|----------------|----------------|---------------|--------------------|----------------|
| 1 BR (RAP Units) | 40% | 654 | 24 | 15,696 | \$1,472 | \$2.25 | \$89 | \$1,383 |
| 1 BR (RAP Units) | 60% | 654 | 88 | 57,552 | \$1,472 | \$2.25 | \$89 | \$1,383 |
| 1 BR | 80% | 654 | 11 | 7,194 | \$1,759 | \$2.69 | \$89 | \$1,670 |
| 1 BR + Den | 80% | 812 | 12 | 9,744 | \$1,759 | \$2.17 | \$89 | \$1,670 |
| 1 BR + Den | MKT | 812 | 1 | 812 | \$1,958 | \$2.41 | \$0 | \$1,958 |
| 2 BR | MKT | 1051 | 14 | 14,714 | \$2,331 | \$2.22 | \$0 | \$2,331 |
| | | 705 | 150 | 105,712 | \$1,599 | \$2.27 | \$80 | \$1,519 |

- A rent comparability study was conducted and concluded that the median gross rent for the zip code in which the HOC Upton Development is located is \$1,868, which is \$168 more than the proposed median rent at the development.
- HOC Upton Development will have at least seven Uniform Federal Accessibility Standards (UFAS) units which is sufficient to meet the threshold of total units necessary.

| MARKET | % of MARKET | Average Rent |
|-----------|---------------|----------------|
| 15 | 10.00% | \$2,306 |

| AFF | % of AFF | Average Rent |
|------------|---------------|----------------|
| 135 | 90.00% | \$1,432 |

Public Purpose

- Delivering HOC Upton Development as a senior community would eliminate the need for any immediate redevelopment action for Town Center Apartments.
- Upon completion the 112 residents currently residing in Town Center Apartments will be promptly moved into HOC Upton Development and an extra 23 units will continue to aid our mission. By using income averaging, households with incomes between 40% and 80% of the AMI can be served. Prior to income averaging, only households with income below 60% of the AMI could be served under the LIHTC regime, excluding households who still need assistance.

Projected Construction Sources and Uses

Development Budget Highlights

| Sources of Fund Construction | Amount | Per Unit |
|---|-----------------------------------|------------------|
| Tax-Exempt Bonds ⁽¹⁾ | \$24,419,759 | \$162,798 |
| Housing Initiative Fund ⁽²⁾ | \$5,000,000 | \$33,333 |
| LIHTC Equity ⁽³⁾ | \$10,571,800 | \$70,478 |
| Deferred Developer's Fee ⁽⁴⁾ | \$1,928,630 | \$12,857 |
| Developer Equity ⁽⁵⁾ | \$3,911,739 | \$26,078 |
| Total Sources | \$45,831,928⁽⁵⁾ | \$305,546 |

| Uses of Fund Construction | Amount | Per Unit |
|------------------------------------|---------------------|------------------|
| Hard Cost | \$29,219,662 | \$194,797 |
| Fees Related To Construction Costs | \$1,713,272 | \$11,422 |
| Acquisition Costs | \$6,242,753 | \$41,618 |
| Financing Fees and Charges | \$4,157,168 | \$27,714 |
| Developer's Fees | \$3,857,260 | \$25,715 |
| Syndication Related Costs | \$150,000 | \$1,000 |
| Guarantees and Reserves | \$491,813 | \$3,279 |
| Total Uses | \$45,831,928 | \$305,546 |

Notes:

1. Estimated \$24.5 million bond financing with mortgage insurance under FHA risk share program. It is anticipated that construction loan will be funded by a conventional bank instead of HOC-issued bonds to meet Duball's need of the market rate developer for a single construction lender. The permanent HOC Upton Development loan is expected to be funded with tax-exempt bond proceeds or via the Federal Financing Bank with mortgage insurance under the FHA Risk Share program.
2. Housing Initiative Conditional Commitment letter from Montgomery County Department of Housing and Community Affairs received on April 10, 2018 for \$5 million.
3. Estimated Low Income Housing Tax Credit \$10.6 million (based on \$1.000 per credit).
4. Deferred Fee is projected to be \$1.9 million or half of total developer fee.
5. Developer (HOC) Equity of \$3.9 million is projected.
6. Though not part of the permanent financing source, it is anticipated that temporary funds of approximately \$8.7 million may be needed to bridge the receipt of the LIHTC equity, but the request will be presented with the financing plan approval.

Operating Proforma

| Operating Proforma | CY 2021 | Per Unit |
|---------------------------------------|--------------------|-----------------|
| Income | \$2,575,810 | \$17,172 |
| Expenses ⁽¹⁾ | \$983,627 | \$6,558 |
| NOI (Net Operating Income) | \$1,592,183 | \$10,614 |
| Debt Service | \$1,326,819 | \$8,845 |
| Cash Flow | \$265,364 | \$1,769 |
| Debt Service Coverage Ratio Target | 1.20 | |

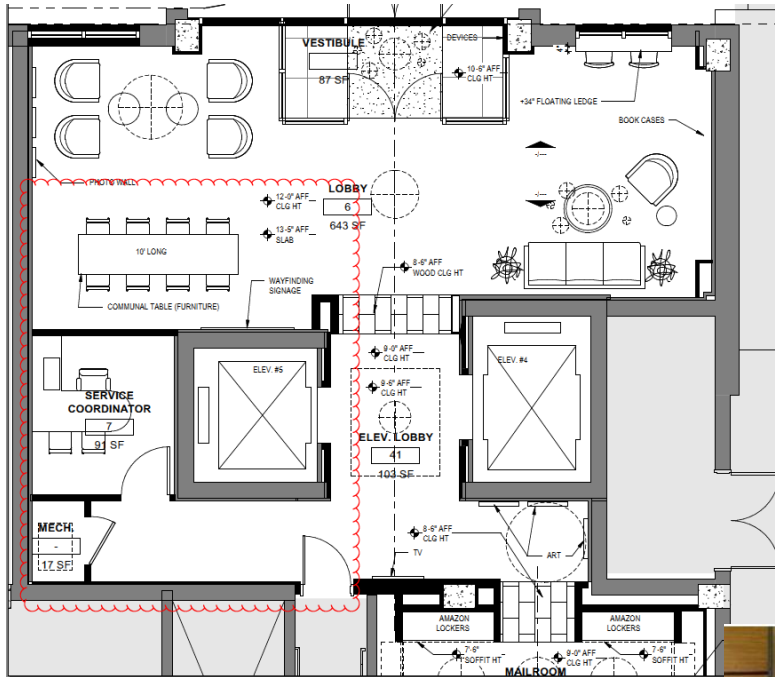
⁽¹⁾ Includes \$45,000 (\$300 per unit annually) in Replacement Reserves.

Supportable Debt

| | |
|--------------------------------|---------------------|
| Amortization Term (YRS) | 40 |
| Interest Rate | 4.30% |
| Spread/MIP | 0.25% |
| Basis Risk | 0.00% |
| Debt Constant (k) | 5.43% |
| All-in Rate | 4.55% |
| Debt Service Coverage Ratio | 1.20 |
| NOI @ DSC | \$1,326,819 |
| Max Supportable Debt | \$24,419,759 |

- The financing plan includes a 35-year mortgage insured under the FHA Risk Sharing Program.
- Occupancy projected at 95%, rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be \$983,627 in CY 21 including funding of annual replacement reserves of \$300 per unit, per year and escalating at 3% annually.
- The projected net operating income (NOI) of \$1,592,183 in CY 2021 supports the permanent debt which is modelled at 4.30% plus 25 basis points for mortgage insurance premium (MIP) costs pursuant to the FHA Risk Sharing Mortgage Insurance Program.
- Annual Contribution to Replacement Reserves: \$300 Per Unit.

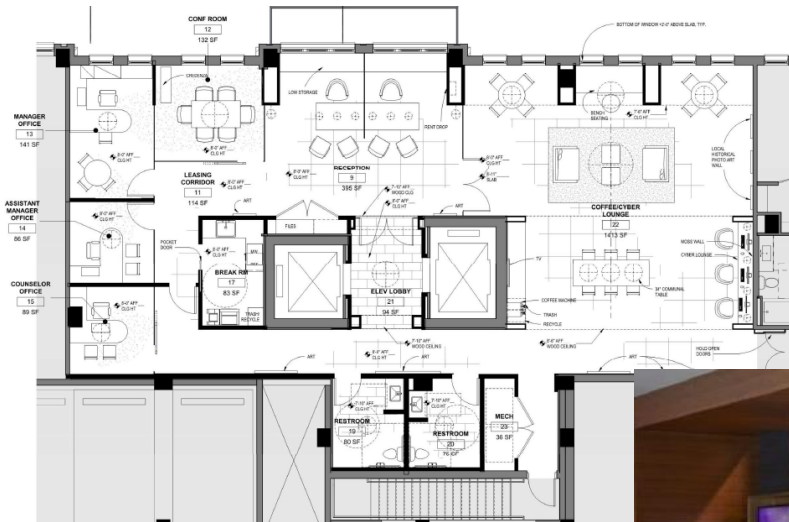
First Floor Amenities – Concept of Lobby



- Staff met with the interior design firm, Hartman Design Group, and was provided with the following concepts to show design intention.
- A new presentation following staff comments will be held on October 6, 2018.
- Concepts and photos will be updated to incorporate more senior-friendly furnishings.

October 3, 2018

Second Floor Amenities – Concept of Leasing and Lounge



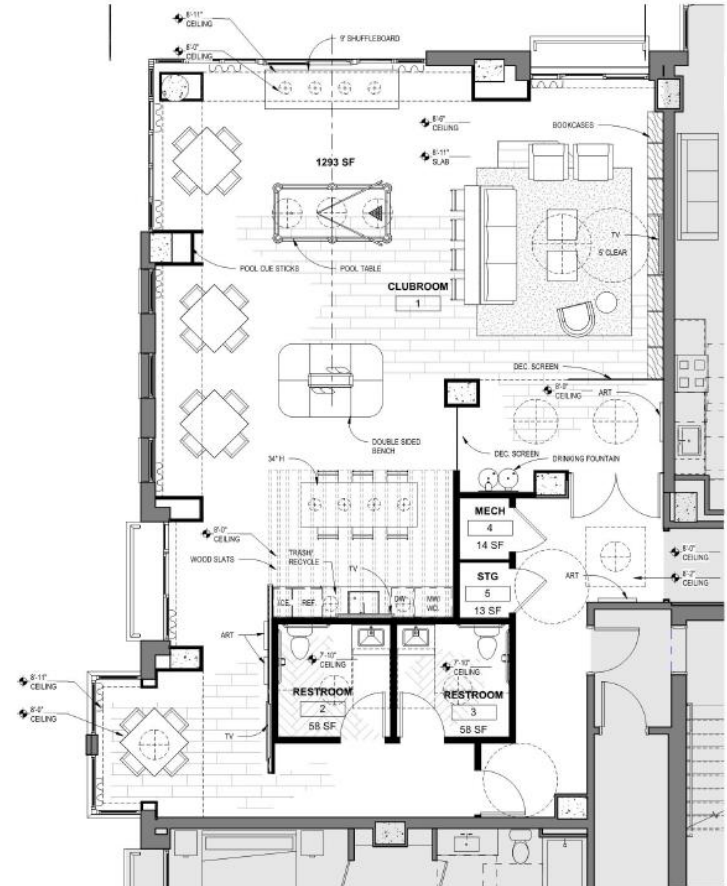
- Staff will return with updated designs.
- Recommendations were to show use of brighter colors and more efficient natural lighting or lighting fixture usage.



Third Floor Amenities – Concept of Clubroom



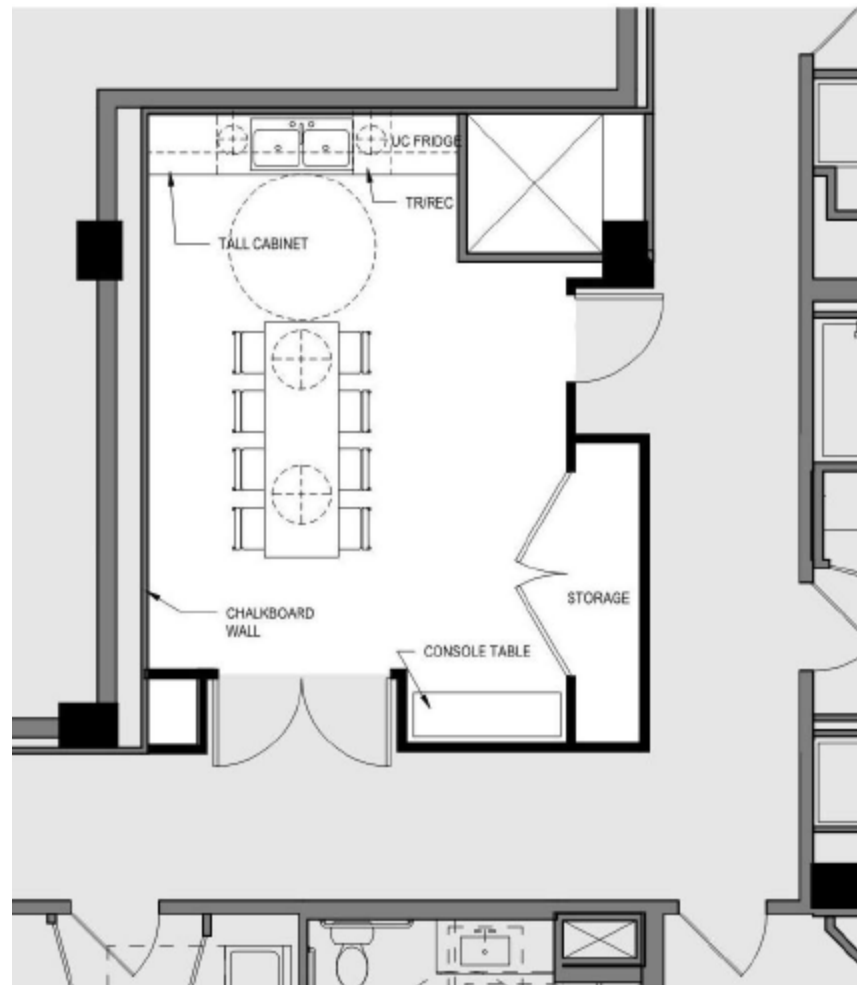
- Staff has recommended the removal of the Pool table in the center of the clubroom.
- Hartman Design Group will present alternatives at their next presentation.



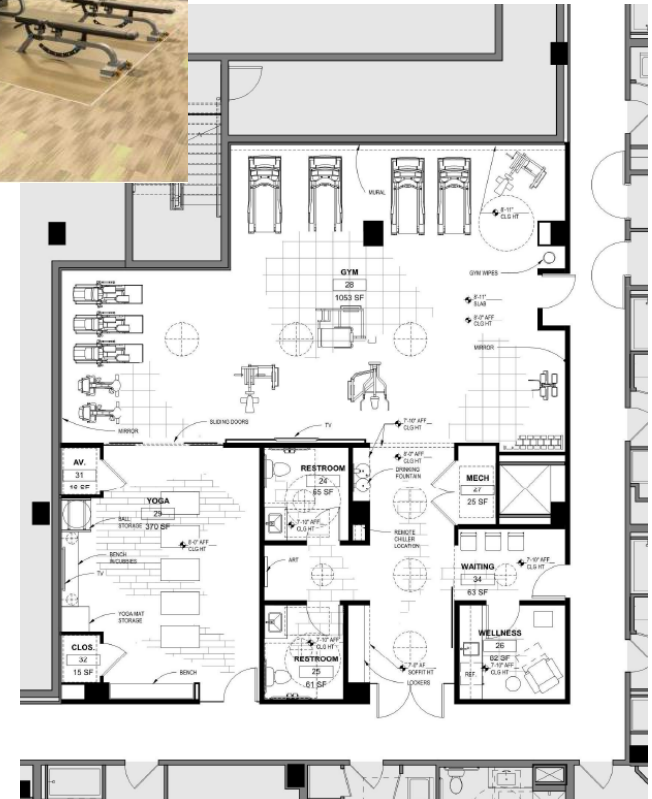
Fourth and Sixth Floor Amenities – Concept of Open Use Public Space



- On the fourth and sixth floors, available open space can be utilized for a multitude of functions.
- Hartman Design Group has fashioned these spaces to be functional as an arts and crafts area but still retain utility to function as a simple social area.

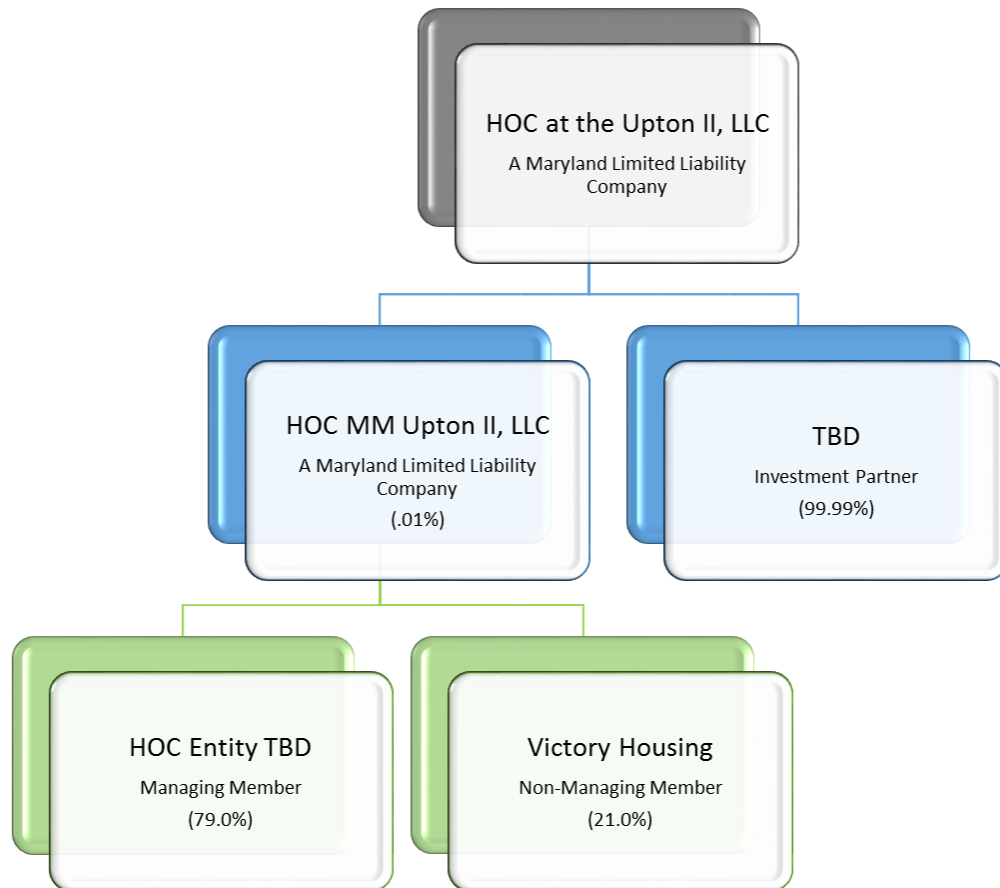


Eighth Floor Amenities – Concept of Fitness and Yoga Space



- Along with the Fitness and Yoga space, there will be a “wellness” room which will serve to provide quarterly blood pressure screenings in conjunction with other preventative health care services to the residents.

Organization Chart



- HOC at The Upton II, LLC is the 100% single purpose entity that will own the HOC Upton Development.
- HOC MM Upton II, LLC is the 0.01% general partner and the 99.00% investor limited partner is a to-be-determined entity that will be identified during the syndication of the 4% LIHTCs.
- The project is being developed by HOC and Victory Housing, Inc. (“VHI”). HOC and VHI will be co-general partners in the borrower and as the sponsor, will submit the Low-Income Housing Tax Credit application. VHI will earn 40% of the development fee, but all major decisions are made by HOC.

Predevelopment Budget

HOC and Duball are still on budget with the predevelopment expenses with HOC's share remaining at \$1,155,198; however, in the original request, staff omitted funding needs for expenses outside of the Duball contract, in error.

| | Share (1) | Totals (2) | YTD Actual | Remaining | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 |
|--|--------------|------------------------|------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total project costs prior to groundbreaking | | \$ 4,114,082.00 | \$ 1,974,156.00 | \$ 2,139,926.00 | \$ 356,654.33 | \$ 356,654.33 | \$ 356,654.33 | \$ 356,654.33 | \$ 356,654.33 | \$ 356,654.33 |
| Due Diligence | | \$ 536,300.00 | \$ 196,202.00 | \$ 340,098.00 | \$ 56,683.00 | \$ 56,683.00 | \$ 56,683.00 | \$ 56,683.00 | \$ 56,683.00 | \$ 56,683.00 |
| A&E/Design | | \$ 3,050,175.00 | \$ 1,525,798.00 | \$ 1,524,377.00 | \$ 254,062.83 | \$ 254,062.83 | \$ 254,062.83 | \$ 254,062.83 | \$ 254,062.83 | \$ 254,062.83 |
| Duball pre-con fees | | \$ 300,000.00 | \$ 200,000.00 | \$ 100,000.00 | \$ 16,666.67 | \$ 16,666.67 | \$ 16,666.67 | \$ 16,666.67 | \$ 16,666.67 | \$ 16,666.67 |
| Other Costs | | \$ 227,607.00 | \$ 52,156.00 | \$ 175,451.00 | \$ 29,241.83 | \$ 29,241.83 | \$ 29,241.83 | \$ 29,241.83 | \$ 29,241.83 | \$ 29,241.83 |
| Duball Share | 71.9% | \$ 2,958,884.00 | \$ 1,419,788.00 | \$ 1,539,096.00 | \$ 256,508.94 | \$ 256,508.94 | \$ 256,508.94 | \$ 256,508.94 | \$ 256,508.94 | \$ 256,508.94 |
| HOC Share | 28.1% | \$ 1,155,198.00 | \$ 554,366.00 | \$ 600,832.00 | \$ 100,145.40 | \$ 100,145.40 | \$ 100,145.40 | \$ 100,145.40 | \$ 100,145.40 | \$ 100,145.40 |

As the costs detailed below were not included in the initial request for predevelopment funding, staff is requesting that the Commission allocate an extra \$300,000 from the Real Estate Line of Credit towards pre-development costs for HOC Upton Development. This request for additional funding brings the original \$1,155,198 pre-development funding to a new total of \$1,455,198

| | Totals | YTD Actual | Remaining | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 |
|--|----------------------|----------------------|---------------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Total project costs prior to groundbreaking | | | | | | | | | |
| Legal | \$ 53,600.00 | \$ 31,196.00 | \$ 22,404.00 | \$ 3,734.00 | \$ 3,734.00 | \$ 3,734.00 | \$ 3,734.00 | \$ 3,734.00 | \$ 3,734.00 |
| DHCA Commitment Fee | \$ 50,000.00 | \$ 50,000.00 | \$ - | | | | | | |
| Earnest Money for Acquisition | \$ 150,000.00 | \$ 150,000.00 | \$ - | | | | | | |
| Rent Comparability Study | \$ 6,400.00 | \$ 6,400.00 | \$ - | | | | | | |
| Market Study | \$ 20,000.00 | | \$ 20,000.00 | | \$ 20,000.00 | | | | |
| Appraisal | \$ 20,000.00 | | \$ 20,000.00 | | \$ 20,000.00 | | | | |
| | \$ 300,000.00 | \$ 237,596.00 | \$ 62,404.00 | | | | | | |

Timeline

29 Month Construction Period



- Stabilization is shown to be achieved within six months post construction. It may prove to be quicker than that due to the 112 residents moving from Town Center Apartments.

Team Assembly

Master Developer

Duball, LLC – Master Developer



- Duball, founded in 2004, is a Washington, DC metropolitan area based real estate development and investment firm specializing in mixed-use real estate.
- Upton II will be Duball's fifth ground-up development project within Montgomery County and second in downtown Rockville

Architect

Torti Gallas + Partners – Lead Architect



- Torti Gallas, located in downtown Silver Spring, Maryland is an international full-service architecture and planning firm.
- They have six offices worldwide: Istanbul, Tampa, Philadelphia, Washington D.C, Los Angeles and Silver Spring
- We have previously worked with them on MetroPointe.

Property Management

TBD

- HOC has not decided on a property manager at this moment; however, Duball has selected Bozzuto as its property manager.

General Contractor

Paradigm Contractors, LLC

- Duball as the master developer has selected Paradigm to operate as the general contractor in the development.

Summary and Recommendations

Issues for Consideration

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

1. Development Plan for the construction of HOC Upton Development, and
2. An increase of \$300,000 in predevelopment funds, bringing the total to \$1,455,198 to be funded by the OHRF and repaid at the closing of the construction financing?

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY 2018 budget. However, this request reduces the OHRF by \$300,000 which had an unobligated balance of \$3,826,352 as of September 6, 2018.

Time Frame

Action at the October 3, 2018 Commission Meeting.

Staff Recommendation and Commission Action Needed

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

1. The Development Plan for the construction of HOC Upton Development:
 - The estimated Total Development Cost is \$45,831,928.
 - The total units to be delivered is 150 of which 112 will serve as relocation housing for the current residents at Town Center Apartment.
 - The property will serve households with incomes ranging from 40% to 80% of the AMI (90% or 135 units), providing significant public purpose for the Commission and the County.
 - The ownership structure will be one that is typical of a LIHTC entity; however, the 0.01% general partner will be comprised of HOC (79%) and VHI (21%).
2. An increase of \$300,000 in predevelopment budget and funds, bringing the total to \$1,455,198 with the additional funding to come from the OHRF.

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

WHEREAS, Upton II is a planned development in Rockville that is entitled under current zoning and planning requirements for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. ("VHI") will own and operate a condominium unit containing 150 apartments and a share of parking and general common elements in a single purpose entity known as HOC at The Upton II, LLC ("HOC Upton Development") and Duball LLC or an affiliate will own and operate a second condominium unit comprising the remainder of the development; and

WHEREAS, the HOC Upton Development proposes to serve seniors across a wide income range through the implementation of the new income averaging component of the Low Income Housing Tax Credit ("LIHTC") program, which will allow households with income from 40% up to 80% of the Washington DC Area Median Income ("AMI") to enjoy rent protection without impairing the LIHTC equity for the development; and

WHEREAS, HOC staff developed and proposed the Development Plan, which estimates the total development cost of the HOC Upton Development of \$45,831,928 to be funded with HOC-issued tax-exempt bonds, LIHTC equity, subordinate financing from Montgomery County, deferred developer fee, and Developer equity; and

WHEREAS, the HOC Upton Development will be owned by a 0.01% general partner comprised of HOC (the "Developer") and VHI and a 99.99% to-be-determined investor limited partner; and

WHEREAS, the HOC Upton Development is an important element in HOC's portfolio because its development will replace housing for the 112 seniors who currently reside in Town Center Apartments in Rockville; and

WHEREAS, a development team led by Duball LLC has been assembled, construction permit drawings will be finalized over the next six months with expected permit issuance in late calendar year 2018, and the HOC Upton Development is projected to be delivered in May of 2021; and

WHEREAS, the development team have been preparing a development plan for the HOC Upton Development and have funded such efforts from a loan of \$1,155,198 from the Opportunity Housing Reserve Fund (the "HOC Upton Predevelopment Loan") for design and permitting costs, which loan was

approved by the Commission on October 17, 2017; and

WHEREAS, the HOC Upton Development will include design elements that are appropriate for the targeted senior population, including an urban lifestyle with market rate unit finishes complemented with unique multifamily accessibility accommodations throughout; and

WHEREAS, HOC at The Upton II, LLC seeks an increase in the amount of the Upton Predevelopment Loan of \$300,000, which will bring the total predevelopment budget to \$1,455,198;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Development Plan for the construction of HOC Upton Development is hereby approved to include an estimated development cost of \$45,831,928, the delivery of 150 apartment units which will serve seniors 62 years and older and of which 90% (135 units) will be restricted to those earning 40% to 80% of the area median income.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, that it authorizes an increase in the amount of the HOC Upton Predevelopment Loan of \$300,000 from the Opportunity Housing Reserve Fund, for a total outstanding amount of \$1,455,198 to be repaid at closing from construction financing proceeds.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, on behalf of HOC at the Upton II, LLC, as its sole member, that it hereby approves an increase to the predevelopment budget by \$300,000, funded by an increase in the HOC Upton Predevelopment Loan by the same amount, bringing the total predevelopment budget to \$1,455,198.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO ADVANCE FUNDS FROM THE OPPORTUNITY HOUSING RESERVE FUND (THE “OHRF”) FOR CONSULTING SERVICES RELATED TO THE CONVERSION OF THE WILLOWS APARTMENTS UNDER COMPONENT II OF THE RENTAL ASSISTANCE DEMONSTRATION PROGRAM (“RAD”)

October 3, 2018

- The Willows Apartments (“Willows”) is a 195-unit rental property whose original construction was funded with a Section 236 loan originated by the United States Department of Housing and Urban Development (“HUD”).
- HOC renovated The Willows in 1999 using Low Income Housing Tax Credit (“LIHTC”) equity. At that time, HOC also acquired the Section 236 loan from HUD.
- HOC has bought back the limited partner’s interest in the property and now has 100% ownership and control of the property.
- Staff seeks \$140,000 to pay consulting fees to pursue new subsidy via Component II of the Rental Assistance Demonstration (“RAD”) program and hereby requests approval of said funding from the Opportunity Housing Reserve Fund (“OHRF”) as an interim source which will be repaid from either from cash on hand (with cash and cash equivalents at \$1.5MM) or from residual receipts.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Division: Real Estate
Staff: Kayrine V. Brown, Chief Investment and Real Estate Officer Ext. 9589
Zachary Marks, Assistant Director of New Development Ext. 9613

RE: Approval to Advance Funds from the Opportunity Housing Reserve Fund (the “OHRF”) for Consulting Services Related to the Conversion of The Willows Apartments under Component II of the Rental Assistance Demonstration Program (“RAD”)

DATE: October 3, 2018

COMMITTEE REPORT: Deliberation X

OVERALL GOAL and OBJECTIVE:

Secure new subsidy to preserve deep affordability at The Willows Apartments.

BACKGROUND:

The Willows Apartments (“Willows”) is a 195-unit rental property whose original construction was funded with a Section 236 loan originated by the United States Department of Housing and Urban Development (“HUD”). In addition to the Section 236 loan, which had a term of 40 years, HUD also provided 40-year operating subsidy to 20% of the units via a Rental Assistance Payment contract (“RAP contract”).

HOC renovated The Willows in 1999 using Low Income Housing Tax Credit (“LIHTC”) equity. At that time, HOC also acquired the Section 236 loan from HUD. Earlier this year, HOC acquired (via special purpose entity) the interest of the LIHTC limited partner.

In addition to owning The Willows, HOC is the general partner in (Stewartown Homes) and manages (Bauer Park and Town Center Apartments). All four properties were originally financed with 40-year Section 236 loans and provided 40-year operating subsidy with RAP contracts and were originally placed in service between 1973 and 1979.

In anticipation of the end of the operating subsidy at the four properties, HOC selected the joint Morrison Avenue Capital Partners-Censeo (“MACP and Censeo”) team in May 2015 from HOC’s Development and Financing Consultant Pool to seek new subsidy via Component II of the

Rental Assistance Demonstration (“RAD”) program. However, at the time of the MACP and Censeo selection, staff ultimately only expected to convert Bauer Park and Town Center Apartments via Component II of the RAD program.

Subsequently, as staff gained a better understanding of Component II of the RAD program and of the Section 236 assets, it got Commission approval in April of 2017 to fund MACP and Censeo Component II consulting fees for Stewartown Homes and is now seeking approval to fund MACP and Censeo Component II consulting fees for Willows.

In 2017, Willow’s Section 236 loan matured, and the RAP contract expired. As of the time of HOC’s acquisition of the LITHC limited partner interest, the property had accumulated approximately \$779,240 in residual receipts. With the maturity of the Section 236 loan, those receipts became available to HOC as owner of the property (and now stand at \$787,132).

As was presented to the Commission, as part of staff’s request for approval to acquire the LITHC limited partner interest in Willows, staff does not recommend a LIHTC renovation of the property. However, staff recognizes the value in securing new operating subsidy for Willows in meeting the ongoing capital needs of the property.

ACTION PLAN:

Staff seeks \$140,000 from the Opportunity Housing Reserve Fund (“OHRF”) as an interim source to pay consulting fees related to the conversion of The Willows Apartments under Component II of the RAD program. Ultimately, the OHRF will be reimbursed by the property, likely either from cash on hand (with cash and cash equivalents at \$1.5MM) or from residual receipts.

Just as with the other three Section 236 properties, the MACP and Censeo team is paid by milestone: at approval of task order, 35%; at completion of HUD review of eligibility, 20%; at submission of all required materials to HUD, 25%; and at HUD approval of new rental assistance, 20%.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve to advance of funds of \$140,000 from the Opportunity Housing Reserve Fund for consulting fees related to the conversion of The Willows Apartments under Component II of the Rental Assistance Demonstration program?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Morrison Avenue Capital Partners
Censeo
United States Department of Housing and Urban Development

BUDGET/FISCAL IMPACT:

There is no budget impact; however, if approved, the unobligated balance in the OHRF of \$3,826,352 as of September 6, 2018, is reduced by \$140,000.

TIME FRAME:

Action at the open meeting of the Commission on October 3, 2018.

STAFF RECOMMENDATION and COMMISSION ACTION NEEDED:

Staff recommends that the Commission accepts the recommendation of the Development and Finance Committee and approve the advance of funds of \$140,000 from the Opportunity Housing Reserve Fund for consulting fees related to the conversion of The Willows Apartments under Component II of the Rental Assistance Demonstration program.

RESOLUTION No: 18-75

RE: Approval to Advance Funds from the Opportunity Housing Reserve Fund (the "OHRF") for Consulting Services Related to the Conversion of The Willows Apartments under Component II of the Rental Assistance Demonstration Program ("RAD")

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") seeks to preserve Montgomery County's existing affordable housing including those subsidized by Rental Assistance Payment ("RAP") contracts and Section 236 financing facing growing sustainability challenges – most prominently, functional obsolescence and pervasive systems issues as a result of age; and

WHEREAS, The Willows Apartments at 429 West Diamond Avenue in Gaithersburg ("Willows") previously received operating subsidy via a RAP contract and original construction financing via a Section 236 senior mortgage; and

WHEREAS, the RAP contract for Willows discontinued at maturity of the property's Section 236 senior mortgage, which occurred in the third quarter of Calendar Year 2017; and

WHEREAS, residents at the Willows living in units covered by the RAP contract at the Willows at the time the RAP contract at the Willows discontinued became eligible for Section 8 subsidy ("Willows Section 8 Subsidy"); and

WHEREAS, the United States Department of Housing and Urban Development ("HUD") offers Component II of its Rental Assistance Demonstration ("RAD") program presents HOC with the opportunity to project base the Willows Section 8 Subsidy providing for the Willows' ability to support timely capital expenditures and maintenance; and

WHEREAS, from time to time, the Commission will procure for consulting and advisory services to assist staff with real estate development, transactional financing, and regulatory issues; and

WHEREAS, on March 4, 2015, the Commission approved Morrison Avenue Capital Partners and Censeo, Inc. ("MACP & Censeo"), who jointly responded to Request for Qualifications #1938 ("RFQ #1938"), as a pre-qualified firm able to participate in the pool formed pursuant to RFQ 1938; and

WHEREAS, on May 15, 2015, the Commission approved the selection of MACP & Censeo to provide financing and regulatory advisory services in support of the potential participation in Component II of the RAD program of several HOC-controlled properties; and

WHEREAS, pursuant to the approval given by the Commission on May 15, 2015, HOC entered into a contract with MACP & Censeo from which task orders were created to provide

financing and regulatory advisory services in support of the potential participation in Component II of the RAD program of several HOC-controlled properties; and

WHEREAS, the Commission wishes to provide funding under a task order to pay to MACP & Censeo the consulting fees related to the conversion of The Willows Apartments under Component II of the RAD program.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves an advance of funds in the amount of \$140,000 from the Opportunity Housing Reserve Fund (“OHRF”) for consulting fees related to the conversion of The Willows Apartments to Project-Based Section 8 rental assistance via the Second Component of the RAD Program.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County in open session conducted on October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO ADD FREDDIE MAC HFA ADVANTAGE TO SINGLE
FAMILY MORTGAGE PURCHASE PROGRAM'S CONVENTIONAL
PRODUCTS AND APPROVAL TO INCREASE THE SALES PRICE &
INCOME LIMITS FOR THE PROGRAM

SINGLE FAMILY MORTGAGE FINANCE



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
JENNIFER HINES ARRINGTON
PAULETTE DUDLEY

October 3, 2018
Page 84 of 105

Table of Contents

| Topics | Page |
|---|------|
| Executive Summary | 3 |
| Existing Mortgage Products | 5 |
| New Mortgage Product: Freddie Mac | 6 |
| Mortgage Loan Product Comparison | 7 |
| Maximum Sales Price Limit | 8 |
| Historical & Current Maximum Sales Price Limit | 8 |
| Proposed 2018 Maximum Sales Price Limit | 9 |
| Maximum Income Limits | 10 |
| Historical & Current Maximum Income Limits | 10 |
| Proposed 2018 Maximum Income Limits | 11 |
| Issues for Consideration/Fiscal Impact/Time Frame | 13 |
| Staff Recommendation & Commission Action Needed | 13 |

Executive Summary

The Single Family Mortgage Purchase Program (MPP or the “Program”) was established in 1979 to provide low cost mortgages to first-time home buyers. Since its inception, the MPP has produced over 11,000 mortgages to first-time home buyers in Montgomery County. In November 2009, as a result of the financial crisis in 2008, the Commission adopted its second Single Family Housing Revenue Bond Resolution in order to participate in the U.S. Treasury’s New Issue Bond Program (NIBP), which enabled Housing Finance Agencies (HFAs) to issue bonds during the financial downturn at favorable rates. To continue offering favorable first mortgage financing, on May 2, 2012, the Commission adopted a Resolution approving implementation of a Mortgage Backed Securities (MBS) program for MPP and allocated \$10 million from the PNC Bank, N.A. Line of Credit for this purpose.

The MPP completed its transition from a whole loan program to a MBS program in September 2012. HOC’s master servicer, U.S. Bank, purchases mortgages from originating lenders, pools the mortgages to create a MBS and services the loans. All MBS loan production financed as Federal Housing Administration (FHA) insured business are currently guaranteed by Ginny Mae. HOC also participates in the Fannie Mae “HFA Preferred™” mortgage loan product, which was the Program’s entre into the conventional mortgage space and include MBS that are guaranteed by Fannie Mae.

While staying true to HOC’s core clients, the MPP must remain dynamic and nimble in this ever changing financial and real estate market and continue to look for ways to expand and provide additional mortgage loan and down payment assistance options.

In 2017, staff with Commission guidance developed the Crossroads to Homeownership Pilot Program to provide an opportunity for first-time homebuyers who fall below the Program’s minimum credit score of 660 but within the allowed credit score limits of FHA insured mortgages. For the Crossroads Program, a borrower must have a credit score between 620 and 659, and meet certain other requirements. Funding for up to \$2 million has been set aside from the 2018 Single Family Mortgage Revenue Bond issuance. Also in 2017, the Commission approved accepting a \$1 million grant from Montgomery County to establish the Montgomery County Homeownership Assistance Fund, which will provide down payment and closing cost assistance for up to 40% of the household’s qualifying income for a maximum of \$25,000.

Executive Summary

To further the Program's expansion, staff recommends adding the Freddie Mac HFA Advantage product, as a conventional mortgage loan option, offered only to HFAs. Freddie Mac offers a 30-year fixed rate mortgage with a loan to value up to 97%. The Freddie Mac product also offers an affordable subsidy program providing a \$1,500 subsidy for borrowers that are between 50% and 80% of the Area Median Income (AMI) and a \$2,500 subsidy for borrowers that are 50% or below AMI. The Freddie Mac program includes MBS that are guaranteed by Freddie, and will also work with the MPP's own down payment assistance and closing cost programs.

In addition, the MPP follows IRS regulations, which guides the maximum sales price and income limits. With new revenue procedures that set forth the average area purchase price, and the 2018 area median incomes recently published, staff recommends recalculating and approving new maximum sales price and income limits for the Program.

Therefore, to continue the expansion of the Program and to bring the Program's maximum sales price and income limits current in accordance with IRS regulations and new area median incomes, staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve:

1. Adding Freddie Mac HFA Advantage to the MPP's conventional products;
2. Increasing the maximum sales price limits; and,
3. Increasing the maximum income limits.

Existing Mortgage Loan Products

In 2012, the MPP completed its transition from a whole loan program to a MBS program. HOC's master servicer, U.S. Bank, purchases mortgages from originating lenders, pools the mortgages to create a MBS and services the loans. Since most of MPP's current loan production is FHA insured business, the majority of the MBS loans are currently guaranteed by Ginny Mae. The loans being originated for securitization in the MBS model comply with all of the same rules and requirements as those loans previously purchased by the MPP, as whole mortgage loans. The risk of foreclosures and delinquencies is borne by the master servicer, not HOC.

In addition the MPP currently offers the Fannie Mae HFA Preferred™ mortgage loan. This product allows the Program to offer conventional mortgages with a loan-to-value ratio of up to 97%. The MBS that are created under this program are guaranteed by Fannie Mae.

At the end of FY 2018, 77% of loan activity were made up of FHA loans and 23% were made up of Fannie Mae.

| | FHA | Fannie Mae |
|-----------------------|-----------|------------|
| Average Interest Rate | 4.02% | 4.36% |
| Average Loan Amount | \$218,513 | \$227,471 |
| Total Funded (\$mm) | \$117.1 | \$35.7 |
| Total Loans | 536 | 157 |
| % of Total Loans | 77.34% | 22.66% |

While the County has reached its highest June median sales price on record of \$477,750, the County's average sales price is \$575,509 and the MPP's is \$238,475. With affordable inventory decreasing significantly in the County, one of the MPP's goals is to ensure all borrowers looking to purchase affordable homes have access to a variety of affordable lending options.

New Mortgage Product: Freddie Mac

To continue to expand the MPP and offer competitive loan products, staff recommends adding Freddie Mac HFA Advantage to its Program. The Freddie Mac HFA Advantage is only offered to HFAs. Several of the Program's approved lenders currently offer Freddie Mac loans. Please see the below chart which highlights the features of this product.

| Freddie Mac HFA Advantage Mortgage | Details |
|--------------------------------------|--|
| Property Eligibility | <ul style="list-style-type: none"> • One-unit primary residence • Condos |
| Eligible Mortgages | <ul style="list-style-type: none"> • First lien conventional mortgages that are fully amortizing. • Fixed-rate mortgages with 30-year amortization. |
| Income Limits | <ul style="list-style-type: none"> • Determined by HFA. |
| Loan Purpose | <ul style="list-style-type: none"> • Purchase • No cash-out refinance. |
| Loan to Value | <ul style="list-style-type: none"> • 97% |
| Credit Enhancement Options | <ul style="list-style-type: none"> • Minimum mortgage insurance coverage required • 18% - 95% to 97% LTV • 16% - 90% to 95% LTV • 12% - 85% to 90% LTV • 6% - 80% to 85% LTV |
| Credit Score | <ul style="list-style-type: none"> • 660 – Purchase • 680 – No cash-out Refinance |
| Qualifying Ratios | <ul style="list-style-type: none"> • No maximum monthly housing expense to income ratio. • Maximum debt payment to income ratio – 45% • Manually underwritten mortgages – 43% |
| Down Payment/Closing Cost Assistance | <ul style="list-style-type: none"> • \$2,500 grant for borrowers that are 50% or below the AMI • \$1,500 grant for borrowers that are between 50% and 80% AMI. • All other down payment and closing cost assistance offered by the MPP apply. Interest rate may vary. |

Mortgage Loan Product Comparison

Below is a comparison of Freddie Mac to Fannie Mae and FHA in accordance with the Program.

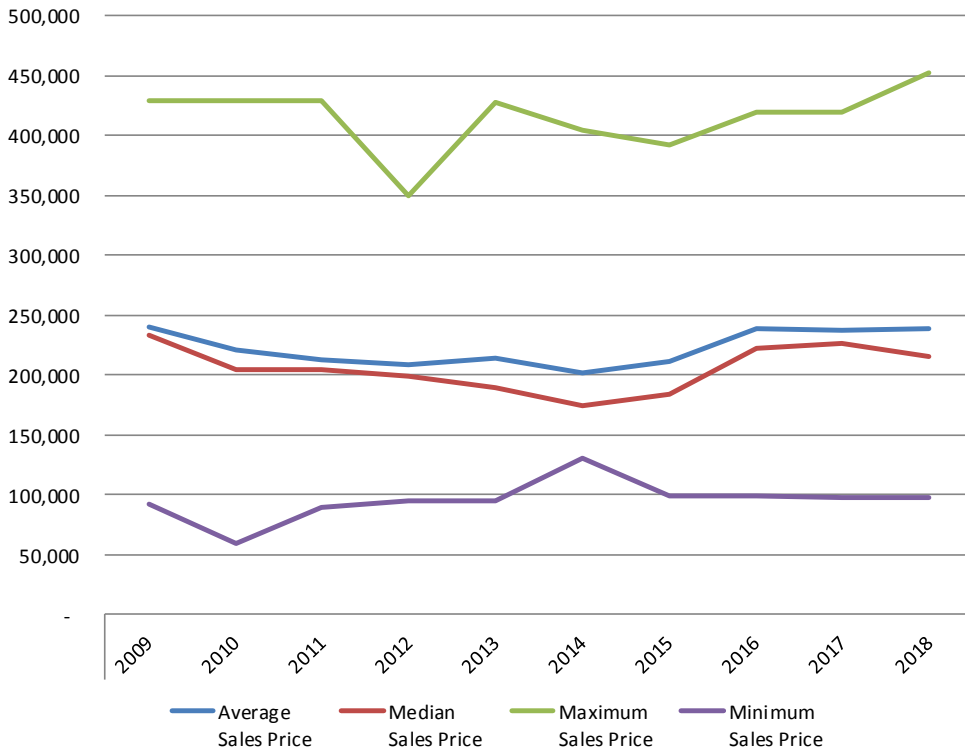
| | Freddie Mac | Fannie Mae | FHA |
|--|---|--|---|
| Property Eligibility | <ul style="list-style-type: none"> • One-unit primary residence • Condos, PUDs | <ul style="list-style-type: none"> • One-unit primary residence • Condos | <ul style="list-style-type: none"> • Same as Fannie |
| Eligible Mortgages | <ul style="list-style-type: none"> • First lien conventional mortgages that are fully amortizing. • Fixed-rate mortgages with 30-year amortization. | <ul style="list-style-type: none"> • Same as Freddie | <ul style="list-style-type: none"> • Same as Freddie |
| Income Limits | <ul style="list-style-type: none"> • Determined by HFA. | <ul style="list-style-type: none"> • Same as Freddie | <ul style="list-style-type: none"> • Same as Freddie |
| Loan Purpose | <ul style="list-style-type: none"> • Purchase • No cash-out refinance | <ul style="list-style-type: none"> • Same as Freddie | <ul style="list-style-type: none"> • Purchase • Cash and cash-out refinance |
| Loan to Value | <ul style="list-style-type: none"> • 97% LTV and 105% TLTV | <ul style="list-style-type: none"> • Same as Freddie | <ul style="list-style-type: none"> • 96.5% LTV and 104.5 TLTV |
| Credit Enhancement Options | <ul style="list-style-type: none"> • Min. mortgage insurance coverage: 18% - 95% to 97% LTV 16% - 90% to 95% LTV 12% - 85% to 90% LTV 6% - 80% to 85% LTV | <ul style="list-style-type: none"> • Same as Freddie | <ul style="list-style-type: none"> • One time up front MIP (1.35%) financed plus yearly premium 0.85% of loan amount based on decreasing balance |
| Credit Score | <ul style="list-style-type: none"> • 660 – Purchase • 680 – No cash-out Refinance | <ul style="list-style-type: none"> • 640 – Purchase • 640 – No cash-out refinance | <ul style="list-style-type: none"> • 660 – Purchase (excludes Crossroads) • 620 – No cash-out refinance |
| Qualifying Ratios | <ul style="list-style-type: none"> • No maximum monthly housing expense to income ratio. • Max debt payment to income ratio – 45% • Manually underwritten mortgages – 43% | <ul style="list-style-type: none"> • No maximum monthly housing expense to income ratio. • Max debt payment to income ratio – 50% • Manually underwritten mortgages – 43% | <ul style="list-style-type: none"> • Maximum housing expense to income ratio – 41% • Max debt payment to income ratio – 45% |
| Down Payment/ Closing Cost Assistance | <ul style="list-style-type: none"> • \$2,500 grant for borrowers that are 50% or below the AMI • \$1,500 grant for borrowers that are between 50% and 80% AMI. • Eligible for MPP down payment and closing cost assistance | <ul style="list-style-type: none"> • Eligible for MPP down payment and closing cost assistance | <ul style="list-style-type: none"> • Same as Fannie |

Maximum Sales Price Limit: Historical and Current

The MPP follows IRS regulations, which guides the maximum sales price and income limits. The data used for setting these limits in Montgomery County are derived from the Washington, DC-MD-VA Metropolitan Statistical Area (MSA), a high cost area, comprised of 25 jurisdictions surrounding Washington, DC. The current sales price limit for the Program was approved by the Commission on August 5, 2015 and is \$596,000.

Below are the annual maximum, average, median and minimum sales price for ratified contracts within the Program since 2009.

MPP Annual Sales Price



| Fiscal Year | Maximum Sales Price | Average Sales Price | Median Sales Price | Minimum Sales Price |
|-------------|---------------------|---------------------|--------------------|---------------------|
| 2009 | 429,600 | 240,823 | 234,000 | 92,668 |
| 2010 | 429,600 | 220,439 | 205,000 | 59,000 |
| 2011 | 429,619 | 213,264 | 205,000 | 89,900 |
| 2012 | 350,000 | 209,251 | 199,500 | 95,000 |
| 2013 | 428,000 | 213,735 | 190,000 | 95,163 |
| 2014 | 405,000 | 201,826 | 174,163 | 130,883 |
| 2015 | 392,500 | 211,666 | 184,467 | 99,637 |
| 2016 | 420,000 | 238,598 | 222,000 | 99,637 |
| 2017 | 420,000 | 238,106 | 227,000 | 97,500 |
| 2018 | 452,000 | 238,475 | 216,000 | 97,422 |

Maximum Sales Price Limit: 2018 Proposed Sales Price Limit

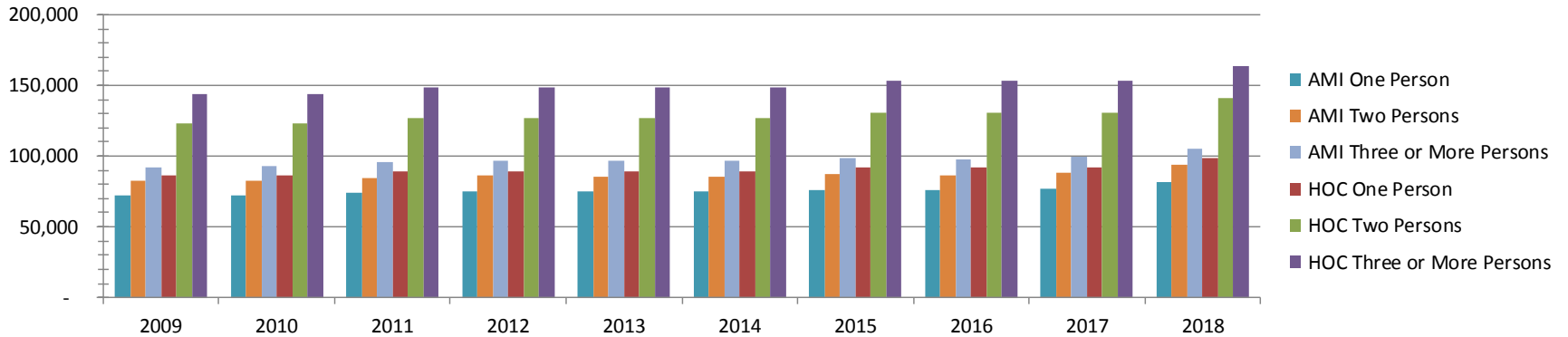
With the recent IRS publication of new revenue procedures setting forth average area purchase price applicable to single family loan programs financed with tax-exempt bonds, staff recommends adjusting the new maximum sales price for the Program.

The maximum sales price for the MPP cannot exceed 90% of the Average Area Sales Price, which is adjusted annually, and is set based upon FHA loan limits. In accordance with IRS regulations, the Average Area Sales Price is determined by *dividing* the FHA loan limit by 94.3%. The 2018 FHA loan limit for a single family property for the Washington, DC MSA is \$679,650, which translates to an Average Area Sales Price of \$695,294. Based upon the new Average Area Sales Price, the new maximum HOC MPP sales price should increase to \$625,765, and will apply to both first-time and non first-time home buyers.

| | |
|--|------------------|
| 2018 FHA Loan Limit | \$679,650 |
| 2018 IRS Average Area Sales Price | \$695,294 |
| 2018 Proposed MPP Maximum Sales Price | \$625,765 |
| Current MPP Maximum Sales Price | \$596,000 |

Maximum Income Limits: Historical and Current

The Commission last established the income limits for MPP on August 5, 2015. Given the recent increase in the AMI over the last four (4) years, staff recommends increasing income limits for first-time home buyers participating in the Program. Below are the historical AMI's and MPP's maximum income limits based upon household size between 2009 and 2018. In FY2018, the Program's average household annual income for a two (2) persons was \$71,488 or 76% of AMI.



| Year | AMI History | | | MPP Historical Maximum Income Limits | | |
|------|-------------|-------------|-----------------------|--------------------------------------|-------------|-----------------------|
| | One Person | Two Persons | Three or More Persons | One Person | Two Persons | Three or More Persons |
| 2009 | 71,890 | 82,160 | 92,430 | 86,268 | 123,240 | 143,780 |
| 2010 | 72,450 | 82,800 | 93,150 | 86,268 | 123,240 | 143,780 |
| 2011 | 74,270 | 84,880 | 95,490 | 89,160 | 127,320 | 148,540 |
| 2012 | 75,250 | 86,000 | 96,750 | 89,160 | 127,320 | 148,540 |
| 2013 | 75,110 | 85,840 | 96,570 | 89,160 | 127,320 | 148,540 |
| 2014 | 74,900 | 85,600 | 96,300 | 89,160 | 127,320 | 148,540 |
| 2015 | 76,440 | 87,360 | 98,280 | 91,728 | 131,040 | 152,880 |
| 2016 | 75,810 | 86,640 | 97,470 | 91,728 | 131,040 | 152,880 |
| 2017 | 77,210 | 88,240 | 99,270 | 91,728 | 131,040 | 152,880 |
| 2018 | 82,040 | 93,760 | 105,480 | 98,448 | 140,640 | 164,080 |

Maximum Income Limits: 2018 Proposed Income Limits

MPP's income limits have traditionally been 100% of AMI for a household of one or two people, and 115% of AMI for a household of three or more people, per IRS regulation. As of 2008, income limits for a high cost area may be set as high as 120% of the AMI for one to two person household, and 140% of the AMI for a household with three or more people. The 2018 median income for a four-person household in the Washington, DC MSA increased from \$110,300 (2017) to \$117,200 (2018).

When the Commission approved the use of the highest maximum incomes allowed in 2003, the Commission also opted to set a lower, separate income level for a single occupant household of 70% of the calculated income for two person household. Based on the 2018 AMI and adjusting for the high housing cost factor, below is a comparison of the current and proposed maximum income limits.

| Household Size | Current Maximum Income Limits | Proposed Maximum Income Limits |
|-----------------------|-------------------------------|--------------------------------|
| One Person | \$91,728 | \$98,448 |
| Two Persons | \$131,040 | \$140,640 |
| Three or More Persons | \$152,880 | \$164,080 |

Maximum Income Limits: 2018 Proposed Income Limits

Assuming a home buyer meets the qualifying criteria of the MPP, a one person household could qualify for home selling for approximately \$456,000, and a two or more person household could qualify for a home above our proposed maximum of \$625,765. Please see the below underwriting determining the maximum sales price allowed for a one person household:

| One Person Household – Proposed Maximum Income | | \$98,448 |
|---|-------|------------------|
| Monthly Income | / 12 | \$8,204 |
| Monthly Housing Expense ¹ | 40% | \$3,282 |
| Less: HOA Dues ² | | - \$90 |
| Less: Hazard Insurance | | - \$80 |
| Less: PMI (% of Mortgage) ³ | 0.85% | - \$313 |
| Less: Real Estate Taxes ⁴ | 0.93% | - \$355 |
| Monthly Principal & Interest ⁵ | 5.25% | \$2,433 |
| Maximum Mortgage | | \$442,443 |
| Down Payment | 3.00% | \$13,684 |
| MAXIMUM SALES PRICE | | \$456,126 |
| <u>Assumptions:</u> | | |
| ¹ Typical Housing Expense Ratio to allow for additional debt, as the Debt to Income Ratio must not exceed 45%. | | |
| ² Assumes average monthly HOA dues in Montgomery County for townhome unit; if condo, dues increase and purchase power decreases. | | |
| ³ Assumes 690-699 credit. | | |
| ⁴ Actual Montgomery County Real Estate Tax. | | |
| ⁵ Assumes conventional financing with Down Payment Assistance. | | |

Summary and Recommendations

Issues for Consideration

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the addition of the Freddie Mac HFA Advantage conventional product to the Single Family Mortgage Purchase Program and to increase the maximum sales price and income limits for the Program?

Time Frame

Action at the October 3, 2018 Commission Meeting.

Budget Impact

There is no adverse impact for the Agency's FY 2019 budget.

Staff Recommendation and Commission Action Needed

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

1. Approval to add the Freddie Mac HFA Advantage conventional mortgage product to the Single Family Mortgage Purchase Program.
2. Approval to increase the Mortgage Purchase Program's sales price limit to \$625,765.
3. Approval to increase the Mortgage Purchase Program's maximum income limit to \$98,448 for one person, \$140,640 for two-persons, and \$164,080 for three or more persons.

RESOLUTION No.: 18-76

RE: Approval to Add Freddie Mac HFA Advantage Conventional Mortgage Product to the Single Family Mortgage Purchase Program and Increase the Sales Price and Income Limits for the Program

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) has operated the Single Family Mortgage Purchase Program (“MPP” or the “Program”) since 1979, issuing approximately \$1.6 billion of taxable and tax-exempt Mortgage Revenue Bonds (“MRB”) to finance more than 11,000 single family mortgage loans; and

WHEREAS, the MPP currently offers government and conventional mortgage loans, insured by the Federal Housing Administration and the Federal National Housing Mortgage Association or Fannie Mae, respectively, and looks to expand the Program’s loan products; and

WHEREAS, the Federal Home Loan Mortgage Corporation or Freddie Mac offers a loan product known as the Freddie Mac HFA Advantage, a conventional mortgage loan offered only to Housing Finance Agencies, under which qualified borrowers may obtain a 30-year fixed rate mortgage with a loan to value of up to 97%; and

WHEREAS, on April 1, 2018, the U.S. Department of Housing and Urban Development published new national income limits, and on April 23, 2018, the Internal Revenue Service published new revenue procedures setting forth average area purchase price applicable to the Program; and

WHEREAS, the Commission approves income and sales price limits which apply to the MPP, subject to rules and regulations governing MRBs; and

WHEREAS, the Development and Finance Committee, at its September 21, 2018 meeting, considered and recommended approval of (i) expanding the Program’s loan products to include the Freddie Mac HFA Advantage and (ii) increasing the Program’s sales price and income limits.

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

1. The Single Family Mortgage Purchase Program shall add the Federal Home Loan Mortgage Corporation or Freddie Mac HFA Advantage conventional mortgage loan product to the Single Family Mortgage Purchase Program.

2. The maximum allowed sales price for Mortgage Purchase Program shall increase to \$625,765.
3. The maximum income limits for the Single Family Mortgage Purchase Program shall increase as follows:

| Household Size | Maximum Income |
|----------------|----------------|
| 1 | \$98,448 |
| 2 | \$140,640 |
| 3+ | \$164,080 |

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on October 3, 2018.

S
E
A
L

Patrice Birdsong
Special Assistant to the Commission

Deliberation and/or Action

**APPROVAL TO RENEW THE PRIMARY AUDIT CONTRACT
WITH CLIFTONLARSONALLEN LLP
FOR ONE ADDITIONAL YEAR**

October 3, 2018

- On September 7, 2016 the Commission awarded a contract for a two-year renewal to CliftonLarsonAllen LLP (“CLA”) to perform the Agency’s financial audit for fiscal years 2017 and 2018. The current contract expires December 31, 2018. There is still 1 additional two-year renewal available under the original contract.
- CLA has been the Agency auditor for 14 years. HOC has had three different audit partners and several different audit managers throughout the 14 years.
- Their review includes the Single Audit (formerly known as the A133), the main agency audit, six bond indenture audits and an information technology review.
- CLA also currently serves as the auditor for Montgomery County, Maryland (“County”). The CLA audit contract with the County expires after completion of the FY’2019 audit.
- HOC is a component unit of the County. Having the same external auditor assists in the coordination and preparation of the County Comprehensive Annual Financial Report (“CAFR”).
- HOC is requesting a contract renewal with CLA for one year for the FY’2019 audit to coincide with the County contract expiration for audit services with CLA.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
 Eugenia Pascual Ext. 9478

RE: Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP for one additional year

DATE: October 3, 2018

STATUS: Deliberation: X

OVERALL GOAL & OBJECTIVE:

To renew the primary audit contract with CliftonLarsonAllen LLP for an additional year.

BACKGROUND:

On September 7, 2016, the Commission approved a two-year renewal on the primary audit contract with CliftonLarsonAllen LLP (CLA) for fiscal years 2017 and 2018. The contract allows for 1 additional two-year renewal subject to Commission approval.

CLA is the nation’s eighth largest public accounting and consulting firm. It is structured to provide clients with highly specialized governmental insight and offers emphasis on governmental entities similar to HOC. CLA has a staff of 5,400 professionals, including over 700 principals, operating from more than 110 offices across the country.

The proposed engagement partner has expertise in governmental auditing and accounting with an emphasis on Federal, State and Local entities that also require Single Audits. In addition, the partner has expertise in commercial auditing and accounting services with an emphasis on construction contractors. Both the partner and manager have experience in implementing Government Accounting Standards Board (GASB) pronouncements.

Under the current contract, CLA performs the Agency’s annual audit, including the Single Audit and six bond indenture audits. The depth of audit knowledge, as well as their level of commitment, availability and access is exceptional. CLA has demonstrated an ability to work well with all divisions and staff throughout the Agency.

CLA also serves as the auditor for Montgomery County, Maryland (“County”). The CLA audit contract with the County expires after completion of the FY2019 audit. HOC is a component unit of the County. Having the same external auditor assists in the coordination and preparation of the County Comprehensive Annual Financial Report (“CAFR”).

HOC requested a quote from CLA to provide audit services for the FY2019 audit. The termination of the HOC audit contract will coincide with the termination of the County audit contract with CLA. CLA submitted a proposal for FY 2019. The audit fee for FY2019 was held constant with the FY 2018 audit fee of \$239,500.

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

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

ISSUES FOR CONSIDERATION:

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

PRINCIPALS:

CliftonLarsonAllen LLP
HOC

BUDGET IMPACT:

There is no budget impact for FY2019. The cost for the FY2019 Audit will be incorporated in the FY2020 Agency Budget.

TIME FRAME:

Action is requested at the October 3, 2018 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

HOC staff recommends to the full Commission approval of the renewal of primary audit contract with CliftonLarsonAllen LLP for an additional year.

RESOLUTION: 18-77

RE: Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP for one additional year

WHEREAS, on September 7, 2016 the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) renewed the primary audit contract with CliftonLarsonAllen LLP (“CLA”) to complete HOC’s financial audit for fiscal years 2017 and 2018; (the “Contract”); and

WHEREAS, the Contract expires as of December 31, 2018; and

WHEREAS, the Contract provides for one (1) additional two-year renewal; and

WHEREAS, HOC has had three different audit partners and several different audit managers throughout the 14 years; and

WHEREAS, CLA also currently serves as the auditor for Montgomery County, Maryland (“County”), and the CLA audit contract with the County expires after completion of the FY2019 audit; and

WHEREAS, HOC is a component unit of the County, and having the same external auditor assists in the coordination and preparation of the County Comprehensive Annual Financial Report; and

WHEREAS, staff has determined it would be beneficial to renew the Contract with CLA for a one (1) year term in order to complete the FY 2019 audit and to coincide with the expiration of the County CLA audit contract.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves renewing the primary audit contract with CliftonLarsonAllen LLP for one (1) additional year, with an expiration date of December 31, 2019.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, October 3, 2018.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

Adjourn

Administrative Session