Housing Opportunities Commission OF MONTGOMERY COUNTY

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

EXPANDED AGENDA

March 6, 2019

			Res #
4:30 p.m.	**I. INFORMATION EXCHANGE** A. Resident Advisory Board B. Community Forum		
4:50 p.m. Page 5 7 17	**II. APPROVAL OF MINUTES** A. Approval of Special Session Minutes of January 23, 2019 B. Approval of Minutes of February 6, 2019 C. Approval of Minutes of February 6, 2019 Administrative Session D. Approval of Special Session Minutes of February 22, 2019		
5:00 p.m.	**III. CONSENT ITEMS**		
Page 23	A. Approval to Release the Funding Obligation of the Real Estate Working Capital Operating Fund Related to the White Flint Development		19-25(pg 26)
5:10 p.m.	**IV. INFORMATION EXCHANGE CONTINUED**		
Page 29	A. Report of the Executive Director B. Commissioner Exchange		
5:20 p.m.	**V. ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION** A. None		
5:25 p.m.	**VI. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**		
	A. Development and Finance Committee – *Com. Simon, Chair*		
Page 35	1. Authorization to Select General Contractor for Window Replacement and Miscellaneous Repairs at Bauer Park Apartments in Accordance with IFB #2145		19-26(pg 44)
	B. Budget, Finance and Audit Committee – *Com. Nelson, Chair*		
Page 47	1. Acceptance of Second Quarter FY'19 Budget to Actual Statements		19-27(pg 56)
63	2. Approval of FY'19 Second Quarter Budget Amendment		19-28(pg 68)
71	3. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable (October 1, 2018 – December 31, 2018)		19-29(pg 76)
77	4. Approval to Extend the Use of the Real Estate Line of Credit (RELOC) to Finance Commission Approved Actions Related to Funding for Year 15 Consulting Services for the Acquisition of Full Ownership of Certain Tax Credit Properties and Other Investor Exit Strategies		19-30(pg 81)
82	5. Approval to Amend Limited Partnership Agreements or Issue Letter Agreements Pursuant to the Bipartisan Budget Act of 2015 and Tax Cuts and Jobs Act passed in December 2017		19-31(pg 89)
91	6. Approval to Renew for One Year Property Management Contracts at the Following Properties: Pooks Hill Towers, Pooks Hill Court, Forest Oak Towers, Paddington Square, Tanglewood and Sligo, Dale Drive, Southbridge Apartments, Manchester Manor, and Montgomery Arms Apartments		19-32(pg 95)
97	7. Approval to Procure Property Management Services Pursuant to RFP #2140 for: Alexander House Apartments (Alexander House Development Corporation and Alexander House		19-33(pg 102)

	Limited Partnership); Cider Mill Apartments; Diamond Square Apartments; Georgian Court Apartments; Glenmont Crossing (Westerly Apartments and Woodberry Townhomes); Greenhill Apartments Limited Partnership; Stewartown Limited Partnership; and Westwood Towers Apartments		
5:35 p.m.	**VII. ITEMS REQUIRING DELIBERATION and/or ACTION**		
	1. None		
	***FUTURE ACTION ITEMS** 1. None		
5:45 p.m.	**ADJOURN**		
Page 109 114 119 124 129 134	**DEVELOPMENT CORPORATION MEETINGS** • **Montgomery Arms Development Corporation** – Approval to Renew for One Year Property Management Contract • **Paddington Square Development Corporation** – Approval to Renew for One Year Property Management Contract • **Pooks Hill Development Corporation** – Approval to Renew for One Year Property Management Contract • **Alexander House Development Corporation** – Approval to Procure Property Management Services Pursuant to RFP #2140 • **Glenmont Crossing Development Corporation**– Approval to Procure Property Management Services Pursuant to RFP #2140 • **Glenmont Westerly Development Corporation** – Approval to Procure Property Management Services Pursuant to RFP #2140		19-001MA(pg 112) 19-001PS(pg 117) 19-001PH(pg 122) 19-001AH(pg 127) 19-001GC(pg 132) 19-001GW(pg 137)
5:50 p.m. 140	**LIMITED PARTNERSHIP MEETING** • **Diamond Square Limited Partnership** – Approval to Procure Property Management Services Pursuant to RFP #2140		19-001DS(pg 144)

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.

INFORMATION EXCHANGE

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Special Session Minutes

January 23, 2019

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted via teleconference on Wednesday, January 23, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 1:00 p.m. Those in attendance were:

Present
Jackie Simon, Chair

Via Teleconference
Richard Y. Nelson, Vice Chair
Edgar Rodriguez, Chair Pro Tem
Pamela Byrd
Roy Priest
Frances Kelleher

Absent
Linda Croom

Also Attending

Stacy Spann, Executive Director
Cornelia Kent
Christina Autin
Aisha Memon, Acting General Council
Eugenia Pascual

Commission Support
Patrice Birdsong, Spec. Asst. to Commission

The Commission adjourned the open session at 1:00 p.m. and reconvened in closed session at 1:01 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on January 23, 2019 at approximately 1:01 p.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(13) to discuss confidential financial information.

The meeting was closed on a motion by Vice Chair Nelson, and seconded Chair Pro Tem Priest, with Commissioners Simon, Rodriguez, Byrd, Priest, Kelleher, and Nelson in favor of the motion. Commissioner Croom was necessarily absent and did not participate in the vote.

In closed session, the Commission discussed confidential financial information and took the following actions:

With a quorum present, the Commission duly adopted Resolution 19-14AS, with Commissioners Simon, Nelson, Rodriguez, Byrd, Priest, and Kelleher voting in approval, which approved the following: drawing from the PNC $60 Million Line of Credit (LOC) in order to make the March 2019, April 2019, and May 2019 Housing Assistance Payments to landlords participating in the Housing Choice Voucher (HCV) Program to the extent there is a continued government shutdown past February 28, 2019. Commissioner Croom was necessarily absent and did not participate in the vote.

The closed session was adjourned at 1:06 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

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HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Minutes
February 6, 2019

19-02

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, February 6, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:14 p.m. Those in attendance were:

Present
Jackie Simon, Chair
Richard Y. Nelson, Jr., Vice Chair
Linda Croom
Roy Priest
Frances Kelleher

Absent
Edgar Rodriguez, Chair Pro Tem
Pamela Byrd

Also Attending

Stacy L. Spann, Executive Director
Ali Khademain
Kayrine Brown
Charlotte Mbouma
Christina Autin
Cornelia Kent
Darcel Cox
Derrick Thompson
Ellen Goff
Rita Harris
Sewavi Agbodjan
Ian-Terrell Hawkins
Hyunsuk Choi
Ian Williams
Terri Fowler
Aisha Memon,-Acting General Council
Jennifer Arrington
Bonnie Hodge
Lorie Seals
Lynn Hayes
Marcus Ervin
Mary Phillips
Patrick Mattingly
Elliot Rule
Ethan Cohen
Fred Swan
Sherraine Rawlins
Shauna Sorrells
Susan Smith

Resident Advisory Board
Yvonne Caughman, Vice President

Guest
Macedonia Baptist Church Supporters

IT Support
Irma Rodriguez
Rony Joseph

Commission Support
Patrice Birdsong, Spec. Asst. to the Commission

I. **Approval of Minutes**

A. **Approval of Minutes of January 9, 2019 regular meeting** - The minutes were approved as submitted with a motion by Vice Chair Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioners Rodriguez and Byrd were necessarily absent and did not participate in the vote.

B. **Approval of Minutes of January 9, 2019 Administrative Session** – The minutes were approved as submitted with a motion by Commissioner Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Croom, Priest, and Kelleher. Commissioners Rodriguez and Byrd were necessarily absent and did not participate in the vote..

C. **Approval of Minutes of January 23, 2019 Special Session** – The minutes were approved as submitted with a motion by Vice Chair Nelson and seconded by Commissioner Priest. Affirmative votes were cast by Commissioners Simon, Nelson, Croom, Priest, and Kelleher. Commissioners Rodriguez and Byrd were necessarily absent and did not participate in the vote.

II. **CONSENT ITEMS**

A. Authorization to Amend Resolution 19-09 to Allow for the Execution of Two Interest Rate Hedge Via Swap Agreements for the Upton II

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

RESOLUTION NO.: 19-15 **RE: Authorization to Amend Resolution 19-09 to Allow for the Execution of Two Interest Rate Hedges Via Swap Agreements for the Upton II**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of multifamily rental housing properties 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. will own and operate a condominium unit containing 150 apartments, which will be a mixed-income, age restricted community (the "Property"); and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the "Managing Member"), which in turn is the sole member of HOC at The Upton II, LLC ("Borrower"); and

WHEREAS, on January 9, 2019, the Commission approved Resolution 19-09, which included the approval of the Financing Plan for the Property,

WHEREAS, the Financing Plan totals $49.5 million for the acquisition, construction and permanent financing for the Property, and includes a number of sources, including: a short-term, tax-exempt loan to fund construction by way of a Commission conduit loan from M&T Bank to be passed through to the Borrower ("Construction Loan"), which will be repaid by a FHA Risk Share Permanent Loan ("Permanent Loan"); bridge funding during acquisition/construction by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; LIHTC equity; a subordinate loan from Montgomery County, Maryland; acquisition financing in the form of a seller take-back loan from the Commission; and, deferred developer fees; and

WHEREAS, to protect the transaction from potential interest rate increases, Resolution 19-09 approved purchasing an interest rate hedge in the form of a swap to mitigate the risk of a potential rise in interest rates; and

WHEREAS, in order to reduce costs, provide better credit protection for the swap counterparty and the Commission, and to ensure the swap is structurally consistent with the terms of the Construction Loan and Permanent Loan, staff recommends entering into two (2) swaps instead of one (1) swap, with the first swap beginning at the start of the first construction draw, and a second forward starting swap beginning at permanent loan conversion.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County amends Resolution 19-09 to allow for the execution of two interest rate hedges via swap agreements with a qualified counterparty (Royal Bank of Canada) to mitigate against a rise in interest rates, with any scheduled or termination payment owed by the Commission being paid as a Program Expense under its 1996 Indenture and/or from the Commission's legally available general funds, subject to agreements now or hereafter made with holders of its notes and bonds, pledging particular revenues, assets or moneys for the payment thereof, and subject to agreements with governmental agencies or other parties providing funds to the Commission and restricting the uses to which such funds may be applied.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized, without any further action on their respective parts, to negotiate the terms of the swaps to complete the transaction contemplated herein.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that the Managing Member and Borrower approve the amendment to Resolution 19-09 and the corresponding change to the Financing Plan.

B. Approval of the Re-appointment of Kenneth B. Tecler to the Board Director of Housing Opportunities Community Partners, Inc.

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

RESOLUTION NO.: 19-22 **RE: Approval of the Re-appointment of Kenneth B. Tecler 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 re-appointment of Kenneth B. Tecler 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 Kenneth B. Tecler 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.

III. ADMINISTRATIVE AND SPECIAL SESSION RATIFICATIONS

A. Ratification of Action taken in Special Administrative Session on January 23, 2019: Emergency Authorization to Advance Funds for Housing Choice Voucher Payments in the Event of a Continued Government Shutdown

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

RESOLUTION NO.: 19-14R **RE: Emergency Authorization to Advance Funds for Housing Choice Voucher Payments in the Event of a Continued Government Shutdown**

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

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

WHEREAS, the Housing Assistance Payments under the Commission's HCV Program average approximately $7.9 Million per month and are funded on a monthly basis from the Federal Government;

WHEREAS, in the event that the Federal Government shutdown continues past February 28, 2019, the Commission will not receive the funds necessary to pay the Housing Assistance Payments to landlords each month under the HCV Program; and

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

WHEREAS, the Commission has a $60 Million Line of Credit with PNC Bank, National Association (the "PNC $60 Million LOC") that may be used to provide short-term financing and had an unobligated balance that is sufficient to make the March 2019, April 2019, and May 2019 Housing Assistance Payments to landlords participating in the HCV Program;

WHEREAS, at a Special Administrative Session duly called and held on January 23, 2019, with a quorum present, the Commission duly adopted Resolution 19-14AS, Commissioners Simon, Nelson, Rodriguez, Byrd, Priest, and Kelleher voting in approval, which approved drawing from the PNC $60 Million LOC in order to make the March 2019, April 2019, and May 2019 Housing Assistance Payments to landlords participating in the HCV Program to the extent there is a continued government shutdown past February 28, 2019, Commissioner Croom was necessarily absent and did not participate in the vote; and

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 19-14AS and any action taken since January 23, 2019 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 19-14AS and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

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

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

1. Approval of an Interest Rate Exchange Agreement Policy Governing the Use of Derivative Products in HOC's Financing Program

Kayrine Brown, Chief Investments and Real Estate 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, Croom, Priest, and Kelleher. Commissioners Rodriguez and Byrd were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-16 **Re: Approval of an Interest Rate Exchange Agreement Policy Governing the Use of Derivative Products in HOC's Financing Programs**

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

WHEREAS, in carrying out its public purpose the Commission may use instruments of the capital markets to achieve the lowest borrowing cost of funds and manage interest rate risk as works to secure funding for its single family and multifamily mortgages and has negotiated and executed Interest Rate Exchange Agreements, of which five long-term and two short-term swap transactions remain outstanding; and

WHEREAS, throughout its history involving the use of swaps, the Commission has completed swap transactions pursuant to guidelines governing the use of swaps an in accordance with the International Swaps and Derivatives Association, Inc., the governing body that regulates and the use of derivatives; and

WHEREAS, the Commission now wishes to codify its guidelines into a policy that is responsive to the needs of counterparties and is consistent with federal, state, and local laws, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; and

WHEREAS, the Chief Investment and Real Estate Officer and the Chief Financial Officer jointly will serve as Swap Administrator and will manage the Commission's swaps and report annually to the Budget Finance and Audit Committee and the Development and Finance Committee on the performance of its swaps; and

WHEREAS, the Commission may hire the services of more than one swap advisor but wishes to affirm its financial advisor, Caine Mitter and Associates Incorporated as its Swap Advisor.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the Interest Rate Exchange Agreement Policy ("Swap Policy"), attached hereto as Exhibit A, governing the use of derivatives products in the Commission's financing programs to, among other things, manage interest rate risk and lower overall borrowing costs.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County hereby affirms Caine Mitter and Associates as the Commission's Swap Advisor.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, without any further action on its part, to execute such other documents and to take any and all other actions, in each case as necessary and proper, in the Executive Director's judgment, to carry out the actions contemplated herein.

2. **Approval of Task Orders with CDC Capital, LLC for Continuation of Work Related to Development Activity at Alexander House and Elizabeth House III**

Kayrine Brown, Chief Investments and Real Estate Officer, and Ellen Goff, Real Estate Operations Manager, were the presenters.

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

RESOLUTION NO.: 19-17 **RE: Approval of Task Orders with CDC Capital, LLC for Continuation of Services for Work Related to Development Activity at Alexander House and Elizabeth House III**

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

WHEREAS, to effectively carry out its business of delivering affordable housing to persons of eligible income, the Commission from time to time augments its staff by contracting with third party consultants for its development and financing activities; and

WHEREAS, development consultants perform all the work necessary for acquisition, preservation, rehabilitation, or construction opportunities as well as provide accompanying financing consulting services and financing consultants to advise, source, and structure debt and equity to enhance the Commission's existing debt products, all under the direction of the Commission's real estate staff; and

WHEREAS, the Commission engaged CDC Capital, LLC ("CDC") as the lead project manager of the Elizabeth Square Development (which includes Alexander House, Elizabeth House III, and the South County Regional Recreation and Aquatic Center ("SCRRAC") on January 3, 2017 for an initial term of twenty-four months and that contract has now expired; and

WHEREAS, the Commission approved a new Development and Financing Consulting Pool (the "Pool" on November 7, 2018 and CDC was awarded a new contract within the Pool; and

WHEREAS, given the complexity of the Elizabeth Square Development transaction and the number of partners and county agencies involved, staff believes it is in the best interest of the Commission to take steps to ensure the timely completion of the planning, financing, and construction of the project; and

WHEREAS, the principal of CDC possesses the most institutional knowledge and has agreed to continue to support HOC and the project in a consulting capacity through its contract within the Pool, necessitating task orders with CDC for continuation of development and finance consulting services to close out the Alexander House project, and for the development of Elizabeth House III and the SCRRAC; and

WHEREAS, the combined task order amounts exceed the Executive Director's authorization, therefore Commission approval is required to approve the task orders for CDC's continuation of services of the Elizabeth Square Development (which includes Alexander House, Elizabeth House III, and the SCRRAC).

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes and directs the Executive Director, without further action on its part, toexecute task orders with CDC for continuation of development and finance consulting services for the Elizabeth Square Development (which includes Alexander House, Elizabeth House III, and the SCRRAC) for a term of up to forty-eight months for a maximum price of $783,500.

BE IT FURTHER RESOLVED that the funding for the contract is authorized to be included in the Development Budget for Alexander House and Elizabeth House III for the respective development phases, but that the ongoing cost of the engagement may be funded by HOC from the General Fund to be reimbursed at the financial closing of each phase of the development.

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

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

A. **Approval of the FY'20 County Operating Budget MARC Reduction**

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

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

RESOLUTION NO.: 19-19 **RE: Approval of the FY'20 County Operating Budget MARC Reduction**

WHEREAS, on November 8, 2018, the Housing Opportunities Commission of Montgomery County ("HOC") submitted a baseline budget or Maximum Agency Request Ceiling ("MARC") to the County in the amount of $6,680,270 for FY'20;

WHEREAS, on January 24, 2019, the County Office of Management and Budget ("OMB") requested that HOC submit a revised MARC for FY'20 that includes a reduction of two percent (2%) or $133,605 from the original FY'20 submission;

WHEREAS, OMB added funding for HOC's requests of $220,000 for increases to compensation and benefits and $21,684 for anticipated increases in Rental License Fees that are reimbursed by the County that are not included in the two percent (2%) reduction; and

WHEREAS, the revised MARC for FY'20 including the two percent (2%) reduction and added funding is $6,788,049.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes staff to submit a revised MARC for FY'20 in the amount of $6,788,049.

ELECTION OF OFFICERS

Executive Director Spann opened the floor for nomination of the following Officers, Chair, Vice Chair, and Chair Pro Tem, to the Housing Opportunities Commission Board. Motion was made by Commissioner Nelson and seconded by Commissioner Priest to re-elect Jackie Simon to Chair. Affirmative votes were cast by Commissioners Nelson, Priest, Croom, Kelleher, and Simon. Commissioners Rodriguez and Byrd were necessarily absent and did not participate in the vote.

Executive Director Spann called for the nomination of Vice Chair. Motion was made by Commissioner Priest to re-elect Richard Y. Nelson, Jr., and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, Kelleher, and Nelson. Commissioners Rodriguez and Byrd necessarily absent and did not participate in the vote.

Executive Spann called for the nomination of Chair Pro Tem. Motion was made by Commissioner Croom to nomination Roy Priest, and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Croom, Kelleher, and Priest.

Executive Director Spann made a motion to close the nominations. Affirmative votes cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioners Rodriguez and Byrd were necessarily absent and did not participate in the vote.

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 5:36 p.m. and reconvened in closed session at approximately 5:45 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on February 6, 2019 at approximately 5:45 p.m**.** at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(3) and Section 3-305(b)(13) to discuss a potential real property acquisition, the funding and structuring of a potential real estate transaction, and the restructuring and funding of an ongoing real estate transaction.

The meeting was closed on a motion by Vice Chair Nelson, seconded by Commissioner Croom, with Commissioners Simon, Nelson, Priest, Croom, and Kelleher unanimously voting in approval. Commissioners Rodriguez and Byrd were necessarily absent and did not participate in the vote. The following persons were present: Jackie Simon, Richard Y. Nelson, Jr., Linda Croom, Roy Priest, Fran Kelleher, Stacy Spann, Shauna Sorrells, Aisha Memon, Eamon Lorinez, Kayrine Brown, Christina Autin, Ellen Goff, Zachary Marks, Marcus Ervin, Cornelia Kent, Gio Kaviladze, and Patrice Birdsong.

In closed session, the Commission discussed the following topics: a potential real property acquisition, the funding and structuring of a potential real estate transaction, and the restructuring and funding of an ongoing real estate transaction. The following actions were taken:

1. With a quorum present, the Commission duly adopted Resolution 19-20AS, with Commissioners Jackie Simon, Richard Y. Nelson, Jr., Linda Croom, Roy Priest, and Frances Kelleher voting in approval, which approved the following: the funding of a predevelopment budget; additional funding to cover predevelopment costs already incurred to date; and a loan from HOC's Opportunity Housing Reserve Fund. Commissioners Pamela Byrd and Edgar Rodriguez were necessarily absent and did not participate in the vote.

2. With a quorum present, the Commission duly adopted Resolution 19-21AS, with Commissioners Jackie Simon, Richard Y. Nelson, Jr., Linda Croom, Roy Priest, and Frances Kelleher voting in approval, which approved the following: executing a purchase and sale agreement for the disposition of real property located at 10140 New Hampshire Avenue, Silver Spring, MD; completion of a disposition; and restricting proceeds from the disposition to future development activities. Commissioners Pamela Byrd and Edgar Rodriguez were necessarily absent and did not participate in the vote.

3. With a quorum present, the Commission convened a meeting of the Board of Directors of the Barclay Apartment Development Corporation, and the Board duly adopted Resolution 19-001BC, with Commissioners Jackie Simon, Richard Y. Nelson, Jr., Linda Croom, Roy Priest, and Frances Kelleher voting in approval, which approved the acceptance of a loan from HOC's Opportunity Housing Reserve Fund to fund the predevelopment budget and additional predevelopment costs. Commissioners Pamela Byrd and Edgar Rodriguez were necessarily absent and did not participate in the vote.

   The closed session was adjourned at 6:33 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

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HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Special Session Minutes

February 22 2019

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted on Friday, February 22, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 12:01 p.m. Those in attendance were:

Present
Jackie Simon, Chair
Richard Y. Nelson, Vice Chair
Roy Priest, Chair Pro Tem
Frances Kelleher

Absent
Edgar Rodriguez
Linda Croom
Pamela Byrd

Also Attending

Stacy Spann, Executive Director
Cornelia Kent
Kayrine Brown
Victoria Dixon
Darcel Cox
Terri Fowler
Claudia Wilson
Len Vilicic
Gio Kaviladze
Aisha Memon, Acting General Council
Eamon Lorinez
Jay Shepherd
Sherraine Rawlins
Ellen Goff
Vivian Benjamin
Jennifer Arrington
Marcus Ervin

I. ITEMS REQUIRING DELIBERATION AND/OR ACTION

A. Approval to Amend the Financing Plan for the Upton II Development ("the Property"); Authorization to Increase the Acquisition Financing for HOC at the Upton II, LLC (the "Borrower"); Authorization to Increase the Commitment for Permanent Financing; and, Authorization for the Borrower to Accept Increased Financing

Kayrine Brown, Chief Investment and Real Estate Officer, and Victoria Dixon, Senior Multifamily Underwriter, were presenters.

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

RESOLUTION NO.: 19-23

RE: Approval to Amend the Financing Plan for the Upton II Development ("the Property"); Authorization to Increase the Acquisition Financing for HOC at the Upton II, LLC (the "Borrower"); Authorization to Increase the Commitment for Permanent Financing; and, Authorization for the Borrower to Accept Increased Financing

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

WHEREAS, Upton II is a planned development in Rockville that is entitled by Duball (the "Master Developer") under current zoning and planning requirements for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. will own and operate a condominium unit containing 150 apartments, which will be a mixed-income, age restricted community (the "Property") and the remaining 250 units will be controlled by the Master Developer or its affiliates; and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the "Managing Member"), which in turn is the sole member of HOC at The Upton II, LLC ("Borrower"); and

WHEREAS, on January 9, 2019, the Commission approved Resolution 19-09, which included the approval of the Financing Plan for the Property; and

WHEREAS, the approved Financing Plan totaling $49.5 million for the acquisition, construction and permanent financing for the Property, includes the following sources: a short-term, tax-exempt loan to fund construction by way of a Commission conduit loan from M&T Bank to be passed through to the Borrower ("Construction Loan"), which will be repaid by a FHA Risk Share Permanent Loan ("Permanent Loan"); bridge funding during acquisition/construction by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; LIHTC equity; a subordinate loan from Montgomery County, Maryland; acquisition financing in the form of a loan from the Commission ("HOC Loan"); and, deferred developer fees; and

WHEREAS, on February 6, 2019, to protect the transaction from potential interest rate increases the Commission authorized the execution of two interest rate hedges, one for the Construction Loan and one for the Permanent Loan; and

WHEREAS, the Master Developer has advised HOC of increased development costs of $2 million above the previously approved budget for a total of $51.5 million for the development of the Property; and

WHEREAS, the increased development costs are expected to be partially offset by a higher tax credit equity contribution, for a remaining financing gap of $1.4 million; and

WHEREAS, interest rates for the forward starting swap have come in lower than originally underwritten, allowing the operations of the property to support a higher permanent loan amount of up to $27,500,000.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the Financing Plan and authorizes increasing the HOC Loan by up to $7,800,000 from $6,000,000, a $1,800,000 increase, to cover increased construction and transaction costs and to be funded from the Commission's FHA Risk Share account until such time funds have been replaced or unobligated in the Opportunity Housing Reserve Fund.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes restating the three year forward commitment for a permanent loan up to $27.5 million from $24,000,000, a $3,500,000 increase, which will be credit enhanced by FHA Risk Share Mortgage insurance, pursuant to the Risk Sharing Agreement between the Commission and the U.S. Department of Housing and Urban Development ("HUD"), of which the Commission shall assume 25% of the risk and HUD shall assume 75% for the transaction.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that the Managing Member and Borrower approve corresponding changes to the Financing Plan.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that the Executive Director is hereby authorized, without any further action on their respective parts, to execute such documents and to take any and all other actions, in each case as necessary and proper, in the Executive Director's judgement, to carry out the Financing Plan and the transaction and action contemplated herein.

B. Approval to Amend the Final Development Plan for the HOC at the Upton II

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

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

RESOLUTION NO.: 19-24 **RE: Approval to Amend the Final Development Plan for the HOC at the Upton II**

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 Town Center that is entitled under current zoning and planning requirements of the City of Rockville 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 (the "HOC Upton Development") in a single purpose entity known as HOC at The Upton II, LLC (the "Owner ") and Duball LLC or an affiliate will own and operate a second condominium unit comprising the remainder of the development; and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the "Managing Member"), which in turn is the sole member of the Owner; and

WHEREAS, it is expected that the ownership structure will be modified to admit a tax credit investor as a non-managing member of the Owner and to admit VHI as a non-managing member of the Managing Member, with HOC remaining in control of the Owner as the managing member of the Managing Member entity; and

WHEREAS, the HOC Upton Development proposes to serve seniors 62 years and older 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, on October 3, 2018, the Commission approved the Development Plan for HOC at the Upton II as a 150-unit, mixed-income, new construction, age-restricted community containing 136 one-bedroom and 14 two-bedroom units; and

WHEREAS, on January 9, 2019, HOC approved a Final Development Plan ("Final Development Plan"), which estimated the total development cost of the HOC Upton Development of $49.5MM to be funded with a combination of HOC-issued tax-exempt bonds, LIHTC equity, subordinate financing from Montgomery County, deferred developer fee, and an HOC subordinated loan; and

WHEREAS, also as part of the Final Development Plan, HOC at the Upton II would contain 28 Project Based Rental Assistance ("PBRA") units, 80 Rental Assistance Payment ("RAP") units through conversion of 112 units at Town Center Apartments via the Second Component of the Rental Assistance Demonstration ("RAD") program, 27 units under LIHTC restrictions, and 15 market rate units; and

WHEREAS, in accordance with the Final Development Plan, HOC intends for the Owner to acquire the condominium unit that will comprise the HOC Upton Development (the "HOC Upton Condominium") and enter into a construction contract for the HOC Upton Development; and

WHEREAS, a development team led by Duball LLC has been assembled, construction permit drawings finalized and submitted with required building permit expected to be issued in early 2019, and the HOC Upton Development is projected to take 29 months and deliver in the Fall of 2021; and

WHEREAS, HOC and Duball negotiated a cost-plus fee guaranteed maximum price contract in early February 2019 with Paradigm Contractors and due to cost drivers in the market, realized a $2,175,671 increase in construction materials and labor costs and after value engineering a total increase of $1,822,629 over the Final Development Plan for the HOC portion of the development; and

WHEREAS, soft cost increases pegged to the GMP cost increases also were included raising the total increase to the development budget from $49.5 million to $51.5 million. Total cost increases were partially offset by additional equity raised by the participation in the Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Amended Final Development Plan for the construction of HOC Upton Development is hereby approved to include a total development cost of approximately $51.5MM, 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, acting for itself that the Executive Director is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

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

The meeting adjourned at 12:28 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Consent Items

APPROVAL TO RELEASE THE FUNDING OBLIGATION OF THE REAL ESTATE WORKING CAPITAL OPERATING FUND RELATED TO THE WHITE FLINT FIRE STATION SITE

March 6, 2019

- On July 8, 2015, the Housing Opportunities Commission of Montgomery County authorized the expenditure of up to One Hundred Fifty Thousand Dollars ($150,000) from the Real Estate Working Capital Operating Fund ("REWCOF") to fund feasibility and predevelopment work for a new White Flint Fire Station #23 ("Fire Station") on approximately 2.8 acres of County land generally located at the intersection of Randolph Road and MD 355 (the "Site").

- The initial project concept was to develop the Site into a mixed-use development comprised of the Fire Station and a residential community featuring a mix of senior market-rate and senior affordable housing ("Residential Component").

- As the County's design for the Fire Station crystallized, the Site design did not leave enough available land for the development of the Residential Component without other acquisitions of adjacent land, which was cost prohibitive.

- The County's Department of Housing and Community Affairs concluded that the Residential Component would not be pursued at this time.

- Staff recommends that the Commission approve to release the funding obligation of the REWCOF related to the White Flint Fire Station development.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Division: Real Estate

Staff:	Kayrine Brown, Chief Investment and Real Estate Officer	Ext. 9589
	Zachary Marks, Director of Development	Ext. 9613
	Kathryn Hollister, Senior Financial Analyst	Ext. 9551

RE: Approval to Release the Funding Obligation of the Real Estate Working Capital Operating Fund Related to the White Flint Fire Station Site

DATE: March 6, 2019

STATUS: Consent: __X__ Deliberation ____ Status Report _____ Future Action ____

OVERALL GOAL & OBJECTIVE:

To obtain authorization and approval from the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") to release the funding obligation of the Real Estate Working Capital Operating Fund related to the White Flint Fire Station site.

BACKGROUND:

On July 8, 2015, The Housing Opportunities Commission of Montgomery County authorized the expenditure of up to One Hundred Fifty Thousand Dollars ($150,000) from the Real Estate Working Capital Operating Fund ("REWCOF") to fund feasibility and predevelopment work for a residential development at the site proposed for a new White Flint Fire Station #23 ("Fire Station") on approximately 2.8 acres of County land generally located at the intersection of Randolph Road and MD 355 (the "Site").

The initial project concept was to develop the Site into a mixed-use development comprising of the Fire Station and a residential community featuring a mix of senior market-rate and senior affordable housing ("Residential Component").

As the County's design for the Fire Station crystallized, the Site design did not leave enough available land for the development of the Residential Component without the acquisition of adjacent land, which was cost prohibitive.

The County's Department of Housing and Community Affairs concluded that the Residential Component would not be pursued at this time.

The RECOWF provides funds on a revolving basis for interim legal fees and costs ($350,000), working capital for real estate due diligence activities ($300,000), and closing funds ($750,000).

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve to release the funding obligation of the REWCOF related to the White Flint Fire Station site?

BUDGET/FISCAL IMPACT:

The REWCOF had a current available balance of $1,184,300 as of February 27, 2019. The release of the White Flint Fire Station obligation restores the working capital funds to $300,000 and increase the REWCOF's available balance to $1,334,300.

TIME FRAME:

Action at the March 6, 2019 open session of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve to release the funding obligation of the REWCOF related to the White Flint Fire Station site.

RESOLUTION No: 19-25

RE: Approval to Release the Funding Obligation of the Real Estate Working Capital Operating Fund Related to the White Flint Fire Station Site

WHEREAS, on March 4, 2015, the Commission established a Real Estate Working Capital Operating Fund ("REWCOF") for $1,400,000 to be used on a revolving basis for legal expenses ($350,000), due diligence ($300,000), and closing expenses ($750,000); and

WHEREAS, on July 8, 2015, the Housing Opportunities Commission of Montgomery County (the "Commission") authorized the expenditure of up to One Hundred Fifty Thousand Dollars ($150,000) from the REWCOF to fund feasibility and predevelopment work for a residential development at the site proposed for a new White Flint Fire Station #23 ("Fire Station") on approximately 2.8 acres of County land generally located at the intersection of Randolph Road and MD 355 (the "Site"); and

WHEREAS, the initial project concept was to develop the Site into a mixed-use development comprising of the Fire Station and a residential community featuring a mix of senior market-rate and senior affordable housing ("Residential Component"); and

WHEREAS, the County's final design for the Fire Station did not leave enough available land for the development of the Residential Component without the acquisition of adjacent land, which was cost prohibitive; and

WHEREAS, the County's Department of Housing and Community Affairs concluded that the Residential Component would not be pursued at this time; and

WHEREAS, the Commission desires to release the funding obligation of the REWCOF related to the Fire Station site.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves releasing the funding obligation of the REWCOF related to the residential development of the Fire Station site, in the amount of One Hundred Fifty Thousand Dollars ($150,000), restoring the due diligence portion of the REWCOF to $300,000.

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

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular session conducted on March 6, 2019.

Patrice M. Birdsong
Special Assistant to the Commission

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INFORMATION EXCHANGE

Report of the Executive Director
Stacy L. Spann
March 6, 2019

HOC Seniors Celebrate Lunar New Year

On February 12, 2019, the HOC staff coordinated a Lunar New Year Celebration for HOC seniors in the Community Room at Forest Oak Towers. Celebrated in China and by various other Asian cultures, the Lunar New Year is recognized by 15 days of ceremonies and celebrations where families gather to usher in good fortune for the New Year. While the Lunar New Year celebration has been a perennial fixture at HOC properties, this year's festivities achieved a diversity milestone by featuring a much broader representation of cultures across Asia.

Approximately 45 seniors were in attendance and enjoyed a show that featured singing, instrumental performances, dancing, costumes and fan dancing. In addition to fostering socialization among senior residents, this type of programming celebrates the rich diversity of the Montgomery County community. Residents expressed overwhelming satisfaction with the event and a renewed sense of connection with their community and those from varied cultural backgrounds. HOC is proud to provide customers with platforms for the exchange of cultural celebration and expression.

Students Partake in STEAM Pop-Up Program

On February 13, 2019, elementary and middle school students participated in a STEAM (Science, Technology, Engineering, Arts and Mathematics) Pop-Up Workshop at Magruder's Discovery in Bethesda. This program provides students with new learning experiences each month to expand their understanding and interest in key STEAM concepts and principles. The themes for the February workshops were "Dry Ice Capades" and "Funky Forensics", where students examined matter in various states and explored the science behind forensics through an interactive look at staged crime scenes.

HOC Academy provides students with regular opportunities to engage in outside-of-class STEAM activities, helping spark student interest in STEAM and empowering youth to pursue careers in these fields. Monthly STEAM Pop-Up Wednesday programming for grades 1 – 5 and 6 – 8 will continue through April 2019. Additional upcoming STEAM opportunities for HOC youth include workshops in partnership with the Army Research Lab

and the U.S. Military at West Point, as well as an overnight trip to New York City that will feature a visit to the City University of New York's Advanced Science Research Center.

Fatherhood Initiative Graduates Sigma Cohort; Program Participation Trends Positive

On February 1, 2019, the Fatherhood Initiative graduated its third cohort (Sigma) of the fiscal year. A ceremony to acknowledge the commitment and accomplishments of the 16 Sigma cohort graduates was held at Wheaton's Sky Lounge. Graduates received a certificate of completion, gift bag and shared a celebratory meal with family, friends and other supporters at the event.

Participation in the Fatherhood Initiative continues to grow. Since October 2018, 55 fathers have completed HOC's Fatherhood Initiative program. As of February, the program had already enrolled 58 fathers, contributing significantly to the program's target enrollment of 150 fathers for the year. The Fatherhood Initiative is open to any father with children living in HOC housing, participating in HOC housing programs, or on the HOC wait list. The program is designed to connect fathers to skills training and programming to help them navigate the challenges of parenthood and support their personal and familial goals and growth. HOC added the Fatherhood Initiative to its basket of services in October 2015 and has seen more than 300 fathers complete the program since its inception. The next cohort, Upsilon, will begin March 4, 2019.

February Financial Literacy Workshop

On February 6, 2019, HOC hosted a financial literacy workshop at HOC's main office in Kensington. Presented in partnership with Emmanuel Brinklow Seventh Day Adventist Church, the workshop focused on helping customers understand and navigate key changes to the tax code. The workshop covered aspects of annual filings, including best practices, and emphasized the benefits and tax incentives granted to business owners. This tax-focused session is just one in a series of ongoing financial literacy workshops provided by HOC to provide residents with the tools to effectively manage their finances and achieve financial independence.

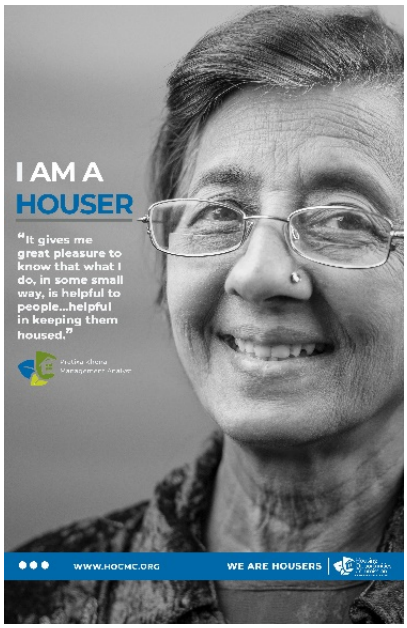
HOC Academy Commences Small Business Strategy Course

On February 9, 2019, seven adults began a 10-week Small Business Strategy Course coordinated by HOC Academy. During the 10-week program, participants will receive foundational guidance toward fulfilling their entrepreneurial goals. The Small Business Strategy Course helps participants address the challenges of entrepreneurship, including access to start-up capital and overcoming poor credit histories, and creates an environment for networking among other future entrepreneurs.

Sessions are facilitated by Destination Achievers Executive Director Anne Alston, who brings more than 25 years of experience in career transition, professional development, business development and empowerment services to HOC customers. By providing customers with convenient access to financial education and other skills training, HOC aims to make a positive and lasting impact on each of the households participating in its workshops and other supplemental programming.

HOC Relaunches 'We Are Housers' Campaign

In conjunction with and the agency's 2019 Housing Awards Reception, HOC will relaunch the We Are Housers campaign by releasing new videos and posters featuring employees. The We Are Housers campaign communicates the core of HOC's work – getting people housed, keeping people housed, and helping customers reach their fullest potential – in alignment with the agency's 2018 – 2022 Strategic Plan. The video and poster campaign features employees from across the agency sharing personal stories about why they chose to become a Houser.



Posters will be displayed at HOC offices and other locations across the County, where they will rotate throughout the year and highlight different employees from various divisions and quotes from their interviews about their work at HOC. The first videos will premiere in concert with the Housing Awards Reception. All videos will be available on HOC's YouTube channel, the HOC external website, and will play on TVs located across agency offices, customer service centers, and select properties.

Grant Funding Awarded to Family Self Sufficiency (FSS) Staff

In February, HOC's Family Self Sufficiency (FSS) program received $358,814 in grant funding for five full-time FSS staff members for the next year. HOC applies to the Department of Housing and Urban Development (HUD) annually to fund these key positions that support the ongoing self-sufficiency journey of HOC customers. FSS staff are responsible for coordinating programming and providing counseling that helps HOC customers in the FSS program identify their goals and reach their fullest potential.

FSS is a HUD program that links housing assistance with career development and other skills building to program to help individuals make progress toward economic security by increasing their earnings and building assets. Stable funding of FSS staff positions ensures that HOC customers experience continuous and consistent support throughout their five-to-seven-year journey.

Administrative and Special Session Ratifications

Committee Reports and Recommendations for Action

Development
and
Finance Committee

Authorization to Select General Contractor for Window Replacement and Miscellaneous Repairs at Bauer Park Apartments in Accordance with IFB #2145

ROCKVILLE

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
JAY SHEPHERD

March 6, 2019

Table of Contents

Executive Summary

- Bauer Park Apartments is located at 14639 Bauer Drive in Rockville and is financed with a Section 236 mortgage which is still outstanding. Bauer Park is owned by Banor Housing, Inc., a non-profit created to develop the property, whose board includes three HOC Commissioners. The commission approved the Preliminary Development Plan for Bauer Park Apartments on July 11, 2018 authorizing conversion from 236 Mortgage to LIHTC and the preliminary development plan for the rehabilitation, with tenants in place, of Bauer Park Apartments.
- In the FY10-18 County Capital Improvements Program (CIP) Amendment cycle, the County Council authorized P137601 for $410,000 to Bauer Park for Miscellaneous System installation. To date, $66,636 has be spent on various mechanical equipment replacement, architectural design bid documentation for the window & lintel IFB #2145 and accessibility upgrades to the property sidewalk.
- Remaining under the CIP authorization, $343,364 currently is available to Bauer Park; the use of which was reallocated and confirmed by the County from Miscellaneous Systems to the replacement of windows, lintels and asphalt roofing.
- Staff has solicited an Invitation For Bid (IFB #2145 Furnish and Install New Unit Windows and Asphalt Roofing and Repair or Install New Lintels for Bauer Park Apartments) and received five responsive and responsible responses with the lowest bidder being SNG Engineers, Inc. for $404,694.
- Based on these responses, the cost to install new windows in the units and repair replace lintels and roofing will exceed the available funds in the CIP by $61,330 not including contingency; therefore, staff requests authorization to withdraw the required funds in an amount not to exceed $125,000 from the replacement reserves[1] at Bauer Park Apartments to supplement the gap.
- Also, since Bauer Park is preparing to be extensively renovated staff dual goals of 1) expend the CIP Funds prior to conversion under the LIHTC program in order to keep the funds at Bauer Park Apartments, and 2) use replacement reserves to cover a portion of the cost recognizing the property will soon undergo renovation in the Fall, 2019 to offset the need for replacement reserves in the long-term.

Staff recommends proceeding with the selection of SNG Engineering, Inc. to complete the window, roofing and lintel replacement and fund the contract from 1) residual dedicated CIP funds, and 2) the Replacement Reserves. The owner, Banor Housing, Inc. will convene its approval on or before March 14, 2019 at its quarterly board meeting and will be asked to approve the completion of windows and roof replacement in accordance with the approval herein granted by the Commission.

[1] Upon payoff of the mortgage for Bauer Park Apartments in 2018, funds in the reserves for replacement ("R4R") was transferred from Wells Fargo to a PNC non –interesting bearing, mortgage escrow account. The January 2019 statement reflects a balance of $233,552.37. HOC continues to make monthly contributions of $5,000 to the R4R account at PNC for Bauer Park.

Procurement and Scope of Work

Procurement

On December 20, 2018, HOC issued IFB #2145 Furnish and Install New Unit Windows and Asphalt Roofing and Repair or Install New Lintels for Bauer Park Apartments to solicit bids from qualified small-business Contractors who are licensed by the State of Maryland to conduct business within the State of Maryland and Montgomery County.

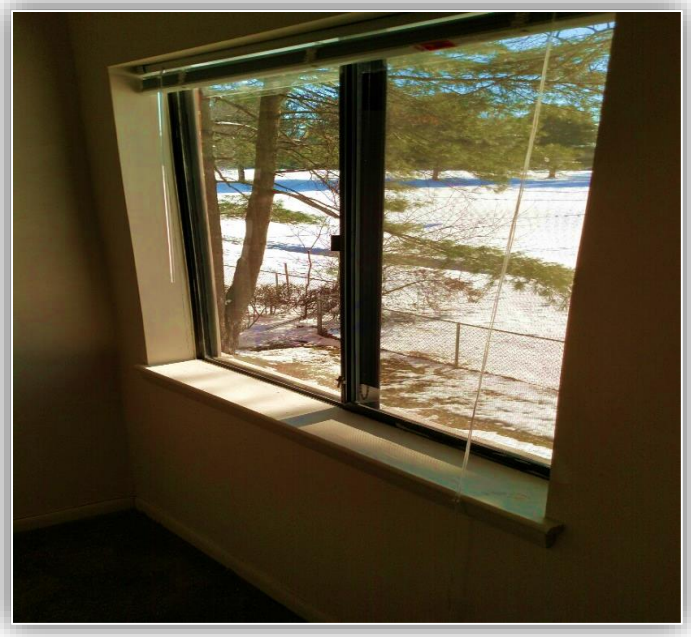
On January 15, 2019, a mandatory pre-bid conference was held at Bauer Park and representatives from eight (8) firms were present for the conference.

Questions were received by January 22, 2019 and IFB #2145 Addendum #1 with responses was issued on January 25, 2019.

Five (5) qualified bids were received by the HOC Procurement Office by the deadline of January 31, 2019.

IFB #2145 Scope of Work

- Window replacement in all dwelling units.[1]
- Asphalt roof replacement on all three buildings.
- Select precast concrete lintel and sill replacement.
- Allowances for additional lintel replacement.
- Payment & Performance Bonds.
- All indirect fees (construction management, general conditions, overhead and profit) are included.



Interior photo of window unit at Bauer Park Apartments. January, 2019.

Notes: [1] The scope did not include the new storefront windows in the common area first floor of Building One (14635 Bauer Drive) due to the upcoming Renovation scheduled to occur post-conversion under Component Two of the Rental Assistance Demonstration ("RAD") program.

Bidder Evaluation

Bidder List [1]

SNG Engineering, Inc.
344 Main Street, Suite 200
Gaithersburg, MD 20878
Phone: (301) 548-0055

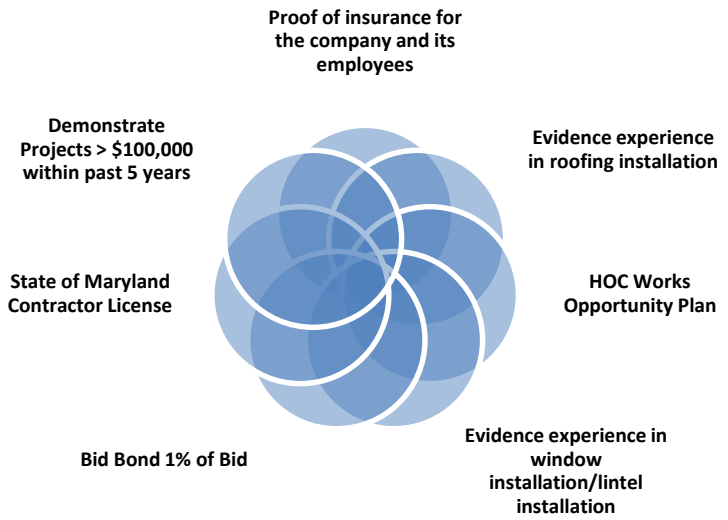
CBP Constructors, LLC
6200 Old Dobbin Lane, Suite 190
Columbia, MD 21045
Phone: (410) 465-8260

Visionary Construction Consultants
8115 Maple Lawn Blvd., Suite 350
Fulton, MD 20759
Phone: (301410) 793-4125

D&A Contractors, Inc.
8655 Cherry Lane
Laurel, MD 20707
Phone: (301) 498-4304

Taurus Renovation & Construction
1341 H Street NE
Washington, DC 20002
Phone: (202) 462-4904

Minimum Bid Requirements



Bid Tabulation

Name of Contractor	Proof of insurance for the company and its employees	Evidence experience in roofing installation	HOC Works Opportunity Plan	Bid Bond	Evidence experience in window installation/lintel installation	State of Maryland Contractor License	Demonstrate Projects > $100,000 within past 5 years	Base Bid[2]
SNG Engineering, Inc.	Yes	Provided	Provided	Yes	Yes	Yes	Yes	**$404,694**
CBP Constructors, LLC	Yes	Provided	Provided	Yes	Yes	Yes	Yes	**$729,688**
Visionary Construction Consultants	Yes	Provided	Provided	Yes	Yes	Yes	Yes	**$514,205**
D&A Contractors, Inc.	Yes	Provided	Provided	Yes	Yes	Yes	Yes	**$2,203,257**
Taurus Renovation & Construction	Yes	Provided	Provided	Yes	Yes	Yes	Yes	**$512,281**

NOTES:
1. **In strict accordance with HOC Procurement, FB #2047 required a mandatory pre-bid meeting. All participants at the meeting were eligible for bidding and are represented herein.**
2. **BASE BID not required to meet Davis-Bacon requirements to satisfy the funding restrictions enforced under the County's Capital Improvements Program ("CIP").**

Pricing and Sources & Uses

IFB #2145 Furnish And Install New Unit Windows, Asphalt Roofing and Lintel/Sill Repair & Replacement					
Scope Item	SNG Engineering, Inc.	Taurus Renovation & Construction	Visionary Construction Consultants	CBP Constructors	D&A Contractors, Inc.
Window Replacement	$259,402	$254,940	$235,820	$222,640	$294,780
Lintel Replacement	$48,572	$101,421	$131,806	$162,920	$598,577
Roofing	$54,498	$106,502	$99,828	$44,153	$968,989
Misc.	$2,963		$36,675	$43,650	$163,301
Subtotal	**$365,435**	**$462,862**	**$504,129**	**$473,363**	**$2,025,646**
General Conditions / Construction Management	$16,640	$14,333	Incl.	$158,129	$72,701
Bond Premium	$11,817	$17,640	Incl.	$10,420	$62,950
GC P&O	Incl.		Incl.	$63,149	Incl.
Total	**$393,892**	**$494,835**	**$504,129**	**$705,061**	**$2,161,298**
Add Alternates: Hourly Trades	$4,880	$3,856	$5,280	$3,152	$3,280
Add Alternates: 10 Additional Lintels	$4,890	$11,340	$4,130	$20,500	$13,170
Add Alternates: Roof Sheathing	$1,032	$2,250	$666	$975	$25,509
Total Including Add- Alternates	**$404,694**	**$512,281**	**$514,205**	**$729,688**	**$2,203,257**

Sources & Uses	Amount
Uses	
Base Contract	$393,892
Add Alternates	$10,802
Contingency @ 15%	$60,704
Total	**$465,398**
Sources	
County CIP	$343,364
Bauer Park Reserve for Replacements	$122,034
Total	**$465,398**

Request of $122,034 from the Bauer Park Replacement for Reserves covers the base contract plus a contingency.

Schedule

- HOC reasonably expects to issue a notice to proceed by the first of April 2019.
- The expected duration of the contract is three and a half months, with completion by July 15, 2019 as outlined in the schedule below.

Bauer Park IFB #2145 Schedule	Week Ending															
Item	15-Feb	2-Mar	17-Mar	1-Apr	16-Apr	1-May	16-May	31-May	15-Jun	30-Jun	15-Ju	30-Jul	14-Aug	29-Aug	13-Sep	28-Sep
Committees /Commission																
HOC Contract Procurement																
Notice to Proceed																
Job Material Procurement																
Window Installation																
Roofing																
Lintel Repair Replacement																
Substantial Completion																
Expected LIHTC Conversion																

Key Dates

1) Notice to Proceed[2] – Week of April 1 or before.
2) Staggered Construction Start: Lintel repair and replacement and new asphalt roofing is done from the exterior and independent of the window replacement schedule.
3) Window lead time is projected at 8 weeks.
4) Window installation duration is six (6) weeks or approximately 25 units per week. Construction duration per house is 35 calendar days. New windows in the units will be completed tenant-in-place.
5) Project Close-out to finish Week of July 15, 2019 and just prior to LIHTC conversion plans.

NOTES:

[1] Approval to select a contractor to perform the work for the community center will occur during the course of this work to the seven units.

[2] Davis-Bacon Prevailing Wage, Federal Section 3 is not required; however, HOC Works is required.

Recommendation Rationale

Recommended Contractor

- Staff recommends SNG Engineering, Inc. for award under procurement IFB #2145.
- SNG Engineering, Inc. met all the threshold requirements of the IFB. In addition, SNG Engineering, Inc. is Certified as Minority Business Enterprise (MBE #08-437) and are licensed Engineers, General Contractors and Construction Managers in the State of Maryland.
- SNG Engineering, Inc. acknowledges ability to provide all the necessary tools to complete the work in the IFB.
- SNG Engineering, Inc. sufficiently demonstrated that the work was within their core business and intellectual background.

Mitigating Impact to our Residents

- SNG Engineering, Inc. has vast experience in multifamily roofing and window installations, including recent work at the Greencastle Lakes Community in Burtonsville, MD.
- SNG Engineering, Inc. has demonstrated awareness of tenant and client needs including superior communication with all stakeholders.
- Though tenant interaction is expected to be minimal, SNG Engineering, Inc. employees are selected and trained to be respectful of resident's home and personal belongings.

Public Purpose

In furtherance of CIP program fund objectives, this project is directly related to accomplishing the following County Executive priorities:

- A Responsive and Accountable County Government
- Affordable Housing in an Inclusive Community
- Healthy and Sustainable Neighborhoods
- Vital Living for all of our Residents

Summary and Recommendations

Issues for Consideration

Does the Commission wish to the total windows and roofs replacement budget of $465,495 for Bauer Park Apartments and authorize the Executive Director execute a contract with SNG Engineering, Inc. for an amount not to exceed $405,000 to replace windows and roofs at Bauer Park pursuant to IFB #2145?

Time Frame

Action at the March 6, 2019 meeting of the Commission. However, staff will distribute an approval packet to the board of Banor Housing, Inc. on March 1, 2019, for final approval by the Board at its meeting on March 14, 2019.

Budget/Fiscal Impact

There is no adverse impact for the Agency's or Banor House, Inc.'s FY 2019 operating budget. Funding for the contract extension will be paid from the Montgomery County Capital Improvement Program ("CIP") funds (current unobligated balance of $343,364,000) and the balance (an amount not to exceed $125,000 to cover the balance shortfall and 15% contingency) from property replacement reserves from Bauer Park Apartments (current balance of $233,552.37*).

Committee Recommendation

On February 22, 2019, the Development & Finance Committee considered this request and it approved for recommendation to the Commission, approval of the total windows and roofs replacement budget of $465,495 for Bauer Park Apartments and authorization for the Executive Director execute a contract with SNG Engineering, Inc. for an amount not to exceed $405,000 to replace windows and roofs at Bauer Park pursuant to IFB #2145. Recognizing the Board of Banor House, Inc., the committee directed staff to seek the Board's approval prior to contracting with SNG Engineering and prior to commencement of the work.

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission grant its approval of the following:

- A windows and roofs replacement budget of $465,495 for Bauer Park Apartments.
- Authorization for the Executive Director to negotiate and execute a contract with SNG Engineering, Inc. to procure and install new windows and roofs at Bauer Park pursuant to IFB #2145 as defined by the Housing Opportunities Commission and that the contract amount shall not to exceed $405,000.
    - The cost of the project will be funded from Montgomery's CIP appropriation to HOC for Bauer Park Apartments and replacement reserve funds available to the property.
    - The approval is subject to review and approval by the Board of Banor House, Inc. which is scheduled to meet on March 14, 2019.

* Upon payoff of the mortgage for Bauer Park Apartments in 2018, funds in the reserves for replacement ("R4R") was transferred from Wells Fargo to a PNC non –interesting bearing, mortgage escrow account. The January 2019 statement reflects a balance of $233,552.37. HOC continues to make monthly contributions of $5,000 to the R4R account at PNC for Bauer Park.

RESOLUTION No.: 19-26

RE: Authorization to Select General Contractor for Window Replacement and Miscellaneous Repairs at Bauer Park Apartments in Accordance with IFB #2145

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") 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, Bauer Park Apartments (the "Property") at 14635/39/43 Bauer Drive consists of 142 units in three (3) buildings on 3.88 acres of land on the southeast corner of the intersection of Bauer Drive and Norbeck Road in Rockville, MD; and

WHEREAS, the Property was originally built in 1977 under the Section 236 Program and is owned by Banor Housing, Inc., a non-profit corporation that is managed by a Policy Board that consists of seven (7) directors, three (3) of which are required to be Commissioners of HOC; and

WHEREAS, On July 11, 2018, the Commission approved the preliminary development plan authorizing conversion from the Section 236 Financing and preparation of an extensive property rehabilitation, with tenants in place under the Low Income Housing Tax Credit ("LIHTC") program at the Department of Housing and Community Development ("DHCD"); and

WHEREAS, In the FY10-18 County Capital Improvements Program ("CIP") Amendment cycle, the County Council authorized $410,000 to Bauer Park for Miscellaneous System installation. To date, $66,636 has been spent on various mechanical equipment replacement, architectural design bid documentation for the window & lintel IFB #2145 and accessibility upgrades to the property sidewalk; and

WHEREAS, funds from the CIP must be expended by HOC prior to the Property converting under the LIHTC program according to the preliminary development plan; and

WHEREAS, staff developed a scope of work to replace the windows and asphalt roofing and repair damaged precast concrete lintels at the Property; and

WHEREAS, On December 20, 2018, HOC issued IFB #2145 Furnish and Install New Unit Windows and Asphalt Roofing and Repair or Install New Lintels for Bauer Park Apartments to solicit bids from qualified small-business Contractors who are licensed by the State of Maryland to conduct business within the State of Maryland and Montgomery County; and

WHEREAS, staff recommends proceeding with the selection of the lowest responsible and responsive bidder, SNG Engineering, Inc. to complete the work and fund the contract from a combination of residual dedicated CIP funds and the Property's replacement reserves; and

WHEREAS, the balance of the reserves for replacement at the Property were $233,552.37 as of January 31, 2019.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the scope of work for replacement and repairs at Bauer Park is approved and the Executive Director is authorized to award a contract to SNG Engineering, Inc. as contractor for the renovations contemplated under IFB #2145.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to execute a contract with SNG Engineering, Inc. for up to $405,000 plus additional costs, if any, to reflect contingency and that such funding will be provided from budgeted County Capital Improvements Program and reserves for replacement for Bauer Park Apartments.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that this approval is contingent on approval by the Board of Banor House, Inc., which will be sought at its meeting on March 14, 2019.

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

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on March 6, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Budget, Finance & Audit Committee

ACCEPTANCE OF SECOND QUARTER FY'19
BUDGET TO ACTUAL STATEMENTS

March 6, 2019

- The Agency ended the second quarter with a net cash surplus of $243,743 which resulted in a second quarter budget to actual negative variance of $1,350,623.

- The General Fund experienced delays in the receipt of anticipated Commitment and Development Fee Income that was partially offset by the prepayment of Loan Management Fees coupled with savings in expenses.

- At the end of the second quarter, several of the unrestricted properties in the Opportunity Housing Fund exceeded budget expectations; however, the recognizable cash flow to the Agency did not meet budget due to shortfalls in some of the unrestricted properties.

- The Public Housing Program ended the quarter with a small surplus primarily as a result of savings in expenses. The surplus will be restricted to the program.

- The Housing Choice Voucher (HCV) Program experienced a small administrative surplus through December 31, 2018 as a result of fees received for the increased utilization during CY'18 coupled with savings in expenses. The surplus will be restricted to the program.

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 Second Quarter FY'19 Budget to Actual Statements

DATE: March 6, 2019

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Acceptance of the Second Quarter FY'19 Budget to Actual Statements.

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 second quarter of FY'19 against the budget for the same period.

BUDGET IMPACT:
A second quarter budget amendment was discussed with the Budget, Finance and Audit Committee at the February 19, 2019 meeting. The Commission will be asked to approve the second quarter budget amendment at the March 6, 2019 Commission meeting. Future amendments will be presented to the Commission as necessary.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the Second Quarter Budget to Actual Statements at the February 19, 2019 Committee meeting. Action is requested at the March 6, 2019 Commission meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:
The Budget, Finance and Audit Committee recommends to the full Commission acceptance of the Second Quarter FY'19 Budget to Actual Statements.

DISCUSSION – SECOND QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the second quarter of FY'19 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'19 Second Quarter Capital Budget to Actual Comparison.

The Agency ended the quarter with a net cash surplus of $243,743. This surplus resulted in a second quarter budget to actual negative variance of $1,350,623 when compared to the anticipated second quarter net cash flow of $1,594,366. The primary causes were lower than projected cash flow in the unrestricted Development Corporations, as a result of property performance (see Opportunity Housing Fund), coupled with slightly lower than anticipated income in the General Fund (see General Fund).

Explanations of major variances by fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of $3,468,120 which resulted in a positive variance of $480,093 when compared to the projected deficit of $3,948,213.

As of December 31, 2018, income in the General Fund was $1,912,913 higher than budgeted. If we were to exclude the $2,560,693 received by properties with debt on the PNC Bank, N.A. (PNC) $60 million Line of Credit (LOC) and the Real Estate Line of Credit (RELOC), income in the General Fund would have been $647,780 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. 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 the acquisition of Cider Mill. In addition, income from properties utilizing the FHA Risk Sharing program, which is reflected as income in the General Fund with a corresponding expense

to restrict the income to the FHA Risk Sharing Reserve, was $179,219 greater than budget. If we were to exclude the additional FHA Risk Sharing income, the shortfall in income would be $826,999. The FY'19 budget anticipated receipt of commitment and development fees totaling $1,788,317 throughout the second quarter; however, delays in the receipt of fees from Bauer Park, Elizabeth House, Knights Bridge, Shady Grove and Stewartown have resulted in a negative timing variance that was partially offset by the upfront payment of Loan Management Fees from Cider Mill for FY'19 that was not anticipated at the time the budget was adopted. Staff is reviewing the anticipated timing of the delayed fees as well as fees from projects that were unknown at the time the FY'19 Adopted Budget was developed and will provide an update of the fee projection for FY'19 in the 3rd Quarter report.

Expenses in the General Fund were $1,432,821 more than budgeted. As referenced above, if we were to exclude the interest expense of $2,594,460 paid on the PNC LOC and RELOC accounts and additional restriction of the FHA Risk Sharing income of $179,219, expenses in the General Fund would have been $1,340,858 less than budget. The positive variance was primarily the result of savings throughout most administrative expenses and maintenance contracts as well as capital that is budgeted to be funded from operations. A portion of these savings is the result of timing issues and staff does not anticipate the full savings to be realized at year end.

The **Multifamily Bond Fund** and **Single Family Bond Fund** are budgeted to balance each year. Income (the bond draw downs that finance the operating costs for these funds) is in line with the budget. The positive expense variance in the Bond Funds is a result of small savings in most administrative accounts.

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'19 Operating Budget. This group ended the quarter with cash flow of $3,821,866 or $1,335,357 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 quarter's recognizable cash flow is $3,491,455 or $1,665,768 below budget.

Unrestricted Development Corporations

	(6 Months) Budget	(6 Months) Actual	Variance		(6 Months) Adjusted
Alexander House	$827,395	$129,116	($698,279)		$129,116
The Barclay	$72,333	$45,158	($27,175)		$45,158
Glenmont Westerly	$117,483	$217,007	$99,524	(1)	$117,483
Magruder's Discovery	$349,294	$326,894	($22,400)		$326,894
The Metropolitan	$922,896	$783,678	($139,218)		$783,678
Montgomery Arms	$150,421	$204,423	$54,002	(1)	$150,421
TPM - 59 MPDUs	$194,506	$195,637	$1,131	(1)	$194,506
Paddington Square	$177,195	$176,436	($759)		$176,436
TPP LLC Pomander Court	$70,033	$56,243	($13,790)		$56,243
Pooks Hill High-Rise	$259,231	$218,890	($40,341)		$218,890
Scattered Site One Dev. Corp.	$158,509	$96,749	($61,760)		$96,749
Scattered Site Two Dev. Corp.	($22,015)	$14,652	$36,667	(1)	$0
Sligo Development Corp.	$13,573	($347)	($13,920)		($347)
TPP LLC Timberlawn	$237,507	$398,609	$161,102	(1)	$237,507
VPC One Corp.	$940,117	$502,928	($437,189)		$502,928
VPC Two Corp.	$688,745	$455,793	($232,952)		$455,793
Subtotal	**$5,157,223**	**$3,821,866**	**($1,335,357)**		**$3,491,455**
		Recognizable Cash Flow			**($1,665,768)**

Notes:
(1) - Properties exceeding budgeted cash flow.

Alexander House ended the quarter with a negative cash flow variance of $698,279 primarily as a result of the higher than projected vacancy loss. The FY'19 Adopted Budget assumed an average economic occupancy for the first six months of the year of 80%. The actual economic occupancy has averaged 43% for the same period. Although the majority of projected cash flow has been restricted for FY'19, the budget is projecting $500,000 will be available for Agency operations. Cash flow for **Glenmont Westerly** was $99,524 more than budget mostly driven by lower vacancies, higher than anticipated reimbursements for utilities, and savings in utility and maintenance expenses. **The Metropolitan** ended the quarter with a negative cash flow variance of $139,218 as a result of higher than anticipated vacancies coupled with unanticipated maintenance expenses. Cash flow at Montgomery Arms was $54,002 greater than budget due to savings in administrative and maintenance expenses that were partially offset by higher than projected vacancies. **Pooks Hill High-Rise** experienced a negative cash flow variance of $40,341 mainly driven by lower gross rents and higher vacancies coupled with higher than anticipated utility and bad debt expense. **Scattered Site One Development Corporation** ended the quarter with a negative cash flow variance of $61,760 mainly resulting from higher vacancies that were partially offset by savings in administrative and maintenance expenses. Cash flow for **Timberlawn** was $161,102 greater than anticipated primarily due to the lower interest rate in the final loan terms on the debt that resulted in lower overall debt service payments. In addition, the split of the debt between Timberlawn and **Pomander**

Court changed which resulted in a higher allocation percentage to Pomander Court that further reduced the payments charged to Timberlawn. The higher debt at Pomander Court was partially offset by savings in other expense categories. **VPC One** and **VPC Two Development Corporation** ended the quarter with negative cash flow variances of $437,189 and $232,952, respectively, largely due to slightly higher vacancies coupled with higher bad debt expense due to the write-off in the first quarter. Staff does not anticipate that the full negative expense variance as of December 31 will be realized at year end.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'19 Operating Budget. Cash flow from this group of Development Corporation properties was $67,056 less than budgeted for the quarter. **Glenmont Crossing** experienced a positive cash flow variance of $90,557 as a result of lower vacancies coupled with savings in maintenance and bad debt expenses. The shortfall at **MetroPointe** was $26,204 more than projected primarily due to slightly lower gross rents coupled with higher vacancies that were partially offset by savings in property insurance costs as a result of the property being added to the Montgomery County Self Insurance Fund. On a consolidated basis, the **RAD 6** properties ended the quarter with a negative variance of $150,394 which consisted primarily of variances at **Seneca Ridge** and **Washington Square**. **Seneca Ridge** ended the quarter with a negative cash flow variance of $97,234 primarily due to lower gross rents and greater than anticipated vacancy coupled with small overages in utilities, maintenance and bad debt expense. Cash flow for **Washington Square** was $67,027 lower than projected largely due to lower gross rents and higher bad debt expense that were partially offset by increased occupancy.

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'19 Operating Budget. This group ended the quarter with cash flow of $430,318 or $44,962 more 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 $220,408 or $164,948 below budget.

Unrestricted Opportunity Housing Properties

	(6 Months) Budget	(6 Months) Actual	Variance		(6 Months) Adjusted
64 MPDUs	$52,571	$19,583	($32,988)		$19,583
Chelsea Towers	$5,680	($9,614)	($15,294)		$0
Fairfax Court	$56,049	$36,712	($19,337)		$36,712
Holiday Park	($17,110)	($58,788)	($41,678)		($58,788)
Jubilee Falling Creek	$5,545	$4,465	($1,080)		$4,465
Jubilee Hermitage	$4,223	$3,207	($1,016)		$3,207
Jubilee Horizon Court	($1,157)	$1,902	$3,059	(1)	$0
Jubilee Woodedge	$2,786	$4,975	$2,189	(1)	$2,786
McHome	$57,210	$42,492	($14,718)		$42,492
McKendree	$17,186	$13,040	($4,146)		$13,040
MHLP VII	$16,935	$22,459	$5,524	(1)	$16,935
MHLP VIII	$48,341	$64,493	$16,152	(1)	$48,341
MHLP IX Pond Ridge	($18,331)	($14,982)	$3,349	(1)	($18,331)
MHLP IX	($31,524)	($78,807)	($47,283)		($78,807)
MHLP X	$9,304	$47,529	$38,225	(1)	$9,304
MPDU 2007 Phase II	($1,821)	$15,169	$16,990	(1)	$0
Pooks Hill Mid-Rise	$112,908	$144,609	$31,701	(1)	$112,908
Strathmore Court	$66,561	$171,874	$105,313	(1)	$66,561
Subtotal	**$385,356**	**$430,318**	**$44,962**		**$220,408**
		Recognizable Cash Flow			**($164,948)**

Notes:
(1) - Properties exceeding budgeted cash flow.

- A few properties in this portfolio experienced nominal negative cash flow variances due to slightly higher vacancies that were in some cases coupled with small overages in maintenance expense. **64 MPDUs** ended the quarter with a negative cash flow variance of $32,988 as a result of lower gross rents and higher vacancies that was partially offset by small savings in most expense categories. **Holiday Park** experienced a negative cash flow variance of $41,678 through the second quarter due to higher vacancies coupled with utility expenses related to a burst water pipe. **MHLP IX** experienced a $47,283 greater than anticipated shortfall largely due to the payment of tax bills for two years. Staff is working to secure a PILOT for the property and will pursue a refund of the paid taxes. Cash flow at **Pooks Hill Mid-Rise** exceeded budget by $31,701 through December 31 as a result of savings in utility and maintenance expenses. **Strathmore Court** ended the period with a positive cash flow variance of $105,313 largely as a result of savings in utility and maintenance costs that was partially offset by higher vacancies.

The second group consists of properties whose cash flow will not be used for the Agency's FY'19 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 $131,977 greater than budgeted. Actuals for four additional properties (Camp Hill Square, The Manor at Fair Hill Farm, The Manor at Cloppers Mill and The Manor at Colesville) is included in the report; however, their respective budgets will be presented for approval in the FY'19 Second Quarter Budget Amendment. If the cash flow from these properties were excluded, the portfolio would have experienced a negative cash flow variance of $343,100. **The Ambassador**, which has been decommissioned, experienced expenses of $61,523 mainly driven by continued utility costs in the building, maintenance contracts, 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 $43,652 primarily attributable to higher vacancies at the property coupled with higher payments on the RELOC due to changes in the London Interbank Offered Rate (LIBOR). The **Holly Hall Interim Rental Assistance Demonstration (RAD**) property experienced a shortfall of $266,107 through December that resulted in a negative variance of $379,039 as a result of a delay in the receipt of rental subsidies coupled with higher utility cost and moving expenses paid for tenants. Staff is reconciling the outstanding subsidy payments and a correction will be reflected in the third quarter. Cash flow from **Manchester Manor** was $34,218 lower than projected primarily due to utility expenses incurred last year that were paid after July 1 coupled with debt service payments that exceeded budget as a result of a timing issue in the monthly amortization schedule in the budget that will not result in a variance at year-end. **Shady Grove Apartments** exceeded budget by $78,699 as a result of savings throughout most expense categories. **Westwood Tower** ended the period with a positive cash flow variance of $54,127 driven by lower than anticipated utility, maintenance, and security expenses. **The Willows** ended the quarter with a negative cash flow variance of $60,936 largely due to lower gross rents.

<u>The Public Fund</u> (Attachment D)

- The Public Housing Rental Program ended the quarter with a surplus of $67,200 which resulted in a positive variance of $193,048 when compared to the projected shortfall of $125,848. Income was $15,509 less than budget largely due to lower rent recognized at **Elizabeth House** due to the conversion of some of the units under the Rental Assistance Demonstration (RAD) Program that was not incorporated into the FY'19 Adopted Budget. The loss of income was more than offset by savings in administrative, utility, and maintenance expenses at the property. In addition, expenses were lower at Holly Hall as a result of a delay in the subsidy being transferred from the property to the converted RAD units.

- The Housing Choice Voucher Program (HCVP) ended the quarter with a shortfall of $150,696. The shortfall was comprised of Housing Assistance Payments (HAP) that exceeded HAP revenue by $224,765 that was partially offset by an administrative surplus of $74,069. The HAP shortfall was funded from the HCVP reserve (NRP), which includes funds received in prior years that were recognized but not used. The program ended the period with a positive administrative variance of $250,706 when compared to the projected shortfall of $176,637 as a result of higher than anticipated administrative fee income coupled with a small savings in administrative expenses. The Department of Housing and Urban Development (HUD)

provided additional administrative fees in November as a result of the reconciliation of fees earned based on actual utilization through June 2018 and the higher pro-ration of 80% published in August 2018, compared to the budgeted pro-ration of 76%.

Tax Credit Partnerships

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

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'19. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect timing issues. Capital projects are long-term; therefore, it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

There are a few properties that have exceeded their respective capital budgets by nominal amounts. **The Barclay** had to replace water heaters, compressors and heat pumps in a few units. The work was not anticipated during the development of the budget and resulted in overspending the capital budget. **Alexander House** exceeded its capital budget for the year as a result of having to replace a boiler tank which was not anticipated at the time the budget was developed. **Parkway Woods** exceeded its FY'19 capital budget as a result of having to replace 61 bedroom ceilings in the units. With the exception of Parkway Woods, there are sufficient replacement reserves at each property to cover the overages. Staff is determining if there will be sufficient savings in capital expenditures budgeted to be funded from the Opportunity Housing Property Reserve (OHPR) to cover the additional costs at Parkway Woods.

Resolution No.: 19-27 **Re:** Acceptance of Second Quarter FY'19 Budget to Actual Statements

WHEREAS, the Budget Policy for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") states that quarterly budget to actual statements will be reviewed by the Commission, and

WHEREAS, the Commission reviewed the Second Quarter FY'19 Budget to Actual Statements during its March 6, 2019 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Second Quarter FY'19 Budget to Actual Statements.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, March 6, 2019.

Patrice Birdsong
Special Assistant to the Commission

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FY'19 Second Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (6 Months) Budget	(6 Months) Actual	Variance
General Fund			
General Fund	($3,948,213)	($3,468,120)	$480,093
Administration of Mutlifamily and Single Family Fund			
Multifamily Fund	$827,986	$821,916	($6,070)
Draw from / (Restrict to) Multifamily Bond Fund	($827,986)	($821,916)	$6,070
Single Family Fund	$9,332	$63,466	$54,134
Draw from / (Restrict to) Single Family Bond Fund	($9,332)	($63,466)	($54,134)
Opportunity Housing Fund			
Opportunity Housing Properties	$385,356	$220,408	($164,948)
Development Corporation Property Income	$5,157,223	$3,491,455	($1,665,768)
OHRF			
OHRF Balance	$1,963,921	$212,029	($1,751,892)
Excess Cash Flow Restricted	($1,963,921)	($212,029)	$1,751,892
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$1,594,366**	**$243,743**	**($1,350,623)**
Public Fund			
Public Housing Rental (1)	($125,848)	$67,200	$193,048
Housing Choice Voucher Program HAP (2)	($3,719,454)	($224,765)	$3,494,689
Housing Choice Voucher Program Admin (3)	($176,637)	$74,069	$250,706
Total -Public Fund	**($4,021,939)**	**($83,496)**	**$3,938,443**
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	$125,848	($67,200)	($193,048)
(2) Draw from / Restrict to HCV Program Cash Reserves	$3,719,454	$224,765	($3,494,689)
(3) Draw from / Restrict to HCV Program Excess Admin Fee	$176,637	($74,069)	($250,706)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$1,594,366**	**$243,743**	**($1,350,623)**

FY'19 Second Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(6 Months) Actual	Variance
General Fund			
East Deer Park	$225,000	$9,722	$215,278
Kensington Office	$445,000	$215,100	$229,900
Information Technology	$1,598,000	$451,712	$1,146,288
Opportunity Housing Fund	$5,169,688	$2,013,605	$3,156,083
TOTAL - All Funds	**$7,437,688**	**$2,690,139**	**$4,747,549**

FY'19 Second Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(6 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(6 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY18 operating budget					
Alexander House	$827,395	($680,464)	($17,815)	$129,116	($698,279)
The Barclay	$72,333	($35,672)	$8,497	$45,158	($27,175)
Glenmont Westerly	$117,483	$42,626	$56,897	$217,007	$99,524
Magruder's Discovery	$349,294	($32,583)	$10,182	$326,894	($22,400)
The Metropolitan	$922,896	($64,190)	($75,027)	$783,678	($139,218)
Montgomery Arms	$150,421	($34,224)	$88,226	$204,423	$54,002
TPM - 59 MPDUs	$194,506	($6,852)	$7,983	$195,637	$1,131
Paddington Square	$177,195	$12,049	($12,809)	$176,436	($759)
TPP LLC Pomander Court	$70,033	$6,321	($20,111)	$56,243	($13,790)
Pooks Hill High-Rise	$259,231	($31,233)	($9,108)	$218,890	($40,341)
Scattered Site One Dev. Corp.	$158,509	($71,713)	$9,954	$96,749	($61,760)
Scattered Site Two Dev. Corp.	($22,015)	$15,630	$21,037	$14,652	$36,667
Sligo Development Corp.	$13,573	($22,871)	$8,951	($347)	($13,920)
TPP LLC Timberlawn	$237,507	$35,146	$125,956	$398,609	$161,102
VPC One Corp.	$940,117	($173,910)	($263,279)	$502,928	($437,189)
VPC Two Corp.	$688,745	($68,215)	($164,737)	$455,793	($232,952)
Subtotal	**$5,157,223**	**($1,110,155)**	**($225,203)**	**$3,821,866**	**($1,335,357)**
Properties with restricted cash flow (external and internal)					
Glenmont Crossing	$82,129	$28,822	$61,736	$172,686	$90,557
MetroPointe	($94,544)	($80,014)	$53,810	($120,748)	($26,204)
Oaks at Four Corners	($10,544)	($15,508)	$34,493	$8,441	$18,985
RAD 6 Total	**$38,720**	**($107,661)**	**($42,733)**	**($111,674)**	**($150,394)**
Ken Gar	($2,271)	$9,245	($8,913)	($1,939)	$332
Parkway Woods	$5,657	$3,173	$11,674	$20,504	$14,847
Sandy Spring Meadow	$40,690	$2,353	$4,344	$47,387	$6,697
Seneca Ridge	($105,797)	($75,058)	($22,175)	($203,031)	($97,234)
Towne Centre Place	$38,358	($16,179)	$8,170	$30,349	($8,009)
Washington Square	$62,083	($31,195)	($35,833)	($4,944)	($67,027)
Subtotal	**$15,761**	**($174,361)**	**$107,306**	**($51,295)**	**($67,056)**
TOTAL ALL PROPERTIES	**$5,172,984**	**($1,284,516)**	**($117,897)**	**$3,770,571**	**($1,402,413)**

FY'19 Second Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(6 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(6 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY18 operating budget					
64 MPDUs	$52,571	($40,468)	$7,480	$19,583	($32,988)
Chelsea Towers	$5,680	($9,869)	($5,425)	($9,614)	($15,294)
Fairfax Court	$56,049	($3,301)	($16,036)	$36,712	($19,337)
Holiday Park	($17,110)	($20,889)	($20,789)	($58,788)	($41,678)
Jubilee Falling Creek	$5,545	$705	($1,785)	$4,465	($1,080)
Jubilee Hermitage	$4,223	($1,260)	$244	$3,207	($1,016)
Jubilee Horizon Court	($1,157)	($676)	$3,735	$1,902	$3,059
Jubilee Woodedge	$2,786	$531	$1,658	$4,975	$2,189
McHome	$57,210	($15,474)	$757	$42,492	($14,718)
McKendree	$17,186	($3,131)	($1,015)	$13,040	($4,146)
MHLP VII	$16,935	($12,348)	$17,872	$22,459	$5,524
MHLP VIII	$48,341	($4,430)	$20,582	$64,493	$16,152
MHLP IX Pond Ridge	($18,331)	($6,077)	$9,426	($14,982)	$3,349
MHLP IX	($31,524)	$10,668	($57,951)	($78,807)	($47,283)
MHLP X	$9,304	($5,630)	$43,855	$47,529	$38,225
MPDU 2007 Phase II	($1,821)	$3,337	$13,653	$15,169	$16,990
Pooks Hill Mid-Rise	$112,908	$307	$31,394	$144,609	$31,701
Strathmore Court	$66,561	($21,446)	$126,760	$171,874	$105,313
Subtotal	**$385,356**	**($129,451)**	**$174,415**	**$430,318**	**$44,962**
Properties with restricted cash flow (external and internal)					
617 Olney Sandy Spring Road	$3,148	($224)	$4,284	$7,208	$4,060
The Ambassador	$0	$0	($61,523)	($61,523)	($61,523)
Avondale Apartments	$61,229	($16,299)	($27,354)	$17,577	($43,652)
Brooke Park	($2,709)	($6,727)	$8,959	($477)	$2,232
Brookside Glen (The Glen)	$139,401	($29,983)	$20,260	$129,678	($9,723)
Camp Hill Square	$0	$302,679	($189,704)	$112,975	$112,975
CDBG Units	$4,366	$80	$7,976	$12,422	$8,056
Cider Mill Apartments	$115,013	$6,846	$4,726	$126,585	$11,572
Dale Drive	$7,218	($50)	$4,525	$11,693	$4,475
Diamond Square	$145,592	($13,882)	$19,841	$151,551	$5,959
Holly Hall	$112,932	($298,673)	($80,366)	($266,107)	($379,039)
King Farm Village	$3,976	($243)	($1,093)	$2,640	($1,336)
Manchester Manor	$38,241	($10,972)	($23,246)	$4,023	($34,218)
The Manor at Fair Hill Farm	$0	$236,907	($102,478)	$134,430	$134,430
The Manor at Cloppers Mill	$0	$234,056	($114,680)	$119,376	$119,376
The Manor at Colesville	$0	$195,385	($87,089)	$108,296	$108,296
NCI Units	($1,626)	$3,964	$43,797	$46,135	$47,761
NSP Units	$2,571	($209)	$21,461	$23,823	$21,252
Paint Branch	$35,298	($4,162)	($7,766)	$23,369	($11,929)
Shady Grove Apts	$87,169	($6,603)	$85,302	$165,868	$78,699
Southbridge	$10,737	($9,477)	($739)	$521	($10,216)
State Rental Combined	($11,252)	($4,647)	$35,926	$20,027	$31,279
Westwood Tower	$211,522	($10,790)	$64,917	$265,649	$54,127
The Willows	($37,237)	($71,513)	$10,577	($98,173)	($60,936)
Subtotal	**$925,589**	**$495,463**	**($363,487)**	**$1,057,566**	**$131,977**
TOTAL ALL PROPERTIES	**$1,310,945**	**$366,012**	**($189,072)**	**$1,487,884**	**$176,939**

FY'19 Second Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(6 Months) Budget	(6 Months) Actual	Variance
Public Housing Rental			
Revenue	$677,681	$662,172	($15,509)
Expenses	$803,529	$594,972	$208,557
Net Income	**($125,848)**	**$67,200**	**$193,048**
Housing Choice Voucher Program			
HAP revenue	$43,083,294	$48,029,902	$4,946,608
HAP payments	$46,802,748	$48,254,667	($1,451,919)
Net HAP	**($3,719,454)**	**($224,765)**	**$3,494,689**
Admin.fees & other inc.	$3,643,360	$3,877,461	$234,101
Admin. Expense	$3,819,997	$3,803,392	$16,605
Net Administrative	**($176,637)**	**$74,069**	**$250,706**
Net Income	**($3,896,091)**	**($150,696)**	**$3,745,395**

FY'19 Second Quarter Operating Budget to Actual Comparison

For Public Housing Rental Programs - Net Cash Flow

	(6 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(6 Months) Net Cash Flow Actual	Variance
Elizabeth House	($125,848)	($37,595)	$80,823	($82,621)	$43,227
Holly Hall	$0	$14,219	$136,022	$150,241	$150,241
Arcola Towers	$0	$17	$0	$17	$17
Waverly House	$0	$6	$0	$6	$6
Seneca Ridge	$0	$1,620	$0	$1,620	$1,620
Emory Grove / Washington Square	$0	($71)	($8,288)	($8,359)	($8,359)
Towne Centre Place / Sandy Spring Meadow	$0	($4,291)	$0	($4,291)	($4,291)
Ken Gar / Parkway Woods	$0	$55	$0	$55	$55
Scattered Sites Central	$0	$2,083	$0	$2,083	$2,083
Scattered Sites East	$0	$1,627	$0	$1,627	$1,627
Scattered Sites Gaithersburg	$0	$2,120	$0	$2,120	$2,120
Scattered Sites North	$0	$2,434	$0	$2,434	$2,434
Scattered Sites West	$0	$2,267	$0	$2,267	$2,267
TOTAL ALL PROPERTIES	**($125,848)**	**($15,509)**	**$208,557**	**$67,199**	**$193,047**

FY'19 Second Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(6 Months) Actual	Variance
General Fund			
East Deer Park	$225,000	$9,722	$215,278
Kensington Office	$445,000	$215,100	$229,900
Information Technology	$1,598,000	$451,712	$1,146,288
Subtotal	**$2,268,000**	**$676,534**	**$1,591,466**
Opportunity Housing			
Ambassador	$0	$0	$0
Alexander House	$15,000	$219,257	($204,257)
Avondale Apartments	$21,420	$20,036	$1,384
The Barclay	$28,800	$44,719	($15,919)
Brooke Park	$1,296	$849	$447
Brookside Glen (The Glen)	$136,400	$20,479	$115,921
CDBG Units	$4,500	$344	$4,156
Chelsea Towers	$20,300	$3,826	$16,474
Chelsea Towers	$0	$0	$0
Cider Mill Apartments	$504,696	$224,729	$279,967
Dale Drive	$10,200	$1,818	$8,382
Diamond Square	$497,700	$36,323	$461,377
Fairfax Court	$71,000	$27,995	$43,005
Glenmont Crossing	$272,804	$41,317	$231,487
Glenmont Westerly	$188,592	$19,162	$169,430
Greenhills Apartments	$0	$0	$0
Holiday Park	$17,420	$4,814	$12,606
Holly Hall	$0	$1,779	($1,779)
Jubilee Falling Creek	$0	$0	$0
Jubilee Hermitage	$400	$0	$400
Jubilee Horizon Court	$1,000	$0	$1,000
Jubilee Woodedge	$1,365	$0	$1,365
Ken Gar	$2,496	$2,462	$34
King Farm Village	$600	$0	$600
Magruder's Discovery	$64,000	$13,845	$50,155
Manchester Manor	$18,924	$17,214	$1,710
McHome	$72,256	$38,716	$33,540
McKendree	$17,560	$14,397	$3,163
MetroPointe	$215,600	$45,964	$169,636
The Metropolitan	$229,100	$23,010	$206,090
Montgomery Arms	$75,110	$54,006	$21,104
MHLP VII	$39,352	$21,661	$17,691
MHLP VIII	$67,396	$27,196	$40,200
MPDU 2007 Phase II	$1,500	$4,482	($2,982)
617 Olney Sandy Spring Road	$0	$0	$0
64 MPDUs	$47,836	$45,644	$2,192
TPM - 59 MPDUs	$88,000	$33,830	$54,170
Oaks at Four Corners	$350,395	$28,933	$321,462
NCI Units	$10,500	$1,326	$9,174
NSP Units	$2,000	$2,650	($650)
Paddington Square	$91,240	$43,318	$47,922
Paint Branch	$15,762	$14,443	$1,319
Parkway Woods	$15,600	$214,006	($198,406)
TPP LLC Pomander Court	$12,842	$2,742	$10,100
Pooks Hill High-Rise	$297,284	$53,314	$243,970
Pooks Hill Mid-Rise	$98,966	$9,390	$89,576
Sandy Spring Meadow	$12,584	$2,373	$10,211
Scattered Site One Dev. Corp.	$147,500	$96,871	$50,629
Scattered Site Two Dev. Corp.	$73,500	$11,914	$61,586
Seneca Ridge	$25,210	$11,328	$13,882
Shady Grove Apts	$186,000	$35,103	$150,897
Southbridge	$21,488	$12,558	$8,930
Sligo Development Corp.	$29,900	$2,152	$27,748
State Rental Combined	$122,152	$52,988	$69,164
Strathmore Court	$204,411	$76,283	$128,128
Towne Centre Place	$26,596	$223	$26,373
TPP LLC Timberlawn	$64,805	$18,215	$46,590
VPC One Dev. Corp.	$133,550	$35,494	$98,056
VPC Two Dev. Corp.	$68,500	$27,465	$41,035
Washington Square	$7,850	$9,810	($1,960)
Westwood Tower	$250,430	$149,991	$100,439
The Willows	$168,000	$90,841	$77,159
Subtotal	**$5,169,688**	**$2,013,605**	**$3,156,083**
TOTAL	**$7,437,688**	**$2,690,139**	**$4,747,549**

APPROVAL OF FY'19 SECOND QUARTER BUDGET AMENDMENT

March 6, 2019

- The net effect of the FY'19 Second Quarter Budget Amendment is a surplus of $153,980.

- The FY'19 Amended Budget includes a contribution to the General Fund Operating Reserve (GFOR) for future operation needs. The Budget, Finance and Audit Committee recommends that the anticipated contribution be increased by $153,980 in order to maintain a balanced budget.

- Total operating budget for the Agency has increased from $266.9 million to $270.3 million.

- Total capital budget for the Agency has increased from $257.3 million to $257.8 million.

- Personnel Complement remains unchanged.

- No policy changes are reflected in the budget amendment.

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: Approval of FY'19 Second Quarter Budget Amendment

DATE: March 6, 2019

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
To amend the FY'19 Budget so that it reflects an accurate plan for the use of the Agency's financial resources for the remainder of the year.

BACKGROUND:
The HOC Budget Policy provides for the Executive Director to propose any budget amendments for the Commission to consider that may better reflect the revenues and expenses for the remainder of the year.

ISSUES FOR CONSIDERATION:

Operating Budget Amendments: Attachment I is a detailed chart of the following proposed transactions. Below is a description of the proposed amendment:

- **General Fund:** HOC acquired the Willow Manor properties on November 1, 2018. (See Opportunity Housing). The properties will be charged an Asset Management Fee that is paid to HOC to cover the cost of Agency overhead. Income in the General Fund will be increased by $153,980 to reflect the additional Asset Management Fees received from the properties.

- **Opportunity Housing Fund:**

  - **Property Transitions:** The Department of Housing and Urban Development (HUD) 236 contract for **Camp Hill Square Apartments** expired and HOC has been able to operate the property on a fiscal year basis. This budget amendment reflects the inclusion of the property in the FY'19 Agency operating budget. Cash flow for the property will be restricted; therefore, both income and expenses in the Opportunity Housing fund will increase by $601,455.

- **Property Acquisitions:** On November 1, 2018, HOC acquired three properties under the Montgomery County Right of First Refusal (ROFR). The three Willow Manor properties are **Willow Manor at Clopper's Mill**, consisting of 102 age-restricted (62+) Low Income Housing Tax Credit ("LIHTC") and market-rate apartments in Germantown; **Willow Manor at Fair Hill Farm**, consisting of 101 age-restricted (62+) LIHTC apartments in Olney; and **Willow Manor at Colesville**, consisting of 83 age-restricted (62+) LIHTC apartments in Silver Spring. This budget amendment reflects the period of November 1, 2018 through June 30, 2018 for each property. Cash flow for the properties will be restricted; therefore, both income and expenses in the Opportunity Housing fund will increase by $2,732,382.

- The following chart depicts the overall impact of this amendment:

FY'19 Second Quarter Budget Amendment

	Camp Hill Square	Willow Manor at Clopper's Mill	Willow Manor at Fair Hill Farm	Willow Manor at Colesville	Willow Manor Total
Total Revenue	**$601,455**	**$972,642**	**$975,652**	**$784,088**	**$2,732,382**
Gross Rents	$742,434	$1,006,430	$989,142	$796,104	$2,791,675
Vacancy Loss	($150,844)	($43,795)	($33,513)	($25,847)	($103,155)
Other Revenue	$9,865	$10,007	$20,023	$13,831	$43,861
Total Operating Expenses	**$402,139**	**$327,458**	**$316,885**	**$268,467**	**$912,810**
Administrative	$81,816	$162,554	$153,883	$134,688	$451,125
Tenant Services	$22,100	$4,909	$15,548	$0	$20,457
Utilities	$138,872	$48,995	$53,387	$46,485	$148,866
Maintenance	$146,446	$97,038	$90,633	$77,667	$265,338
Other	$12,905	$13,962	$3,434	$9,627	$27,023
Net Operating Income	**$199,316**	**$645,184**	**$658,767**	**$515,621**	**$1,819,572**
Annual RfR Contribution	$15,300	$30,600	$30,300	$24,900	$85,800
Asset Management Fee	$0	$54,910	$54,380	$44,690	$153,980
Annual Debt Service	$0	$368,977	$403,705	$270,879	$1,043,561
Total Non-Operating Expenses	**$15,300**	**$454,487**	**$488,385**	**$340,469**	**$1,283,341**
Cash Flow / (Deficit)	**$184,016**	**$190,697**	**$170,382**	**$175,152**	**$536,231**
Capital	**$54,152**	**$52,600**	**$142,802**	**$167,385**	**$362,787**

- **Public Fund:**

  - **County Grant -** In response to their revenue shortfalls and higher than anticipated expenditures in FY'18 which have resulted in a shortfall of resources for the FY'20 Budget, the County implemented a 1.5 percent Savings Plan. The impact of the savings

plan is reduction to HOC's FY'19 approved Maximum Agency Request Ceiling (MARC) of $100,204. Staff is working through the Agency's actual performance through December and projections for the remainder of the year to determine if the reduction can be absorbed through existing savings. Both income and expenses in the Public Fund will be decreased by $100,204.

Capital Budget Amendments: Attachment II is a detailed chart of the following proposed transactions. Below is a description of the proposed amendment:

- **Capital Improvements:**

  - **Capital Roll Over for Opportunity Housing Fund Properties:** Each year, Property Management reviews capital budgets at year end and requests capital funds to roll forward to the next year. This is necessary as there are always capital projects that have not been completed by year end. This year, Property Management has requested that $20,000 for balcony refinishing at Timberlawn be rolled forward and included in the FY'19 Budget. This work will be funded from property replacement reserves.

  - **Property Transitions:** Camp Hill Square no longer operates under the HUD 236 Program; therefore, HOC is able to operate the properties on a fiscal year basis. This budget amendment reflects the proposed FY'19 capital budget for the property.

    - Camp Hill Square - $54,152

  - **Property Acquisitions:** On November 1, 2018, HOC acquired three properties under the Montgomery County Right of First Refusal (ROFR). This budget amendment reflects the proposed capital budgets for the period of November 1, 2018 through June 30, 2019 for each property.

    - Willow Manor at Clopper's Mill - $52,600
    - Willow Manor at Fair Hill Farm - $142,802
    - Willow Manor at Colesville - $167,385

BUDGET IMPACT:

The net effect of the FY'19 Second Quarter Budget Amendment is a surplus of $153,980. The FY'19 Amended Budget includes a contribution of $1,230,263 to the General Fund Operating Reserve (GFOR) for future operation needs. Staff recommends that the anticipated contribution be increased by $153,980 to $1,384,243 in order to maintain a balanced budget.

The total FY'19 Operating Budget for HOC increased from $266,895,126 to $270,282,739. This is an increase of $3,387,613. The total FY'19 Capital Budget for HOC has increased from $257,340,544 to $257,777,483. This is an increase of $436,939. Approval by the Commission of any budget amendments will revise the FY'19 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed FY'19 Second Quarter Budget Amendment at the February 19, 2019 meeting. Actions is requested at the March 6, 2019 Commission meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission approval of the proposed FY'19 Second Quarter Budget Amendment.

Resolution No.: 19-28

Re: Approval of FY'19 Second Quarter Budget Amendment

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") adopted a budget for FY'19 on June 6, 2018;

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

WHEREAS, the net effect of the FY'19 Second Quarter Budget Amendment is a surplus of $153,980, which will increase the anticipated contribution to the General Fund Operating Reserve (GFOR) of $1,230,263 by $153,980 to $1,384,243 in order to maintain a balanced budget;

WHEREAS, the total FY'19 Operating Budget increased from $266,895,126 to $270,282,739;

WHEREAS, the total FY'19 Capital Budget increased from $257,340,544 to $257,777,483; and

WHEREAS, approval of the budget amendments to revise the FY'19 budget will reflect an accurate plan for the use of the Commission's resources for the remainder of FY'19.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'19 Operating Budget by increasing total revenues and expenses for the Commission from $266,895,126 to $270,282,739.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY'19 Capital Budget by increasing revenues and expenses for the Commission from $257,340,544 million to $257,777,483.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on March 6, 2019.

Patrice Birdsong
Special Assistant to the Commission

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FY'19 Operating Budget Second Quarter Amendment	First Quarter Budget Amendment Revenues	 Expenses	 Net Cash Flow	Changes to Revenue	 Expenses	Second Quarter Budget Amendment Revenues	 Expenses	 Net Cash Flow
General Fund								
General Fund	$24,078,730	$25,377,074	($1,298,344)	$153,980	$0	$24,232,710	$25,377,074	($1,144,364)
Restrict to GFOR	$0	$1,230,263	($1,230,263)	$0	$153,980	$0	$1,384,243	($1,384,243)
Multifamily & Single Family Bond Funds								
Multifamily Fund	$17,012,281	$17,012,281	$0	$0	$0	$17,012,281	$17,012,281	$0
Single Family Fund	$10,433,576	$10,433,576	$0	$0	$0	$10,433,576	$10,433,576	$0
Opportunity Housing Fund								
Opportunity Housing & Dev Corps	$92,347,274	$89,912,085	$2,435,189	$3,333,837	$3,333,837	$95,681,111	$93,245,922	$2,435,189
Draw from GFOR for MetroPointe Deficit	$93,418	$0	$93,418	$0	$0	$93,418	$0	$93,418
Opportunity Housing Reserve Fund	$4,701,932	$1,446,822	$3,255,110	$0	$0	$4,701,932	$1,446,822	$3,255,110
Restricted to OHRF	$0	$3,255,110	($3,255,110)	$0	$0	$0	$3,255,110	($3,255,110)
Public Fund								
Public Housing Rental	$1,167,064	$1,442,064	($275,000)	$0	$0	$1,167,064	$1,442,064	**($275,000)**
County Contributions towards Public Housing	$275,000	$0	$275,000	$0	$0	$275,000	$0	**$275,000**
Housing Choice Voucher Program	$98,902,576	$99,535,366	($632,790)	$0	$0	$98,902,576	$99,535,366	**($632,790)**
County Contributions towards HCVP Administration	$632,790	$0	$632,790	$0	$0	$632,790	$0	**$632,790**
Federal , State and Other County Grants	$17,250,485	$17,250,485	$0	($100,204)	($100,204)	$17,150,281	$17,150,281	**$0**
TOTAL - ALL FUNDS	**$266,895,126**	**$266,895,126**	**$0**	**$3,387,613**	**$3,387,613**	**$270,282,739**	**$270,282,739**	**$0**

Footnotes - explanation of changes recommended to adopted

GF R	$153,980	Increase Asset Management Fees
GF E	$153,980	Increase FY'19 GFOR Contribution
OH R	$601,455	Add Budget for Camp Hill Square
OH E	$601,455	Add Budget for Camp Hill Square
OH R	$972,642	Add Budget for Willow Manor at Clopper's Mill
OH R	$975,652	Add Budget for Willow Manor at Fair Hill Farm
OH R	$784,088	Add Budget for Willow Manor at Colesville
	$2,732,382	
OH E	$972,642	Add Budget for Willow Manor at Clopper's Mill
OH E	$975,652	Add Budget for Willow Manor at Fair Hill Farm
OH E	$784,088	Add Budget for Willow Manor at Colesville
	$2,732,382	
PF R	($100,204)	Reduce County Grant by 1.5% Savings Plan reduction - ($100,204)
PF E	($100,204)	Reduce County expenses based on 1.5% Savings Plan reduction - ($100,204)

FY'19 Capital Budget Second Quarter Amendment	First Quarter Budget Amendment Revenues	 Expenses	 Net Cash Flow	Changes to Revenue	 Expenses	Second Quarter Budget Amendment Revenues	 Expenses	 Net Cash Flow
Capital Improvements								
East Deer Park	$225,000	$225,000	**$0**	$0	$0	$225,000	$225,000	**$0**
Kensington Office	$445,000	$445,000	**$0**	$0	$0	$445,000	$445,000	**$0**
Information Technology	$1,598,000	$1,598,000	**$0**	$0	$0	$1,598,000	$1,598,000	**$0**
Opportunity Housing Properties	$5,331,403	$5,331,403	**$0**	$436,939	$436,939	$5,768,342	$5,768,342	**$0**
	$7,599,403	**$7,599,403**	$0	**$436,939**	**$436,939**	**$8,036,342**	**$8,036,342**	$0
Capital Development Projects								
900 Thayer	$25,527,587	$25,527,587	**$0**	$0	$0	$25,527,587	$25,527,587	**$0**
Alexander House	$12,827,761	$12,827,761	**$0**	$0	$0	$12,827,761	$12,827,761	**$0**
Arcola Towers	$366,607	$366,607	**$0**	$0	$0	$366,607	$366,607	**$0**
Bauer Park	$34,071,079	$34,071,079	**$0**	$0	$0	$34,071,079	$34,071,079	**$0**
Deeply Affordable Units	$1,250,000	$1,250,000	**$0**	$0	$0	$1,250,000	$1,250,000	**$0**
Elizabeth House III	$33,525,361	$33,525,361	**$0**	$0	$0	$33,525,361	$33,525,361	**$0**
Georgian Court	$30,343,287	$30,343,287	**$0**	$0	$0	$30,343,287	$30,343,287	**$0**
Greenhills	$3,646,853	$3,646,853	**$0**	$0	$0	$3,646,853	$3,646,853	**$0**
The Lindley (CCL)	$30,854,801	$30,854,801	**$0**	$0	$0	$30,854,801	$30,854,801	**$0**
Shady Grove	$34,007,448	$34,007,448	**$0**	$0	$0	$34,007,448	$34,007,448	**$0**
Stewartown	$20,522,577	$20,522,577	**$0**	$0	$0	$20,522,577	$20,522,577	**$0**
Upton II	$22,211,375	$22,211,375	**$0**	$0	$0	$22,211,375	$22,211,375	**$0**
Waverly House	$586,405	$586,405	**$0**	$0	$0	$586,405	$586,405	**$0**
	$249,741,141	**$249,741,141**	$0	**$0**	**$0**	**$249,741,141**	**$249,741,141**	$0
TOTAL - ALL FUNDS	**$257,340,544**	**$257,340,544**	$0	**$436,939**	**$436,939**	**$257,777,483**	**$257,777,483**	$0

Footnotes - explanation of changes

OH	**R**	$20,000	Roll forward Timberlawn FY'18 Capital - (Balcony refinishing)
OH	**E**	$20,000	Roll forward Timberlawn FY'18 Capital - (Balcony refinishing)
OH	**R**	$54,152	Add Capital Budget for Camp Hill Square
OH	**E**	$54,152	Add Capital Budget for Camp Hill Square
OH	**R**	$52,600	Add Capital Budget for Willow Manor at Clopper's Mill
OH	**R**	$142,802	Add Capital Budget for Willow Manor at Fair Hill Farm
OH	**R**	$167,385	Add Capital Budget for Willow Manor at Colesville
		$362,787	
OH	**E**	$52,600	Add Capital Budget for Willow Manor at Clopper's Mill
OH	**E**	$142,802	Add Capital Budget for Willow Manor at Fair Hill Farm
OH	**E**	$167,385	Add Capital Budget for Willow Manor at Colesville
		$362,787	

AUTHORIZATION TO WRITE OFF BAD DEBT RELATED TO TENANT ACCOUNTS RECEIVABLE (OCTOBER 1, 2018 – DECEMBER 31, 2018)

March 6, 2019

- 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 proposed write-off of bad debt balances from former tenants for the period covered October 1, 2018 to December 31, 2018 totaled $93,166. This quarter write off includes $90,401 from Opportunity Housing properties, $2,342 from RAD 6 properties, $318 from 236 properties and $105 from Public Housing properties. Past tenants at VPC Two Corporation and MPDU I/64 accounted for the bulk of the write-off. The write offs were mainly due to tenants who vacated their units voluntarily or were evicted for non-payment of rent.

- The next anticipated write-off of former tenants' bad debt balance will be for the period covered January 1, 2019 to March 31, 2019, and will be performed in the fourth quarter of FY'19.

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
		Eugenia Pascual		Finance	Ext. 9478
		Nilou Razeghi		Finance	Ext. 9494
		Shauna Sorrells		Property Management	Ext. 9461

RE: Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable (October 1, 2018 – December 31, 2018)

DATE: March 6, 2019

STATUS: Committee Report: Deliberation X

OVERALL GOAL & OBJECTIVE:
To approve the authorization to write-off bad debt related to tenant accounts receivable.

BACKGROUND:
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 December 12, 2018, was for $248,659 which covered the three-month period from July 1, 2018, through September 30, 2018.

The proposed write-off of former tenant accounts receivable balances for the second quarter of 2019, October 1, 2018, through December 31, 2018, is $93,166.

The second quarter write-off totaling $93,166 is primarily due to the Opportunity Housing properties (VPC Two Corp and MPDU1/64). The primary reason for the write-offs include tenants who were evicted for non-payment and tenants who voluntarily left their units for various reasons.

The following table shows the write-offs by fund.

Property Type	Current Write-offs 10/01/18 - 12/31/18	Prior Write-offs 07/01/18 - 09/30/18	$ Change 07/01/18 - 09/30/18	% Change 07/01/18 - 09/30/18	Fiscal Year 2019 Year-to-Date 07/01/18 - 12/31/18
Public Housing	$105	$1,124	($1,019)	-90.66%	$1,229
Opportunity Housing	$90,401	$201,013	($110,612)	-55.03%	$291,414
236 Properties	$318	$0	$318	100.00%	$318
Supportive Housing	$0	$11,669	($11,669)	-100.00%	$11,669
RAD Properties	$2,342	$34,853	($32,511)	-93.28%	$37,195
	$93,166	$248,659	($155,493)	-62.53%	$341,825

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

	Current Write-offs 10/01/18 - 12/31/18	Prior Write-offs 07/01/18 - 09/30/18	$ Change 07/01/18 - 09/30/18	% Change 07/01/18 - 09/30/18	Fiscal Year 2019 Year-to-Date 07/01/18 - 12/31/18
Public Fund					
Former PH Tenants	$105	$1,124	($1,019)	-90.66%	$1,229
Total Public Fund	$105	$1,124	($1,019)	-90.66%	$1,229

Within the Public Housing properties, the $105 write-off amount is attributable to former Public Housing tenant that have left the HOC programs entirely. The write-offs for Public Housing should continue to decrease as most tenants have transitioned to other programs through the RAD conversion.

	Current Write-offs 10/01/18 - 12/31/18	Prior Write-offs 07/01/18 - 09/30/18	$ Change 07/01/18 - 09/30/18	% Change 07/01/18 - 09/30/18	Fiscal Year 2019 Year-to-Date 07/01/18 - 12/31/18
Opportunity Housing (OH) Fund					
Avondale	$0	$24	($24)	-100.00%	$24
Holiday Park	$0	$3,775	($3,775)	-100.00%	$3,775
MPDU I/64	$16,129	$0	$16,129	100.00%	$16,129
MHLP IX - MPDU	$0	$5,818	($5,818)	-100.00%	$5,818
Scattered Site One Dev Corp	$424	$5,661	($5,237)	-92.51%	$6,085
State Rental Partnership	$0	$8,078	($8,078)	-100.00%	$8,078
VPC One Corp	$5,539	$130,184	($124,645)	-95.75%	$135,723
VPC Two Corp	$68,309	$47,473	$20,836	43.89%	$115,782
Total OH Fund	**$90,401**	**$201,013**	**($110,612)**	-55.03%	**$291,414**

Within the Opportunity Housing portfolio, the $90,401 write-off amount is primarily due to VPC Two Corporation and MPDU I/64. The write-offs were due to tenants who voluntarily vacated their units or were evicted due to non-payment of rents.

	Current Write-offs 10/01/18 - 12/31/18	Prior Write-offs 07/01/18 - 09/30/18	$ Change 07/01/18 - 09/30/18	% Change 07/01/18 - 09/30/18	Fiscal Year 2019 Year-to-Date 07/01/18 - 12/31/18
236 Properties					
Town Center Apts	$318	$0	$318	100.00%	$318
Total 236 Properties	**$318**	**$0**	**$318**	100.00%	**$318**

Within the 236 Properties, the $318 was due to a tenant who voluntarily vacated her unit.

	Current Write-offs 10/01/18 - 12/31/18	Prior Write-offs 07/01/18 - 09/30/18	$ Change 07/01/18 - 09/30/18	% Change 07/01/18 - 09/30/18	Fiscal Year 2019 Year-to-Date 07/01/18 - 12/31/18
Supportive Housing					
McKinney X - HUD	$0	$9,184	($9,184)	-100.00%	$9,184
McKinney XII - HUD	$0	$2,485	($2,485)	-100.00%	$2,485
Total Supportive Housing	**$0**	**$11,669**	**($11,669)**	-100.00%	**$11,669**

Within the Supportive Housing Program, there were no write-offs in the second quarter of FY'19.

	Current Write-offs 10/01/18 - 12/31/18	Prior Write-offs 07/01/18 - 09/30/18	$ Change 07/01/18 - 09/30/18	% Change 07/01/18 - 09/30/18	Fiscal Year 2019 Year-to-Date 07/01/18 - 12/31/18
RAD Properties					
RAD 6 - Ken Gar	$0	$10,000	($10,000)	-100.00%	$10,000
RAD 6 - Seneca Ridge	$0	$24,785	($24,785)	-100.00%	$24,785
Arcola Towers LP	$274	$0	$274	100.00%	$274
Waverly House LP	$2,068	$68	$2,000	29.41%	$2,136
Total RAD Properties	**$2,342**	**$34,853**	**($32,511)**	-93.28%	**$37,195**

With the RAD properties, the $2,342 write-offs were due to a deceased tenant and tenant who moved to a nursing home.

The next anticipated write-off will be for the third quarter of FY'19, covering January 1, 2019, through March 31, 2019. 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 the February 19, 2019 meeting. Action is requested at the March 6, 2019 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.: 19-29

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, staff periodically proposes the write-off of uncollected former tenant 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 October 1, 2018 through December 31, 2018 is $93,166, consisting of $90,401 from Opportunity Housing properties, $2,342 from RAD 6 properties, $318 from 236 properties, and $105 from Public Housing 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 actions necessary and proper to write off $93,166 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, March 6, 2019.

Patrice M. Birdsong
Special Assistant to the Commission

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Approval to Extend the Use of Real Estate Line of Credit ("RELOC") to Finance Commission Approved Actions related to funding for Year 15 Consulting Services for the Acquisition of Full Ownership of Certain Tax Credit Properties and other Investor Exit Strategies

March 6, 2019

- The Commission has previously approved advances from the PNC Bank N.A. RELOC to fund up to $1.6 million as an interim source of funding for consulting services related to the acquisition of full ownership of certain Year 15 tax credit properties and other investor exit strategies.

- The Year 15 portfolio totaled 10 properties including:
  - Barclay Apartments
  - Georgian Court
  - Manchester Manor
  - Metropolitan
  - MHLP IX
  - MHLP X
  - Shady Gove
  - Stewartown Homes
  - Strathmore Court, and
  - Willows

- Five of these properties consisting of Manchester, Shady Grove, Willows and MHLP IX & X have been transferred back to HOC. Staff is actively working with the Year 15 consultants and Limited Partner Investors to negotiate the transfer of the other Year 15 properties.

- Total draws from the line of credit for Year 15 properties amounted to $1,162,350 representing payments for consulting services with Morrison Avenue Capital Partners and Censeo. The unspent

portion of the $1.6 million authorized amount is $437,350 as of this date.

- The estimated total annual cost related to these advances is approximately $35,787 based on one month London Interbank Offered Rate (LIBOR) as of January 29, 2019 plus 58 basis points. The interest expense will be included in the Agency budget under the General Fund.

- Staff requests authorization to extend the current maturity date from April 13, 2019 to June 30, 2020.

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
Eugenia Pascual Finance Ext. 9478

RE: Approval to Extend the Use of the Real Estate Line of Credit ("RELOC") to Finance Commission Approved Actions related to funding for Year 15 Consulting Services for the Acquisition of Full Ownership of Certain Tax Credit Properties and other Investor Exit Strategies

DATE: March 6, 2019

STATUS: Committee Report: Deliberation X

OVERALL GOAL & OBJECTIVE:
To extend the use of the Real Estate Line of Credit (RELOC) to finance Commission approved actions related to funding for Year 15 Consulting Services for the Acquisition of Full Ownership of Certain Tax Credit Properties and other Investor Exit Strategies.

BACKGROUND:
On August 3, 2016 the Commission authorized the Executive Director to enter into a contract for consulting services with Morrison Avenue Capital Partners and Censeo ("Year 15 Consultants"), related to the acquisition of full ownership of Year 15 tax credit properties and other Investor exit strategies. In addition, the Commission approved advances from the PNC Bank N.A. Real Estate Line of Credit ("RELOC") to fund up to $1.6 million as an interim source of funding related to the Year 15 Consulting Services with the Year 15 Consultants. The draws on the RELOC will be repaid through the eventual recapitalization of such properties.

At the time of the original request, the Year 15 portfolio totaled 10 properties, comprising nearly 1,500 housing units throughout the County. The property types range from single family homes to single high rise buildings. The Year 15 portfolio contains the following properties: Barclay Apartments; Georgian Court; Manchester Manor; Metropolitan; MHLP IX; MHLP X; Shady Grove; Stewartown Homes; Strathmore Court; and Willows. To date, Shady Grove, Manchester Manor, HLP IX, MHLP X, and the Willows have been transferred back to HOC. Staff is actively working with the Year 15 Consultants and the Limited Partner Investors to negotiate the transfer of Barclay Apartments, Georgian Court, Metropolitan, Stewartown Homes and Strathmore Court back to HOC. Barclay Apartments 15-year compliance period expires in 2020.

The RELOC taxable borrowing rate is LIBOR plus 58 basis points and the tax exempt borrowing rate is 68.5% of LIBOR plus 38 basis points. The unobligated amount on the RELOC as of December 31, 2018 is $13,430,311.

The table below indicates the current maturity date, the outstanding principal amount as of December 31, 2018 and the estimated annual cost for this loan. The estimated cost under the Line of Credit is based on the one month LIBOR rate of January 29, 2019 plus an additional 58 basis points. Staff is requesting to extend the current maturity dates through June 30, 2020.

Property	Current Maturity Date	Principal Balance Outstanding	Annual Cost under LOC	LIBOR Rate & Spread 1/29/2019	Rate Type	Remaining Authorized Balance
Year 15 LIHTC	April 13, 2019	$1,162,350	$35,787	3.07888%	Taxable	$437,650

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve the extension of the maturity date for draws on the RELOC related to funding for Year 15 Consulting Services for the Acquisition of Full Ownership of Certain Tax Credit Properties and other Investor Exit Strategies through June 30, 2020?

PRINCIPALS:

HOC
PNC Bank, N.A.

BUDGET IMPACT:

The annual amount of interest expense is estimated to be $35,787. The interest expense will be included in the FY 2020 Agency Budget in the General Fund.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the request for extension at the February 19, 2019 meeting. Commission action is requested at the March 6, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission approval to extend the use of Real Estate Line of Credit to finance Commission approved actions related to funding for Year 15 Consulting Services for the Acquisition of Full Ownership of Certain Tax Credit Properties and other Investor Exit Strategies.

RESOLUTION No.: 19-30

RE: Approval to Extend the Use of the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") to Finance Commission Approved Actions related to funding for Year 15 Consulting Services for the Acquisition of Full Ownership of Certain Tax Credit Properties and other Investor Exit Strategies

WHEREAS, on August 3, 2016, the Housing Opportunities Commission of Montgomery County ("HOC") authorized the Executive Director to enter into a contract for consulting services with Morrison Avenue Capital Partners and Censeo ("Year 15 Consultants") to facilitate acquiring full ownership of Year 15 tax credit properties and assisting with other investor exit strategies (the "Year 15 Consulting Services");

WHEREAS, on August 3, 2016, HOC also approved advances from the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") to fund up to $1.6 million as an interim source of funding for the Year 15 Consulting Services with a maturity date of April 13, 2019 (the "Year 15 Consulting Loan");

WHEREAS, as of August 2016, the Year 15 tax credit property portfolio consisted of ten (10) properties: Barclay Apartments, Georgian Court Apartments, Manchester Manor, The Metropolitan Apartments, MHLP IX, MHLP X, Shady Grove Apartments, Stewartown Homes, Strathmore Court Apartments, and The Willows Apartments;

WHEREAS, to date, HOC has acquired full ownership of Manchester Manor, MHLP IX, MHLP X, Shady Grove Apartments, and The Willows Apartments, and continues to work with the Year 15 Consultants to negotiate the acquisition of the remaining properties; and

WHEREAS, in order to complete the acquisition of the remaining properties, staff recommends extending the maturity date of the Year 15 Consulting Loan through June 30, 2020 at the taxable rate of LIBOR plus 58 basis points or the tax exempt rate of 68.5% of LIBOR plus 38 basis points to continue to fund the Year 15 Consulting Services.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves extending the maturity date of the Year 15 Consulting Loan through June 30, 2020 to continue to fund the Year 15 Consulting Services in order to complete the acquisition of Barclay Apartments, Georgian Court Apartments, The Metropolitan Apartments, Stewartown Homes, and Strathmore Court Apartments. .

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, March 6, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Approval to Amend Limited Partnership Agreements or issue Letter Agreements Pursuant to the Bipartisan Budget of 2015 and Tax Cuts and Jobs Act passed in December, 2017

March 6, 2019

- Congress recently passed two pieces of legislation that impact all partnerships and limited liability companies; the first is the Bipartisan Budget Act of 2015; and the second is the Tax Cuts and Jobs Act of 2017 ("TCJA").
- The Bipartisan Budget Act of 2015 changes IRS audit rules for partnerships requiring each partnership to appoint an individual person to serve as the designated representative to the IRS. HOC staff recommends that the Executive Director serve as the designated partnership representative.
- The Bipartisan Budget Act of 2015 also allows the Partnership to make a push-out election that permits the partnership to push the liability onto the applicable individual partners rather than the partnership.
- The TCJA allows partnerships that meet certain standards to make an irrevocable election to be treated as a Real Property Trade or Business ("RPTOB") which once made exempts the partnership from the business interest limitation but may require a change in the depreciation schedule.
- Boston Capital the Investor for Arcola Towers has requested to make the RPTOB election, and will remain at the 40-year depreciation rate and continue to take the business interest expense as a deduction against federal taxable income.
- PNC Real Estate Tax Credit the Investor for Forest Oak Towers LP and Greenhills LP has agreed to the push-out election and declined the RPTOB election.
- Hudson Housing Capital LLC the Investor for Tanglewood & Sligo LP has requested to make the RPTOB election, which will change their depreciation rate from 27.5 years to 40 years and continue to take the business interest expense as a deduction against federal taxable income.

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
Eamon Lorincz Legal Ext. 9751

RE: Approval to Amend Limited Partnership Agreements or issue Letter Agreements Pursuant to the Bipartisan Budget of 2015 and Tax Cuts and Jobs Act passed in December, 2017

DATE: March 6, 2019

STATUS: Committee Report: Deliberation __X

OVERALL GOAL & OBJECTIVE:
To authorize the Executive Director to amend limited partnership agreements and operating agreements or issue letter agreements relating thereto to address technical tax issues arising from the Bipartisan Budget Act of 2015 (the "Budget Act") and the Tax Cuts and Jobs Act of 2017 ("TCJA").

BACKGROUND:
Congress has recently passed two pieces of tax legislation that impact all partnerships and limited liability companies. HOC's limited liability companies frequently elect to be taxed as partnerships or are members of entities that are taxed as partnerships, so we will use terms for partnerships (e.g., partners, limited partnership agreements, etc.) in this memo to cover both partnerships and limited liability companies for simplicity.

The Budget Act changes the rules for how the IRS audits partnerships and imposes liability from such audits on partnerships. The TCJA made sweeping changes to individual, partnership, corporate and estate taxation. This memo focuses on changes to depreciation schedules and tax elections that impact all of HOC's partnerships.

These issues are particularly salient for HOC's Low Income Housing Tax Credit (LIHTC) partnerships. HOC has been contacted by three LIHTC investors in its LIHTC partnerships, Boston Capital, PNC Real Estate Tax Credit Capital and Hudson Housing Capital LLC. Each of these investors has requested amendments or letter agreement to address the changes in tax laws described herein. HOC staff also intend to address these issues in HOC's other, non-LIHTC partnerships as appropriate.

Partnership Audit Rules
The Budget Act directed the Internal Revenue Service (IRS) to change the way that it conducts partnership tax audits for partnership tax years beginning after December 31, 2017. Under the

new rules for partnership audits, the IRS requires each partnership to appoint an individual person to serve as the designated representative to the IRS. HOC staff recommends that, for all partnerships that it controls or manages, its Executive Director be designated as the partnership representative.

The new partnership audit rules also change the manner in which the IRS collects adjustments or assessments after an audit. Under the old audit regime, if the IRS found issues that impacted specific partners in a partnership, the IRS would impose liability on those particular partners and not the rest of the partnership. Under the new rules, designed to increase the ease of auditing and enforcement for the IRS, the IRS can place liability that results from an audit on the partnership itself rather than the individual partners. This means that an HOC entity could be liable for the tax issues of one of its partners. The IRS does allow partnerships to make an election, under Section 6226 of the Internal Revenue Code, to make a "push-out" election that permits the partnership to push the liability onto the applicable individual partners. HOC staff recommends that all HOC partnership agreements include a provision that, in the event of an IRS audit that imposes liability on the partnership, will allow the general partner to make a push-out election that will be binding on all partners (including former partners if the audit takes places after a partner has left the partnership).

Real Property Trade or Business Election

TCJA also imposed a limitation on the amount of business interest expenses that a corporation or a partner of a partnership can deduct against its federal taxable income. Generally speaking, the amount of deductible interest expense in a taxable year is now limited to 30% of the taxpayer's adjusted taxable income for that tax year. Beginning in 2022 the limit on deductible interest will be reduced further to approximately 30% of adjusted taxable income less depreciation and amortization. This would reduce the business interest deduction that HOC and its partners have previously relied on.

In order to account for the importance of this deduction to the real estate industry, TCJA does allow partnerships that meet certain standards to make an irrevocable election to be treated as a Real Property Trade or Business ("RPTOB") under Section 467 (c) (7) (C). Partnerships that make this election would then be exempt from the business interest limitation. Entities that do not immediately elect to be treated as a RPTOB can elect to be treated as a RPTOB in any subsequent tax year. An entity that makes the RPTOB election may also need to change the depreciation schedule for property, as set forth on Exhibit A.

HOC as the General Partner has engaged Novogradac & Company LLP (CPA firm) to perform the analysis on several properties to determine the effects of making the RPTOB election, to see the effect on the investor's capital account and potential impact to exit taxes when the property is transferred to HOC from the LIHTC Investor. While it is important to analyze each property on a case-by-case basis, we would generally expect that with respect to LIHTC partnerships, making the RPTOB will serve to allow the investor to once again claim losses that the parties originally expected the investor to claim when the deal was originally structured. Most LIHTC partnership agreements contain a provision stating that a sponsor will make tax elections requested by an investor unless those elections will have materially negative consequences on the sponsor. Thus,

unless making a RPTOB election would have a dramatic impact on exit taxes for a particular property, it would be reasonable for an investor to expect that the sponsor would make the election if requested.

For partnerships that are not LIHTC partnerships, each party typically pays its own taxes and so exit taxes are not a concern. In those situations, making the RPTOB election should have little to no impact on HOC as a tax-exempt organization while providing a significant benefit to any for-profit partners in the partnership.

HOC may receive additional requests in the future from other LIHTC investors and will perform the necessary analysis to determine the effects on the investor's capital account and exit taxes and return to the BF&A Committee and Commission for approval.

The following chart shows the property, limited partner investor and the changes they are requesting pursuant to TCJA.

Property	Limited Partner Investor	Requested tax law change
Arcola Towers RAD LP	Boston Capital	• RPTOB election requested. Current depreciation rate is 40 years. Placed in service prior to January 1, 2018. • Letter Agreement appointing partnership representative and allowing managing partner (HOC) to make push-out election currently under negotiation with Investor.
Forest Oak Towers LP	PNC Real Estate Tax Credit	• Limited Partnership Agreement Amendment appointing partnership representative and allowing managing partner (HOC) to make push-out election.
Greenhills LP	PNC Real Estate Tax Credit	• Limited Partnership Agreement Amendment appointing partnership representative and allowing managing partner (HOC) to make push-out election
Tanglewood & Sligo Hills LP	Hudson Housing Capital LLC	• RPTOB election requested. Current depreciation rate is 27.5 years. Placed in service prior to January 1, 2018.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to enter into a Letter of Agreement with Boston Capital for Arcola Towers RAD LP, which allows the managing partner (HOC) to designate the Executive Director as partnership representative and grants the managing partner (HOC) discretion to make the push-out election in the event liability is imposed on the partnership after an IRS Audit; and to concur with the RPTOB election request pursuant to TCJA.

Does the Commission wish to authorize the Executive Director to enter into an amendment of the Limited Partnership Agreement with PNC Real Estate Tax Credit Investor for Forest Oak Towers LP and Greenhills Apartments LP, which allows the managing partner (HOC) to designate the Executive Director as the partnership representative and grants the managing partner (HOC) discretion to make the push-out election in the event liability is imposed on the partnership after an IRS Audit?

Does the Commission wish to authorize the Executive Director to concur with the RPTOB request for Tanglewood & Sligo Hills LP pursuant to TCJA?

PRINCIPALS:

HOC (General Partner)
Arcola Towers RAD LP (Boston Capital Investor)
Forest Oak Towers LP (PNC Real Estate Tax Credit)
Greenhills Apartments LP (PNC Real Estate Tax Credit)
Tanglewood & Sligo Hills LP (Hudson Housing Capital LLC)

BUDGET IMPACT:

The RPTOB election should have no immediate budget impact to the LIHTC partnership. HOC is in the process of determining the effects of making the RPTOB election on exit taxes when the property is transferred from the LIHTC Investor to HOC.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the request at the February 19, 2019 meeting. Commission action is requested at the March 6, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission approval to authorize the Executive Director to Amend Limited Partnership Agreements or issue Letter Agreements Pursuant to the Bipartisan Budget Act of 2015 and Tax Cuts and Jobs Act passed in December, 2017.

Exhibit A

Depreciation Schedules and Changes from the TCJA

Prior to the 2017 TCJA, HOC entities depreciated real property either under a 27.5-year schedule (the standard timeline under the Modified Accelerated Cost Recovery System (MACRS)) or a 40-year schedule (under the Alternative Depreciation System (ADS)). Typically, owners of real property prefer a shorter depreciation schedule so they can accelerate tax losses. HOC, however, as a tax-exempt organization typically prefers a longer depreciation schedule in LIHTC transactions for the reasons set forth below.

When HOC develops or rehabilitates a property using LIHTC, it partners with a tax-driven investor or a syndicator (e.g., an intermediary that purchases tax credits and sells them to institutional investors) in a partnership. HOC, as a tax-exempt sponsor, has a statutory right under the portion of the Internal Revenue Code that governs LIHTC transactions, Section 42, to purchase the entire property after the expiration of the fifteen year initial LIHTC compliance period. The terms of this right of first refusal are negotiated with the tax credit investor but the formula for the purchase price is always based on the amount of debt on the property plus the taxes the investor will need to pay to leave the partnership. The more losses an investor takes during the initial fifteen years, the higher these taxes will be.

A LIHTC investor will typically want to increase the amount of tax losses it can generate during the initial compliance period and thus will typically prefer a shorter depreciation schedule. By contrast, because a tax-exempt sponsor typically reimburses the investor for the taxes it pays as part of its exit from the deal, a tax exempt sponsor like HOC will typically prefer a longer depreciation schedule to keep investor's losses limited and the exit price under the right of first refusal lower.

The 2017 TCJA made a few important changes to the depreciation schedule for residential real property. First, the depreciation schedule under the Alternative Depreciation System (ADS) has been reduced from 40 years to 30 years for properties placed in service on or after January 1, 2018. Second, if a partnership makes the RPTOB election previously discussed in this memo, it must use this 30 year ADS depreciation. If the RPTOB election is not made the depreciation schedule can now be either 27.5 or 30 years.

The table below highlights the effect on the depreciation rate based on the RPTOB election choice.

RBTOB Election Choice	**Placed in Service prior 1/1/2018**	**Placed in Service after 12/31/2017**
Make the RPTOB election	Use 40 year ADS depreciation rate.	Use 30 year ADS depreciation rate.
Decline the RPTOB election	Use existing depreciation rate. (either 27.5 MACRS depreciation or 40 year ADS depreciation)	Entity can choose either 27.5 MACRS or 30 year ADS depreciation rate.

With respect to LIHTC partnerships, many of the changes in the 2017 TCJA were inadvertently favorable to tax-exempt sponsors. The decrease in corporate tax rates from 35% to 21% will typically result in a corresponding decrease in the amount of projected exit taxes that a tax-exempt sponsor would otherwise pay to an investor under the statutory right of first refusal to purchase the property at the end of the LIHTC compliance period. The business interest expense limitation will typically reduce the losses an investor partner can take, and the RPTOB election simply allows the partnership to revert to the former treatment of those expenses. Making the RPTOB election will also in all cases either result in no change in the depreciation schedule of residential property or will cause that timeline to increase, which will slow down the investor's losses and thus in most cases reduce exit taxes.

RESOLUTION No.: 19-31 **RE:** Approval to Amend Limited Partnership Agreements or Issue Letter Agreements Pursuant to the Bipartisan Budget Act of 2015 and Tax Cuts and Jobs Act of 2017

WHEREAS, Congress recently passed the Bipartisan Budget Act of 2015 and the Tax Cuts and Jobs Act of 2017 ("TCJA"); and

WHEREAS, the Bipartisan Budget Act of 2015 changes IRS audit rules for partnerships, requiring each partnership to appoint an individual person to serve as the designated representative to the IRS (the "Designated Representative"); and

WHEREAS, the Bipartisan Budget Act of 2015 also and allows partnerships to make a push-out election that permits the partnership to push liability onto the applicable individual partners rather than the partnership (the "Push Out Election"); and

WHEREAS, the TCJA allows partnerships that meet certain standards to make an irrevocable election to be treated as a Real Property Trade or Business ("RPTOB"), which exempts the partnership from the business interest limitation but may require a change in the depreciation schedule; and

WHEREAS, Boston Capital, the Investor for Arcola Towers RAD Limited Partnership, has requested to make the RPTOB election, and will remain at the 40-year depreciation rate and continue to take the business interest expense as a deduction against federal taxable income; and

WHEREAS, PNC Real Estate Tax Credit, the Investor for Forest Oak Towers Limited Partnership and Greenhills Apartments Limited Partnership, has agreed to the push-out election and declined the RPTOB election; and

WHEREAS, Hudson Housing Capital LLC, the Investor for Tanglewood and Sligo LP has requested to make the RPTOB election, which will change their depreciation rate from 27.5 years to 40 years and will allow them to continue to take the business interest expense as a deduction against federal taxable income.

WHEREAS, staff recommends that for all partnerships that the Housing Opportunities Commission of Montgomery County controls or manages, the Executive Director be appointed as the Designated Representative; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Arcola Towers RAD GP LLC, acting for itself and on behalf of Arcola Towers RAD Limited Partnership, as its general partner, that the Executive Director is hereby authorized to amend the Limited Partnership Agreement or issue a Letter Agreement to appoint the Executive Director as the Designated Representative, to make the Push Out Election, and to make the RPTOB election.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Greenhills Apartments GP LLC, acting for itself and on behalf of Greenhills Apartments Limited Partnership, as its general partner, that the Executive Director is hereby authorized to amend the Limited Partnership Agreement or issue a Letter Agreement to appoint the Executive Director as the Designated Representative and make the Push Out Election.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Forest Oaks Towers Limited Partnership, as its general partner, that the Executive Director is hereby authorized to amend the Limited Partnership Agreement or issue a Letter Agreement to appoint the Executive Director as the Designated Representative and make the Push Out Election.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of HOCMC, LLC, acting for itself and on behalf of Tanglewood and Sligo LP, as its general partner, that the Executive Director is hereby authorized to amend the Limited Partnership Agreement or issue a Letter Agreement to appoint the Executive Director as the Designated Representative and make the RPTOB election.

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

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on Wednesday, March 6, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO RENEW THE PROPERTY MANAGEMENT CONTRACTS AT THE FOLLOWING PROPERTIES: POOKS HILL COURT, POOKS HILL TOWERS, MONTGOMERY ARMS, PADDINGTON SQUARE, FOREST OAK,TANGLEWOOD AND SLIGO HILLS APARTMENTS, DALE DRIVE, SOUTHBRIDGE APARTMENTS, AND MANCHESTER MANOR.

March 6, 2019

- The Commission has executed prorperty management contracts with third-party property managers at the following properties: Pooks Hill Court, Pooks Hill Towers, Montgomery Arms, Paddington Square, Forest Oak Towers, Tanglewood and Sligo, Dale Drive, Southbridge Apartments, and Manchestor Manor.

- The property management contracts will be expiring over the next several months. Each contract provides for additional renewal terms.

- Per the Commission's procurement policy, the Commission must approve all property management contract renewals. Staff recommends that the Commission approve renewing each contract.

- Staff recommends that the contracts for Forest Oak Towers, Montgomery Arms, Paddington Square, Tanglewood and Sligo, Dale Drive, Southbridge Apartments, and Manchestor Manor be renewed for one year. Staff recommends that the contract for Pooks Hill Court, Pooks Hill Towers, and Montgomery Arms be renewed for approximately seven months in order to bring the contract back to its initial commencement/termination dates.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval to Renew the Property Management Contracts at the following properties: Pooks Hill Court, Pooks Hill Towers, Montgomery Arms, Paddington Square, Forest Oak Towers, Tanglewood and Sligo, Dale Drive, Southbridge Apartments, and Manchester Manor

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [] Future Action [ ]

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew property management contracts at the following properties: Pooks Hill Court, Pooks Hill Towers, Montgomery Arms, Forest Oak Towers, Tanglewood and Sligo, Dale Drive, Southbridge Apartments, and Manchester Manor.

BACKGROUND:

HOC has property management contracts expiring over the next several months at six third party managed properties. HOC wishes to extend the contracts for Forest Oak Towers, Tanglewood and Sligo, Dale Drive, Southbridge Apartments, and Manchestor Manor for an additional year with the current vendors. HOC wishes to extend the contract for Pooks Hill Court, Pooks Hill Towers, and Montgomery Arms for approximately seven months in order to bring the contract back to its initial commencement/termination dates.

The following table details the property information, including number of units, current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining.

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Start Date/End Date	Contract Terms (Remaining Renewals)
Pooks Hill Towers *	189	EMC/Vantage Management	$99,932	5/1/2019	5/1/2019-12/23/2019	2 One Year Renewals Remaining
Pooks Hill Court *	50	EMC/Vantage Management	$16,593	5/1/2019	5/1/2019-12/23/2019	2 One Year Renewals Remaining
Forest Oak Towers	175	Avison Young	$88,200	2/28/2019	3/1/2019-2/28/2020	2 One-Year Renewals Remaining
Paddington Square	165	Residential One, LLC	$73,260	3/31/2019	4/1/2019-3/31/20	No Renewals Remaining
Tanglewood and Sligo	132	Residential One, LLC	$58,608	3/31/2019	4/1/2019-3/31/20	2 One-Year Renewals Remaining
Dale Drive	10	Residential One, LLC	$4,440	3/31/2019	4/1/2019-3/31/20	2 One-Year Renewals Remaining
Southbridge Apartment	39	Residential One, LLC	$17,316	3/31/2019	4/1/2019-3/31/20	2 One-Year Renewals Remaining
Manchester Manor	53	Residential One, LLC	$23,532	3/31/2019	4/1/2019-3/31/20	2 One-Year Renewals Remaining
Montgomery Arms *	129	EMC/Vantage Management	$41,538	5/1/2019	5/1/2019-12/22/19	2 One-Year Renewals Remaining

In November 2018, the contract for Pooks Hill Court, Pooks Hill Towers, and Montgomery Arms was extended until May 1, 2019 to prevent the contract from lapsing. The proposed renewal period is approximately 7 months in order to bring the contract back to its initial commencement/termination cycle.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to (1) execute an approximately seven month renewal of the management contract with Edgewood/Vantage Management for property management services at Pooks Hill Court, Pooks Hill Towers, and Montgomery Arms; (2) execute a twelve-month renewal of the management contract with Avison Young for the property management services at Forest Oak Towers; and (3) to execute a twelve-month renewal of the management contract with Residential One, LLC for for property management services at

Paddington Square, Tanglewood and Sligo, Dale Drive, Southbridge and Manchester Manor apartments?

BUDGET IMPACT:

The renewal of the property management contracts for six, third party managed properties for one year will not have a budget impact as the costs associated with the services were factored into the FY2019 and CY2019 HOC budgets. The costs will also be factored into the FY2020 and CY2020 budget.

TIME FRAME:

For Commission action at the March 6, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director to (1) execute an approximately seven - month renewal of the management contract with Edgewood/Vantage Management for property management services at Pooks Hill Court, Pooks Hill Towers and Montgomery Arms; (2) execute a twelve-month renewal of the management contract with Avison Young for property management services at Forest Oak Towers; and (3) execute a twelve-month renewal of the management contract with Residential One, LLC for property management services at Paddington Square, Tanglewood and Sligo, Dale Drive, Southbridge, and Manchester Manor.

RESOLUTION NO.: 19-32 **RE: Approval to Renew Property Management Contracts for Pooks Hill Court, Forest Oak Towers, Tanglewood and Sligo Hills Apartments, Dale Drive, Southbridge Apartments, and Manchester Manor**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") owns the development known as Pooks Hill Court located in Bethesda, Maryland ("Pooks Hill");

WHEREAS, HOC is the general partner of Forest Oak Towers Limited Partnership ("Forest Oak LP"), and Forest Oak LP owns the development known as Forest Oak Towers located in Gaithersburg, Maryland ("Forest Oaks");

WHEREAS, HOC is the sole member of HOCMC, LLC, the general partner of Tanglewood and Sligo LP ("Tanglewood LP"), and Tanglewood LP owns the development known as Tanglewood and Sligo Hills Apartments located in Silver Spring, Maryland ("Tanglewood and Sligo");

WHEREAS, HOC owns the development known as Dale Drive located in Silver Spring, Maryland ("Dale Drive");

WHEREAS, HOC owns the development known as Southbridge Apartments located in Takoma Park, Maryland ("Southbridge");

WHEREAS, HOC is the general partner of Manchester Manor Apartments Limited Partnership ("Manchester LP"), and Manchester LP owns the development known as Manchester Manor located in Silver Spring, Maryland ("Manchester");

WHEREAS, staff desires renew the current property management contract at Pooks Hill for approximately seven (7) months; and

WHEREAS, staff desires to renew the current property management contracts at Forest Oaks, Tanglewood and Sligo, Dale Drive, Southbridge, and Manchester for one (1) year.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute an approximately seven month renewal of the property management contact at Pooks Hill.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Forest Oak Towers Limited Partnership, that the Executive Director is hereby authorized and directed to execute a one-year renewal of the property management contract at Forest Oaks.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of HOCMC, LLC, acting for itself and on behalf of Tanglewood and Sligo LP, that that the Executive Director is hereby authorized and directed to execute a one-year renewal of the property management contract at Tanglewood and Sligo.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute a one-year renewal of the property management contact at Dale Drive.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute a one-year renewal of the property management contact at Southbridge.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Manchester Manor Apartments Limited Partnership, that the Executive Director is hereby authorized and directed to execute a one-year renewal of the property management contract at Manchester.

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 any and all other actions necessary and proper to carry out the transactions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on March 6, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL OF PROPERTY MANAGEMENT CONTRACTS PURSUANT TO RFP NUMBER 2140 FOR: ALEXANDER HOUSE APARTMENTS (ALEXANDER HOUSE DEVELOPMENT CORPORATION AND ALEXANDER HOUSE LP), CIDER MILL APARTMENTS, DIAMOND SQUARE APARTMENTS, GEORGIAN COURT APARTMENTS, GLENMONT CROSSING (WESTERLY APARTMENTS AND WOODBERRY TOWNHOMES), GREENHILLS APARTMENT LP, STEWARTOWN TOWNHOMES LP, AND WESTWOOD TOWERS APARTMENTS.

March 6, 2019

- Alexander House Apartments, Development Corp and L.P., is a 305 unit Hi-Rise in Silver Spring, MD.

- Georgian Court Apartments is a 147-unit garden style community in Silver Spring, MD.

- Glenmont Crossing, Westerly Apartments and Woodberry Townhomes is a 199-unit community in Wheaton, Maryland.

- Stewartown Townhomes is a 94-unit townhome community in Gaithersburg, MD.

- Cider Mill Apartments is an 861-unit garden-style community in Gaithersburg, MD.

- Greenhills Apartments, L.P., is a 77-unit community in Damascus, MD.

- Westwood Tower Apartments is a 212 unit Hi-Rise community in Bethesda, MD.

- Diamond Square Apartments is a 124-unit community in Gaithersburg, MD.

- Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.

- Staff determined that Edgewood/Vantage Management is the best candidate for the management of Alexander House Apartments (Alexander House Development Corporation and Alexander House Limited Partnership), Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), and Stewartown Townhomes.

- Staff determined that Grady Management is the best candidate for the management of Cider Mill Apartments.

- Staff determined that Capreit Management is the best candidate for the management of Greenhills Apartments, L.P. and Westwood Tower Apartments.

- Staff determined that Avison Young is the best candidate for the management of Diamond Square Apartments. To avoid concentrating too many units under the control of a single property management firm, staff recommends that Avison Young continue managing Diamond Square. Avison Young proposed the lowest fee for Diamond Square and the current occupancy level is at 99%. To date, there are no concerns with this property.

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: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval of Property Management Contracts pursuant to RFP Number 2140 for: Alexander House Apartments (Alexander House Development Corporation and Alexander House LP), Cider Mill Apartments, Diamond Square Apartments, Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), Greenhills Apartments, LP, Stewartown Townhomes LP, and Westwood Towers Apartments.

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Status Report [ ] Future Action [ ]

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director of the Housing Opportunities Commission of Montgomery County ('HOC") to execute management contracts for a term of two years with two one-year renewals for the following properties: Alexander House Apartments (Alexander House Development Corporation and Alexander House LP), Cider Mill Apartments, Diamond Square Apartments, Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), Greenhills Apartments, LP, Stewartown Townhomes LP, and Westwood Tower Apartments.

BACKGROUND:

Staff issued a Request for Proposal (RFP) for marketing, management, and financial services in accordance with HOC's Procurement Policy for management of the following properties: Alexander House Apartments (Alexander House Development Corporation and Alexander House LP), Cider Mill Apartments, Diamond Square Apartments, Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), Greenhills Apartments LP, Stewartown Townhomes LP, and Westwood Tower Apartments. HOC received responses from six management companies and staff from Property Management, Finance, and Compliance interviewed and scored the candidates in accordance with the RFP criteria.

In addition, this set of property management procurements represents a transition from HOC's previous contracts to a more performance-based model. Historically, HOC has paid the negotiated rate for each unit at a property, regardless of its occupancy status. Going forward, property management firms will only earn fee on occupied units. A property management company will have the opportunity to negotiate a rate that is either a Per Unit Per Month (PUPM) fee or a percentage of Adjusted Gross Receipts. The objective is to incentivize increased occupancy across all properties and for HOC to manage properties, in coordination with our partners, as efficiently as possible.

The average scores for each management company formed the basis for the recommendations of which properties should be awarded to a specific property management firm. Where additional factors were considered they are noted within the report. The scores were determined based on the marketing plans

submitted and the leasing team's success at maintaining occupancy levels above 95% as well as their experience with similarly situated properties within highly competitive markets.

RECOMMENDATIONS

Avison Young is currently managing Greenhills, Glenmont Crossing, Glenmont Westerly, Diamond Square and Westwood Tower. Per the RFP, HOC reserves the right to reject any submission from a respondent if that respondent has previous experience with HOC and HOC, in its sole discretion, considers the experience unsatisfactory. Avison Young received the second lowest score in the RFP, and HOC's prior experience with the firm has been unsatisfactory.

Specifically, Greenhills has not met its monthly LIHTC occupancy goals since the units were delivered after construction. Additionally, Westwood Tower is involved in ongoing class-action litigation concerning illegal towing practices in the county. Staff has had substantial difficulty in communicating and coordinating litigation efforts with Avison including the firm honoring contract provisions regarding the liability obligations of the managing agent responsible for day-to-day operations as it relates to the class action lawsuit.

However, the Commission has previously raised concerns around concentrating too many units under the control of a single property management firm. Given this risk, staff recommends that Avison Young continue managing Diamond Square. Avison Young proposed the lowest fee for Diamond Square and the current occupancy level is at 99%. To date, there are no concerns with this property.

Staff is proposing management contracts with Capreit Management for both Greenhills and Westwood, both for a term of two years with two one-year renewals in accordance with the new procurement policy.

Staff is proposing management contracts with Edgewood/Vantage for Stewartown Townhomes, Alexander House, Georgian Courts, Glenmont Crossing and Glenmont Westerly for a term of two years with two one-year renewals in accordance with the new procurement policy.

Staff is proposing a management contract with Grady Management for Cider Mill Apartments for a term of two years with two one-year renewals in accordance with the new procurement policy.

Staff is proposing a management contract with Avison Young for Diamond Square Apartments for a term of two years with two one-year renewals in accordance with the new procurement policy.

ISSUES FOR CONSIDERATION:

Does the Commission authorize the Executive Director to enter into a property management service contract with Capreit Management, for property management services at Greenhills and Westwood Tower Apartments for a period of two years with the option for 2 one-year renewals?

Does the Commission authorize a property management services contract with Edgewood/Vantage Management, for property management services at Alexander House, Georgian Court, Glenmont Crossing, Glenmont Westerly and Stewartown Townhomes for a period of two years with the option for 2 one-year renewals?
Does the Commission authorize a property management services contract with Grady Management, for property management services at Cider Mill Apartment for a period of two years with the option for 2 one-year renewals?

Does the Commission authorize a property management services contract with Avison Young, for property management services at Diamond Square Apartments for a period of two years with the option for 2 one-year renewals?

BUDGET IMPACT:

The costs will also be factored into the FY 2020 and CY 2020 budgets. Please note the estimated contract values presented below assume full occupancy (100%) at each property. The Contract amounts will be negotiated to ensure best prices.

The total value for the one year for RFP Number 2140 is $1,019,985.

PRINCIPALS:

Grady Management
Edgewood/Vantage Management
Avison Young
Capreit Management

TIME FRAME:

For recommendation at the Commission Meeting on March 6, 2019.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

The Budget, Finance and Audit Committee reviewed and recommends approval to the full Commission authorization for the Executive Director to execute management contracts with Capreit Management for property management services at Greenhills and Westwood Towers Apartments.

The Budget, Finance and Audit Committee reviewed and recommends approval to the full Commission authorization for the Executive Director to execute management contracts with Edgewood/Vantage Management for property management services at Alexander House, Georgian Courts, Glenmont Crossing, Glenmont Westerly and Stewartown Townhomes.

The Budget, Finance and Audit Committee reviewed and recommends approval to the full Commission authorization for the Executive Director to execute management contracts with Grady Management for property management services at Cider Mill Apartments.

The Budget, Finance and Audit Committee reviewed and recommends approval to the full Commission authorization for the Executive Director to execute management contracts with Avison Young for property management services at Diamond Square.

RESOLUTION NO.: 19-33

RE: Approval of Property Management Contract Pursuant to RFP #2140 for Alexander House LP, Cider Mill Apartments, Georgian Court Apartments, Greenhills Apartments, Stewartown, and Westwood Tower Apartments

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") is the sole member of Alexander House GP, LLC, who is the general partner of Alexander House Apartments Limited Partnership ("Alexander House LP"), and Alexander House LP owns 122 tax credits in the development known as Alexander House ("Alexander House");

WHEREAS, HOC is the sole member of MVG II, LLC, which is the sole member of MV Gateway LLC ("MV Gateway"), and MV Gateway owns the development known as Cider Mill Apartments ("Cider Mill") located in Montgomery Village, Maryland;

WHEREAS, HOC is the general partner of Georgian Court Silver Spring Limited Partnership ("Georgian Court LP"), and Georgian Court LP owns the development known as Georgian Court Apartments ("Georgian Court");

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") is the sole member of Greenhills Apartments GP, LLC, who is the general partner of Greenhills Apartments Limited Partnership (the "Partnership"), and the Partnership owns the development known as Greenhills Apartments located in Damascus, Maryland ("Greenhill Apartments");

WHEREAS, HOC is the general partner of MV Affordable Housing Associates, L.P. ("MV LP"), and MV LP owns the development known as Stewartown Homes ("Stewartown");

WHEREAS, HOC owns the development known as Westwood Tower Apartments ("Westwood Towers") located in Bethesda, Maryland; and

WHEREAS, HOC issued a Request for Proposals ("RFP") for property management services at Alexander House, Cider Mill, Georgian Court, Greenhill Apartments, Stewartown, and Westwood Towers; and

WHEREAS, based on the criteria included in the RFP and pricing from four responding companies, Edgewood/Vantage Management was determined to be the most qualified to manage each of Alexander House, Georgian Court, and Stewartown.

WHEREAS, based on the criteria included in the RFP and pricing from four responding companies, Grady Management was determined to be the most qualified to manage Cider Mill.

WHEREAS, based on the criteria included in the RFP and pricing from four responding companies, CAPREIT Management was determined to be the most qualified to manage Greenhills Apartments and Westwood Towers.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Alexander House GP, LLC, acting for itself and on behalf of Alexander House Apartments Limited Partnership, that the Executive Director is

hereby authorized and directed to execute a management agreement for property management services at Alexander House with Edgewood/Vantage Management for a term of two years with two one-year renewal options.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of MVG II, LLC, acting for itself and on behalf of MV Gateway LLC, that the Executive Director is hereby authorized and directed to execute a management agreement for property management services at Cider Mill with Grady Management for a term of two years with two one-year renewal options.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Georgian Court Silver Spring Limited Partnership, that the Executive Director is hereby authorized and directed to execute a management agreement for property management services at Georgian Court with Edgewood/Vantage Management for a term of two years with two one-year renewal options.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Greenhills Apartments GP LLC, acting for itself and on behalf of Greenhills Apartments Limited Partnership, that the Executive Director is hereby authorized and directed to execute a management agreement for property management services at Greenhills Apartments with CAPREIT Management for a term of two years with two one-year renewal options.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of MV Affordable Housing Associates, L.P., that the Executive Director is hereby authorized and directed to execute a management agreement for property management services at Stewartown with Edgewood/Vantage Management for a term of two years with two one-year renewal options.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute a management agreement for property management services at Westwood Towers with CAPREIT Management for a term of two years with two one-year renewal options.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by Housing Opportunities Commission of Montgomery County at a regular meeting conducted on March 6, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Deliberation

and/or

Action

Future Action

Adjourn

Development Corporation Meetings

Montgomery Arms Development Corporation

MONTGOMERY ARMS DEVELOPMENT CORPORATION

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACT AT MONTGOMERY ARMS

March 6, 2019

- Montgomery Arms is a 129-unit mid-rise, mixed income community located in downtown Silver Spring.

- Montgomery Arms Development Corporation executed a property management contract with Edgewood/Vantage Management for property management services at Montgomery Arms.

- The contract will be expiring in the next several months and provides for the option to renew.

- Staff recommends that the Board of Directors of Montgomery Arms Development Corporation authorize an approximately seven-month renewal of the contract with Edgewood/Vantage Management Inc.

M E M O R A N D U M

TO: Montgomery Arms Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval to Renew for Approximately Seven-Months the Property Management Contract for Montgomery Arms.

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Future Action [ ]

OVERALL GOAL & OBJECTIVE:

For the Board of Directors of Montgomery Arms Development Corporation to authorize the Executive Director of HOC to renew for approximately seven-months the property management contract for property management services at Montgomery Arms.

BACKGROUND:

HOC has property management contracts expiring over the next several months at nine third party managed properties. HOC wishes to extend these contracts with the current vendors.

The following table details the property information, including number of units, current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining.

Property	Units	Current Manager	Budgeted Cost	Current End Date	Renewal Term	Remaining Terms
Montgomery Arms *	129	EMC/Vantage Management	$41,538	5/1/2019	5/1/2019-12/22/19	2 One-Year Renewals Remaining

In November 2018, the contract for Montgomery Arms was extended until May 1, 2019 to prevent the contract from lapsing. The proposed renewal period is approximately 7 months in order to bring the contract back to its initial commencement/termination cycle.

Staff recommends that the Edgewood/Vantage Management contract for property management

services at Montgomery Arms be renewed through 12/22/2019.

ISSUES FOR CONSIDERATION:

Does the Board of Directors for Montgomery Arms Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission to execute an approximately seven-month extension of the management contract with Edgewood/Vantage Management at Montgomery Arms?

BUDGET IMPACT:

The annual contract cost for Montgomery Arms is $41,538. There is no budget impact as the contract costs have been factored into the FY19 and FY20 budgets.

TIME FRAME:

For Commission action at the March 6, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Board of Directors for Montgomery Arms Development Corporation accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director to execute an approximately seven-month renewal of the management contract with Edgewood/Vantage Management for property management services at Montgomery Arms.

RESOLUTION NO.: 19-001$_{MA}$

RE: Approval to Extend Property Management Contract for Montgomery Arms for Seven Months

WHEREAS, Montgomery Arms Development Corporation owns the development known as Montgomery Arms located in Silver Spring, Maryland (the "Property");

WHEREAS, staff desires renew the current property management contract at the Property for seven months;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Montgomery Arms Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a seven-month renewal of the property management contact at the Property.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Montgomery Arms Development Corporation at a meeting conducted on March 6, 2019.

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

Paddington Square Development Corporation

PADDINGTON SQUARE DEVELOPMENT CORPORATION

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACT AT PADDINGTON SQUARE APARTMENTS

March 6, 2019

- Paddington Square is a 166-unit mixed income community, garden style apartment located in Silver Spring.

- Paddington Square Development Corporation executed a property management contract with Residential One, LLC for property management services at Paddington Square Apartments.

- The contract will be expiring in the next several months and provides for the option to renew.

- Staff recommends that Board of Directors of Paddington Square Development Corporation authorize an approximately twelve-month renewal of the contract with Residential One, LLC.

M E M O R A N D U M

TO: Paddington Square Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval to Renew for Twelve-Months the Property Management Contract for Paddington Square Apartments.

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Future Action [ ]

OVERALL GOAL & OBJECTIVE:

For the Board of Directors of Paddington Square Development Corporation to authorize the Executive Director of HOC to renew for twelve-months the property management contract for property management services at Paddington Square.

BACKGROUND:

HOC has property management contracts expiring over the next several months at nine third party managed properties. HOC wishes to extend these contracts with the current vendors.

The following table details the property information, including number of units, current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining.

Property Name	Units	Current Vendor		Current End Date	Renewal Term	Remaining Terms
Paddington Square	165	Residential One, LLC	$73,260	3/31/2019	4/1/2019-3/31/20	No Renewals Remaining

Staff recommends that Residential One, LLC contract for property management services at Paddington Square will be renewed through 3/31/2020.

ISSUES FOR CONSIDERATION:

Does the Board of Directors for Paddington Square Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission to execute a twelve month extension of the management contract with Residental One, LLC at Paddington Square?

BUDGET IMPACT:

The annual contract cost for Paddington Square is $73,260. There is no budget impact as the contract costs have been factored into the FY2019 and FY2020 budgets.

TIME FRAME:

For Commission action at the March 6, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Board of Directors for Paddington Sqare Development Corporation accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director to execute atwelve-month renewal of the management contract with Residential One, LLC for property management services at Paddinton Square.

RESOLUTION NO.: 19-001$_{PS}$

RE: Approval to Extend Property Management Contract for Paddington Square Apartments for One Year

WHEREAS, Paddington Square Development Corporation owns the development known as Paddington Square Apartments located in Silver Spring, Maryland (the "Property");

WHEREAS, staff desires renew the current property management contract at the Property for one year;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Paddington Square Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a one-year renewal of the property management contact at the Property.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Paddington Square Development Corporation at a meeting conducted on March 6, 2019.

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

Pooks Hill Development Corporation

POOKS HILL DEVELOPMENT CORPORATION

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACT AT POOKS HILL TOWER

March 6, 2019

- Pooks Hill Tower is a 189-unit high-rise in northern Bethesda offering a mix of market-rate, affordable and workforce housing units that is owned by the Pooks Hill Development Corporation

- Pooks Hill Development Corporation executed a property management contract with Edgewood/Vantage Management for property management services at Pooks Hill Tower.

- The contract will be expiring in the next several months and provides for the option to renew.

- Staff recommends that Board of Directors of Pooks Hill Development Corporation authorize an approximately seven-month renewal of the contract with Edgewood/Vantage Management Inc.

M E M O R A N D U M

TO: Pooks Hill Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval to Renew for Approximately Seven-Months the Property Management Contract for Pooks Hill Towers.

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Future Action [ ]

OVERALL GOAL & OBJECTIVE:

For the Board of Directors of Pooks Hill Development Corporation to authorize the Executive Director of HOC to renew for approximately seven-months the property management contract for property management services at Pooks Hill Tower.

BACKGROUND:

HOC has property management contracts expiring over the next several months at nine third party managed properties. HOC wishes to extend these contracts with the current vendors.

The following table details the property information, including number of units, current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining.

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Start Date/End Date	Contract Terms (Remaining Renewals)
Pooks Hill Towers *	189	EMC/Vantage Management	$99,932 plus CPI	5/1/2019	5/1/2019-12/23/2019	2 One Year Renewals Remaining

In November 2018, the contract for Pooks Hill Tower was extended until May 1, 2019 to prevent the contract from lapsing. The proposed renewal period is approximately 7 months in order to bring the contract back to its initial commencement/termination cycle.

Staff recommends that Edgewood/Vantage Management contract for property management services at Pooks Hill Tower be renewed through 12/23/2019.

ISSUES FOR CONSIDERATION:

Does the Board of Directors for Pooks Hill Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission to execute an approximately seven-month extension of the management contract with Edgewood/Vantage Management at Pooks Hill Tower?

BUDGET IMPACT:

The annual contract cost for Pooks Hill Tower is $99,932. There is not budget impact as the contract cost have been factored in the FY19 and FY20 budgets.

TIME FRAME:

For Commission action at the March 6, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Board of Directors for Pooks Hill Development Corporation accept the recommendation of the Budget, Finance and Audit Committee and authorize the Executive Director to execute an approximately seven-month renewal of the management contract with Edgewood/Vantage Management for property management services at Pooks Hill Towers.

RESOLUTION NO.: 19-001$_{PH}$

RE: Approval to Extend Property Management Contract for Pooks Hill Tower

WHEREAS, Pooks Hill Development Corporation owns the development known as Pooks Hill Tower located in Bethesda, Maryland (the "Property");

WHEREAS, staff desires renew the current property management contract at the Property for approximately seven months;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Pooks Hill Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute an approximately seven-month renewal of the property management contact at the Property.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Pooks Hill Development Corporation at a meeting conducted on March 6, 2019.

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

Alexander House Development Corporation

ALEXANDER HOUSE DEVELOPMENT CORPORATION

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR ALEXANDER HOUSE

March 6, 2019

- Alexander House is a 183-unit high rise in Silver Spring, MD.
- A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Alexander House.
- Responses to the RFP were received from six property management companies.
- Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.
- Staff determined that Edgewood/Vantage is the best candidate for the management of Alexander House.
- Staff recommends that the Board of Directors of Alexander House Development Corporation authorize a management contract with Edgewood/Vantage for property management services at Alexander House.

M E M O R A N D U M

TO: Alexander House Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval of Property Management Contract for Alexander House

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Future Action [ ]

OVERALL GOAL & OBJECTIVE:

For the Board of Directors of Alexander House Development Corporation to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County ('HOC") to execute management contracts for a term of two years with two one-year renewals for Alexander House..

BACKGROUND:

Staff issued a Request for Proposal (RFP) for marketing, management, and financial services in accordance with HOC's Procurement Policy for management of the following properties: Alexander House Apartments (Alexander House Development Corporation and Alexander House LP), Cider Mill Apartments, Diamond Square Apartments, Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), Greenhills Apartments LP, Stewartown Townhomes LP, and Westwood Tower Apartments. HOC received responses from six management companies and staff from Property Management, Finance, and Compliance interviewed and scored the candidates in accordance with the RFP criteria.

In addition, this set of property management procurements represents a transition from HOC's previous contracts to a more performance-based model. Historically, HOC has paid the negotiated rate for each unit at a property, regardless of its occupancy status. Going forward, property management firms will only earn fee on occupied units. A property management company will have the opportunity to negotiate a rate that is either a Per Unit Per Month (PUPM) fee or a percentage of Adjusted Gross Receipts. The objective is to incentivize increased occupancy across all properties and for HOC to manage properties, in coordination with our partners, as efficiently as possible.

The average scores by each management company formed the basis for the recommendations of which properties should be awarded to a specific property management firm. Where additional factors were considered they are noted within the report. The scores were determined based on the marketing plans submitted and the leasing team's success at maintaining occupancy levels above 95% as well as their experience with similarly situated properties within highly competitive markets.

RECOMMENDATIONS:

Staff recommends that Edgewood/Vantage Management for property management services at Alexander House Apartments (Alexander House Development Corporation and Alexander House Limited Partnership). Based on the firms extensive marketing plan and the leasing team's success with similar properties within highly competitive markets, staff considers Edgewood/Vantage Management to be best suited to manage Alexander House Apartments (Alexander House Development Corporation and Alexander House Limited Partnership).

Staff is proposing management contracts with Edgewood/Vantage for Alexander House for a term of two years with two one-year renewals in accordance with the new procurement policy.

ISSUES FOR CONSIDERATION:

Does the Board of Directors of Alexander House Development Corporation authorize the Executive Director of the Housing Opportunities Commission to execute a property management services contract with Edgewood/Vantage, for property management services at Alexander House?

BUDGET IMPACT:

The costs will also be factored into the FY 2020 and CY2020 budgets. Please note the estimated contract values presented below assume full occupancy (100%) at each property.

Based on the terms outlines in the RFP, the estimated value of the contract is $94,428 for one year for Alexander House Development Corp.

PRINCIPALS:

Edgewood/Vantage Management

TIME FRAME:

For recommendation at the Commission Meeting on March 6, 2019.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

The Budget, Finance and Audit Committee reviewed and recommends approval to the Board of Directors of Alexander House Development Corporation for the Executive Director to execute management contracts with Edgewood/Vantage Management for property management services at Alexander House.

RESOLUTION NO.: 19-001$_{AH}$ **RE: Approval of Property Management Contract for Alexander House**

WHEREAS, Alexander House Development Corporation owns 183 market rate units in the development known as Alexander House located in Silver Spring, Maryland (the "Property"); and

WHEREAS, staff issued a Request for Proposals ("RFP") for property management services at the Property; and

WHEREAS, based on the criteria included in the RFP and pricing from four responding companies, Edgewood/Vantage Management was determined to be the most qualified to manage Alexander House.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Alexander House Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a management agreement for property management services at Alexander House with Edgewood/Vantage Management for a term of two years with two one-year renewal options.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Alexander House Development Corporation at a meeting conducted on March 6, 2019.

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

Glenmont Crossing Development Corporation

GLENMONT CROSSING DEVELOPMENT CORPORATION

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR GLENMONT CROSSING

March 6, 2019

- Glenmont Crossing is a 97-unit garden style community in Wheaton, MD.

- A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Glenmont Crossing Apartments.

- Responses to the RFP were received from six property management companies.

- Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.

- Staff determined that Edgewood/Vantage is the best candidate for the management of Glenmont Crossing.

- Staff recommends that the Board of Directors of Glenmont Crossing Development Corporation authorize a management contract with Edgewood/Vantage for property management services at Glenmont Crossing.

M E M O R A N D U M

TO: Glenmont Crossing Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval of Property Management Contract for Glenmont Crossing.

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
For the Board of Directors of Glenmont Crossing Development Corporation to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County ('HOC") to execute management contracts for a term of two years with two one-year renewals for Glenmont Crossing.

BACKGROUND:
Staff issued a Request for Proposal (RFP) for marketing, management, and financial services in accordance with HOC's Procurement Policy for management of the following properties: Alexander House Apartments (Alexander House Development Corporation and Alexander House LP), Cider Mill Apartments, Diamond Square Apartments, Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), Greenhills Apartments LP, Stewartown Townhomes LP, and Westwood Tower Apartments. HOC received responses from six management companies and staff from Property Management, Finance, and Compliance interviewed and scored the candidates in accordance with the RFP criteria.

In addition, this set of property management procurements represents a transition from HOC's previous contracts to a more performance-based model. Historically, HOC has paid the negotiated rate for each unit at a property, regardless of its occupancy status. Going forward, property management firms will only earn fee on occupied units. A property management company will have the opportunity to negotiate a rate that is either a Per Unit Per Month (PUPM) fee or a percentage of Adjusted Gross Receipts. The objective is to incentivize increased occupancy across all properties and for HOC to manage properties, in coordination with our partners, as efficiently as possible.

The average scores for each management company formed the basis for the recommendations of which properties should be awarded to a specific property management firm. Where additional factors were considered they are noted within the report. The scores were determined based on the marketing plans submitted and the leasing team's success at maintaining occupancy levels above 95% as well as their experience with similarly situated properties within highly competitive markets.

RECOMMENDATIONS

Avison Young is currently managing Greenhills, Glenmont Crossing, Glenmont Westerly, Diamond Square and Westwood Tower. Per the RFP, HOC reserves the right to reject any submission from a respondent if that respondent has previous experience with HOC and HOC, in its sole discretion, considers the experience unsatisfactory. Avison Young received the second lowest score in the RFP, and HOC's prior experience with the firm has been unsatisfactory.

Specifically, Greenhills has not met its monthly LIHTC occupancy goals since the units were delivered after construction. Additionally, Westwood Tower was involved in lengthy class-action litigation concerning illegal towing practices in the county. Staff had substantial difficulty in communicating and coordinating litigation efforts with Avison, including the firm honoring contract provisions regarding the liability obligations of the managing agent responsible for day-to-day operations as it relates to the class action lawsuit.

Staff is proposing management contracts with Edgewood/Vantage for Glenmont Crossing for a term of two years with two one-year renewals in accordance with the new procurement policy.

ISSUES FOR CONSIDERATION:

Does the Board of Directors of Glenmont Crossing Development Corporation authorize a property management services contract with Edgewood/Vantgae, for property management services at Glenmont Crossing?

BUDGET IMPACT:

The costs will also be factored into the FY 2020 and CY2020 budgets. Please note the estimated contract values presented below assume full occupancy (100%) at each property.

Based on the terms outlines in the RFP, the estimated value of the contract is $56,632 for one year for Glenmont Crossing Development Corporation.

PRINCIPALS:

Edgewood/Vantage Management

TIME FRAME:

For recommendation at the Commission Meeting on March 6, 2019.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

The Budget, Finance and Audit Committee reviewed and recommends approval to the Board of Directors of Glenmont Crossing Development Corporation for the Executive Director to execute management contracts with Edgewood/Vantage Management for property management services at Glenmont Crossing.

RESOLUTION NO.: 19-001GC **RE: Approval of Property Management Contract for Glenmont Crossing**

WHEREAS, Glenmont Crossing Development Corporation owns the development known as Glenmont Crossing located in Wheaton, Maryland ("Glenmont Crossing");

WHEREAS, staff issued a Request for Proposals ("RFP") for property management services at Glenmont Crossing; and

WHEREAS, based on the criteria included in the RFP and pricing from four responding companies, Edgewood/Vantage Management was determined to be the most qualified to manage Glenmont Crossing.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Glenmont Crossing Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a management agreement for property management services at Glenmont Crossing with Edgewood/Vantage Management for a term of two years with two one-year renewal options.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Glenmont Crossing Development Corporation at a meeting conducted on March 6, 2019.

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

Glenmont Westerly Development Corporation

GLENMONT WESTERLY DEVELOPMENT CORPORATION

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR GLENMONT WESTERLY

March 6, 2019

- Glenmont Westerly is a mixed-income community located in Wheaton that is owned by the Glenmont Westerly Development Corporation.

- A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Glenmont Westerly.

- Responses to the RFP were received from six property management companies.

- Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.

- Staff determined that Edgewood/Vantage is the best candidate for the management of Glenmont Westerly.

- Staff recommends that the Board of Directors of Glenmont Westerly Development Corporation authorize a management contract with Edgewood/Vantage for property management services at Glenmont Westerly.

M E M O R A N D U M

TO: Glenmont Westerly Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval of Property Management Contract for Glenmont Westerly

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Future Action [ ]

OVERALL GOAL & OBJECTIVE:

For the Board of Directors of Glenmont Westerly Development Corporation to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County ('HOC") to execute management contracts for a term of two years with two one-year renewals for Glenmont Westerly

BACKGROUND:
Staff issued a Request for Proposal (RFP) for marketing, management, and financial services in accordance with HOC's Procurement Policy for management of the following properties: Alexander House Apartments (Alexander House Development Corporation and Alexander House LP), Cider Mill Apartments, Diamond Square Apartments, Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), Greenhills Apartments LP, Stewartown Townhomes LP, and Westwood Tower Apartments. HOC received responses from six management companies and staff from Property Management, Finance, and Compliance interviewed and scored the candidates in accordance with the RFP criteria.

In addition, this set of property management procurements represents a transition from HOC's previous contracts to a more performance-based model. Historically, HOC has paid the negotiated rate for each unit at a property, regardless of its occupancy status. Going forward, property management firms will only earn fee on occupied units. A property management company will have the opportunity to negotiate a rate that is either a Per Unit Per Month (PUPM) fee or a percentage of Adjusted Gross Receipts. The objective is to incentivize increased occupancy across all properties and for HOC to manage properties, in coordination with our partners, as efficiently as possible.

The average scores for each management company formed the basis for the recommendations of which properties should be awarded to a specific property management firm. Where additional factors were considered they are noted within the report. The scores were determined based on the marketing plans submitted and the leasing team's success at maintaining occupancy levels above 95% as well as their experience with similarly situated properties within highly competitive markets.

RECOMMENDATIONS

Avison Young is currently managing Greenhills, Glenmont Crossing, Glenmont Westerly, Diamond Square and Westwood Tower. Per the RFP, HOC reserves the right to reject any submission from a respondent if that respondent has previous experience with HOC and HOC, in its sole discretion, considers the experience unsatisfactory. Avison Young received the second lowest score in the RFP, and HOC's prior experience with the firm has been unsatisfactory.

Specifically, Greenhills has not met its monthly LIHTC occupancy goals since the units were delivered after construction. Additionally, Westwood Tower was involved in lengthy class-action litigation concerning illegal towing practices in the county. Staff had substantial difficulty in communicating and coordinating litigation efforts with Avison, including the firm honoring contract provisions regarding the liability obligations of the managing agent responsible for day-to-day operations as it relates to the class action lawsuit.

Staff is proposing management contracts with Edgewood/Vantage for Glenmont Westerly for a term of two years with two one-year renewals in accordance with the new procurement policy.

ISSUES FOR CONSIDERATION:

Does the Board of Directors of Glenmont Westerly Development Corporation authorize the Executive Director of the Housing Opportunities Commission to execute a property management services contract with Edgewood/Vantage, for property management services at Glenmont Westerly?

BUDGET IMPACT:

The costs will also be factored into the FY 2020 and CY2020 budgets. Please note the estimated contract values presented below assume full occupancy (100%) at each property.

Based on the terms outlines in the RFP, the estimated value of the contract is $58,052 for one year for Glenmont Westerly Development Corporation.

PRINCIPALS:

Edgewood/Vantage Management

TIME FRAME:

For recommendation at the Commission Meeting on March 6, 2019.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

The Budget, Finance and Audit Committee reviewed and recommends approval to the Board of Directors of Glenmont Westerly Development Corporation for the Executive Director to execute management contracts with Edgewood/Vantage Management for property management services at Glenmont Westerly.

RESOLUTION NO.: 19-001$_{GW}$ **RE: Approval of Property Management Contract for Glenmont Westerly**

WHEREAS, Glenmont Westerly Development Corporation owns 102 units in the development known as Glenmont Westerly located in Wheaton, Maryland ("Glenmont Westerly");

WHEREAS, staff issued a Request for Proposals ("RFP") for property management services at Glenmont Westerly; and

WHEREAS, based on the criteria included in the RFP and pricing from four responding companies, Edgewood/Vantage Management was determined to be the most qualified to manage Glenmont Westerly.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Glenmont Westerly Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a management agreement for property management services at Glenmont Westerly with Edgewood/Vantage Management for a term of two years with two one-year renewal options.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Glenmont Westerly Development Corporation at a meeting conducted on March 6, 2019.

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

Limited Partnership Annual Meeting

Diamond Square Limited Partnership

DIAMOND SQUARE LIMITED PARTNERSHIP

APPROVAL OF PROPERTY MANAGEMENT CONTRACT FOR DIAMOND SQUARE APARTMENTS

March 6, 2019

- Diamond Square Apartments is a 124 unit community in Gaithersburg, Maryland.

- A Request for Proposals (RFP) was issued in accordance with the HOC Procurement Policy for the management of Diamond Square Apartments.

- Responses to the RFP were received from six property management companies.

- Staff reviewed submitted materials and scored the respondents in accordance with the RFP criteria.

- Staff determined that Avison Young is the best candidate for the management of Diamond Square Apartments.

- Staff recommends that the Board of Directors of Diamond Square Development Corporation authorize a management contract with Avison Young for property management services at Diamond Square Apartments.

M E M O R A N D U M

TO: Diamond Square Development Corporation

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Charnita Jackson Division: Property Management Ext. 9776

RE: Approval of Property Management Contract for Diamond Square.

DATE: March 6, 2019

STATUS: Consent [ ] Deliberation [X] Future Action [ ]

OVERALL GOAL & OBJECTIVE:
For the Board of Directors of Diamon Square Development Corporation to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County ('HOC") to execute management contracts for a term of two years with two one-year renewals for Diamond Square Apartments.

BACKGROUND:
Staff issued a Request for Proposal (RFP) for marketing, management, and financial services in accordance with HOC's Procurement Policy for management of the following properties: Alexander House Apartments (Alexander House Development Corporation and Alexander House LP), Cider Mill Apartments, Diamond Square Apartments, Georgian Court Apartments, Glenmont Crossing (Westerly Apartments and Woodberry Townhomes), Greenhills Apartments LP, Stewartown Townhomes LP, and Westwood Tower Apartments. HOC received responses from six management companies and staff from Property Management, Finance, and Compliance interviewed and scored the candidates in accordance with the RFP criteria.

In addition, this set of property management procurements represents a transition from HOC's previous contracts to a more performance-based model. Historically, HOC has paid the negotiated rate for each unit at a property, regardless of its occupancy status. Going forward, property management firms will only earn fee on occupied units. A property management company will have the opportunity to negotiate a rate that is either a Per Unit Per Month (PUPM) fee or a percentage of Adjusted Gross Receipts. The objective is to incentivize increased occupancy across all properties and for HOC to manage properties, in coordination with our partners, as efficiently as possible.

The average scores for each management company formed the basis for the recommendations of which properties should be awarded to a specific property management firm. Where additional factors were considered they are noted within the report. The scores were determined based on the marketing plans submitted and the leasing team's success at maintaining occupancy levels above 95% as well as their experience with similarly situated properties within highly competitive markets.

RECOMMENDATIONS:

Avison Young is currently managing Greenhills, Glenmont Crossing, Glenmont Westerly, Diamond Square and Westwood Tower. Per the RFP, HOC reserves the right to reject any submission from a respondent if that respondent has previous experience with HOC and HOC, in its sole discretion, considers the experience unsatisfactory. Avison Young received the second lowest score in the RFP, and HOC's prior experience with the firm has been unsatisfactory.

Specifically, Greenhills has not met its monthly LIHTC occupancy goals since the units were delivered after construction. Additionally, Westwood Tower was involved in lengthy class-action litigation concerning illegal towing practices in the county. Staff had substantial difficulty in communicating and coordinating litigation efforts with Avison including the firm honoring contract provisions regarding the liability obligations of the managing agent responsible for day-to-day operations as it relates to the class action lawsuit.

However, the Commission has previously raised concerns around concentrating too many units under the control of a single property management firm. Given this risk, staff recommends that Avison Young continue managing Diamond Square. Avison Young proposed the lowest fee for Diamond Square and the current occupancy level is at 99%. To date, there are no concerns with this property.

Staff is proposing a management contract with Avison Young for Diamond Square Apartments for a term of two years with two one-year renewals in accordance with the new procurement policy.

ISSUES FOR CONSIDERATION:

Does the Board of Directors of Diamond Square Development Corporation authorize a property management services contract with Avison Young, for property management services at Diamond Square Apartments?

BUDGET IMPACT:

The costs will also be factored into the FY 2020 and CY2020 budgets. Please note the estimated contract values presented below assume full occupancy (100%) at each property.

Based on the terms outlined in the RFP, the estimated value of the contract is $56,544 for one year for Diamond Square Development Corporation.

PRINCIPALS:

Avison Young

TIME FRAME:

For recommendation at the Commission Meeting on March 6, 2019.

STAFF RECOMMENDATION & BOARD ACTION NEEDED:

The Budget, Finance and Audit Committee reviewed and recommends approval to the the Board of Directors for Diamond Square Development Corporation for the Executive Director to execute management contracts with Avison Young for property management services at Diamond Square.

RESOLUTION NO.: 19-001DS **RE: Approval of Property Management Contract for Diamond Square Apartments**

WHEREAS, Diamond Square Development Corporation is the general partner of Diamond Square Limited Partnership, which owns the development known as Diamond Square Apartments ("Diamond Square") located in Gaithersburg, Maryland; and

WHEREAS, staff issued a Request for Proposals ("RFP") for property management services at Diamond Square; and

WHEREAS, based on the criteria included in the RFP and pricing from four responding companies, Avison Young was determined to be the most qualified to manage Diamond Square.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Diamond Square Development Corporation, acting for itself and on behalf of Diamond Square Limited Partnership as its general partner, that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a management agreement for property management services at Diamond Square with Avison Young for a term of two years with two one-year renewal options.

BE IT FURTHER RESOLVED by the Board of Directors for Diamond Square Development Corporation, acting for itself and on behalf of Diamond Square Limited Partnership as its general partner, that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transaction contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Diamond Square Development Corporation, at a meeting conducted on March 6, 2019.

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