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

EXPANDED AGENDA

October 15, 2019

			Res #
4:00 p.m.	**I. INFORMATION EXCHANGE** A. Resident Advisory Board B. Community Forum (40 minute time limit)		
4:30 p.m. Page 5	**II. APPROVAL OF MINUTES** A. Approval of Minutes of September 4, 2019 B. Approval of Minutes of September 4, 2019 Administrative Session		
	III. CONSENT A. None		
4:35 p.m. Page 14	**IV. INFORMATION EXCHANGE (CONTINUED)** A. Report of the Executive Director B. Commissioner Exchange		
4:45 p.m.	**V. ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION**		
	A. None		
4:50 p.m.	**VI. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**		
	A. Budget, Finance and Audit Committee – *Com. Nelson, Chair*		
Page 20	1. Acceptance of Fourth Quarter FY'19 Budget to Actual Statements		19-93(pg 32)
39	2. Authorization to Write-Off Bad Debt Related to Tenant Accounts Receivable (April 1, 2019 – June 30, 2019)		19-94(pg 44)
45	3. Approval to Extend the use of the PNC Bank Real Estate Line of Credit (RELOC) for the Purpose of Making a Capital Contribution to CCL Multifamily LLC		19-95(pg 48)
49	4. Approval to Release Obligations against the PNC Bank Line of Credit		19-96(pg 52)
54	5. Approval to Renew the Property Management Contract for Barclay Development Corporation, Barclay One Associates, L.P. and Fairfax Apartments		19-97(pg 58)
59	6. Approval to Renew the Property Management Contract at Spring Garden One Associates Limited Partnership		19-98(pg 62)
63	7. Approval to Renew the Property Management Contracts for Metropolitan Development Corporation, Metropolitan of Bethesda LP, Strathmore Court, and Strathmore Court Associates LP		19-99(pg 66)
67	8. Approval to Renew the Property Management Contract at CCL Multifamily LLC (The Lindley)		19-100(pg 70)
5:30 p.m. Page 72	**B. Development and Finance Committee – *Com. Simon, Chair*** 1. Approval of a Bond Authorizing Resolution for the Refunding of 2004 Series C and Series D Multifamily Housing Development Bonds (MFHDB)		19-101(pg 79)
5:40 p.m.	**VII. ITEMS REQUIRING DELIBERATION and/or ACTION**		
	1. None		
	VIII. *FUTURE ACTION ITEMS		

6:00 p.m.	**ADJOURN**		
Page 91	**DEVELOPMENT CORPORATION** **Barclay Apartments Development Corporation** • Approval to Renew the Property Management Contract for Barclay Apartments Development Corporation		19-003BC(pg 95)
96	**The Metropolitan Development Corporation** • Approval to Renew the Property Management Contract for The Metropolitan Development Corporation		19-003ME(pg 99)
	ADJOURN		
6:20 p.m.	**ADMINISTRATIVE SESSION** *A closed Administrative Session will be called to order pursuant to Section 3-305(b)(13) of the General Provisions Article of the Annotated Code of Maryland*		

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

Minutes
September 4, 2019

19-09

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, September 4, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:18 p.m. Those in attendance were:

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

Also Attending

Stacy L. Spann, Executive Director
Bonnie Hodge
Charnita Jackson
Cornelia Kent
Debra Newkirk
Derrick McLauglin
Eamon Lornicz
Ellen Goff
Ian-Terrell Hawkins
Eugenia Pascual
Fred Swan
Gail Gunod-Green
Hyunsuk Choi
Ian Williams
Jennifer Arrington

Aisha Memon, Acting General Council
Lynn Hayes
Marcus Ervin
Matt Husman
Natalia Thorne
Renee Harris
Rita Harris
Ethan Cohen
Sewavi Agbodjan
Shauna Sorrells
Sherraine Rawlins
Victoria Dixon
Zachary Marks
Jay Berkowitz
Kayrine Brown

Resident Advisory
Yvonne Caughman, Vice Chair

IT Support
Irma Rodriguez
Gabriel Taube
Michael Tadesse

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

I. **<u>Information Exchange</u>**

<u>Resident Advisory Board</u>

- Yvonne Caughman, Vice Chair, updated on activities of Resident Advisory Board.

<u>Community Forum</u>

- Amporn Outhwaite addressed the Board regarding her housing application status on the Wait List. Lorie Seals, Compliance Specialist, and Lynn Hayes, Director of Housing Resources, were directed by the Executive Director to assist.

II. **<u>Approval of Minutes</u>** - The minutes were approved as submitted with a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, Byrd, and Kelleher.

A. **Approval of Minutes of July 10, 2019**
B. **Approval of Minutes of July 10, 2019 Administrative Session**
C. **Approval of Minutes of August 23, 2019 Special Session**
D. **Approval of Minutes of August 23, 2019 Administrative Session**

III. **<u>Consent Items</u>**

A. None

IV. **<u>Information Exchange Continued</u>**

<u>Report of the Executive Director</u>

- In addition to the written report, Mr. Spann reported that there was a visit from OMB. They were referred by HUD. Purpose of visit is to use HOC as a training ground on how a housing authority should manage business. He also reported that The Lindley has received the Jack Kemp Award.

<u>Commissioner Exchange</u>

- Chair Pro Tem Priest and Commissioner Kelleher shared an updated on a report from the *Washington Pos*t by the Urban Institute regarding affordable housing in the metropolitan area.

V. **<u>ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION</u>**

A. None

VI. **<u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>**

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

- **Approval to Repay the PNC Bank, N.A. Line of Credit Draw in the Amount of $392,778 for Fairfax Court Apartments from the Opportunity Housing Bond Fund**

Cornelia Kent, Chief Financial Officer, and Eugenia Pascual, Controller, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, Byrd, and Kelleher.

RESOLUTION NO.: 19-90

RE: Approval to Repay the PNC Bank N.A. Line of Credit Draw in the amount of $392,778 for Fairfax Court Apartments from the Opportunity Housing Bond Fund

WHEREAS, on November 7, 2012 the Housing Opportunities Commission of Montgomery County (the "Commission") approved a draw for Fairfax Court Apartments (the "Property") from the PNC Bank N.A. Line of Credit (the "LOC") in the amount of $746,000 (the "PNC LOC Draw") to repay the Property's first mortgage; and

WHEREAS, the Property has been required to pay the principal and interest of 6.5% on the PNC LOC Draw, a portion of such payment serviced the PNC LOC Draw at the contractual rate of the one month LIBOR plus 90 basis points, with the remainder of the payment being deposited into the Opportunity Housing ("OH Bond Fund"); and

WHEREAS, as of June 30, 2019, the amount deposited into the OH Bond Fund was$392,778; and

WHEREAS, staff recommends withdrawing $392,778 from the OH Bond Fund to repay the PNC LOC Draw.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves withdrawing $392,778 from the OH Bond Fund to repay the PNC Bank, N.A. Line of Credit draw for Fairfax Court Apartments.

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

- **Approval of the General Development Agreement and Related Development Documents with Montgomery County, MD for Elizabeth Square and the South County Regional Recreational Aquatic Center; Approval to Create Consolidated Plats to Combine Record Plats; Approval to Create Land Condominium Plat and Declaration, and Authorization for the Executive Director to Execute all Related Documents**

Hyunsuk Choi, Senior Financial Analyst, and Eamon Lorincz, Deputy General Counsel, were the presenters.

The following resolutions were adopted upon a motion by Chair Pro Tem Priest and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, Byrd, and Kelleher.

RESOLUTION NO.: 19-91A

RE: Approval of the General Development Agreement and Related Development Documents with Montgomery County, MD for Elizabeth Square and the South County Regional Recreational Aquatic Center; Approval to Create Consolidated Plats to Combine Record Plats; Approval to Create Land Condominium Plat and Declaration, and Authorization for the Executive Director to Execute all Related Documents

WHEREAS, Elizabeth House III is a planned mixed-use residential building with mixed-income housing and public amenities (”EH III”) that is one part of a larger planned mixed-use development known as Elizabeth Square; and

WHEREAS, the fee interest in EH III is owned by Acorn Storage No. 1, LLC, a subsidiary of Lee Development Group (“Acorn”) and subject to a condominium regime (the “Condominium”) that established three separate condominium units: (1) a unit comprised of the market rate apartments (the “Market Rate Condo”), (2) a unit comprised of the affordable apartments (the “LIHTC Condo”), and (3) a unit comprised of the South County Regional Recreation and Aquatic Center, a public recreational facility totaling 120,000 square feet (the “SCRRAC”), which will be operated by Montgomery County Department of Recreation, and approximately 7,411 square feet of ground floor retail intended to be leased to Holy Cross Hospital for a senior resource center and primary care facility and parking (these together the “Aquatic Center Condo”); and

WHEREAS, Acorn has leased (1) the Market Rate Condo to Elizabeth House III LLC, which is wholly owned by the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), (2) the LIHTC Condo to Elizabeth House III Limited Partnership, which is currently wholly owned by HOC (with the intent that a tax credit investor will ultimately be admitted as a limited partner), and (3) the Aquatic Center Condo to EH III Recreational Center LLC, which is wholly owned by HOC; and

WHEREAS, on November 7, 2018, the Commission authorized the Executive Director to sign (i) the general contractor contract with Costello Construction (“Costello”) for an amount not to exceed $125 million for the construction of the EH III and the SCRRAC (ii) amendments to the Condominium regime to provide that the LIHTC Condo will be comprised of all 267 apartment units and parking and will be owned by the LIHTC Owner, that the Market Rate Condo will be eliminated and that the Aquatic Center Condo will remain unchanged; and

WHEREAS, based on the final plans and specifications, the total contract value is $124,605,473; EH III - $71,012,193 and SCRRAC - $53,593,280, which staff anticipates execution of the construction contract by middle of September 2019; and

WHEREAS, staff anticipates issuance of a building permit by end of September 2019 and received a Support of Excavation (“SOE”) permit on August 22, 2019, mobilization to begin support of excavation work will commence; and

WHEREAS, as part of the redesign to incorporate the SCRRAC into the Elizabeth Square Development, a portion of the land currently owned by Alexander House Development Corporation (“AHDC”) and Alexander House Apartments Limited Partnership (“AHALP” and together with AHDC, the “AH Owners”) as tenants in common will be used to construct the 11-lane competition pool and gymnasium with high-school sized basketball court (the “AH Aquatic Center Land”); and

WHEREAS, the condominium document and plat for the land parcel currently owned by AH Owners will need to be modified from the existing plat to reflect the addition of the SCRRAC facility; and

WHEREAS, in order for the Elizabeth Square Development to move forward as approved in the Certified Site Plan and to convey the AH Aquatic Center Land, the following steps will have to be occur: 1) create Consolidated Plat to combine two (2) record lots – EHIII/SCRRAC and Alexander House apartment lots; 2) create Land Condominium Plat and Declaration – two (2) land condominium units will be created, one each for EH III/SCRRAC and Alexander House Apartment; and 3) execute various easement agreements and related land covenants, including in particular a Project Wide Covenants, Conditions, and Restrictions (“CC&R”) will be executed, which CC&R will grant cross easements and describing cost sharing arrangements for the harmonious operation for the Elizabeth Square; and

WHEREAS, as part of incorporating the SCRRAC into the Elizabeth Square Development, HOC and Montgomery County, MD (“County”) will enter into a General Development Agreement (“GDA”). Key exhibits to the GDA will include a Guaranteed Maximum Price Design Build ("GMP") Contract and a General Conditions to Design Build Contract; and

WHEREAS, under the GDA agreement, HOC will act as the "Turnkey" developer to construct the SCRRAC in accordance with the approved final plans and specifications; and

WHEREAS, the GMP contract outlines the agreement between HOC and the County and determines the contract value, basis of payment, approval rights, construction management process, liquidated damages, insurance and bonding requirements, and dispute resolutions; and

WHEREAS, General Conditions to Design Build Contract provides the terms and conditions under which the HOC, County, Contractor, and Architect will work together during the building construction process; and

WHEREAS, there will be risk factors in GMP and General Conditions to Design Build Contracts, however, staff has addressed them in the Commission packet to mitigate the risks.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Elizabeth House III LLC, Elizabeth House III Limited Partnership, and EH III Recreational Center LLC, approves:

1. Authorization for the Executive Director to execute General Development Agreement, Guaranteed Maximum Price Design Build Contract, and General Conditions to Design Build Contract with Montgomery County for the development of the South County Regional Recreational and Aquatic Center;
2. Authorization to create a Consolidated Plat to combine two (2) record lots;
3. Authorization to create Land Condominium Plat and Declaration; and
4. Authorization to create and execute the Project Wide Covenants, Conditions, and Restriction and other ancillary easements and covenants relating to the development and operation of the development.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of Elizabeth House III LLC, Elizabeth House III Limited Partnership, and EH III Recreational Center LLC, that the Executive Director of HOC 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.

RESOLUTION NO.: 19-91B **RE: Approval to Create a Plat and Land Condominium, Amendment to Vertical Condominium and Conveyance of Portion of Current Alexander House Apartments Limited Partnership Property to EH III Recreational Center, LLC**

WHEREAS, the Alexander House Apartments (the "Development") was originally constructed in 1992 at 8560 Second Avenue, near the Silver Spring Metro Station as a single sixteen-story building with 311 residential units (now 305), 203 parking spaces in a tri-level underground parking garage, management offices, maintenance and engineering rooms, as well as a common outdoor pool shared with Elizabeth House Apartments, the property adjacent to the north; and

WHEREAS, a comprehensive renovation plan was approved by the Commission on October 5, 2016, including the retention 183 market rate units owned by the Alexander House Development Corporation ("AHDC"), and the sale of 122 units restricted to a Low Income Housing Tax Credit entity, Alexander House

Limited Partnership ("AHALP"), a Maryland limited partnership indirectly controlled and managed by the Commission; and

WHEREAS, the Commission is the sole member of Alexander House GP LLC, a Maryland limited liability company (the "General Partner"), which will serve as the general partner of AHALP; and

WHEREAS, the Development is part of the Elizabeth Square Development and on April 5, 2017 the Commission approved the inclusion of the South County Regional Recreation and Aquatic Center in the development of Elizabeth Square; and

WHEREAS, as part of the redesign to incorporate the South County Regional Recreation and Aquatic Center, a public recreational facility totaling 120,000 square feet (the "SCRRAC"), into the Elizabeth Square Development, a portion of the land currently owned by ("AHDC") and AHALP (together, the "AH Owners") as tenants in common will be used to construct the 11-lane competition pool and gymnasium with high school sized basketball court (the "AH Aquatic Center Land"); and

WHEREAS, the condominium document and plat for the land parcel currently owned by AH Owners will need to be modified from the existing plat to reflect the addition of the SCRRAC facility; and

WHEREAS, in order for the Elizabeth Square Development to move forward as approved in the Certified Site Plan and to convey the AH Aquatic Center Land, the following steps will have to occur: 1) create Consolidated Plat to combine two (2) record lots – EHIII/SCRRAC and Alexander House Apartment lots; 2) create Land Condominium Plat and Declaration – two (2) land condominium units will be created, one each for EH III/SCRRAC and Alexander House Apartments; and 3) execute various easement agreements and related land covenants, including in particular a Project Wide Covenants, Conditions, and Restrictions ("CC&R") will be executed, in which the CC&R will grant cross easements and describe cost sharing arrangements for the harmonious operation for the Elizabeth Square.

WHEREAS, on November 7, 2018, the Commission approved the amendments to Building Condominium and Master Lease and Easement Documents, which allowed EH III/SCRRAC development to incorporate the AH Aquatic Center Land to construct a portion of the SCRRAC upon AH Owners approval; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its capacity as the general partner of Alexander House Limited Partnership, that it hereby:

1. Authorizes the conveyance of AH Aquatic Center Land to EH III/SCRRAC development upon approval of the AHDC Board and the partners of AHALP;
2. Authorizes to create a Consolidated Plat to combine two (2) record lots;
3. Authorizes to create Land Condominium Plat and Declaration; and
4. Authorizes to create and execute the Project Wide Covenants, Conditions, and Restriction and other ancillary easements and covenants relating to the development and operation of the development.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission acting in its own capacity and for and on behalf of Alexander House GP LLC, acting in its capacity as the general partner of Alexander House Limited Partnership, is hereby authorized, without any further action on its part, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

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

None

VIII. **FUTURE ACTION ITEMS**
None

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 4:50 p.m. and reconvened in closed session at approximately 4:58 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 September 4, 2019 at approximately 4:58 p.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(3) to discuss a potential real property acquisition.

The meeting was closed on a motion by Vice Chair Nelson, seconded by Chair Pro Tem Priest, with Commissioners Simon, Nelson, Priest, Croom, Byrd, and Kelleher unanimously voting in approval. The following persons were present during the closed session: Jackie Simon, Richard Y. Nelson, Jr., Roy Priest, Linda Croom, Pamela Byrd, Frances Kelleher, Stacy Spann, Kayrine Brown, Shauna Sorrells, Cornelia Kent, Aisha Memon, Eamon Lorincz, Zachary Marks, Marcus Ervin, Charnita Jackson, and Patrice Birdsong.

In closed session, the Commission discussed a potential real property acquisition. The following action was taken:

1. With a quorum present, the Commission duly adopted Resolution 19-92AS, as amended, with Commissioners Jackie Simon, Richard Y. Nelson, Jr., Roy Priest, Linda Croom, Pamela Byrd, and Frances Kelleher voting in approval, which approved the (1) creation of a single-purpose entity to own the property, (2) assumption of a Purchase and Sale Agreement for real property located in Shady Grove, and (3) funding for the acquisition and predevelopment costs.

The closed session was adjourned at 5:40 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Consent

Information Exchange

HOC Receives National Award from Urban Land Institute

On Thursday, September 19, 2019, the Urban Land Institute announced The Lindley as one of three winners of the Terwilliger Center for Housing's 2019 Jack Kemp Excellence in Affordable and Workforce Housing Award.

The Jack Kemp Award recognizes best practices in the development of housing that is affordable to people with a broad range of incomes. Developments eligible for the award are those in which all or a portion of the units are affordable to households earning up to 120 percent of the area median income. Winners are chosen based on outstanding achievements in areas including affordability, innovative financing and building technologies, proximity to employment centers and transportation hubs, quality of design, the creation of public-private partnerships, and replicability of the model.

The Lindley, a highly-amenitized, mixed-income multifamily building in Chevy Chase, MD, is the result of a unique public-private partnership between the Housing Opportunities Commission of Montgomery County (HOC), EYA LLC, and The Morris and Gwendolyn Cafritz Foundation. The $75 million property was funded without tax credits or direct subsidies, and is one of the first buildings of its kind to include private equity as a major funding source while remaining under the principal control of a public housing authority. HOC was able to maximize the value of the former Chevy Chase Lakes site by selling a portion of the land for development by EYA and increasing density and affordable units in a new multifamily building near a future public transit hub.

The Lindley was selected by a jury of national housing leaders and recognized during ULI's 2019 Fall Meeting in Washington, D.C. Terwilliger Center Founder and former ULI Chairman J. Ronald Terwilliger chaired the jury. "Building affordable housing is not getting any easier. But thanks to the hard work of those who are truly committed, we know it can be done," Terwilliger said. "These projects demonstrate the hard work, creative thinking and leadership that is necessary to provide affordable housing for those who so desperately need it. They are all examples of what is achievable, and it is my hope that they inspire more creativity and more solutions in more of our communities."

The honor from the Urban Land Institute rounds out a robust awards season for HOC and The Lindley, which included Awards of Merit and Excellence in Program Innovation and Project Design from the National Association of Housing and Redevelopment Officials, as well as the Multifamily Excellence Award from the National Association of Local Housing Finance Agencies. The Lindley is yet another example of the pioneering work this team has accomplished using the mixed-income model. We hope recognition from ULI will bolster the model as a best practice nationally and continue to make the case for innovative solutions that help families gain access to high-opportunity areas across the country.

Fatherhood Initiative Hosts Movie on the Lawn

On Friday, September 20, 2019, HOC's Fatherhood Initiative hosted a free "Movie on the Lawn" event for the community at the East Deer Park office in Gaithersburg. Fatherhood's "Movie on the Lawn" event serves as a relationship-building activity for parents and children as well as an opportunity to provide information and answer questions about supplemental HOC programming and other community resources for participating families.

Nearly 40 people attended and enjoyed fresh-popped popcorn and other food and snacks from a local food truck during the evening movie screening. Fatherhood Initiative and HOC Academy staff were on-hand to promote upcoming adult and youth programming hand resources, while perennial partner Mad Science showed kids the science behind treats like cotton candy. Prize baskets for parents and children alike were raffled off throughout the evening. Representatives from County agencies were also present to provide information and answer questions. Hosting community events like "Movie on the Lawn" provides a fun way to ensure we stay connected to the community we serve and gives our customers the opportunity to receive access to resources in a low-pressure environment.

Ambassador Demolition Begins to Make Way for Wheaton Gateway

On Tuesday, September 3, 2019, interior demolition began on The Ambassador in Wheaton, marking an important step toward redevelopment of the vacant former apartments and hotel. Wheaton Gateway would place new residential and retail development at the intersection of University Boulevard and Veirs Mill Road, in the heart of the Wheaton Central Business District.

Currently home to Lindsay Ford and Mattress Firm, as well as the former Ambassador, the Wheaton Gateway partnership between HOC, The Duffie Companies, and Willco will yield brand new mixed income multi-family housing and commercial spaces consistent with the Wheaton Sector Plan. Over the course of Summer 2019, members of the community were invited to several visioning workshops in an effort to maintain an open dialogue with Wheaton residents and provide an opportunity for feedback.

Interior and exterior demolition are expected to be complete by early January 2020.

September Literacy Workshops Reach Teens and Adults

During the month of September, HOC's Financial Literacy team coordinated several workshops and coaching opportunities for both teens and adults.

The middle and high school student workshop, titled "Automobile Purchasing," provided students with guidance on how to purchase their first vehicle, and included instruction on consumer savviness and budgeting. At Tanglewood Apartments and Towne Centre Place, adult customers participated in the "Credit Reports and Score" workshop, which provided participants with information on how to obtain their credit reports and helpful tools for improving their credit health. Finally, "Let's Talk About Your Financial Goals" provided adults and teens with practical strategies for connecting personal and spending goals.

All workshops are presented as part of an ongoing series of Family Financial Health workshops sponsored in part by HOC Community Partners and PNC Bank. Sound financial health and access to savings tools and budgeting strategies are all crucial pieces to ensuring that families not only stay stably housed, but that they have the opportunity to move forward on the self-sufficiency continuum. We are proud to continue offering programming in partnership with PNC Bank that equips our customers to achieve their goals.

Administrative Session

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

ACCEPTANCE OF FOURTH QUARTER FY'19 BUDGET TO ACTUAL STATEMENTS, AND APPROVAL TO TRANSFER FUNDS TO THE GENERAL FUND OPERATING RESERVE FROM THE GENERAL FUND TO BALANCE THE FY'19 BUDGET

October 15, 2019

- The Agency ended the year with a net cash surplus of $172,037, which equates to 0.06% of the total operating budget of $270,282,739 and 0.10% of the total adjusted operating budget of $178,365,721 which excludes Housing Assistance Payments (HAP).

- It is important to note that the FY'19 Amended Budget assumed a contribution to the General Fund Operating Reserve of $1,384,243. If the contribution were made, the Agency would have a cash deficit for FY'19 of $1,212,206, which equates to .45% of the total operating budget and .68% of the total adjusted operating budget less HAP.

- The primary causes were lower than anticipated income in the General Fund coupled with lower than projected cash flow in the unrestricted properties, as a result of property performance.

- At the end of the year, several of the unrestricted properties in the Opportunity Housing fund exceeded budget expectations; however, the overall recognizable cash flow to the Agency did not meet budget due to shortfalls in the majority of the unrestricted properties.

- The Public Housing Program ended FY '19 with a deficit of $298,150 primarily as a result of lower rental income due to the conversion of units under the Rental Assistance Demonstration (RAD) Program and greater than anticipated expenses. There are sufficient funds in the program to cover the shortfall.

- The Housing Choice Voucher Program (HCVP) ended the year with an administrative surplus of $613,700 as a result of higher administrative fees coupled with savings in expenses. The administrative surplus will be restricted to the program for future administrative costs.

- Staff recommends that the budgeted contribution to the GFOR of $1,384,243 be reduced to the surplus of $172,037 to balance the Agency budget.

M E M O R A N D U M

TO:	Housing Opportunities Commission
VIA:	Stacy L. Spann, Executive Director
FROM:	Staff: Cornelia Kent — Division: Finance — Ext. 9754 Terri Fowler — Ext. 9507 Tomi Adebo — Ext. 9472
RE:	Acceptance of Fourth Quarter FY’19 Budget to Actual Statements
DATE:	October 15, 2019

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:
Acceptance of the Fourth Quarter FY’19 Budget to Actual Statements and Approval to Balance the FY’19 Budget.

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

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Agency for the fourth quarter of FY’19 against the budget for the same period.

BUDGET IMPACT:
Please see Discussion section of the memo for the budget impact of recommended actions for FY’19.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the Fourth Quarter Budget to Actual Statements at the September 18, 2019 Committee meeting. Commission action is requested at the October 15, 2019 meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:
The Budget, Finance and Audit Committee recommends to the full Commission acceptance of the Fourth Quarter FY’19 Budget to Actual Statements and approval to transfer funds to the General Fund Operating Reserve from the General Fund to balance the FY’19 Budget.

DISCUSSION – FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the fourth quarter of FY'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 Fourth Quarter Capital Budget to Actual Comparison.

The Agency ended the year with a net cash surplus of $172,037 which equates to .06% of the total operating budget of $270,282,739 and 0.10% of the total adjusted operating budget of $178,365,721 which excludes Housing Assistance Payments (HAP). It is important to note that the FY'19 Amended Budget assumed a contribution to the General Fund Operating Reserve of $1,384,243. If the contribution were made, the Agency would have a cash deficit for FY'19 of $1,212,206, which equates to .45% of the total operating budget and .68% of the total adjusted operating budget less HAP. The primary causes were lower than anticipated income in the General Fund after removal of the effects of the PNC Line of Credit related interest (see General Fund) coupled with lower than projected cash flow from our unrestricted properties, as a result of property performance (see Opportunity Housing Fund).

Explanations of major variances by fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the year with a deficit of $1,554,039 which resulted in a positive variance of $974,568 when compared to the projected deficit of $2,528,607.

As of June 30, 2019, income in the General Fund was $4,451,543 higher than budgeted. If we were to exclude the $6,767,331 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 $2,315,788 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 $218,728 greater than budget. If we were to exclude the additional FHA Risk Sharing income, the shortfall in income would be $2,534,516. The FY'19 budget anticipated receipt of commitment and development fees totaling $7,836,553 of which 40% or $3,134,621 was to be deposited to the General Fund. The balance of the projected fees or $4,701,932 would have been restricted to the Opportunity Housing Reserve Fund (OHRF). However, delays in the receipt of fees from Alexander House, Bauer Park, Elizabeth House III, Georgian Court, Knights Bridge, Shady Grove, and Stewartown have resulted in a negative timing variance of $6,327,703 ($2,531,081 in the General Fund and $3,796,622 in the OHRF) 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. It is worth noting that a portion of the negative variance related to fees for Bauer Park, Georgian Court, Shady Grove, and Stewartown is due to changes in the timing of project that have shifted to FY'20 and were incorporated in the budget that was adopted by the Commission in June. In addition, the fees for Elizabeth House III, that were not moved to the FY'20 budget, are now anticipated to be received by the end of calendar 2019 and will result in a positive variance for FY'20.

Expenses in the General Fund were $3,476,975 more than budgeted. As referenced above, if we were to exclude the interest expense of $6,456,953 paid on the PNC LOC and RELOC accounts and additional restriction of the FHA Risk Sharing income of $218,728, expenses in the General Fund would have been $3,198,706 less than budget. The positive variance was primarily the result of savings throughout most administrative expenses and maintenance contracts as well as capital that was budgeted to be funded from operations. Funding for capital work that has moved to FY'20 has been restricted at year-end to be used to pay for the rollover of the specific projects. In addition, the budgeted contribution of surplus funds to the GFOR of $1,384,243 was not made due to the anticipated shortfall of revenue in the General Fund.

<u>The **Multifamily Bond Fund**</u> and <u>**Single Family Bond Fund**</u> are budgeted to balance each year.

The Multifamily Bond Fund draw for FY'19 was reduced by $52,203 of the $94,595 of savings left in the fund at FY'18 year-end. As a result of savings in administrative salaries and benefits, legal, and financial services expenses, the fund ended the year with a positive expense variance of $109,484. This savings in expenses offset by the reduced bond draw results in a year-end surplus of $57,281 ($109,484 savings in expenses less $52,206 reduction in the draw). Staff is recommending that the budgeted draw for FY'20 for the Multifamily Bond Fund be reduced by the cumulative savings of $151,876 ($94,595 + $57,291).

Multifamily Bond Fund	
Cumulative Surplus	**Amount**
At June 30, 2018	$94,595
FY'19 Year End Surplus/(Shortfall)	$57,281
At June 30, 2019	$151,876

The Single Family Bond Fund draw for FY'19 was reduced by the $102,031 of savings left in the fund at FY'18 year-end. As a result of savings in administrative salaries and benefits, legal and financial services, and trustee fees, the fund ended the year with a positive expense variance of $77,315. This savings in expenses offset by the reduced bond draw results in a year-end shortfall of $24,716 ($77,315 savings in expenses less $102,031 reduction in the draw) that will be covered by the prior savings in the fund. Staff is recommending that the budgeted draw for FY'20 for the Single Family Bond Fund be reduced by the remaining savings of $77,315 ($102,031 - $24,716).

Single Family Bond Fund	
Cumulative Surplus	**Amount**
At June 30, 2018	$102,031
FY'19 Year End Surplus/(Shortfall)	($24,716)
At June 30, 2019	$77,315

<u>**The Opportunity Housing Fund**</u>

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. It should be noted that several of these properties also had a portion of operating cash flow restricted for various reasons. For properties that did not meet their total cash flow expectations and also had partially restricted cash flow – **Alexander House**, and **The Metropolitan** – the Development Corporation fee has been recognized, by property, up to the lesser of the amount budgeted or generated, and any remaining cash flow was then restricted. This group ended the year with cash flow of $6,522,935 or $372,602 less than projected. It should be noted that we can only recognize revenue up to the amount budgeted for each property. A few 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 $6,338,023 or $557,514 below budget.

Unrestricted Development Corporations

	(12 Months) Budget	(12 Months) Actual	Variance		(12 Months) Adjusted
Alexander House	$500,000	$469,804	($30,196)		$469,804
The Barclay	$141,454	$94,259	($47,195)		$94,259
Glenmont Crossing	$31,275	$45,102	$13,827	(1)	$31,275
Glenmont Westerly	$136,957	$226,023	$89,066	(1)	$136,957
Magruder's Discovery	$723,644	$611,321	($112,323)		$611,321
The Metropolitan	$933,095	$933,095	$0		$933,095
Montgomery Arms	$341,406	$308,827	($32,579)		$308,827
TPM - 59 MPDUs	$421,651	$395,718	($25,933)		$395,718
Paddington Square	$392,252	$399,939	$7,687	(1)	$392,252
Pooks Hill High-Rise	$558,353	$529,829	($28,524)		$529,829
Scattered Site One Dev. Corp.	$425,018	$243,012	($182,006)		$243,012
Scattered Site Two Dev. Corp.	($2,513)	$25,488	$28,001	(1)	$0
Sligo Development Corp.	$45,271	$22,495	($22,776)		$22,495
VPC One Corp.	$1,335,610	$1,257,115	($78,495)		$1,257,115
VPC Two Corp.	$912,064	$960,908	$48,844	(1)	$912,064
Subtotal	**$6,895,537**	**$6,522,935**	**($372,602)**		**$6,338,023**
			Recognizable Cash Flow		**($557,514)**

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

Alexander House ended the year with a negative cash flow variance of $1,374,443 ($30,196 + $1,344,247) primarily as a result of the higher than projected vacancy loss due to renovations. Occupancy had reached 73.8% by year end and is currently 91.8%. **The Barclay** experienced a negative cash flow variance of $47,195 mainly due to lower tenant rents coupled with vacancies in the non-dwelling space that was partially offset by savings in insurance due to the property being added to the County Self Insurance Plan. Cash flow for both **Glenmont Crossing** and **Glenmont Westerly** was $88,441 ($13,827 + $72,614) and $172,495 ($89,066 + $83,429) more than budget, respectively, mostly driven by lower vacancies, higher than anticipated reimbursements for utilities, and savings in maintenance expenses. **Magruder's Discovery** cash flow was $112,323 lower than anticipated for the year as a result of lower rents and higher vacancies coupled with increased bad debt for a few tenants that was partially offset by savings in utilities. **The Metropolitan** ended the year with negative variance of $307,364 ($0 + $307,364) as a result of higher than anticipated vacancies in both tenant and retail coupled with unanticipated maintenance expenses that was partially offset by savings in utilities and insurance due to the property being added to the County Self Insurance Plan. Cash flow at **Montgomery Arms** was $32,579 less than budget due to higher than projected vacancies and maintenance expenses that was partially offset by savings in administrative costs. Cash flow for **TPM – 59 MPDUs** was $25,933 lower than anticipated as a result of slightly lower rents and higher vacancies coupled with increases in maintenance and bad debt expense over budget. **Pooks Hill High-Rise** experienced a negative cash flow variance of $28,524 mainly driven by lower gross rents coupled with higher than anticipated administrative and bad debt expense that were partially offset by lower vacancies than were budgeted and savings in maintenance expenses. **Scattered Site One Development Corporation** ended the quarter with a negative cash flow variance of $182,006 mainly resulting from higher vacancies that were partially offset by higher than projected gross rents, overages in maintenance expenses, and payment of the loan management fee that was erroneously excluded in the budget. Cash flow for **Sligo Development Corporation** was $22,776 lower than anticipated as a result of lower gross rents and higher vacancies at the property. **VPC One Corporation** ended the year with negative cash flow variances of $78,495 largely due to lower gross rents and higher vacancies coupled with higher than expected utility, maintenance, and bad debt expense due to the write-off in the first half of the year. When the FY'19 budget was developed a decision was made to budget the VPC Debt Service Reserve (DSR) contributions, which represents the difference between a fully amortizing loan at 6.5% and the current debt structure, in June to allow staff to determine if the income at the properties could support the full contribution and still pay the Agency the Development Corporation Fee anticipated in the budget. Based on property performance, VPC One will not be able to contribute to its DSR. VPC Two will be able to contribute the $48,844 year–end surplus to its DSR.

- 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 $1,837,238 less than budgeted for the quarter. The negative cash flows are primarily the result of the negative variances related to properties that were partially restricted (see above for explanations). The shortfall at **MetroPointe** was $75,937 more than projected primarily due to slightly lower gross rents coupled with higher vacancies that were partially offset by savings in administrative expenses and 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 year with a negative variance of $315,427 which consisted primarily of variances at **Seneca Ridge** and **Washington Square**. The planned deficit at **Seneca Ridge** was $155,927 more than anticipated primarily due to lower gross rents and greater than anticipated vacancy coupled with overages in administrative, maintenance and bad debt expenses that were partially offset by savings in maintenance costs. **Washington Square** ended the year with a small deficit of $3,023 which resulted in a negative cash flow variance of $144,764 due to lower gross rents and higher administrative, utility, maintenance and bad debt expense that were partially offset by slightly lower than projected vacancy earlier in the year. The deficits at the two properties will be net against the cash generated at the remaining **RAD 6** properties which results in a net cash flow for the group of $ 33,499.

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 year with cash flow of $2,002,075 or $536,929 less than budgeted. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter's recognizable cash flow for this group is $1,840,893 or $698,111 below budget.

Unrestricted Opportunity Housing Properties

	(12 Months) Budget	(12 Months) Actual	Variance		(12 Months) Adjusted
64 MPDUs	$134,870	$65,173	($69,697)		$65,173
Chelsea Towers	$61,205	$40,542	($20,663)		$40,542
Fairfax Court	$113,416	$85,080	($28,336)		$85,080
Holiday Park	$74,606	$16,987	($57,619)		$16,987
Jubilee Falling Creek	$11,651	$11,466	($185)		$11,466
Jubilee Hermitage	$9,309	$2,588	($6,721)		$2,588
Jubilee Horizon Court	$3,670	$11,226	$7,556	(1)	$3,670
Jubilee Woodedge	$5,641	($493)	($6,134)		($493)
McHome	$129,340	$114,196	($15,144)		$114,196
McKendree	$38,933	$64,006	$25,073	(1)	$38,933
MHLP VII	$104,654	$105,110	$456	(1)	$104,654
MHLP VIII	$195,479	$203,357	$7,878	(1)	$195,479
MHLP IX Pond Ridge	$7,646	($21,610)	($29,256)		($21,610)
MHLP IX	$59,640	($113,444)	($173,084)		($113,444)
MHLP X	$147,185	$82,700	($64,485)		$82,700
MPDU 2007 Phase II	$15,616	$29,352	$13,736	(1)	$15,616
TPP LLC Pomander Court ...	$141,540	$21,673	($119,867)		$21,673
Pooks Hill Mid-Rise	$246,266	$286,955	$40,689	(1)	$246,266
Strathmore Court	$303,815	$369,609	$65,794	(1)	$303,815
TPP LLC Timberlawn	$475,208	$368,288	($106,920)		$368,288
TPP LLC Timberlawn	$259,314	$259,314	$0		$259,314
Subtotal	**$2,539,004**	**$2,002,075**	**($536,929)**		**$1,840,893**
			Recognizable Cash Flow		**($698,111)**

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 year with a negative cash flow variance of $69,697 as a result of lower gross rents and higher vacancies coupled with slightly higher utility and maintenance costs that were partially offset by small savings in administrative and tenant services expenses. Cash flow for **Fairfax Court** was $28,336 lower than anticipated primarily as a result of lower gross rents coupled with higher interest payments on the PCN LOC due to changes in the London Interbank Offered Rate (LIBOR) that were partially offset by savings in administrative and maintenance expenses. **Holiday Park** experienced a negative cash flow variance of $57,619 through June 30 due to higher vacancies coupled with utility expenses related to a burst water pipe. **MHLP IX Pond Ridge** ended the year with a deficit of $21,610 as a result of higher vacancies coupled with overages in maintenance expenses. Both **MHLP IX** and **MHLP X** experienced negative cash flow variances of $173,084 and $64,485, respectively, largely due to the payment of tax bills for two years. Staff continues to work with the State and County to secure tax exemption on the properties and will pursue a refund of the paid taxes. **MHLP IX** also experienced higher than budgeted maintenance expenses which resulted in a year-end deficit of $113,444 when combined with the additional tax payments noted above. Cash flow for **TPP LLC Pomander Court** was $119,867 less than anticipated primarily due to the final loan terms on the debt that resulted in higher overall debt service payments. In addition, the split of the debt between **TPP LLC Timberlawn** and **TPP LLC Pomander Court** changed which resulted in a higher allocation percentage to Pomander Court that further increased the payments charged to **TPP LLC Pomander**. Cash flow at **Pooks Hill Mid-Rise** exceeded budget by $40,689 through June 30 as a result of savings in utility and maintenance expenses. **Strathmore Court** ended the year with a positive cash flow variance of $65,794 largely due to lower insurance costs as a result of the property being added to the Montgomery County Self Insurance Fund as well as savings in utility and maintenance costs that were partially offset by lower gross rents and higher vacancies. **TPP LLC Timberlawn** ended the year with a negative cash flow variance of $106,920 mainly due to the final loan terms on the debt split with Pomander Court noted above that was partially offset by lower vacancies at the property.

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 $1,573,416 lower than budgeted. Cash flow for the unit located at **617 Olney Sandy Spring Road** was slightly lower than anticipated as a result of the unit being vacant for the second half of FY'19. Staff is currently working on plans to renovate the unit with funds from the County Capital Improvements Program (CIP). **The Ambassador**, which has been decommissioned, experienced expenses of $106,922 mainly driven by continued utility costs in the building, maintenance and security contracts, 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 $88,731 primarily attributable to higher vacancies at the property coupled with higher maintenance expenses and payments on the RELOC due to changes in LIBOR. The planned deficit at **Brooke Park** was $12,269 more than anticipated as a result of the property being taken offline in December 2018. **Brookside Glen** experienced a negative cash flow variance of $152,455 largely due to higher vacancies and slightly lower gross rents coupled with higher than projected staff benefit costs and utilities at the property. **Cider Mill Apartments** reported a negative cash flow variance of $764,444 primarily due lower gross rents coupled with higher maintenance and bad debt expenses that were partially offset by lower than projected Debt Service Payments. Cash flow for **Diamond Square** was $60,168 lower than anticipated primarily as a result of slightly lower rents coupled with higher staff benefit costs. In addition, the utility reimbursements were shifted from income and shown as an offset to the expense which reduced both income and expenses at the property. The first conversion of 36 units at the **Elizabeth House Interim Rental Assistance Demonstration (RAD**) resulted in cash flow of

$78,821 that will be restricted to the property. The **Holly Hall Interim Rental Assistance Demonstration (RAD**) property experienced a shortfall of $94,555 through year-end that resulted in a negative variance of $318,836 as a result of lower than projected rental subsidies coupled with higher utility cost and moving expenses paid for tenants. The deficit at the property will be covered by unrestricted income in the Opportunity Housing portfolio until staff can determine if any additional subsidy payments are due the property. If additional funds are available, they will be used to reimburse the Agency for the lost cash flow income from the property. Cash flow from **Manchester Manor** was $101,614 lower than projected primarily due to higher vacancies and higher utility expenses based on expenses from last year that were paid after July 1 and leaks from the chiller and cooling tower. Staff is working on replacing both the chiller and cooling tower in the next 30 days. The **Manor at Fair Hill Farm**, **Manor at Cloppers Mill** and **Manor at Colesville** all exceeded budget through June as a result of savings in most expenses categories that were partially offset by slightly higher than anticipated vacancies. Cash flow for **Paint Branch** was $22,637 lower than budget primarily due to maintenance expenses related to Real Estate Assessment Center (REAC) findings at the property. **Shady Grove Apartments** exceeded budget by $93,401 as a result of savings throughout most expense categories that were partially offset by slightly lower gross rents and higher vacancies. Cash flow at **Southbridge** was $19,900 lower than anticipated as a result of higher vacancies coupled with increased utility cost at the property. **State Rental Combined** experienced a small negative cash flow variance of $5,632 at year-end primarily as a result of slightly higher vacancies at the property. **Westwood Tower** ended the period with a negative cash flow variance of $34,836 driven by lower gross rents and higher vacancies coupled with higher legal and maintenance costs that were partially offset by fees received from T Mobile for the tower on the building coupled with lower than anticipated utility, and insurance expenses. **The Willows** ended the year with a negative cash flow variance of $171,777 largely due to lower gross rents and excess income retention due to the expired Rental Assistance Program (RAP) contract that were partially offset by savings in administrative, utility, and maintenance expenses. Staff is working to establish a new RAP contract at the property. The shortfall at year-end will be covered by residual receipts held at the property.

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

- The Public Housing Rental Program ended the year with a shortfall of $298,150. Income was $68,568 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 revenue loss is reflected as income in the **Elizabeth House Interim Rental Assistance Demonstration (RAD**) in Opportunity Housing. The lower income at Elizabeth house was partially offset by higher subsidy payments received at Holly Hall. Expenses for the portfolio were $229,582 greater than anticipated as a result of emergency maintenance repairs at Elizabeth House, minor expenses that continued to be charged at Holly Hall Public Housing property, and the communication expenses at the Emory Grove site.

- The Housing Choice Voucher Program (HCVP) ended the year with a surplus of $1,209,798. The surplus was comprised of Housing Assistance Payments (HAP) revenue that exceeded HAP payments by $596,098 coupled with an administrative surplus of $613,700. The HAP surplus will be restricted to the HCVP reserve (NRP), which includes funds received in prior years that were recognized but not used. The program ended the period with an administrative surplus of $613,700. The positive income variance was due to greater than projected administrative revenue as a result of The Department of Housing and Urban Development (HUD) providing additional administrative fees in November 2018 and February 2019 as a result of the reconciliation of fees earned based on actual utilization through 2018 and the higher pro-ration of 80% published in August 2018, compared to the budgeted pro-ration of 76%. The HCVP also experience lower than anticipated expenses for FY'19. The savings in expenses were primarily due to salary and benefit lapse coupled with slightly lower than anticipated management fee expenses. The administrative surplus will be restricted to the program for future administrative costs.

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.

Budget Impact – FY'19
- As explained in this memo, the Agency ended the year with a surplus of $172,037 primarily as a result of lower than anticipated expenses in the General.

- The FY'19 budget projected a surplus of $1,384,243 to be contributed to the General Fund Operating Reserve (GFOR).

- Staff recommends that the budgeted contribution to the GFOR be reduced to the $172,037 surplus available at year end.

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. Several properties exceeded their budget due to unanticipated physical needs at the properties. On properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve (OHPR) for FY '19. Total expenditures for the portfolio did not exceed the authorized amount of $351,105 allocated from the OHPR for FY'19. Capital budgets from projects with positive variances may be rolled forward as requested for projects that were planned for FY'19 but not completed.

Following is an explanation of properties that have exceeded their annual capital budget. There are sufficient property reserves to cover the overages at all of the properties except **Holly Hall, Manchester Manor, McKendree**, **MHLP IX**, and **MPDU 2007 – Phase II**. The overages at these properties will be covered by the OHPR. There are sufficient savings in other capital budgets that were drawing from this reserve to cover the overage at these properties.

There are a few properties with nominal overages that will be funded by the respective properties reserves**.** **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. **Avondale Apartments** exceeded its capital budget due to replacing three water heaters based on Maryland Department of Labor, License and Registration (DLLR) violations. **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. **Manchester Manor** exceeded its capital budget due to unanticipated replacement of kitchen countertops in a few units, replacement of carpet in the community center, and asphalt work. **Magruder's Discovery** exceeded its capital budget as a result of unanticipated carpet replacements in several units and painting of the trash and laundry rooms. **Montgomery Arms** overspent its capital budget due to the unanticipated replacements of two water heaters and appliance and flooring upgrades to improve pricing for new market-rate renters. Both **MHLP IX** and **64 MPDUs** exceeded their capital budget due to unanticipated carpet and HVAC unit replacements in some of the units. **Paddington Square** exceeded its capital budget due to carpet replacements and replacing the concrete around the pool. **Parkway Woods** exceeded its FY'19 capital budget as a result of having to replace 61 bedroom ceilings in the units. The work will be paid for by funds remaining in the renovation escrow. **Scattered Site One Development Corporation** exceeded its capital budget due to unanticipated carpet and HVAC unit replacements in some of the units. **State Rental Combined** exceeded its capital budget due to unanticipated kitchen and bath renovations, as well as roof, carpet and HVAC unit replacements in some of the units. **Seneca Ridge** exceeded its capital budget due to plumbing work as a result of a sewer backup coupled with appliance and carpet replacements in vacant units. **VPC Two Corporation** exceeded its capital budget as a result of unplanned replacements of appliances in a few units.

RESOLUTION NO.: 19-93 **Re: Acceptance of Fourth Quarter FY'19 Budget to Actual Statements, and Approval to Transfer Funds to the General Fund Operating Reserve from the General Fund to Balance the FY'19 Budget**

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

WHEREAS, the Commission reviewed the Fourth Quarter FY'19 Budget to Actual Statements during its October 15, 2019 meeting; and

WHEREAS, the Agency ended FY'19 with an operating surplus of $172,037; and

WHEREAS, in order to balance the budget, it is recommended that $172,037 be transferred to the General Fund Operating Reserve from the General Fund.

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

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes staff to transfer $172,037 to the General Fund Operating Reserve from the General Fund to balance the FY'19 Budget.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on Tuesday, October 15, 2019.

Patrice Birdsong
Special Assistant to the Commission

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FY'19 Fourth Quarter Operating Budget to Actual Comparison

	(12 Months) Budget	Unrestricted Net Cash Flow (12 Months) Actual	Variance
General Fund			
General Fund	($2,528,607)	($1,554,039)	$974,568
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$0	$57,281	$57,281
Draw from / (Restrict to) Multifamily Bond Fund	$0	($57,281)	($57,281)
Single Family Fund	$0	($24,716)	($24,716)
Draw from / (Restrict to) Single Family Bond Fund	$0	$24,716	$24,716
Opportunity Housing Fund			
Opportunity Housing Properties	$2,539,004	$1,840,893	($698,111)
Restricted Opportunity Housing Properties with Deficits	($7,884)	($114,817)	($106,933)
Unrestricted Development Corporations with Deficits	($2,513)	$0	$2,513
OHRF			
OHRF Balance	$0	($209,744)	($209,744)
Excess Cash Flow Restricted	$0	$0	$0
Draw from existing funds	$0	$209,744	$209,744
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$0**	**$172,037**	**$172,037**
Public Fund			
Public Housing Rental (1)	$0	($298,150)	($298,150)
Housing Choice Voucher Program HAP (2)	($2,150,820)	$596,098	$2,746,918
Housing Choice Voucher Program Admin (3)	$0	$613,700	$613,700
Total -Public Fund	**($2,150,820)**	**$911,648**	**$3,062,468**
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	$0	$298,150	$298,150
(2) Draw from / Restrict to HCV Program Cash Reserves	$2,150,820	($596,098)	($2,746,918)
(3) Draw from / Restrict to HCV Program Excess Admin Fee	$0	($613,700)	($613,700)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$0**	**$172,037**	**$172,037**

FY'19 Fourth Quarter Operating Budget to Actual Comparison

	(12 Months) Budget	Capital Expenses (12 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	$5,768,342	$4,225,693	$1,542,649
TOTAL - All Funds	**$8,036,342**	**$4,902,227**	**$3,134,115**

FY'19 Fourth Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY18 operating budget					
Alexander House	$500,000	($373,916)	$1,286	$469,804	($30,196)
The Barclay	$141,454	($79,295)	$32,100	$94,259	($47,195)
Glenmont Crossing	$31,275	$6,956	$6,870	$45,102	$13,827
Glenmont Westerly	$136,957	$56,055	$33,011	$226,023	$89,066
Magruder's Discovery	$723,644	($48,391)	($63,932)	$611,321	($112,323)
The Metropolitan	$933,095	($157,154)	$3,473	$933,095	$0
Montgomery Arms	$341,406	($51,072)	$18,493	$308,827	($32,579)
TPM - 59 MPDUs	$421,651	($15,601)	($10,331)	$395,718	($25,933)
Paddington Square	$392,252	$21,957	($14,270)	$399,939	$7,687
Pooks Hill High-Rise	$558,353	($17,078)	($11,446)	$529,829	($28,524)
Scattered Site One Dev. Corp.	$425,018	($109,856)	($72,151)	$243,012	($182,006)
Scattered Site Two Dev. Corp.	($2,513)	$12,431	$15,570	$25,488	$28,001
Sligo Development Corp.	$45,271	($26,132)	$3,356	$22,495	($22,776)
VPC One Corp.	$1,335,610	($493,765)	$415,269	$1,257,115	($78,495)
VPC Two Corp.	$912,064	($176,243)	$225,088	$960,908	$48,844
Subtotal	**$6,895,537**	**($1,451,104)**	**$582,386**	**$6,522,935**	**($372,602)**
Properties with restricted cash flow (external and internal)					
Alexander House	$1,344,247	($1,005,271)	$3,458	$0	($1,344,247)
Glenmont Crossing	$164,250	$36,534	$36,080	$236,864	$72,614
Glenmont Westerly	$128,289	$52,508	$30,922	$211,718	$83,429
MetroPointe	($93,418)	($121,116)	$45,179	($169,355)	($75,937)
The Metropolitan	$933,095	($157,154)	$3,473	$625,731	($307,364)
Oaks at Four Corners	$16,762	($20,817)	$70,511	$66,456	$49,694
RAD 6 Total	**$348,926**	**($150,501)**	**($164,926)**	**$33,499**	**($315,427)**
Ken Gar	$3,437	$36,798	($2,526)	$37,709	$34,272
Parkway Woods	$25,547	$9,823	($5,842)	$29,528	$3,981
Sandy Spring Meadow	$99,777	($14,153)	($8,185)	$77,439	($22,338)
Seneca Ridge	($15,574)	($102,234)	($53,693)	($171,501)	($155,927)
Towne Centre Place	$93,998	$11,364	($42,015)	$63,347	($30,651)
Washington Square	$141,741	($92,099)	($52,665)	($3,023)	($144,764)
Subtotal	**$2,842,151**	**($1,365,817)**	**$24,697**	**$1,004,913**	**($1,837,238)**
TOTAL ALL PROPERTIES	**$9,737,688**	**($2,816,921)**	**$607,083**	**$7,527,848**	**($2,209,840)**

Attachment B

FY'19 Fourth Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY18 operating budget					
64 MPDUs	$134,870	($63,306)	($6,391)	$65,173	($69,697)
Chelsea Towers	$61,205	($12,868)	($7,795)	$40,542	($20,663)
Fairfax Court	$113,416	($12,954)	($15,382)	$85,080	($28,336)
Holiday Park	$74,606	($43,636)	($13,983)	$16,987	($57,619)
Jubilee Falling Creek	$11,651	($262)	$77	$11,466	($185)
Jubilee Hermitage	$9,309	($4,380)	($2,341)	$2,588	($6,721)
Jubilee Horizon Court	$3,670	$5,033	$2,523	$11,226	$7,556
Jubilee Woodedge	$5,641	($9,689)	$3,555	($493)	($6,134)
McHome	$129,340	($24,374)	$9,230	$114,196	($15,144)
McKendree	$38,933	$37	$25,036	$64,006	$25,073
MHLP VII	$104,654	($22,554)	$23,010	$105,110	$456
MHLP VIII	$195,479	($8,790)	$16,668	$203,357	$7,878
MHLP IX Pond Ridge	$7,646	($16,786)	($12,470)	($21,610)	($29,256)
MHLP IX	$59,640	$6,934	($180,018)	($113,444)	($173,084)
MHLP X	$147,185	$16,125	($80,610)	$82,700	($64,485)
MPDU 2007 Phase II	$15,616	$3,416	$10,320	$29,352	$13,736
TPP LLC Pomander Court	$141,540	($1,277)	($118,590)	$21,673	($119,867)
Pooks Hill Mid-Rise	$246,266	($593)	$41,281	$286,955	$40,689
Strathmore Court	$303,815	($63,699)	$129,493	$369,609	$65,794
TPP LLC Timberlawn	$475,208	$55,100	($162,020)	$368,288	($106,920)
Westwood Tower	$259,314	($30,516)	$13,098	$259,314	$0
Subtotal	**$2,539,004**	**($229,039)**	**($325,309)**	**$2,002,075**	**($536,929)**
Properties with restricted cash flow (external and internal)					
617 Olney Sandy Spring Road	$9,836	($7,808)	$2,742	$4,770	($5,066)
The Ambassador	$0	$0	($106,922)	($106,922)	($106,922)
Avondale Apartments	$123,382	($32,240)	($56,491)	$34,651	($88,731)
Brooke Park	($7,884)	($48,247)	$35,978	($20,153)	($12,269)
Brookside Glen (The Glen)	$326,169	($74,056)	($78,399)	$173,714	($152,455)
Camp Hill Square	$184,016	$21,969	$43,643	$249,628	$65,612
CDBG Units	$0	($825)	$8,004	$7,179	$7,179
Cider Mill Apartments	$1,187,519	($167,913)	($596,531)	$423,075	($764,444)
Dale Drive	$10,662	($175)	($2,556)	$7,931	($2,731)
Diamond Square	$303,481	($71,011)	$10,843	$243,313	($60,168)
Elizabeth House Interim RAD	$0	$83,975	($5,154)	$78,821	$78,821
Holly Hall Interim RAD	$224,281	($212,634)	($106,202)	($94,555)	($318,836)
King Farm Village	$8,053	($478)	$381	$7,956	($97)
Manchester Manor	$36,283	($36,066)	($65,548)	($65,331)	($101,614)
Manor at Fair Hill Farm	$190,697	($25,842)	$57,930	$222,785	$32,088
Manor at Cloppers Mill	$175,152	($10,257)	$17,544	$182,438	$7,286
Manor at Colesville	$170,383	($21,663)	$32,085	$180,804	$10,421
NCI Units	$0	$5,053	($5,053)	$0	$0
NSP Units	$0	($4,858)	$4,750	($109)	($109)
Paint Branch	$73,243	($890)	($21,747)	$50,606	($22,637)
Shady Grove Apts	$193,089	($17,428)	$110,829	$286,490	$93,401
Southbridge	$24,399	($4,263)	($15,636)	$4,499	($19,900)
State Rental Combined	$25,913	($9,832)	$4,200	$20,281	($5,632)
Westwood Tower	$259,314	($30,516)	$13,098	$224,478	($34,836)
The Willows	($55,436)	($264,499)	$92,722	($227,213)	($171,777)
Subtotal	**$3,462,552**	**($930,504)**	**($625,490)**	**$1,889,136**	**($1,573,416)**
TOTAL ALL PROPERTIES	**$6,001,556**	**($1,159,543)**	**($950,799)**	**$3,891,211**	**($2,110,345)**

Attachment C

FY'19 Fourth Quarter Operating Budget to Actual Comparison
For HUD Funded Programs

	(12 Months) Budget	(12 Months) Actual	Variance
Public Housing Rental			
Revenue	$1,442,064	$1,373,496	($68,568)
Expenses	$1,442,064	$1,671,646	($229,582)
Net Income	**$0**	**($298,150)**	**($298,150)**
Housing Choice Voucher Program			
HAP revenue	$89,766,198	$97,969,317	$8,203,119
HAP payments	$91,917,018	$97,373,219	($5,456,201)
Net HAP	**($2,150,820)**	**$596,098**	**$2,746,918**
Draw From HAP Reserves	$2,150,820		
Admin.fees & other inc.	$7,618,348	$7,993,242	$374,894
Admin. Expense	$7,618,348	$7,379,542	$238,806
Net Administrative	**$0**	**$613,700**	**$613,700**
Net Income	**$0**	**$1,209,798**	**$3,360,618**

Attachment D

FY'19 Fourth Quarter Operating Budget to Actual Comparison

For Public Housing Rental Programs - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Elizabeth House	$0	($85,300)	($177,408)	($262,708)	($262,708)
Holly Hall	$0	$16,752	($32,662)	($15,910)	($15,910)
Arcola Towers	$0	$0	$0	$0	$0
Waverly House	$0	$0	$0	$0	$0
Seneca Ridge	$0	$0	$0	$0	$0
Emory Grove / Washington Square	$0	($20)	($19,512)	($19,532)	($19,532)
Towne Centre Place / Sandy Spring Meadow	$0	$0	$0	$0	$0
Ken Gar / Parkway Woods	$0	$0	$0	$0	$0
Scattered Sites Central	$0	$0	$0	$0	$0
Scattered Sites East	$0	$0	$0	$0	$0
Scattered Sites Gaithersburg	$0	$0	$0	$0	$0
Scattered Sites North	$0	$0	$0	$0	$0
Scattered Sites West	$0	$0	$0	$0	$0
TOTAL ALL PROPERTIES	**$0**	**($68,568)**	**($229,582)**	**($298,150)**	**($298,150)**

FY'19 Fourth Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(12 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			
Alexander House	$15,000	$66,054	($51,054)
Avondale Apartments	$21,420	$35,610	($14,190)
The Barclay	$28,800	$58,675	($29,875)
Brooke Park	$1,296	$849	$447
Brookside Glen (The Glen)	$136,400	$39,587	$96,813
Camp Hill Square	$54,152	$56,739	($2,587)
CDBG Units	$4,500	$344	$4,156
Chelsea Towers	$20,300	$4,943	$15,357
Cider Mill Apartments	$504,696	$468,682	$36,014
Dale Drive	$10,200	$1,909	$8,291
Diamond Square	$497,700	$77,741	$419,959
Fairfax Court	$71,000	$46,744	$24,256
Glenmont Crossing	$272,804	$101,389	$171,415
Glenmont Westerly	$188,592	$36,432	$152,160
Holiday Park	$17,420	$11,753	$5,667
Holly Hall	$0	$16,086	($16,086)
Jubilee Falling Creek	$0	$0	$0
Jubilee Hermitage	$400	$2,416	($2,016)
Jubilee Horizon Court	$1,000	$0	$1,000
Jubilee Woodedge	$1,365	$2,151	($786)
Ken Gar	$2,496	$3,050	($554)
King Farm Village	$600	$0	$600
Magruder's Discovery	$64,000	$91,134	($27,134)
Manchester Manor	$18,924	$97,566	($78,642)
Manor at Cloppers Mill	$52,600	$31,186	$21,414
Manor at Colesville	$167,385	$21,676	$145,709
Manor at Fair Hill Farm	$142,802	$34,745	$108,057
McHome	$72,256	$54,052	$18,204
McKendree	$17,560	$24,281	($6,721)
MetroPointe	$215,600	$136,933	$78,667
The Metropolitan	$229,100	$167,011	$62,089
Montgomery Arms	$75,110	$160,448	($85,338)
MHLP VII	$39,352	$35,406	$3,946
MHLP VIII	$67,396	$52,553	$14,843
MHLP IX - Pond Ridge	$42,325	$27,675	$14,650
MHLP IX - Scatter	$50,310	$89,493	($39,183)
MHLP X	$69,080	$46,617	$22,463
MPDU 2007 Phase II	$1,500	$8,433	($6,933)
617 Olney Sandy Spring Road	$0	$0	$0
64 MPDUs	$47,836	$97,986	($50,150)
TPM - 59 MPDUs	$88,000	$79,042	$8,958
Oaks at Four Corners	$350,395	$121,970	$228,425
NCI Units	$10,500	$10,587	($87)
NSP Units	$2,000	$13,610	($11,610)
Paddington Square	$91,240	$122,349	($31,109)
Paint Branch	$15,762	$26,324	($10,562)
Parkway Woods	$15,600	$225,300	($209,700)
TPP LLC Pomander Court	$12,842	$5,834	$7,008
Pooks Hill High-Rise	$297,284	$78,856	$218,428
Pooks Hill Mid-Rise	$98,966	$15,653	$83,313
Sandy Spring Meadow	$12,584	$4,987	$7,597
Scattered Site One Dev. Corp.	$147,500	$205,139	($57,639)
Scattered Site Two Dev. Corp.	$73,500	$24,121	$49,379
Seneca Ridge	$25,210	$54,122	($28,912)
Shady Grove Apts	$186,000	$68,417	$117,583
Sligo Development Corp.	$29,900	$13,390	$16,510
Southbridge	$21,488	$28,455	($6,967)
State Rental Combined	$122,152	$156,497	($34,345)
Strathmore Court	$204,411	$181,046	$23,365
Towne Centre Place	$26,596	$2,973	$23,623
TPP LLC Timberlawn	$84,805	$47,188	$37,617
VPC One Dev. Corp.	$133,550	$95,234	$38,316
VPC Two Dev. Corp.	$68,500	$87,411	($18,911)
Washington Square	$7,850	$18,783	($10,933)
Westwood Tower	$250,430	$207,565	$42,865
The Willows	$168,000	$122,491	$45,509
Subtotal	**$5,768,342**	**$4,225,693**	**$1,542,649**
TOTAL	**$8,036,342**	**$4,902,227**	**$3,134,115**

AUTHORIZATION TO WRITE OFF BAD DEBT RELATED TO TENANT ACCOUNTS RECEIVABLE (APRIL 1, 2019 – JUNE 30, 2019)

October 15, 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 April 1, 2019 to June 30, 2019 totaled $224,199. This quarter write off includes $159,519 from Opportunity Housing properties, $38,123 from RAD properties and $26,557 from the Supportive Housing program. Past tenants at VPC One Corporation and VPC Two Corporation accounted for the majority of the write-offs. These were mainly due to tenants who vacated their units voluntarily, were evicted for non-payment of rent as well as tenants who passed away while in their units.

- The next anticipated write-off of former tenants' bad debt balance will be for the period covered July 1, 2019 to September 30, 2019, and will be performed in the second quarter of FY'20.

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 (April 1, 2019 – June 30, 2019)			
DATE:	October 15, 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 June 5, 2019 was for $107,772 which covered the three-month period from January 1, 2019, through March 31, 2019.

The proposed write-off of former tenant accounts receivable balances for the fourth quarter April 1, 2019, through June 30, 2019, is $224,199.

The fourth quarter write-off totaling $224,199 is primarily due to the Opportunity Housing properties (VPC Two Corporation, VPC One Corporation, Avondale, Scattered Site One Development Corporation and State Partnership), RAD 6 properties, and Supportive Housing. The primary reasons for the write-offs include tenants who were evicted for non-payment, tenants who voluntarily left their units and tenants who passed away while in their units.

The following table shows the write-offs by fund.

	Current	Prior			Fiscal Year 2019	Prior
	Write-offs	Write-offs	$ Change	% Change	Year-to-Date	Twelve months
Property Type	04/01/19 - 06/30/19	01/01/19 - 03/31/19	01/01/19 - 03/31/19	01/01/19 - 03/31/19	07/01/18 - 06/30/19	Period
Public Housing	$ -	$ 1,866	$ (1,866)	-100%	$ 3,095	$ 18,836
Opportunity Housing	159,519	81,445	78,074	96%	532,378	255,396
236 Properties	-	-	-	-	318	3,805
Supportive Housing	26,557	1,029	25,528	2481%	39,255	8,899
Tax Credit	-	-	-	-	-	3,286
RAD Properties	38,123	23,432	14,691	63%	98,750	121,263
	$ 224,199	**$ 107,772**	**$ 116,427**	**108%**	**$ 673,796**	**$ 411,485**

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

	Current	Prior			Fiscal Year 2019	Prior
	Write-offs	Write-offs	$ Change	% Change	Year-to-Date	Twelve months
	04/01/19 - 06/30/19	01/01/19 - 03/31/19	01/01/19 - 03/31/19	01/01/19 - 03/31/19	07/01/18 - 06/30/19	Period
Public Fund						
Former PH Tenants	$ -	$ 1,866	$ (1,866)	-100%	$ 3,095	$ 18,836
Total Public Fund	**$ -**	**$ 1,866**	**$ (1,866)**	**-100%**	**$ 3,095**	**$ 18,836**

Within the Public Housing properties, there were no write-offs in the fourth quarter of FY ’19.

	Current Write-offs 04/01/19 - 06/30/19	Prior Write-offs 01/01/19 - 03/31/19	$ Change 01/01/19 - 03/31/19	% Change 01/01/19 - 03/31/19	Fiscal Year 2019 Year-to-Date 07/01/18 - 06/30/19	Prior Twelve months Period
Opportunity Housing (OH) Fund						
Avondale	$ 13,430	$ -	$ 13,430	-	$ 13,454	$ -
Chelsea Towers	-	315	(315)	-100%	315	-
Holiday Park	-	-	-	-	3,775	-
Jubilee - Woodedge	-	-	-	-	-	1,626
McHome	-	-	-	-	-	12,982
MPDU I/64	302	6,498	(6,196)	-95%	22,929	16,343
MHLP VII	-	-	-	-	-	10,448
MHLP VIII	-	-	-	-	-	22,649
MHLP IX - MPDU	-	-	-	-	5,818	-
MHLP IX - Pondridge	-	244	(244)	-100%	244	9,096
MHLP X	-	-	-	-	-	1,151
NSP 1			-	-	-	2,130
NCI 1			-	-	-	11,009
Scattered Site One Dev Corp	10,343	18,575	(8,232)	-44%	35,003	48,953
Scattered Site Two Dev Corp			-	-	-	4,492
Sligo Dev Corp-MPDU III	-	-	-	-	-	2,197
State Rental Partnership	6,365	3,833	2,532	66%	18,276	6,161
TPM Dev Corp-Pomander Court	640	-	640	-	640	-
TPP LLC -Pomander	953	845	108	13%	1,798	-
VPC One Corp	57,583	21,808	35,775	164%	215,114	74,342
VPC Two Corp	69,902	29,327	40,575	138%	215,011	31,817
Total OH Fund	**$ 159,519**	**$ 81,445**	**$ 78,074**	**96%**	**$ 532,378**	**$ 255,396**

Within the Opportunity Housing portfolio, $159,519 write-off amount were largely for VPC Two Corporation, VPC One Corporation, Avondale, Scattered Site One Development Corporation and State Partnership. The write-offs were mainly due to tenants who voluntarily vacated their units or were evicted due to non-payment of rents.

	Current Write-offs 04/01/19 - 06/30/19	Prior Write-offs 01/01/19 - 03/31/19	$ Change	% Change	Fiscal Year 2019 Year-to-Date 07/01/18 - 06/30/19	Prior Twelve months Period
236 Properties						
Town Center Apts	$ -	$ -	$ -	-	$ 318	$ 494
Bauer	-	-	-	-	-	3,311
Total 236 Properties	**$ -**	**$ -**	**$ -**	**-**	**$ 318**	**$ 3,805**

Within the 236 Properties, there were no write-offs in the fourth quarter of FY ‘19.

	Current Write-offs 04/01/19 - 06/30/19	Prior Write-offs 01/01/19 - 03/31/19	$ Change 01/01/19 - 03/31/19	% Change 01/01/19 - 03/31/19	Fiscal Year 2019 Year-to-Date 07/01/18 - 06/30/19	Prior Twelve months Period
Supportive Housing						
SHP Turnkey Leasing	$ -	$ -	$ -	-	$ -	$ 16
McKinney X - HUD	26,336	500	25,836	5167%	36,020	4,958
McKinney XII - HUD	221	529	(308)	-58%	3,235	3,925
Total Supportive Housing	**$ 26,557**	**$ 1,029**	**$ 25,528**	**2481%**	**$ 39,255**	**$ 8,899**

Within the Supportive Housing Program, the $26,557 write- offs were due to failure to pay rent, non-compliant with program requirement and a tenant who moved to a nursing home.

	Current Write-offs 04/01/19 - 06/30/19	Prior Write-offs 01/01/19 - 03/31/19	$ Change 01/01/19 - 03/31/19	% Change 01/01/19 - 03/31/19	Fiscal Year 2019 Year-to-Date 07/01/18 - 06/30/19	Prior Twelve months Period
Tax Credit						
Hampden Lane	$ -	$ -	$ -	-	$ -	$ 3,286
Total Tax Credit Properties	**$ -**	**$ -**	**$ -**	**-**	**$ -**	**$ 3,286**

Within the Tax Credit, there were no write-offs in the fourth quarter of FY '19.

	Current Write-offs 04/01/19 - 06/30/19	Prior Write-offs 01/01/19 - 03/31/19	$ Change 01/01/19 - 03/31/19	% Change 01/01/19 - 03/31/19	Fiscal Year 2019 Year-to-Date 07/01/18 - 06/30/19	Prior Twelve months Period
RAD Properties						
RAD 6 - Ken Gar	$ -	$ -	$ -	-	$ 10,000	$ -
RAD 6 - Sandy Spring Meadow	7,082	5,017	2,065	41%	12,099	2,106
RAD 6 - Seneca Ridge	24,441	189	24,252	12832%	49,415	22,356
RAD 6 - Washington Square	6,600	18,226	(11,626)	-64%	24,826	82,677
RAD 6 - Parkway Woods	-	-	-	-	-	8,007
Arcola Towers LP	-	-	-	-	274	2,383
Waverly House LP	-	-	-	-	2,136	3,734
Total RAD Properties	**$ 38,123**	**$ 23,432**	**$ 14,691**	**63%**	**$ 98,750**	**$ 121,263**

Within the RAD properties, the $38,123 write-offs were mostly due to tenants who left their units voluntarily and one tenant was evicted due to non-payment of rents.

The next anticipated write-off will be for the first quarter of FY'20, covering July 1, 2019, through September 30, 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 September 18, 2019 meeting. Action is requested at the October 15, 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.: 19-94

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 April 1, 2019 – June 30, 2019 is $224,199, consisting of $159,519 from Opportunity Housing properties, $38,123 from RAD properties and $26,557 from Supportive Housing program.

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 $224,199 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 Tuesday, October 15, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

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Approval to Extend the Use of the PNC Bank N.A. Real Estate Line of Credit (RELOC) for the Purpose of Making a Capital Contribution to CCL Multifamily LLC

October 15, 2019

- The Commission has previously authorized a taxable draw of up to $11 million from the PNC Bank N.A. RELOC to fund the required HOC's capital contribution to CCL Multifamily for the Chevy Chase Lake redevelopment plan and the construction of a multifamily project called The Lindley.

- As of June 30, 2019, total principal balance from these draws was approximately $9.4 million. The estimated total annual cost is about $353,379 based on the RELOC taxable borrowing rate (one month LIBOR + 0.58%) as of August 1, 2019 plus some cushion to mitigate interest rate risk.

- Staff requests approval to extend the current maturity date from November 7, 2019 through November 7, 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 PNC Bank Real Estate Line of Credit (RELOC) for the Purpose of Making a Capital Contribution to CCL Multifamily LLC

DATE: October 15, 2019

STATUS: Committee Report: Deliberation X

OVERALL GOAL & OBJECTIVE:
To extend the use of the PNC Bank Real Estate Line of Credit (RELOC) for the purpose of making a capital contribution to CCL Multifamily LLC for the development of the Chevy Chase Lake Multifamily property (The Lindley) through November 7, 2020.

BACKGROUND:
On July 13, 2016, the Commission approved a taxable draw of up to $11,008,930 from the PNC Bank RELOC for the purpose of making a 50% capital contribution to the owner of CCL Multifamily LLC and for the development of the Chevy Chase Lake Multifamily project (The Lindley). On November 7, 2016, HOC closed construction and equity financing for the project and $2,968,213 was drawn from the RELOC at closing.

To date, a total $10,156,430 was drawn on the facility to fund the required HOC's portion of the equity. As of June 30, 2019, $781,765 was repaid to PNC from the sales proceeds of townhome units remitted by EYA to HOC. The remaining loan balance of $9,374,665 will mature on November 7, 2019. The estimated annual cost is $353,379 based on RELOC taxable borrowing rate (one month LIBOR + 0.58%) as of August 1, 2019, plus some cushion to mitigate interest rate risk.

The Lindley is a 200-unit high-rise apartment building situated one-tenth of a mile from Connecticut Avenue, adjacent to the future Metro Purple Line light rail station. Construction of the project commenced on November 8, 2016 and was completed on January 16, 2019. Lease-up is underway and has reached 59% occupancy as of August 1, 2019. Conversion to the permanent loan is planned for October 2019.

ISSUES FOR CONSIDERATION:
Does the Commission wish to approve the extension of the use of PNC Bank Real Estate Line of Credit (RELOC) for the purpose of making a capital contribution to CCL Multifamily LLC for the development of the Chevy Chase Lake Multifamily property (The Lindley) through November 7, 2020?

PRINCIPALS:
HOC
PNC Bank, N.A.
CCL Multifamily LLC

BUDGET IMPACT:
The amount of interest expense for FY2020 which is estimated at $353,379 will be covered in the FY20 Agency budget.

TIME FRAME:
The Budget, Finance and Audit Committee reviewed the approval to extend the use of PNC Bank Real Estate Line of Credit (RELOC) for the purpose of making a capital contribution to CCL Multifamily LLC for the development of the Chevy Chase Lake Multifamily property (The Lindley) through November 7, 2020 at its September 18, 2019 meeting. Commission action is requested at the October 15 , 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
The Budget, Finance and Audit Committee recommends to the full Commission approval to extend the use of the PNC Bank Real Estate Line of Credit (RELOC) for the purpose of making a capital contribution to CCL Multifamily LLC for the development of the Chevy Chase Lake Multifamily property (The Lindley) through November 7, 2020.

RESOLUTION No.: 19-95

RE: Approval to Extend the Use of the PNC Bank, N.A. Real Estate Line of Credit for the Purpose of Making a Capital Contribution to CCL Multifamily LLC

WHEREAS, on July 13, 2016, the Housing Opportunities Commission of Montgomery County ("HOC") authorized a taxable draw of up to $11,008,930 (the "Draw") from the PNC Bank, N.A. Real Estate Line of Credit (the "RELOC") for the purpose of making a 50% capital contribution to CCL Multifamily LLC for the development of the Chevy Chase Lake Multifamily project (The Lindley);

WHEREAS, on November 7, 2016, HOC closed construction and equity financing for the project and $2,968,213 was drawn from the RELOC;

WHEREAS, as of June 30, 2019, a total of $10,156,430 was drawn on the RELOC and $781,765 was repaid from the sales proceeds of townhome units, leaving a balance of $9,374,665 that will mature on November 7, 2019;

WHEREAS, staff recommends extending the maturity date of the Draw through November 7, 2020 at a taxable rate of LIBOR plus 58 basis points until a permanent loan is put in place; and

WHEREAS, the estimated cost, as of August 1, 2019, under the RELOC is expected to be approximately $353,379.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby approves extending the use of the PNC Bank Real Estate Line of Credit through November 7, 2020 to continue to fund HOC's capital contribution to CCL Multifamily LLC.

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

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Tuesday, October 15, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO RELEASE OBLIGATION AGAINST THE PNC BANK $60 MILLION LINE OF CREDIT

October 15, 2019

- In May 2012, the Commission obligated $10 million from the PNC Bank, N.A. $60 million Line of Credit ("PNC LOC") for use by the Single Family Mortgage Purchase Program (the "Program") for the purpose of purchasing Mortgage Backed Securities ("MBS").

- In October 2015, the Commission reduced the Program's MBS obligation on the PNC LOC to $5 million.

- In December 2018, the Commission approved an additional $5 million obligation on the PNC LOC for the Program for use on a revolving basis for the purpose of preserving Single Family volume cap via replacement refunding bonds. Therefore, total obligations currently on the PNC LOC for the Program are $10 million.

- The last utilization of the PNC LOC by the Program to purchase MBS's was March 2017.

- In order to free up the Commission's limited financial resources, Caine Mitter advises that releasing the $5 million obligation on the PNC LOC for MBS purchases is appropriate. This will not adversely impact the Program, as funds in the Commission's Custody Account held at U.S. Bank, will be transferred to the Single Family 1989A Revenue Account, held by Bank of New York Mellon, which has been earmarked as a Single Family loan warehouse account, and will be utilized for MBS purchases in the future.

- Staff requests approval to release the $5 million obligation for MBS purchases against the PNC LOC.

- After releasing this obligation for the Program, $5 million for the Program's replacement refunding activities will remain, and the unobligated balance of the PNC LOC will be $4,590,801.

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
	Kayrine Brown		Mortgage Finance	Ext. 9589
	Jennifer H. Arrington		Mortgage Finance	Ext. 9760
RE:	Approval to Release Obligation Against the PNC Bank $60 Million Line of Credit			
DATE:	October 15, 2019			

STATUS: Consent ______ Deliberation __X___ Status Report ______

OVERALL GOAL & OBJECTIVE:

Approval to release the $5 million obligation currently outstanding against the PNC Bank $60 million Line of Credit for the purpose of purchasing Mortgage Backed Securities Single Family Mortgage Purchase Program ("MPP").

BACKGROUND:

On May 2, 2012 with the authorization of the Mortgage Backed Securities ("MBS") Program, the Commission authorized the use of up to $10 million from the $60 million PNC Bank, N.A. Line of Credit ("PNC LOC") for use by the Single Family Mortgage Purchase Program (the "Program") to purchase and on October 7, 2015, the amount of the obligation was reduced to $5 million. The Commission purchases pooled MBS' from the Master Servicer (U.S. Bank) on a monthly basis, typically utilizing bond funds; however, when bond funds are not available and the Program sells securities in the To-Be-Announced ("TBA") market, these transactions at times require a draw from the PNC LOC. Cash from the draw is then deposited into the HOC Custody Account, held at U.S. Bank Corporate Trust Services, to complete the purchase. The securities are then sold within two to five business days, and the PNC LOC draw is repaid.

On December 5, 2018, the Commission approved an additional $5 million obligation on the PNC LOC for the Program for use on a revolving basis in accordance with its terms for the purpose of preserving Single Family volume cap via replacement refunding bonds. Therefore, total obligations currently on the PNC LOC for the Program are $10 million.

In order to free up the Commission's limited financial resources and considering the Program has not utilized the PNC LOC to complete MBS purchases since March 17, 2017, as funds in the Commission's Custody Account have grown to satisfy MBS purchases without relying on the PNC

LOC, Caine Mitter advises that releasing the $5 million obligation on the PNC LOC is appropriate and would not adversely impact activities in the Program.

In order to complete future MBS purchases, staff proposes that the Commission utilize funds in the Single Family 1989A Revenue Account in the 1979 Indenture (the "Revenue Account"), held at Bank of New York Mellon, which was earmarked as a warehouse account upon closing the 2019 Program Revenue Bond issuance in August 2019. The Revenue Account balance is $3,762,017.

Due to the Program's current volume (in September 2019, the Program will deliver $5,714,202 in single family bond pools). Staff further proposes transferring the $3,396,811 available in the Commission's Custody Account into the Revenue Account, increasing the Revenue Account balance to $7,158,828. This will ensure that the Revenue Account can support future purchases and will streamline the transactions, so that only one account is utilized to complete the deliveries of MBS'.

In an effort to broaden resources for the Program, staff and Caine Mitter have begun to investigate establishing a line of credit with the Federal Home Loan Bank of Atlanta ("FHLB") to be used solely for Single Family needs. Given that FHLB's products require collateral, the MBS's that the Commission purchases will provide the security. Once its evaluation of the FHLB's product is complete, staff will return to the Commission with a recommendation for program participation in the winter of 2019.

Staff requests approval to release the $5 million obligation for MBS purchases against the PNC LOC. After releasing this obligation for the Program, $5 million for the Program's replacement refunding activities will remain, and the unobligated balance of the PNC LOC will be $4,590,801. See attached schedule of PNC LOC obligations.

ISSUES FOR CONSIDERATION:

Does the Commission wish to release the $5 million obligation against the $60 million PNC Bank Line of Credit for the purpose of purchasing mortgage backed securities?

BUDGET IMPACT:

There is no budget impact on the FY'20 Adopted Budget.

TIME FRAME:

Action at the October 15, 2019 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission accept the recommendation of the Budget Finance and Audit Committee and approve the release of the $5 million Single Family Mortgage Purchase Program obligation against the PNC Bank $60 million Line of Credit for the purchase of mortgage backed securities. The Program's obligation of $5 million on the PNC LOC for the purpose of replacement refundings will remain.

RESOLUTION: 19-96 **RE:** Approval to Release Obligation Against the PNC Bank $60 Million Line of Credit

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") has a $60 million Line of Credit with PNC Bank, N.A. ("PNC LOC"); and

WHEREAS, in May 2012, the Commission obligated $10 million of the PNC LOC for the Single Family Mortgage Purchase Program (the "Program") for the purpose of purchasing Mortgage Backed Securities ("MBS"); and

WHEREAS, in October 2015, the Commission reduced the PNC LOC obligation for the Program to $5 million (the "$5 Million PNC LOC Obligation"); and

WHEREAS, in December 2018, the Commission approved an additional $5 million obligation on the PNC LOC for the Program to be used on a revolving basis for the purpose of preserving Single Family volume cap via replacement refunding bonds (the "$5 Million Revolving PNC LOC Obligation"), creating a total PNC LOC obligation for the Program of $10 million; and

WHEREAS, the last utilization of the PNC LOC by the Program to purchase MBS was March 17, 2017; and

WHEREAS, in order to free up the Commission's limited financial resources, Caine Mitter has advised HOC staff that releasing the $5 Million PNC LOC Obligation is appropriate and will not adversely impact activities of the Program; and

WHEREAS, upon releasing the $5 Million PNC LOC Obligation, the $5 Million Revolving PNC LOC Obligation will remain, and the unobligated balance of the PNC LOC will be $4,590,801.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes staff to release the $5 Million PNC LOC Obligation.

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

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 15, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACTS FOR BARCLAY ONE ASSOCIATES LP AND FAIRFAX COURT

October 15, 2019

- The Property Management Contracts for Barclay One Associates LP and Fairfax Court are expiring **December 31, 2019**. The contracts provide for two one-year renewal options.

- Per the Commission's procurement policy, the Commission must approve all property management contract renewals.

- Staff requests that the contracts for Barclay One Associates LP and Fairfax Court be renewed with CAPREIT for one year through December 31, 2020.

- Barclay Apartments is currently 97% occupied. Eighty-one units are restricted to households earning at or below 55% AMI. Seventy-six units are unrestricted.

- Fairfax Court is currently 94% occupied. Eight units are restricted to households earning at or below 50% AMI. Ten units are unrestricted.

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: Millicent Anglin Division: Property Management Ext. 9676

RE: Approval to Renew the Property Management Contracts for Barclay One Associates LP and Fairfax Court

DATE: October 15, 2019

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

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew property management contracts with CAPREIT for property management services at Barclay One Associates LP and Fairfax Court.

BACKGROUND:

Barclay Apartments (Barclay Development Corporation and Barclay One Associates LP) is a 157-unit, multi-family property located in Chevy Chase, MD with studio, 1-bedroom, and 2-bedroom apartments. The community consists of 76 unrestricted units and 81 affordable units restricted to households earning at or below 55% AMI. Barclay Apartments is currently 97% occupied. Property amenities include a business center, fitness center, laundry facilities, and on-site parking.

Fairfax Court is an 18-unit development located in Chevy Chase, MD with eight affordable units restricted to households earning at or below 50% AMI. Ten units are unrestricted. The property offers 2-bedroom and 3-bedroom units with on-site parking. Residents have access to the amenities at Barclay Apartments. Fairfax Court is currently 94% occupied.

Staff wishes to renew property management contracts with CAPREIT for Barclay Apartments and Fairfax Court for one year through December 31, 2020. CAPREIT began providing property management services in January 2018 and is currently addressing several challenges at both properties including:

1. Barclay Apartments received a score of 78C on its June 2019 REAC inspection primarily due to a 13-point deduction related to blocked sprinkler heads. CAPREIT has since corrected all inspection deficiencies, however, HOC staff continues to monitor performance and overall

property management services to ensure the property receives an improved score during the June 2020 REAC inspection.

2. The County is re-inspecting Fairfax Court in 2019 after several deficiencies were noted in a 2018 inspection. CAPREIT is working with their Regional Facilities Manager to ensure all violations are addressed prior to the re-inspection.

3. Barclay Apartments' residents have requested improved communication with CAPREIT. In response, CAPREIT began facilitating monthly tenant meetings in September 2019 to expedite identifying and responding to resident concerns. HOC property management and services staff also participate in tenant meetings.

The one-year renewal through December 31, 2020 will provide CAPREIT with adequate time to resolve the above challenges. CAPREIT staff, including the Chief Operations Officer, Asset Manager, Property Manager, and Regional Manager, are engaged in improving communication and property management services to residents. Weekly calls with HOC and CAPREIT staff are ongoing as we continue to monitor improvement.

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)
Barclay One Associates LP	81	CAPREIT	$34,320	12/31/2019	1/1/2020-12/31/2020	One
Fairfax Court	18	CAPREIT	$7,632	12/31/2019	1/1/2020-12/31/2020	One

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute a one-year renewal of the property management services contracts with CAPREIT for Barclay Apartments and Fairfax Court?

BUDGET IMPACT:

The renewal of the property management contracts for Barclay Apartments and Fairfax Court will not have a budget impact as the costs associated with the services are included in the property budgets. Property management costs through June 30, 2020 are factored into the FY2020 budget and costs through December 31, 2020 will be factored into the FY2021 and CY2020 budgets. Additionally, the contract is performance-based and fees will be lower if revenue declines below budgeted expectations.

TIME FRAME:

At the September 18, 2019 meeting, the Budget, Finance, and Audit Committee reviewed the request to renew the property management contracts for Barclay Apartments and Fairfax Court for one year. For Commission action at the October 15, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance, and Audit Committee recommends to the full Commission approval of the property management contract renewals with CAPREIT for Barclay Apartments and Fairfax Court through December 31, 2020.

RESOLUTION NO. 19-97

RE: Approval to Renew Property Management Contracts for Barclay Apartments and Fairfax Court for One Year

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") is the general partner of Barclay One Associates Limited Partnership ("Barclay LP"), and Barclay LP owns 81 units in the development known as Barclay Apartments located in Chevy Chase, Maryland ("Barclay Apartments");

WHEREAS, HOC owns the development known as Fairfax Court located in Chevy Chase, Maryland ("Fairfax Court," together with Barclay Apartments, the "Properties").

WHEREAS, HOC staff desires to renew the current property management contracts at the Properties for one (1) year with CAPREIT;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Barclay LP, as its general partner, that the Executive Director, or his designee, is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Barclay Apartments with CAPREIT.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Fairfax Court with CAPREIT.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, 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, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at an open meeting conducted on October 15, 2019.

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Patrice M. Birdsong
Special Assistant to the Housing Opportunities Commission of Montgomery County

APPROVAL TO RENEW THE PROPERTY MANAGEMENT CONTRACT FOR SPRING GARDEN

October 15, 2019

- The Property Management Contract with Spring Garden One Associates Limited Partnership (“Spring Garden”) is expiring November 30, 2019. The contract provides for additional three-one year renewals.

- Per the Commission’s procurement policy, the Commission must approve all property management contract renewals.

- Staff requests that the contract for Spring Garden be renewed for one (1) year with Edgewood/Vantage Management.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Jay Berkowitz Division: Property Management Ext. 4857

RE: Approval to Renew the Property Management Contract at Spring Garden One Associates Limited Partnership

DATE: October 15, 2019

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

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew the property management contract with Edgewood/Vantage for Property Management Services at Spring Garden One Associates LP.

BACKGROUND:

Spring Garden One Associates LP ("Spring Garden") is an 82 unit garden style apartment community of 25 market rate and 57 affordable LIHTC units at 55% of the median income. Spring Garden is located in downtown Silver Spring within walking distance of the Silver Spring Metro. The property management contract for Spring Garden is expiring on November 30, 2019. The property received a score of 98A for its most recent REAC inspection. The property has maintained an average occupancy of 98% over the last 2 years.

Staff wishes to renew the property management contract for Spring Garden for one (1) year with Edgewood/Vantage Management.

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)
Spring Gardens	82	EMC/Vantage Management	$41,328	11/30/2019	12/1/2019 to 11/30/2020	2-1 One Year Renewals Remaining

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute a One Year Renewal of the property management services contract with Edgewood/Vantage Management for property management services at Spring Garden?

BUDGET IMPACT:

The renewal of the property management contract for Spring Garden for one year will not have a budget impact as the costs associated with the services were factored into the CY2020 property budget.

TIME FRAME:

For Commission action at the October 15, 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 execute a renewal of the property management services contract with Edgewood/Vantage Management for one (1) year at Spring Garden.

RESOLUTION NO. 19-98 | **RE: Approval to Renew Property Management Contract for Spring Garden One Associates Limited Partnership.**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") is the general partner of Spring Garden One Associates Limited Partnership ("Spring Garden LP"), and Spring Garden LP owns the development known as Spring Garden located in Silver Spring, Maryland ("Spring Garden"); and

WHEREAS, staff desires to renew the current property management contract at Spring Garden for one (1) year with Edgewood/Vantage Management.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Spring Garden One Associates Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one (1) year renewal of the property management contact at Spring Garden.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, 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, including the execution of any docuemnts related thereto.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 15, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACTS FOR METROPOLITAN OF BETHESDA LP, STRATHMORE COURT, AND STRATHMORE COURT ASSOCIATES LP

October 15, 2019

- The Property Management Contract for Metropolitan of Bethesda LP is expiring **October 31, 2019**. The contract provides for a one-year renewal period through **October 31, 2020**.

- The Property Management Contract for Strathmore Court and Strathmore Court Associates LP is expiring **October 31, 2019**. The contract provides for a one-year renewal period through **October 31, 2020**.

- Per the Commission's procurement policy, the Commission must approve all property management contract renewals.

- Staff requests that the contracts for Metropolitan of Bethesda LP, Strathmore Court, Strathmore Court Associates LP be renewed through October 31, 2020 with Bozzuto Management Company.

- The Metropolitan received a score of **97A** on its most recent REAC inspection. Strathmore Court is not subject to REAC inspections.

- Metropolitan of Bethesda LP is currently 100% occupied and includes 92 affordable units restricted to households earning up to 50% AMI.

- Strathmore Court is currently 98% occupied and Strathmore Court Associates LP is currently 100% occupied. The property includes 51 affordable units restricted to households earning up to 60% AMI and 151 unrestricted units.

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: Millicent Anglin Division: Property Management Ext. 9676

RE: Approval to Renew Property Management Contracts for Metropolitan of Bethesda LP, Strathmore Court, and Strathmore Court Associates LP

DATE: October 15, 2019

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

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew property management contracts with Bozzuto Management Company for property management services at Metropolitan of Bethesda LP ("The Metropolitan"), and Strathmore Court and Strathmore Court Associates LP ("Strathmore Court").

BACKGROUND:

The Metropolitan is a 308-unit, 12-story, multi-family property located in downtown Bethesda. Amenities include a rooftop swimming pool, community room, business center, exercise room, and garage parking. The property includes 92 affordable units restricted to households earning up to 50% AMI and 216 unrestricted units. The property also includes six commercial spaces, all of which are leased.

Strathmore Court is a 202-unit, multi-family property with 1 and 2-bedroom apartments located in North Bethesda. Amenities include an outdoor swimming pool, basketball court, children's playground, community room, business center, exercise room, and underground parking. The property includes 51 affordable units restricted to households earning up to 60% AMI and 151 unrestricted units.

Staff wishes to renew property management contracts for The Metropolitan and Strathmore Court through October 31, 2020 with Bozzuto Management Company. Both projects are well-maintained and have stable occupancy. Metropolitan of Bethesda LP is currently 100% occupied and Metropolitan Development Corporation is currently 95% occupied. Strathmore Court is currently 98% occupied and Strathmore Court Associates LP is currently 100% occupied. The Metropolitan received a score of 97A on its most recent REAC inspection (Strathmore Court is not subject to REAC inspections).

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)
Metropolitan of Bethesda LP	92	Bozzuto	$67,929	10/31/2019	11/1/2019-10/31/2020	One
Strathmore Court	202	Bozzuto	$163,152	10/31/2019	11/1/2019-10/31/2020	One

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute a one-year renewal of the property management services contracts with Bozzuto Management Company for The Metropolitan and Strathmore Court?

BUDGET IMPACT:

The renewal of the property management contracts for The Metropolitan and Strathmore Court will not have a budget impact as the costs associated with the services are included in the property budgets. Management costs through June 30, 2020 are factored into the FY2020 budgets and costs through October 31, 2020 will be factored into the FY2021 budgets.

TIME FRAME:

At the September 18, 2019 meeting, the Budget, Finance, and Audit Committee reviewed the request to renew the property management contracts for The Metropolitan and Strathmore Court for one year. For Commission action at the October 15, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance, and Audit Committee recommends to the full Commission approval of the property management contract renewals with Bozzuto Management Company for The Metropolitan and Strathmore Court through October 31, 2020. Additionally, the Committee recommended that the contracts be performance-based so the management fee would be lower if revenue declined below budgeted expectations.

RESOLUTION NO. 19-99 **RE: Approval to Renew Property Management Contracts for The Metropolitan and Strathmore for One Year**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") is the general partner of The Metropolitan of Bethesda Limited Partnership ("Metropolitan LP"), and Metropolitan LP owns 92 units at the development known as The Metropolitan located in Bethesda, Maryland (the "Metropolitan");

WHEREAS, HOC is the general partner of Strathmore Court Associates Limited Partnership ("Strathmore LP"), and Strathmore LP owns 51 units and HOC owns 151 units at the development known as Strathmore Court located in Bethesda, Maryland ("Strathmore," together with the Metropolitan, the "Properties"); and

WHEREAS, staff desires to renew the current property management contracts at the Properties for one (1) year with Bozzuto Management Company.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of The Metropolitan of Bethesda Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Metropolitan with Bozzuto Management Company.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Strathmore Court Associates Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a one (1) year renewal of the property management contract at Strathmore with Bozzuto Management Company.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, or his designee, 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, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 15, 2019.

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Patrice M. Birdsong
Special Assistant to the Housing Opportunities Commission of Montgomery County

APPROVAL TO RENEW THE PROPERTY MANAGEMENT CONTRACT FOR CCL MULTIFAMILY LLC (THE LINDLEY)

October 15, 2019

- The Property Management Contract for CCL Multifamily LLC (The Lindley) is expiring **January 13, 2020**. The contract provides for a renewal period through May 2, 2020.

- Per the Commission's procurement policy, the Commission must approve all property management contract renewals.

- Staff requests that the contract for CCL Multifamily LLC be renewed through May 2, 2020 with Bozzuto Management Company.

- The property is in lease-up and is currently 63.5% occupied. The property includes 40 units at or below 50% AMI, 40 units at 100% AMI, and 120 unrestricted units.

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: Millicent Anglin Division: Property Management Ext. 9676

RE: Approval to Renew the Property Management Contract at CCL Multifamily LLC ("The Lindley")

DATE: October 15, 2019

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

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew the property management contract with Bozzuto Management Company for property management services at CCL Multifamily LLC.

BACKGROUND:

CCL Multifamily LLC ("The Lindley") is a 200-unit luxury new construction development with 1, 2, and 3-bedrooms apartments in Chevy Chase, MD. Construction was completed in 2018 and lease-up began in October 2018. The property offers extensive amenities including a fitness room with yoga studio, children's play area, courtyard, pet spa, and rooftop dog park. This is a mixed-income community with 40 affordable units at 50% AMI, 40 workforce housing units at 100% AMI, and 120 market rate units. The Lindley is not a tax credit property and does not have project-based subsidy. The property is internally subsidized with market rate rents. Bozzuto began providing property management services in January 2019 after the prior property manager, Greystar, was terminated.

Staff wishes to renew the property management contract for The Lindley through May 2, 2020 with Bozzuto Management Company. The project is expected achieve stabilized occupancy by May 2020. Continuity of property management services and staffing during the remainder of the lease-up period is critical to ensure that the May 2020 stabilization projection is met. During the time Bozzuto has managed the property (Jan 2019 to mid-September 2019), occupancy has increased from 26.0% to 63.5%.

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)
The Lindley	200	Bozzuto	$38,966*	1/13/2020	1/14/2020 – 5/2/2020	None

*Reflects prorated fee for 3.5-month renewal term.

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to execute a renewal of the property management services contract with Bozzuto Management Company through May 2, 2020 for The Lindley?

BUDGET IMPACT:

The renewal of the property management contract for The Lindley through May 2, 2020 will not have a budget impact as the costs associated with the services are factored into the CY2020 property budget. Additionally, the contract is performance-based and fees will be lower if revenue declines below budgeted expectations.

TIME FRAME:

At the September 18, 2019 meeting, the Budget, Finance, and Audit Committee reviewed the request to renew the property management contract at The Lindley through May 2, 2020. For Commission action at the October 15, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance, and Audit Committee recommends to the full Commission approval of the property management contract renewal with Bozzuto Management Company through May 2, 2020 for The Lindley.

RESOLUTION NO. 19-100 **RE: Approval to Renew Property Management Contract for The Lindley**

WHEREAS, the Housing Opportunities Commission of Montgomery County ("HOC") is the managing member of CCL Multifamily LLC, which owns the development known as The Lindley located in Chevy Chase, Maryland (the "Property"); and

WHEREAS, HOC staff desires to renew the current property management contract at the Property through May 2, 2020 with Bozzuto Management Company.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf itself and on behalf of CCL Multifamily LLC, as its managing member, that the Executive Director is hereby authorized and directed to execute a renewal of the property management contract at the Property through May 2, 2020 with Bozzuto Management Company.

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 transaction contemplated herein, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 15, 2019.

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Patrice M. Birdsong
Special Assistant to the Housing Opportunities Commission of Montgomery County

Development and Finance Committee

APPROVAL OF A BOND AUTHORIZING RESOLUTION FOR THE ISSUANCE OF 2019 SERIES B AND SERIES C MULTIFAMILY HOUSING DEVELOPMENT BONDS TO REFUND 2004 SERIES C AND SERIES D BONDS

October 15, 2019

- In an effort to reduce the Commission's borrowing cost under the Multifamily Housing Development Bond Resolution (the "1996 Indenture"), the Commission has issued refunding bonds at lower bond rates, while leaving underlying mortgages unchanged and outstanding. This approach was last utilized in the 2012 Series D Multifamily Housing Development Bonds issuance for Montgomery Arms, Diamond Square, and Brookside Glen.

- Two (2) series of bonds issued under the 1996 Indenture, 2004 Series C and Series D (the "2004CD Bonds"), have been identified for which substantial savings may be achieved through the issuance of refunding bonds. The 2004CD Bonds financed the acquisition of Barclay Apartments in Bethesda and Spring Garden in Silver Spring (collectively, the "Properties") through the issuance of variable rate demand obligation ("VRDO"), governmental and private activity bonds, which are subject to a long-term interest rate swap and benefit from a liquidity facility in the form of a letter of credit. The mortgage loans for these Properties are insured under the FHA Risk Sharing Program, and the bonds are beyond their initial 10-year lock out periods and may be refunded without penalty.

- Caine Mitter and Associates Incorporated, HOC's Financial Advisor, has completed a comprehensive analysis of the respective bonds series, and considering: 1) HOC may now exercise its option under the swap agreement to terminate the swap at par; 2) the liquidity facility expires January 2, 2020; and, 3) the current low interest rate environment, it is estimated that refunding into a fixed-rate instrument will lower the overall bond yield by up to approximately 1.4% to 1.56%, resulting in net present value savings through final maturity between approximately $1.6 and $1.8 million.

- The cost of issuance for the transaction is estimated to be $348,100 or 2% of the refunding bonds. Considering the mortgages will remain in place and unchanged, monies originally deposited for the 2004CD Bonds will remain and no additional reserves are necessary for the refunding bonds.

- Should the Commission approve the Bond Authorizing Resolution, staff expects bond pricing to occur in early November 2019 and closing in early December 2019.

- Staff recommends that the Commission: 1) accept the recommendation of the Development and Finance Committee, which met on September 20, 2019, and adopt the attached resolution which authorizes the issuance of 2019 Series B and Series C Multifamily Housing Development Bonds, totaling $17,405,000, to refund the 2004CD Bonds; and, 2) approve the funding of approximately $348,100 or 2% of the bonds in cost of issuance expenses from the 1996 Indenture.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Kayrine Brown Division: Mortgage Finance Ext. 9589
Jennifer H. Arrington Mortgage Finance Ext. 9760

RE: Approval of a Bond Authorizing Resolution for the Issuance of 2019 Series B and Series C Multifamily Housing Development Bonds to Refund 2004 Series C and Series D Bonds

DATE: October 15, 2019

STATUS: Committee Report: Deliberation

OVERALL GOAL & OBJECTIVE:

To approve a Bond Authorizing Resolution for the issuance of 2019 Series B and Series C Multifamily Housing Development Bonds ("MFHDBs") to refund 2004 Series C and Series D bonds (the "2004CD Bonds") issued under the Multifamily Housing Development Bond Resolution (the "1996 Indenture"), thereby, lowering the Commission's borrowing cost.

BACKGROUND:

The Multifamily Bond Portfolio is continually evaluated to identify opportunities for savings on bond debt service expenses. These savings may be achieved by issuing refunding bonds at lower bond rates while leaving the mortgages for those transactions unchanged and outstanding. The Commission has used this approach successfully, most recently issuing refunding bonds for the 2012 Series D MHDBs for Montgomery Arms, Diamond Square, and Brookside Glen.

Staff, in concert with the Commission's Financial Advisor, Caine Mitter and Associates, Incorporated, has identified two (2) bond series of MFHDBs for which substantial savings may be achieved through the issuance of refunding bonds. Refunding bonds are new bonds issued to refinance outstanding bonds (refunded bonds). The outstanding bonds are eligible for refunding as the initial 10-year lock out period ended on or prior to July 1, 2012. They appear in the table below:

Summary of Outstanding Bonds to be Refunded

Bond Series	Property	Outstanding Bonds
2004C	Barclay Apartments (76 units)	$7,565,000
2004D	Barclay Apartments (81 units) Spring Garden (83 units)	$9,840,000
TOTAL OUTSTANDING BONDS		**$17,405,000**

The properties to be included in this proposed refunding are described in Exhibit A, and were acquired and financed from the issuance of variable rate demand obligation ("VRDO"), governmental and private activity bonds. The transactions are further subject to a long-term interest rate swap which provided the transaction with a fixed-rate mortgage payment and the VRDO bonds benefit from a credit facility provided by TD Bank in the form of a letter of credit. Below is a summary of the existing swap and credit facility. The mortgages for the properties are insured by FHA pursuant to the Risk Sharing Agreement with HOC. The 2004CD Bonds have 17 years remaining on the final maturity. The refunding bonds will not extend the maturity of the refunded bonds.

Summary of Existing Swap and Liquidity Facility

The current swaps for the 2004CD Bonds are held by Merrill Lynch Capital Services ("MLCS") and guaranteed by Merrill Lynch Derivative Products AG ("MLDP"). Credit support is provided by TD Bank.

Refunded Bond Series	Amount Outstanding	Effective Date	Mandatory Termination	Swap Fixed Rate	Swap Floating Rate	Bond Fixed Rate	Total Payments (6/30/19)	Liquidity Facility Fee
MHDB 2004C	$7,565,000	11/23/04	7/01/36	3.653%	63.3% LIBOR + 0.19%	4.54%	$272,744	0.375%
MHDB 2004D	$9,840,000	11/23/04	7/01/36	3.760%	63.3% LIBOR + 0.19%	4.73%	$359,597	0.375%
Total Payments as of 6/30/19							**$632,341**	

The net swap payments for the 2004CD Bonds transaction for FY2019 was $632,341, which represents the fixed rate payment HOC makes to MLCS, the variable rate payment MLCS makes to HOC, and the variable rate payment HOC makes to the bond holders. In addition, HOC pays liquidity fees of 0.375%, as well as remarketing fees of 0.08% to T.D. Bank, which for the year total approximately $84,000. The liquidity facility expires January 2, 2020, and could be extended for three (3) years at an annual cost of 0.270% plus remarketing fees of 0.08% or five (5) years at an annual cost of 0.310% plus remarketing fees of 0.08%.

Considering HOC may now exercise its rights under the swap agreement to terminate the swap at the par amount, that the liquidity facility expires January 2020, and the current low interest rate environment, the Commission may refund the bonds into a fixed rate instrument, thereby eliminating certain inherent risks associated with swap transactions. Therefore, staff proposes that the Commission exercises its option to terminate the swap agreement with MLCS for the 2004CD Bonds and issue fixed rate refunding bonds to refund the existing bonds that financed the Barclay Apartments and Spring Garden Apartments transactions.

FINANCING PLAN:
The refunding bonds can be structured as non-AMI and AMI tax exempt transaction (Option 1) or a combination of non-AMT tax-exempt and taxable (Option 2), and will be dependent upon interest rates at the time the refunding bonds are issued. The 2004 Series C refunded bonds would not be refunded as taxable. In either case, two series of bonds will be issued and are summarized in the tables below.

Option 1

2019 Refunding Tax Status	Refunded Bond Series	Par Amount	Current Coupon	Projected Refunding Yield	Present Value Savings to Maturity (2036)
Non-AMT	2004C	$7,565,000	4.03%	2.33%	$871,660
AMT	2004D	$9,840,000	4.14%	2.68%	$922,719
Total / Weighted Average		**$17,405,000**	**4.09%**	**2.53%**	**$1,794,379**

Option 2

2019 Refunding Tax Status	Refunded Bond Series	Par Amount	Current Coupon	Projected Refunding Yield	Present Value Savings to Maturity (2036)
Non-AMT	2004C	$7,565,000	4.03%	2.33%	$871,660
Taxable	2004D	$9,840,000	4.14%	2.96%	$692,871
Total / Weighted Average		**$17,405,000**	**4.09%**	**2.69%**	**$1,564,531**

As a result of this refunding, the overall bond yield is expected to be lowered by approximately 1.4% to 1.56%, resulting in savings from the spread between the new bond rates and the existing mortgage rates. From the above summary and based on the remaining term on the bonds, the estimated present value of the savings for all transactions through the final maturity of the bonds will be between $1.6 million and $1.8 million. While Option 2 produces less savings, it will provide less restriction on the use of the 2004D bonds savings from the refunding—taxable earnings are not subject to yield restrictions by the Internal Revenue Service.

<u>Transaction Costs including Cost of Issuance</u>
The estimated total cost of refunding the bonds is $348,100 or 2% of the total outstanding bonds. Under Option 1 above, the estimated payback period for the cost of the transaction is approximately January 1, 2021. Under Option 2 above, the estimated payback is approximately July 1, 2011.

Bond Debt Service Reserves

Considering that the mortgages will remain in place, monies originally deposited for the 2004CD Bonds issuance will remain and there will not be an additional cost to the refunding.

Refunded Bond Series	Debt Service Reserve Balance as of 8/31/19
MHDB 2004C	$636,917
MHDB 2004D	$472,096

The Projects

In addition to the brief summary of each property provided in Exhibit A, the properties included in this refunding are older and may require substantial renovation within the next five (5) to seven (7) years. Once issued, an early refunding of the new bonds is subject to a new 10-year lock out on the optional redemption of the bonds. Staff in consultation with Caine Mitter, have determined that the appropriate disclosure in the offering document should not adversely impact the sale of the bonds but will preserve HOC's flexibility for mortgage prepayment and early bond redemption.

Timing

If the proposal to issue Refunding Bonds is approved by the Commission and a Bond Authorization Resolution is adopted by the Commission on October 15, 2019, staff expects the following to occur:

1) Bond pricing in early November 2019; and
2) Bond closing in early December 2019.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the Bond Authorizing Resolution to issue 2019 Series B and Series C Multifamily Housing Development Bonds, totaling $17,405,000, to refund the 2004CD Bonds?

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the funding of approximately $348,100 in cost of issuance expenses from the 1996 Indenture with such costs to be repaid from the present value savings of the refunding transaction?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Merrill Lynch Capital Services
Bank of America Securities, Inc.
PNC Capital Markets, LLC
Caine Mitter & Associates Incorporated

BUDGET IMPACT:

There will be no impact on the FY20 budget for the funding of the cost of issuance budget. Subject to Commission approval, it is anticipated the transaction costs will be funded from the revenues available in the 1996 Indenture.

TIME FRAME:

Action at the October 15, 2019 meeting of the Commission.

STAFF RECOMMENDATION:

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

1. Approve the bond authorizing resolution prepared by Kutak Rock, LLP to issue 2019 Series B and Series C Multifamily Housing Development Bonds, totaling $17,405,000, to refund the 2004CD Bonds, previously issued by the Commission; and,
2. Approve the cost of issuance budget of approximately $348,100 for the transaction and that such expenses be funded from the 1996 Indenture and be repaid from the present value savings of the refunding transaction.

Exhibit A

PROPERTY SUMMARIES

Barclay Apartments

Barclay Apartments consists of 157 walk-up multifamily rental apartments located in four buildings at 4700, 4707, 4708, and 4716 Bradley Boulevard in downtown Bethesda. In 2004 the Commission formed a limited partnership to purchase the property and raised additional capital for its renovation using the proceeds from the sale of Low Income Housing Tax Credits (LIHTC). Of the 157 units, 76 are owned by Barclay Apartments Development Corporation, which is wholly controlled by HOC and 81 of the units are owned by Barclay One Associates Limited Partnership, in which HOC is the general partner with a limited partner LIHTC investor. The acquisition and planned renovations were financed with the issuance of variable rate governmental and private activity bonds, and the property's mortgage loan is insured by the FHA Risk Share Program. The public purpose requirement per the Regulatory Agreement is to rent 50% of the units to residents whose incomes are at or below 55% of Area Median Income ("AMI"). The initial 15-year tax credit compliance period ends December 2020 and HOC is currently negotiating the purchase of the investor's partnership interest, which it expects to complete by the close of 2019.

Spring Garden

Spring Garden is an 83-unit walk-up apartment community located on Eastern Avenue between 16th Street and Georgia Avenue in close proximity to downtown Silver Spring. Built in 1941, the property was acquired and financed by HOC in 1986, and in 2004 the Commission formed a limited partnership to purchase the property and raised additional capital for its renovation using the proceeds from the sale of low income housing tax credits. The property is owned by Spring Garden One Associates, LP in which HOC is the general partner with a limited partner LIHTC investor. The 2004 acquisition and planned renovations were financed with the issuance of variable rate governmental and private activity bonds, and the Property's mortgage loan is insured by the FHA Risk Share Program. The public purpose requirement per the Regulatory Agreement is to rent 70% of the units (or 58 units) to residents whose incomes are at or below 55% of Area Median Income (AMI). The initial 15-year tax credit compliance period ends December 2020, and as with the Barclay Apartments transaction, HOC will negotiate the buy-back of the investor's limited partnership's interest.

RESOLUTION: 2019-101 Re: Approval of a Bond Authorizing Resolution for the Issuance of 2019 Series B and 2019 Series C Multifamily Housing Development Bonds to Refund 2004 Series C and 2004 Series D

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE TAX-EXEMPT AND/OR TAXABLE SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $17,405,000 (THE "2019 BONDS") FOR THE PURPOSE OF REFUNDING AND REDEEMING CERTAIN PRIOR BONDS OF THE COMMISSION ISSUED TO PROVIDE PERMANENT FINANCING FOR VARIOUS MULTIFAMILY RESIDENTIAL RENTAL PROJECTS FOR OCCUPANCY, IN PART, BY PERSONS OF ELIGIBLE INCOME AND PERMITTING THE COMMISSION TO REALIZE PRESENT VALUE SAVINGS IN ORDER TO CARRYOUT THE PURPOSES OF ITS PROGRAM; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, CERTAIN TAX-RELATED DOCUMENTS, A DISCLOSURE AGREEMENT AND ANY AND ALL RELATED DOCUMENTS; APPROVING THE PREPARATION, EXECUTION AND DISTRIBUTION OF PRELIMINARY AND FINAL OFFERING DOCUMENTS RELATING TO THE 2019 BONDS; AUTHORIZING THE EXECUTION OF ANY OTHER DOCUMENTS NECESSARY FOR THE ISSUANCE OF THE 2019 BONDS AND THE ACCOMPLISHMENT OF THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE SALE OF THE 2019 BONDS TO BOFA SECURITIES INC., AS REPRESENTATIVE OF ITSELF AND PNC CAPITAL MARKETS, LLC, OR TO ANY OTHER UNDERWRITERS OR TO ANY OTHER INITIAL PURCHASERS AND TO EXECUTE AND DELIVER A CONTRACT OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2019 BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2019 BONDS; AND PROVIDING AN EFFECTIVE DATE.

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 (the "Act"), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, the Act declares that there exists within Montgomery County (the "County") a critical shortage of decent, safe and sanitary dwelling accommodations available to rent which "persons of eligible income" (within the meaning of the Act) can afford; and

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

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

WHEREAS, pursuant to the Act and the Program, the Commission entered into the Trust Indenture, dated as of November 1, 1996 (the "Trust Indenture"), by and between the Commission and U.S. Bank National Association (successor-in-interest to SunTrust Bank), as trustee (the "Trustee"), providing for the issuance of bonds (the "Bonds") from time to time in accordance with the provisions thereof and the provisions of separate series indentures (the "Series Indentures," and together with the Trust Indenture, the "Indenture") specifically authorizing and setting forth the terms of each series of Bonds issued under the Trust Indenture; and

WHEREAS, the proceeds received from the issuance and sale of the Bonds under the Trust Indenture are used to make, purchase or finance mortgage loans (the "Mortgage Loans") or finance mortgage loans through the purchase of Guaranteed Mortgage Securities (as defined in the Trust Indenture); and

WHEREAS, the pledges and assignments made pursuant to the Trust Indenture and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Commission are for the equal benefit, protection and security of the owners of any and all of the Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other Bond, except as expressly provided in the Trust Indenture or in any Series Indenture; and

WHEREAS, the Commission, in furtherance of the Program, issued its Multifamily Housing Development Bonds 2004 Series C and 2004 Series D pursuant to the Indenture (collectively, the "Prior Bonds") for the purpose, in part, of providing funds to provide permanent financing for various multifamily residential rental developments located in the County; and

WHEREAS, the Prior Bonds were issued as variable rate demand obligations enhanced by a TD Bank, N.A. direct-pay letter of credit (the "Credit Facility") and hedged by an interest rate swap between the Commission and Merrill Lynch Capital Services Inc. (the "Swap"); and

WHEREAS, each of the Mortgage Loans funded from the proceeds of the Prior Bonds is insured by the Federal Housing Administration ("FHA") under Section 542(c) of the Housing and Community Development Act of 1992, as amended, and the regulations promulgated thereunder (the "Risk Sharing Act"); and

WHEREAS, the Commission has determined to issue one or more tax-exempt and/or taxable series of its Multifamily Housing Development Bonds to be designated, subject to the provisions hereof, 2019 Series B and 2019 Series C (together with such other series designation as shall be approved by the Executive Director, the "2019 Bonds"), pursuant to the Trust Indenture and pursuant to one or more series indentures (each, a "Series Indenture") relating thereto, in part, for the purpose, among other things, of providing (i) financing for the refunding and redemption of the Prior Bonds thereby permitting the termination of the Credit Facility and the Swap, (ii) funding for Costs of Issuance (as defined in the Trust Indenture) and (iii) net present value savings of up to $1.8 million over the term of the 2019 Bonds (the "Financing Plan"); and

WHEREAS, in connection with the issuance of the 2019 Bonds and the accomplishment of the Financing Plan, the Commission anticipates entering into various documents, including, but not limited to, a Series Indenture, preliminary and final Offering Documents, a Disclosure Agreement, a Contract of Purchase, the Tax-Related Documents and certain other documents relating to the 2019 Bonds and the Financing Plan (each such capitalized term not heretofore defined shall have the meaning as hereinafter set forth);

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

1. ***2019 Bonds***. The 2019 Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed $17,405,000 of the Commission, to carry out the purposes under the Program as described above. Subject to the following sentence, the Bonds shall be separately designated "2019 Series B" and "2019 Series C." Notwithstanding the foregoing, the Executive Director is hereby authorized to approve, in consultation with the Financial Advisor and Bond Counsel to the Commission, such greater number of series of Bonds to be issued in connection with the Financing Plan and to determine the designations therefor. The 2019 Bonds are to be issued pursuant to the terms of the Trust Indenture and pursuant to the terms of the Series Indenture. The 2019 Bonds shall be limited obligations of the Commission, secured by and payable solely from moneys pledged therefor under the Indenture. The 2019 Bonds shall be issued as obligations the interest on which is excludable from gross income for federal income tax purposes (the "Tax Exempt 2019 Bonds") and/or as obligations the interest on which is includable in gross income for federal income tax purposes, subject to the approval of the Executive Director, in consultation with the Financial Advisor and Bond Counsel to the Commission.

2. ***Approval of Financing Plan.*** The Commission hereby approves the Financing Plan as described above pursuant to the terms and conditions set forth in the Indenture and such other documents approved hereby.

3. ***Series Indenture***. The Chairman, the Vice Chairman, or the Chairman Pro Tem and the Executive Director of the Commission, or any authorized designee of the

Executive Director, are hereby authorized and directed to execute and deliver the Series Indenture in such form as shall be approved by such officers, the execution of such Series Indenture being conclusive evidence of such approval and of the approval of the Commission, and the Secretary-Treasurer of the Commission, or any other authorized officer of the Commission (an "Authorized Officer"), is hereby authorized and directed to affix the seal of the Commission to the Series Indenture and to attest the same.

4. ***Tax-Related Documents***. The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver a Tax Regulatory Agreement and No Arbitrage Certificate and other documents relating to the Tax-Exempt 2019 Bonds (collectively, the "Tax-Related Documents") restricting the application of the proceeds of the Tax-Exempt 2019 Bonds in such forms as shall be prepared by Bond Counsel and approved by the Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director, the execution of the Tax-Related Documents being conclusive evidence of such approval and of the approval of the Commission.

5. ***Disclosure Agreement***. The Commission hereby authorizes and approves the execution and delivery of a continuing disclosure agreement (the "Disclosure Agreement") related to the 2019 Bonds, in such form as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Disclosure Agreement constituting conclusive evidence of such officer's approval of the Disclosure Agreement and the approval of the Commission.

6. ***Offering Documents***. The Commission hereby authorizes and approves the preparation and distribution of one or more preliminary offering documents of the Commission and the preparation, execution and distribution of one or more final offering documents (collectively, the "Offering Documents"), each relating to the 2019 Bonds, in such forms as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Offering Documents constituting conclusive evidence of such officer's approval of the Offering Documents and the approval of the Commission.

7. ***Sale of 2019 Bonds***. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to proceed with the sale of the 2019 Bonds to BofA Securities, Inc., as representative of itself, PNC Capital Markets LLC, and/or such other underwriters as may be designated by the Commission, or to any other entity as shall be in the best interest of the Commission as determined by the Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission.

8. ***Contract of Purchase***. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to execute a contract of purchase and/or any other form of purchase agreement (the "Contract of Purchase") in connection with the issuance, purchase and sale of the 2019 Bonds.

9. ***Terms; Ongoing Determinations***. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners to establish the dates, maturities, interest payment dates, denominations, terms of redemption, registration privileges, security and other terms, and to approve the interest rates on the 2019 Bonds, all of the foregoing to be specified in the related Series Indenture. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, is hereby authorized, from time to time during the period the 2019 Bonds are outstanding, to make ongoing determinations, as may be required by the terms of the related Series Indenture and any other financing documents relating to the 2019 Bonds, including, but not limited to, the giving and withholding of consents, the selection of certain providers and the refunding and redemption of the Bonds, and the Executive Director or other Authorized Representative of the Commission, as the case may be, is further authorized to execute any and all documents evidencing such determinations as may be deemed necessary and proper.

10. ***Other Action***. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution relating to the issuance and sale of the 2019 Bonds and the accomplishment of the Financing Plan.

11. ***Appointment of Financial Advisor and Bond Counsel***. Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the 2019 Bonds.

12. ***No Personal Liability***. No stipulation, obligation or agreement herein contained or contained in the 2019 Bonds, the Series Indenture, the Contract of Purchase, the Tax-Related Documents, the Offering Documents, the Disclosure Agreement or in any other agreement or document executed on behalf of the Commission shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the 2019 Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

13. ***Action Approved and Confirmed***. All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance of the 2019 Bonds, the refunding and redemption of the Prior Bonds and the accomplishment of the Financing Plan are hereby approved, and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

14. ***Severability***. If any provision of this Resolution shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provision hereof or cause any other provision hereof to be invalid, inoperative or unenforceable to any extent whatsoever.

15. ***Effective Date***. This Resolution shall take effect immediately.

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I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on October [15], 2019.

Patrice Birdsong
Special Assistant to the Commission

4828-1280-8614.5

Deliberation

and/or

Action

Future Action

Adjourn

Development Corporation Meetings

Barclay Apartments Development Corporation

BARCLAY APARTMENTS DEVELOPMENT CORPORATION

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACT FOR BARCLAY DEVELOPMENT CORPORATION

October 15, 2019

- The Property Management Contract for Barclay Development Corporation expires **December 31, 2019**. The contract provides for two one-year renewal options.

- Staff requests that the contract for Barclay Development Corporation be renewed with CAPREIT for one year through December 31, 2020.

- Barclay Apartments is currently 97% occupied. Eighty-one units are restricted to households earning at or below 55% AMI. Seventy-six units are unrestricted.

M E M O R A N D U M

TO: Board of Directors of the Barclay Apartments Development Corporation

VIA: Stacy L. Spann, Executive Director of the Housing Opportunities Commission of Montgomery County

FROM: Staff: Millicent Anglin Division: Property Management Ext. 9676

RE: Approval to Renew the Property Management Contract for Barclay Development Corporation

DATE: October 15, 2019

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

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew the property management contract with CAPREIT for property management services at Barclay Development Corporation.

BACKGROUND:

Barclay Apartments (Barclay Development Corporation and Barclay One Associates LP) is a 157-unit, multi-family property located in Chevy Chase, MD with studio, 1-bedroom, and 2-bedroom apartments. The community consists of 76 unrestricted units and 81 affordable units restricted to households earning at or below 55% AMI. Barclay Apartments is currently 97% occupied. Property amenities include a business center, fitness center, laundry facilities, and on-site parking.

Staff wishes to renew the property management contract with CAPREIT for Barclay Apartments for one year through December 31, 2020. CAPREIT began providing property management services in January 2018 and is currently addressing challenges including:

1. Barclay Apartments received a score of 78C on its June 2019 REAC inspection primarily due to a 13-point deduction related to blocked sprinkler heads. CAPREIT has since corrected all inspection deficiencies, however, HOC staff continues to monitor performance and overall property management services to ensure the property receives an improved score during the June 2020 REAC inspection.

2. Barclay Apartments' residents have requested improved communication with CAPREIT. In response, CAPREIT began facilitating monthly tenant meetings in September 2019 to expedite identifying and responding to resident concerns. HOC property management and services staff also participate in tenant meetings.

The one-year renewal through December 31, 2020 will provide CAPREIT with adequate time to resolve the above challenges. CAPREIT staff, including the Chief Operations Officer, Asset Manager, Property Manager, and Regional Manager, are engaged in improving communication and property management services to residents. Weekly calls with HOC and CAPREIT staff are ongoing as we continue to monitor improvement.

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)
Barclay Apartments Dev Corp	76	CAPREIT	$38,748	12/31/2019	1/1/2020-12/31/2020	One

ISSUES FOR CONSIDERATION:

Does the Barclay Apartments Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute a one-year renewal of the property management services contract with CAPREIT for Barclay Apartments?

BUDGET IMPACT:

The renewal of the property management contract for Barclay Apartments will not have a budget impact as the costs associated with the services are included in the property budget. Property management costs through June 30, 2020 are factored into the FY2020 budget and costs through December 31, 2020 will be factored into the FY2021 budget. Additionally, the contract is performance-based and fees will be lower if revenue declines below budgeted expectations.

TIME FRAME:

At the September 18, 2019 meeting, the Budget, Finance, and Audit Committee reviewed the request to renew the property management contract for Barclay Apartments for one year. For Barclay Apartments Development Corporation action at the October 15, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance, and Audit Committee recommends to the Barclay Apartments Development Corporation approval of the property management contract renewal with CAPREIT for Barclay Apartments through December 31, 2020.

RESOLUTION NO. 19-003BC

RE: Approval to Renew Property Management Contract for Barclay Apartments for One Year

WHEREAS, Barclay Apartments Development Corporation owns 76 units in the development known as Barclay Apartments located in Chevy Chase, Maryland (the "Property"); and

WHEREAS, staff desires renew the current property management contract at the Property for one (1) year with CAPREIT.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Barclay Apartments Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, or his designee, is hereby authorized and directed to execute a one (1) year renewal of the property management contact at the Property with CAPREIT.

BE IT FURTHER RESOLVED by the Board of Directors for Barclay Apartments 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, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Board of Directors of Barclay Apartments Development Corporation at a meeting conducted on October 15, 2019.

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

METROPOLITAN DEVELOPMENT CORPORATION

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACT FOR METROPOLITAN DEVELOPMENT CORPORATION

October 15, 2019

- The Property Management Contract for Metropolitan Development Corporation is expiring **October 31, 2019**. The contract provides for a one-year renewal period through **October 31, 2020**.

- Staff requests that the contract for Metropolitan Development Corporation be renewed through October 31, 2020 with Bozzuto Management Company.

- The Metropolitan received a score of **97A** on its most recent REAC inspection.

- Metropolitan Development Corporation is currently 95% occupied and includes 216 unrestricted units.

M E M O R A N D U M

TO:	Board of Directors of the Metropolitan Development Corporation
VIA:	Stacy L. Spann, Executive Director of the Housing Opportunities Commission of Montgomery County
FROM:	Staff: Millicent Anglin Division: Property Management Ext. 9676
RE:	Approval to Renew Property Management Contract for Metropolitan Development Corporation
DATE:	October 15, 2019

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

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to renew the property management contract with Bozzuto Management Company for property management services at Metropolitan Development Corporation ("The Metropolitan").

BACKGROUND:

The Metropolitan is a 308-unit, 12-story, multi-family property located in downtown Bethesda. Amenities include a rooftop swimming pool, community room, business center, exercise room, and garage parking. The property includes 92 affordable units restricted to households earning up to 50% AMI and 216 unrestricted units. The property also includes six commercial spaces, all of which are leased.

Staff wishes to renew the property management contract for The Metropolitan with Bozzuto Management Company through October 31, 2020. The project is well-maintained and has stable occupancy. Metropolitan Development Corporation is currently 95% occupied. The Metropolitan received a score of 97A on its most recent REAC inspection.

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)
Metropolitan Development Corporation	216	Bozzuto	$159,486	10/31/2019	11/1/2019-10/31/2020	One

ISSUES FOR CONSIDERATION:

Does the Board of Directors of the Metropolitan Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute a one-year renewal of the property management services contract with Bozzuto Management Company for The Metropolitan?

BUDGET IMPACT:

The renewal of the property management contract for The Metropolitan will not have a budget impact as the costs associated with the services are included in the property budget. Management costs through June 30, 2020 are factored into the FY2020 budget and costs through October 31, 2020 will be factored into the FY2021 budget.

TIME FRAME:

At the September 18, 2019 meeting, the Budget, Finance, and Audit Committee reviewed the request to renew the property management contract for The Metropolitan for one year. For Metropolitan Development Corporation action at the October 15, 2019 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance, and Audit Committee recommends to the Board of Directors of the Metropolitan Development Corporation approval of the property management contract renewal with Bozzuto Management Company for The Metropolitan through October 31, 2020. Additionally, the Committee recommended that the contract be performance-based so the management fee would be lower if revenue declined below budgeted expectations.

RESOLUTION NO. 19-003ME **RE: Approval to Renew Property Management Contract for The Metropolitan for One Year**

WHEREAS, The Metropolitan Development Corporation owns 216 units in the development known as The Metropolitan located in Bethesda, Maryland (the "Property"); and

WHEREAS, staff desires renew the current property management contract at the Property for one (1) year with Bozzuto Management Company.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of The Metropolitan Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, or his designee, is hereby authorized and directed to execute a one (1) year renewal of the property management contact at the Property with Bozzuto Management Company.

BE IT FURTHER RESOLVED by the Board of Directors for The Metropolitan Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County, or his designee, 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, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was adopted by The Metropolitan Development Corporation at a meeting conducted on October 15, 2019

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

Adjourn

Administrative Session