

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Special Session Minutes

August 23, 2019

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted on Friday, August 23, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 12:45 p.m. Those in attendance were:

Present

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

Absent

Linda Croom

Also Attending

Stacy L. Spann, Chief Operating Officer
Shauna Sorrells
Christina Autin
Cornelia Kent
Vivian Benjamin
Charnita Jackson
Len Vilicic
Rita Harris
Darcel Cox
Ellen Goff
Victoria Dixon

Aisha Memon, Acting General Council
Kayrine Brown
Zachary Marks
Terri Fowler
Gio Kaviladze
Bonnie Hodge
Vanita Julian
Ethan Cohen
Kathryn Hollister
Hyunsuk Choi
Brian Kim

Guest

Ansel Caine, CaineMitter

Commission Support

Patrice Birdsong, Special Assistant to Commission

I. CONSENT

1. Approval to Create a Single Purpose Entity to Execute the Master Lease for 900 Thayer and Approval of the Terms of the Master Lease

Kayrine Brown, Chief Investments and Real Estate Officer, was the presenter.

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

RESOLUTION NO.: 19-89

**RE: Approval to Create a Single Purpose Entity to
Execute the Master Lease for 900 Thayer and
Approval of the Terms of the Master Lease**

WHEREAS, 900 Thayer is a development under construction in Silver Spring ("900 Thayer"), which is currently owned by subsidiaries of the Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission") under a condominium regime and, prior to closing of the financing, shall be owned and operated by 900 Thayer Limited Partnership ("900 Thayer Borrower");

WHEREAS, HOC is currently the sole member of 900 Thayer GP LLC ("900 Thayer Managing Member"), which in turn is the sole member of the 900 Thayer Borrower;

WHEREAS, on May 8, 2019, the Commission, acting on behalf of itself and on behalf of 900 Thayer Managing Member, acting on behalf of itself and on behalf of 900 Thayer Borrower, approved the negotiation and execution of a Master Lease Agreement ("Master Lease") for property's three (3) retail units that included an annual payment not to exceed \$130,509 (subject to a 2% annual escalation) and term up to 18.5 years;

WHEREAS, on June 5, 2019, the Commission, acting on behalf of itself and on behalf of 900 Thayer Managing Member, acting on behalf of itself and on behalf of 900 Thayer Borrower, approved entering into the Master Lease as the Landlord;

WHEREAS, in order to complete the structure of the Master Lease, staff recommends that the Commission approve the creation of a single-purpose limited liability company, which will be wholly owned by HOC ("900 Thayer Retail LLC"), to act as Master Tenant under the Master Lease; and

WHEREAS, since May 8, 2019, staff has continued to negotiate the Master Lease and the terms now also include an annual Management Fee that is equal to "Excess Revenue," defined as the gross revenue of the Master Tenant less all Master Tenant operating and overhead expenses (e.g., entity maintenance, taxes, including, personnel and occupancy costs) and reserves.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to create 900 Thayer Retail LLC for the purposes described herein.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, as the to-be sole member of 900 Thayer Retail LLC, authorizes 900 Thayer Retail LLC to enter into the Master Lease and execute any and all documents incidental to the transactions described herein.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission, acting on behalf of itself and on behalf of 900 Thayer Managing Member, acting on behalf of itself and on behalf of 900 Thayer Borrower, approves the Management Fee in the Master Lease.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of 900 Thayer Managing Member, acting on behalf of itself and on behalf of 900 Thayer Borrower, authorizes the Executive Director of the Commission, or a duly appointed designee of the Executive Director, without any further action on their respective parts, to execute such other documents and to take any and all other actions, in each case as necessary and proper, in the Executive Director's judgment, to carry out the transaction and actions contemplated herein.

II. COMMITTEE REPORTS and RECOMMENDATION FOR ACTION

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

1. Authorization to Submit County FY' 21-26 Capital Improvement Program Budget

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

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

RESOLUTION NO.: 19-83

RE: Authorization to Submit County FY' 21-26 Capital Improvements Program Budget

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

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") receives funds from the CIP to further its purpose in providing affordable housing; and

WHEREAS, the Office of Management and Budget is preparing the FY' 21-26 CIP budget, and the Commission must submit a request for both new and renewed funding by August 24, 2019; and

WHEREAS, the Commission wishes to maintain current funding levels in the amount of \$75,007,000.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes staff to submit to the County a request to renew its current level of funding in the FY' 21-26 CIP budget in the total amount of \$75,007,000.

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

1. Approval of the Election of Commissioner Roy O. Priest to the Policy Board of Town Center Apartments, Inc.

Charnita Jackson, Director of Property Management, was the presenter.

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

RESOLUTION NO.: 19-84

**RE: Approval of the election of Commissioner
Roy O. Priest to the Policy Board of Town Center
Apartments, Inc.**

WHEREAS, pursuant to its Articles of Incorporation and its Bylaws, Town Center Apartments, Inc. is managed by a Policy Board that is comprised of five (5) directors, two (2) of which are required to be Commissioners of the Housing Opportunities Commission of Montgomery County ("HOC").

WHEREAS, the Commissioners are to be elected to the Policy Board by HOC.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Roy O. Priest is hereby elected to serve on the Policy Board of Town Center Apartments, Inc.

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

2. Approval to Increase the Development Budget for Alexander House Apartment Limited Partnership and Alexander House Development Corporation to Complete the Renovation of Alexander House

Hyunsuk Choi, Senior Financial Analyst, was the presenter.

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

RESOLUTION NO.: 19-85

**RE: Approval to Increase the Development Budget
for Alexander House Apartments Limited
Partnership and Alexander House Development
Corporation to Complete the Renovation of
Alexander House**

WHEREAS, the Alexander House Apartments (the "Property") 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 Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) on October 5, 2016, including the retention 183 market rate units owned by Alexander House Development Corporation (“AHDC”), a wholly-controlled corporate instrumentality of the Commission and the sale of 122 units restricted to a Low Income Housing Tax Credit (“LIHTC”) entity, Alexander House Apartments Limited Partnership (“AHALP”) in which HOC is the sole member of the general partnership, Alexander House GP LLC (“AHGP”); and

WHEREAS, on December 7, 2016, the Commission approved a final financing plan for the Development which consisted of the issuance of a governmental construction bond loan in an amount of up to \$51,000,000, which when aggregated with a tax-credit construction bond loan of \$25,000,000 would not exceed \$76,000,000, which was funded via short-term loans from Citi Community Capital; and

WHEREAS, the Commission authorized the issuance of a three-year forward commitment for the issuance of a governmental permanent loan in an amount of up to \$51,000, which when aggregated with a tax credit permanent loan of \$19,100,000 would not exceed \$70,100,000, which will be funded by the Federal Financing Bank (“FFB”) and insured by the FHA Risk Share program (the “FHA/FFB Financing”); and

WHEREAS, the Property’s construction financing closed on January 31, 2017 and included a total construction development budget of \$100,132,704 including hard cost contingencies of \$2,530,237 and the takeout of equity to contribute to Elizabeth House III of \$13,393,081; and

WHEREAS, the original renovation schedule contemplated an 18-month duration but due to delays in obtaining County permits for windows and balcony railings, the overall performance of the general contractor, the careful management of creating a new lobby from the original outdoor courtyard space while minimizing disruption to operations and the residents, and a significant change order for full modernization of the elevators, the project did not achieve substantial completion until July 2019 and the cost was significantly higher; and

WHEREAS, the proposed revised development budget will increase by \$1,058,093 (to be allocated between AHALP and AHDC) and while the Commission’s Procurement Policy allows for reallocation of savings among budgeted items in a development project if the budget is exceeded, staff must return to the Commission for approval to exceed the budget and identify additional funding sources; and

WHEREAS, staff seeks approval to increase the Property’s development budget by \$1,058,093 (to be allocated between AHALP and AHDC) and has identified equity previously earmarked for the Elizabeth House III transaction as the source from which it may be funded.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, that it approves an increase of approximately \$381,742 in the development budget for AHALP but that together with the increase to the development budget for AHDC, the Property’s aggregate development budget increase shall not exceed \$1,058,093.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, that it approves an increase of approximately \$676,351 in the development budget for AHDC but that together with the increase to the development budget for AHALP, the Property’s aggregate development budget increase shall not exceed \$1,058,093.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, that acting in its own capacity and for and on behalf of AHGP, acting in its own capacity and as the general partner of AHALP that it approves acceptance of approximately \$381,742 that is to be reallocated from funds previously allocated to Elizabeth House III to fund the increase in the Property's development budget for AHALP but that together with the increase to the development budget for AHDC the Property's aggregate development budget increase shall not exceed \$1,058,093.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity, and for and on behalf of AHGP, acting in its own capacity as the general partner of AHALP, that the Executive Director of the Commission, or his designee, is hereby authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

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

1. Authorization to Submit FY 2019 Section Eight Management Assessment Program (SEMAP) Certification to HUD

Ethan Cohen, Housing Programs Coordinator, was the presenter.

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

RESOLUTION NO.: 19-86

RE: Authorization to Submit FY 2019 Section Eight Management Assessment Program (SEMAP) Certification to HUD

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

WHEREAS, the fiscal year 2019 SEMAP certification, which measures the status of HOC's administration of the Section Eight Program for fiscal year 2019, must be submitted to HUD within 60 days of the end of the fiscal year; and

WHEREAS, staff has completed the fiscal year 2019 SEMAP certification and recommends that it be submitted to HUD.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to submit the Fiscal Year 2019 SEMAP Certification to HUD.

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 all other actions necessary and proper to submit the Fiscal Year 2019 SEMAP Certification to HUD.

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 1:13 p.m. and reconvened in closed session at 1:15 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 August 23, 2019 at approximately 1:15 p.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(13) to discuss the financial terms and structure of multiple real estate transactions.

The meeting was closed on a motion by Commissioner Nelson, seconded by Commissioner Priest, with Commissioners Simon, Nelson, Priest, Byrd, and Kelleher unanimously voting in approval. Commissioner Croom was necessarily absent and did not participate in the vote. The following persons were present during the closed session: Stacy Spann, Aisha Memon, Shauna Sorrells, Kayrine Brown, Ellen Goff, Kathryn Hollister, Darcel Cox, Leidi Reyes, Hyunsuk Choi, Victoria Dixon, Christina Autin, Charnita Jackson, Zachary Marks, Cornelia Kent, Gio Kaviladze, Vivian Benjamin, Len Vilicic, and Marcus Ervin.

In closed session, the Commission discussed the confidential financial terms and structure of multiple real estate transactions. The following actions were taken:

1. With a quorum present, the Commission duly adopted Resolution 19-87AS¹ and Resolution 19-87AS² with Commissioners Simon, Nelson, Priest, Byrd, and Kelleher voting in approval, which approved for a specific property the termination of a financial agreement, a taxable draw on a line of credit, and future repayment terms. Commissioner Croom was necessarily absent and did not participate in the vote.
2. With a quorum present, the Commission duly adopted Resolution 19-88AS¹ and Resolution 19-88AS² with Commissioners Simon, Nelson, Priest, Byrd, and Kelleher voting in approval, which approved for a specific property the termination of a financial agreement, a taxable draw on a line of credit, future repayment terms, and establishing a debt service reserve account to fund property expenses. Commissioner Croom was necessarily absent and did not participate in the vote.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Approved: September 4, 2019