



EXPANDED AGENDA

January 8, 2020

		Res #
4:00 p.m.	I. <u>INFORMATION EXCHANGE</u> A. Resident Advisory Board B. Community Forum	
4:30 p.m. Page 5	II. <u>APPROVAL OF MINUTES</u> A. Approval of Minutes of December 11, 2019 B. Approval of Minutes of December 11, 2019 Administrative Session	
	III. <u>CONSENT</u> A. None	
4:35 p.m.	IV. <u>INFORMATION EXCHANGE (CONTINUED)</u> A. Report of the Executive Director B. Commissioner Exchange	
4:45 p.m.	V. <u>ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION</u> A. None	
4:50 p.m.	VI. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>	
Page 19	A. Budget, Finance and Audit Committee – Com. Nelson, Chair 1. Acceptance of First Quarter FY’20 Budget to Actual Statement	20-01 (pg 28)
35	2. Approval of FY’20 First Quarter Budget Amendment	20-02 (pg 39)
42	3. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable	20-03 (pg 47)
48	4. Shady Grove Apartments Limited Partnership: Approval to Renew the Property Management Contract	20-04 (pg 51)
52	5. Pooks Hill Court: Approval to Renew Property Management Contract through December 22, 2020	20-05 (pg 55)
Page 57	B. Development and Finance Committee – Com. Simon, Chair 1. Bond Counsel Contracts: Renewal with Kutak Rock LLP and Ballard Spahr LLP in Accordance with the Current Contract and Approval to select Kutak Rock LLP as sole bond counsel for the General Trust Indenture	20-06 (pg 62)
64	2. Stewartown Homes: Authorization to Select General Contractor for the Renovation of Stewartown Homes in Accordance with RFQ #2121 and RFP #2121-01; Approval to Freeze Leasing to Facilitate Renovation; and Approval of Request for Additional Predevelopment Funds	20-07 (pg 73)
5:40 p.m.	VII. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>	
Page 77	1. Elizabeth House III: Approval to Convert and Transfer Public Housing Subsidy from Elizabeth House to Elizabeth House III, and Execute HUD Agreements and Other Documents in Connection Therewith	20-08 (pg 79)

81	2. West Side at Shady Grove: Approval of a Resolution Declaring the Official Intent of the Housing Opportunities Commission of Montgomery County to Reimburse Itself with the Proceeds of a Future Tax-Exempt Borrowing for Certain Capital Expenditures to be Undertaken in Connection with the Acquisition and Development of the Property	20-09 (pg 83)
	VIII. *<u>FUTURE ACTION ITEMS</u>	
6:00 p.m.	<u>ADJOURN</u>	
Page 89	<u>DEVELOPMENT CORPORATION MEETINGS</u> <u>Montgomery Arms Development Corporation</u> <ul style="list-style-type: none"> Montgomery Arms Development Corporation: Approval to Renew the Property Management Contract 	20-001 _{MA} (pg 92)
Page 94	<u>Pooks Hill Development Corporation</u> <ul style="list-style-type: none"> Pooks Hill Development Corporation: Approval to Renew the Property Management Contract for Pooks Hill Towers through December 22, 2020 	20-001 _{PH} (pg 97)
6:10 p.m.	<u>ADJOURN</u>	
6:20 p.m.	<u>ADMINISTRATIVE SESSION</u> <ol style="list-style-type: none"> None 	

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

December 11, 2019

19-12

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, December 11, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:07 p.m. Those in attendance were:

Present

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

Also Attending

Stacy L. Spann, Executive Director
Bonnie Hodge
Charnita Jackson
Christina Autin
Lucinda Scott
Marcus Ervin
Millicent Anglin
Erik Smith
Ian Williams
Paul Vinciguerra
Sherraine Rawlins
Shirdell Sellman
Taisha Barlow

Aisha Memon, Acting General Council
Kayrine Brown
Leidi Reyes
Lorie Seals
Cornelia Kent
Darcel Cox
Ian-Terrell Hawkins
Nargiza Polvanova
Patrick Mattingly
Jay Berkowitz
Jennifer Arrington
Kathryn Hollister
Fred Swan

Vivian Benjamin

Resident Advisory

Yvonne Caughman, Vice Chair

IT Support

Gabriel Taube
Michael Tadesse

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

Guest

Karen Lundregan
JoAnn Nickles

I. **Information Exchange**

Resident Advisory Board

- Yvonne Caughman, Vice Chair, updated on activities of Resident Advisory Board. Vice Chair Nelson suggested that the RAB provide notification to residence as it relates to elections as well as the census.

Community Forum

- Karen Lundregan addressed the Board with her continued allegations of discrimination and retaliation from staff.
- JoAnn Nickles addressed the Board with her concerns of her housing.

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

- A. **Approval of Minutes of November 6, 2019**
- B. **Approval of Minutes of November 6, 2019 Administrative Session**
- C. **Approval of Minutes of November 14, 2019 Special Session**
- D. **Approval of Minutes of December 5, 2019 Special Session**
- E. **Approval of Minutes of December 5, 2019 Administrative Special Session**

III. **Consent Items**

- A. **None**

IV. **Information Exchange Continued**

Report of the Executive Director

- Mr. Spann highlighted some of HOC's accomplishments: Holiday Giving 2019 – HOC helped served about 2,000 families during the County's Holiday Giving Coalition. Anticipating servicing about 1,500 during Christmas; The Grand Opening of Point View at Aspen Hills – 120 units Senior Building – 9% Tax Credit Development

Commissioner Exchange

- Vice Chair Nelson reported his attendance to the Council meeting held on December 9, 2019. Mr. Nelson stated that the session went well. He also attended the meeting of the State Delegation and was highly disappointed of the inaccurate information reported on HOC and the behavior of some of the delegates. Mr. Nelson indicated that he would be submitting a letter of his disappointed to the County Council and made a motion to the Board in support of his letter. The motion was seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Priest, Croom, Kelleher, and Byrd. Individually, Commissioners expressed their gratitude to all the hard work the Agency does for Montgomery County and its residents.

V. **ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION**

- A. **Acceptance of HOC Fiscal Year 2019 (FY'19) Audited Financial Statements, Single Audit Report, and Management Letter**

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

RESOLUTION NO.: 19-106R

**RE: Acceptance of HOC FY'19 Audited
Financial Statements Single Audit Report, And
Management Letter**

WHEREAS, the independent auditors, CliftonLarsonAllen LLP, presented their report for FY'19, which included the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter to the Housing Opportunities Commission of Montgomery County (the "Commission");

WHEREAS, at a meeting held on November 14, 2019, the Commission reviewed the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter;

WHEREAS, at a Special Session duly called and held on November 14, 2019, with a quorum present, the Commission duly adopted Resolution 19-106, Commissioners Simon, Nelson, Priest, Byrd, and Kelleher voting in approval, which approved the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter prepared by the auditors. Commissioner Croom was necessarily absent and did not participate in the vote; and

WHEREAS, consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commission in adopting Resolution 19-106 and any action taken since November 14, 2019 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 19-106, and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

- B. Approval to Enter into a Joint Pre-Development Agreement and Agreement to Assign for the Development of a Multifamily Property and Related Matters**

The following 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, Croom, Byrd, and Kelleher.

RESOLUTION NO.: 19-110R

**RE: Approval to Enter into a Joint Pre-Development
Agreement and Agreement to Assign for the
Development of a Multifamily Property and Related
Matters**

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

WHEREAS, at a Special Administrative Session duly called and held on December 5, 2019, with a quorum present, the Commission duly adopted Resolution 19-110AS, with Commissioners Simon, Nelson, Priest, and Kelleher voting in approval; Commissioners Byrd and Croom were necessarily absent and did not participate in the vote.

WHEREAS, by adopting Resolution 19-110AS, the Commission approved the following:

1. Execution of the Joint Pre-Development Agreement and Agreement to Assign for the development of a multifamily property located in the Gaithersburg area, the terms of which will be further formalized in a Development Agreement;
2. The commercial and financial terms surrounding the structure of the transaction;
3. The selection of a general contractor for the project;
4. The selection of a third-party property manager for the property;
5. Additional predevelopment funding; and
6. The creation of a newly formed entity to take title to the property.

WHEREAS, consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commission in adopting Resolution 19-110AS, and any action taken since December 5, 2019 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 19-110AS and any subsequent actions taken in relation thereto are hereby ratified and affirmed.

VI. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

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

1. Approval to Increase the Sales Price and Income Limits for the Single Family Mortgage Purchase Program

Kayrine Brown, Chief Investment and Real Estate Officer, and Jennifer Arrington, Assistant Director of Bond Management, were the presenters.

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

RESOLUTION NO.: 19-111

**RE: Approval to Increase the Sales Price
and Income Limits for the Single Family Mortgage
Purchase Program**

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

WHEREAS, on April 8, 2019, the Internal Revenue Service published new revenue procedures setting forth average area purchase price applicable to the Program, and on April 24, 2019, the U.S. Department of Housing and Urban Development published new national income limits; and

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

WHEREAS, the Development and Finance Committee, at its November 22, 2019 meeting, considered and recommended approval of increasing the Program's sales price and income limits.

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

1. The maximum allowed sales price for the Single Family Mortgage Purchase Program shall increase to \$653,883.
2. The maximum income limits for the Single Family Mortgage Purchase Program shall increase as follows:

Household Size	Maximum Income
1	\$101,892
2	\$145,560
3+	\$169,820

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

2. **Approval of the Novation of the Existing DHCA Loan at Ambassador to HOC at Veirs Mill East LLC for Purpose of Contributing HOC's Ambassador Condominium to Wheaton Venture LLC in Accordance with Terms of the Wheaton Venture LLC Operating Agreement**

Kayrine Brown, Chief Investment and Real Estate Officer, and Marcus Ervin, Housing Acquisitions Manager, were the presenters.

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

RESOLUTION NO.: 19-112

**RE: Approval of the Novation of the Existing
DHCA Loans at Ambassador to HOC at Veirs
Mill East LLC for Purpose of Contributing
HOC's Ambassador Condominium to Wheaton
Venture LLC in Accordance with Terms of the
Wheaton Venture LLC Operating Agreement**

WHEREAS, Ambassador Apartments (the "Property") consists of 162 apartments that are 100% income restricted within the residential condominium components of a seven-story high rise, mixed-use condominium building located in Wheaton (the "Building"); and

WHEREAS, the Property is owned by Wheaton-University Boulevard Limited Partnership ("WUBLP") and the retail condominium components of the Building are owned by Wheaton Commercial Center Associates Limited Partnership, an affiliate of Willco Development; and

WHEREAS, in December 1992, the WUBLP financed the renovation of the Property using Low Income Housing Tax Credits (LIHTC) and the use of that capital source came with a 15-year initial compliance period ("Initial Compliance Period") and a subsequent 15-year extended compliance period ("Extended Compliance Period") during which time the Property is to be operated as a moderate income housing project; and

WHEREAS, in 2005, HOC Ambassador, Inc. (the "General Partner"), a corporation whose stock is wholly-owned by the Housing Opportunities Commission of Montgomery County ("HOC"), acquired the general partnership interest in WUBLP; and

WHEREAS, in July 2010, after the expiration of the Property's 15-year tax-credit compliance period, M&T Bank, the 99% limited partner in WUBLP, donated its interest in WUBLP to HOC such that WUBLP is now both ultimately managed by and wholly owned by HOC; and

WHEREAS, the Property's Initial Compliance Period expired in 2008, and the Extended Compliance Period ends in 2023; and

WHEREAS, between 2014 and 2016, the physical viability of the Property was called into question through events of systems failures and a discovery of structural deficiencies which required the evacuation of the building and temporary relocation of residents; and

WHEREAS, given the Property was completely vacated on July 1, 2016; and

WHEREAS, on April 3, 2019, the Commission approved HOC's entering into a binding joint venture agreement with the Duffie Companies and Willco, LLC known as Wheaton Venture, LLC to pursue the aggregate redevelopment of the Ambassador, the neighboring parcel on which the Mattress Pad sits, and the neighboring Lindsay Ford properties west of Veirs Mill Road ("Aggregate Redevelopment"); and

WHEREAS; as a term of the binding joint venture agreement with the Duffie Companies and Willco, LLC known as Wheaton Venture, LLC; HOC and Willco must contribute owned properties free and clear of monetary liens to Wheaton Venture, LLC.; and

WHEREAS, the Property's remaining outstanding secured indebtedness consists of a loan from DHCA with a principal balance of \$2,000,000 and a loan from the Housing Initiative Fund ("HIF") with a principal balance of \$750,000 (together, the "DHCA Loans"); and

WHEREAS, the Commission wishes to keep the DHCA Loans outstanding and DHCA is requiring that HOC provide replacement collateral in order to maintain such DHCA Loans; and

WHEREAS, the Commission wishes to use three parcels east of Veirs Mill Road (the "Replacement Collateral Property") owned by Veirs Mill East, LLC, a wholly-owned subsidiary of the Commission, to serve as such replacement collateral.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of each of (i) the General Partner and WUBLP and (ii) Veirs Mills East, LLC, it approves the novation of the DHCA Loans at Ambassador from WUBLP to HOC at Veirs Mill East, LLC and use of the Replacement Collateral Property as replacement collateral for the DHCA Loan.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of the General Partner, WUBLP and Veirs Mill East, LLC, that the Executive Director is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

3. Approval to Increase the Contingency to Cover Increases to the Demolition Budget and Contract Value for Ambassador Apartments

Kayrine Brown, Chief Investment and Real Estate Officer, and Paul Vinciguerra, Construction Manager, 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.: 19-113

RE: Approval to Increase the Contingency to Cover Increase to the Demolition Budget and Contract Value for Ambassador Apartments

WHEREAS, Ambassador Apartments is a 162-unit multifamily residential apartment building built around 1960 and located at 2715 University Blvd. W. Silver Spring, MD that has been vacated due to numerous physical and structural concerns and is being demolished to make way for redevelopment and the expansion of affordable housing at the site; and

WHEREAS, on May 8, 2019, the Housing Opportunities Commission of Montgomery County (the "Commission") awarded a contract to Demolition Services, Inc. (the "Contract") for the demolition of the site, and approved a contract amount of \$679,787 with a 10% contingency of \$67,979, which when added to the HOC pre-demolition expenditure of \$209,572, resulted in total demolition budget of \$957,338, to be funded from the Montgomery County Capital Improvement Program("CIP"); and

WHEREAS, unforeseen demolition expenditures related to the removal of asbestos containing materials concealed in the interior plumbing and costs related to lane closure for pedestrian safety have caused the overall cost to increase, which requires an upward adjustment to the budget and contract; and

WHEREAS, staff is requesting an increase of \$67,979 to the Contract contingency, representing a 10% increase over the original contract, which would increase the overall contact amount by \$815,745 and the overall budget by \$1,025,317; and

WHEREAS, there are sufficient funds available in the initial CIP appropriation to cover the increase to the Contract contingency.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County approves an increase in the Contract contingency in the amount of \$67,979, a 10% increase over the original contract, bringing the total contract value to a maximum of \$815,745 and the total budget to a maximum of \$1,025,317, which will be funded by remaining CIP funds.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the 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 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 4:48 p.m. and reconvened in closed session at approximately 5:05 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 December 11, 2019 at approximately 5:25 p.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(3) and Section 3-305(b)(13) to discuss a potential real property acquisition and confidential financial and commercial information related to potential real property transactions.

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, Cornelia Kent, Aisha Memon, Kathryn Hollister, Christina Autin, and Patrice Birdsong.

In closed session, the Commission discussed a potential real property acquisition and confidential financial and commercial information related to potential real property transactions. The following actions were taken:

1. With a quorum present, the Commission authorized the Executive Director to engage outside counsel and/or consultants to provide insight and advice regarding the possible ramifications of

the real property acquisition and the impact of the potential real estate transactions, with a budget not to exceed \$50,000. A motion was made by Vice Chair Nelson and seconded by Commissioner Kelleher with Commissioners Jackie Simon, Richard Y. Nelson, Roy Priest, Linda Croom, Pamela Byrd, and Frances Kelleher voting in approval.

The closed session was adjourned at 6:39 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Consent Items

Information Exchange

Administrative Session Ratifications

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

ACCEPTANCE OF FIRST QUARTER FY'20 BUDGET TO ACTUAL STATEMENTS

January 8, 2020

- The Agency ended the quarter with a net cash flow deficit of \$1,229,899 which resulted in a first quarter budget to actual negative variance of \$1,022,422.
- The General Fund experienced delays in the receipt of anticipated Commitment and Development Fee Income that was partially offset by savings in expenses.
- At the end of the first quarter, several of the unrestricted properties in the Opportunity Housing Fund exceeded budget expectations; however, the recognizable cash flow to the Agency did not meet budget due to shortfalls in some of the unrestricted properties.
- The Public Housing Program ended the quarter with a small surplus due to the delay in the Rental Assistance Demonstration (RAD) conversion of the final property, Elizabeth House. The surplus will be restricted the fund.
- The Housing Choice Voucher (HCV) Program experienced a higher administrative surplus through September 30, 2019 as a result of fees received for the reconciliation of increased utilization during CY'18 that were received in FY'20. The surplus will be restricted to the program.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
 Terri Fowler Ext. 9507
 Tomi Adebo Ext. 9472

RE: Acceptance of First Quarter FY'20 Budget to Actual Statements

DATE: January 8, 2020

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:

Acceptance of the First Quarter FY'20 Budget to Actual Statements.

BACKGROUND:

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

ISSUES FOR CONSIDERATION:

To assess the financial performance of the Agency for the first quarter of FY'20 against the budget for the same period.

BUDGET IMPACT:

A first quarter budget amendment was discussed with the Budget, Finance and Audit Committee at the December 20, 2019 meeting. The Commission will be asked to approve the first quarter budget amendment at the January 8, 2020 Commission meeting. Future amendments will be presented to the Commission as necessary.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the First Quarter Budget to Actual Statements at the December 20, 2019 Committee meeting. Action is requested at the January 8, 2020 Commission meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission acceptance of the First Quarter FY'20 Budget to Actual Statements.

DISCUSSION – FIRST QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the first quarter of FY'20 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'20 First Quarter Capital Budget to Actual Comparison.

The Agency ended the quarter with a net cash flow deficit of \$1,229,899. This deficit resulted in a first quarter budget to actual negative variance of \$1,022,422 when compared to the anticipated first quarter net cash flow deficit of \$207,477. The primary causes were lower than anticipated income in the General Fund (see General Fund) coupled with lower than projected cash flow in some of the unrestricted Opportunity Housing and Development Corporations, 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 quarter with a deficit of \$3,298,729 which resulted in a negative variance of \$728,549 when compared to the projected deficit of \$2,570,180.

As of September 30, 2019, income in the General Fund was \$739,897 higher than budgeted. If we were to exclude the \$1,685,676 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 \$945,779 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 shortfall in income reflects a delay in the receipt of commitment fees for the Lindley, which closed in the second quarter generating \$498,905 for the General Fund and \$748,357 for the

Opportunity Housing Reserve Fund (OHRF), and development fees for Alexander House and Greenhills. This shortfall in fees was partially offset by the receipt of a development fee for Arcola Towers that was originally anticipated in June 2019.

Expenses in the General Fund were \$1,468,446 more than budgeted. As referenced above, if we were to exclude the interest expense of \$1,613,917 paid on the PNC LOC and RELOC accounts, expenses in the General Fund would have been \$145,472 less than budget. The positive variance was primarily the result of savings throughout most administrative expenses and maintenance contracts. A portion of these savings is the result of timing issues and staff does not anticipate the full savings to be realized at year end.

The Multifamily Bond Fund and **Single Family Bond Fund** are budgeted to balance each year. Income (the bond draw downs that finance the administrative costs for these funds) is in line with the budget. The FY'20 First Quarter Budget Amendment includes a reduction to the draws for each program based on the accumulated savings at the end of FY'19 in the respective Bond Program which will be used towards the FY'20 administrative costs. The reduction in the draw for the Single Family will be reflected in the third quarter of FY'20 because the draw is done in two parts. The negative expense variance in the Single Family Bond Fund is a result of a timing variance that staff does not anticipate will exist at year end.

The Opportunity Housing Fund

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

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'20 Operating Budget. This group ended the quarter with cash flow of \$2,236,096 or \$68,890 more than projected. It should be noted that we can only recognize revenue up to the amount budgeted for each property. Several of the properties in this portfolio exceeded budgeted cash flow; however, when we exclude the extra income earned on properties exceeding their budgets, the quarter's recognizable cash flow is \$1,996,978 or \$170,228 below budget.

Unrestricted Development Corporations

	(3 Months)	(3 Months)		(3 Months)
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Adjusted</u>
The Barclay	\$46,686	(\$5,036)	(\$51,722)	(\$5,036)
Glenmont Crossing	\$83,295	\$132,632	\$49,337 ⁽¹⁾	\$83,295
Glenmont Westerly	\$105,398	\$163,420	\$58,022 ⁽¹⁾	\$105,398
Magruder's Discovery	\$197,422	\$203,326	\$5,904 ⁽¹⁾	\$197,422
The Metropolitan	\$416,064	\$436,060	\$19,996 ⁽¹⁾	\$416,064
Montgomery Arms	\$111,258	\$114,941	\$3,683 ⁽¹⁾	\$111,258
TPM - 59 MPDUs	\$83,819	\$97,274	\$13,455 ⁽¹⁾	\$83,819
Paddington Square	\$125,662	\$149,425	\$23,763 ⁽¹⁾	\$125,662
Pooks Hill High-Rise	\$160,471	\$208,224	\$47,753 ⁽¹⁾	\$160,471
Scattered Site One Dev. Corp.	\$76,199	\$65,512	(\$10,687)	\$65,512
Scattered Site Two Dev. Corp.	(\$13,934)	(\$1,046)	\$12,888 ⁽¹⁾	(\$1,046)
Sligo Development Corp.	\$1,732	\$8,437	\$6,705 ⁽¹⁾	\$1,732
VPC One Corp.	\$459,006	\$419,521	(\$39,485)	\$419,521
VPC Two Corp.	\$314,128	\$232,906	(\$81,222)	\$232,906
Subtotal	\$2,167,206	\$2,225,596	\$58,390	\$1,996,978
Recognizable Cash Flow				(\$170,228)

Notes:

(1) - Properties exceeding budgeted cash flow.

The Barclay ended the quarter with a negative cash flow variance of \$51,722 primarily as a result of higher than projected vacancy loss and concessions coupled with overages in administrative costs and higher cleaning costs for the building. **Glenmont Crossing** and **Glenmont Westerly** ended the quarter with positive cash flow variances of \$49,337 and \$58,022, respectively, primarily due to savings in administrative and maintenance expenses. The savings were partially offset by lower gross rents at the Crossing and higher vacancies at Westerly. **TPM – 59 MPDUs** experienced a positive cash flow variance of \$13,455 primarily as a result of lower than expected vacancy loss that was partially offset by small overages in administrative and bad debt expense. **Paddington Square** ended the quarter with a positive cash flow variance of \$23,763 as a result of higher than anticipated tenant income. **Pooks Hill High-Rise** ended the quarter with a positive cash flow variance of \$47,753 as a result of lower than expected vacancy loss and savings in utilities and bad debt expense. Cash flow for **Scattered Site One Dev. Corp** was \$10,687 less than budget driven mostly by higher than anticipated maintenance expense that was partially offset by higher than projected tenant rents and late fees coupled with savings in administrative expenses. A portion of the negative maintenance expense is related to appliance purchases that will be reclassified to capital. Cash flow for **Scattered Site Two Dev. Corp** was \$12,888 more than budget mostly driven by higher than anticipated tenant income. **Sligo Development Corp** ended the quarter with a positive cash flow variance of \$6,705 due to lower than projected vacancy loss that was partially offset by slightly higher maintenance expense. **VPC One** and **VPC Two Development Corporation** ended the quarter with negative cash flow variances of \$39,485 and \$81,222, respectively, largely due to higher than expected maintenance and bad debt expense.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'20 Operating Budget. Cash flow from this group of Development Corporation properties was \$307,017 more than budgeted for the quarter. **Alexander House** experienced a positive cash flow variance of \$403,474 primarily due to the delay in loan closing coupled with savings throughout most expense categories that were partially offset by lower tenant income as a result of lower rents and higher concessions offered to lease-up the property. The budgeted shortfall at **MetroPointe** was \$11,321 more than projected primarily due to higher vacancy loss coupled with higher utility and maintenance expense. On a consolidated basis, the **RAD 6** properties ended the quarter with a negative variance of \$137,212 which consisted primarily of variances at **Seneca Ridge** and **Washington Square**. The planned deficit at **Seneca Ridge** was \$58,994 more than anticipated primarily due to lower gross rents and greater than anticipated vacancy coupled with overages in maintenance expenses. Cash flow for **Washington Square** was \$66,239 lower than projected largely due to higher expenses throughout most major categories. Cash flow for **Town Centre Place** was \$23,273 lower than anticipated as a result of lower rents and slightly higher vacancies coupled with higher maintenance costs. **Parkway Woods** ended the quarter with a positive cash flow variance of \$18,060 primarily due to savings throughout most expense categories.

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'20 Operating Budget. This group ended the quarter with cash flow of 114,344 or \$81,153 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 \$71,852 or \$123,645 below budget.

Unrestricted Opportunity Housing Properties

	(3 Months)	(3 Months)		(3 Months)
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Adjusted</u>
64 MPDUs	\$15,415	\$28,161	\$12,746 ⁽¹⁾	\$15,415
Chelsea Towers	(\$18,363)	(\$4,479)	\$13,884 ⁽¹⁾	(\$4,479)
Fairfax Court	\$34,767	\$30,646	(\$4,121)	\$30,646
Holiday Park	(\$52,650)	(\$66,427)	(\$13,777)	(\$66,427)
Jubilee Falling Creek	\$3,516	\$2,161	(\$1,355)	\$2,161
Jubilee Hermitage	\$749	\$3,442	\$2,693 ⁽¹⁾	\$749
Jubilee Horizon Court	(\$3,127)	\$1,502	\$4,629 ⁽¹⁾	\$1,502
Jubilee Woodedge	\$1,694	\$38	(\$1,656)	\$38
McHome	\$10,762	\$6,969	(\$3,793)	\$6,969
McKendree	\$8,416	\$16,638	\$8,222 ⁽¹⁾	\$8,416
MHLP VII	(\$28,801)	(\$17,312)	\$11,489 ⁽¹⁾	(\$17,312)
MHLP VIII	(\$23,141)	(\$25,408)	(\$2,267)	(\$25,408)
MHLP IX Pond Ridge	(\$12,103)	(\$44,491)	(\$32,388)	(\$44,491)
MHLP IX Scattered	(\$135,224)	(\$138,492)	(\$3,268)	(\$138,492)
MHLP X	\$3,156	(\$41,062)	(\$44,218)	(\$41,062)
MPDU 2007 Phase II	(\$7,280)	\$6,342	\$13,622 ⁽¹⁾	\$6,342
Pooks Hill Mid-Rise	\$89,179	\$67,539	(\$21,640)	\$67,539
Strathmore Court	\$123,267	\$142,098	\$18,831 ⁽¹⁾	\$123,267
TPP LLC Pomander Court .	\$25,531	(\$2,654)	(\$28,185)	(\$2,654)
TPP LLC Timberlawn	\$159,734	\$149,133	(\$10,601)	\$149,133
Subtotal	\$195,497	\$114,344	(\$81,153)	\$71,852
		Recognizable Cash Flow		(\$123,645)

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. **Holiday Park** ended the quarter with a \$13,777 greater loss than projected primarily due to higher than projected vacancy loss. **MHLP IX Pond Ridge** ended the quarter with a \$32,388 greater loss than projected primarily due to overages in maintenance expense. **MHLP X** ended the quarter with a \$44,218 negative variance primarily due to higher tax payments. Payment in Lieu of Taxes (PILOT) agreements have been established for some of the units and staff is working to obtain the remaining PILOTs and will pursue a refund of the paid taxes. **MPDU 2007 Phase II** ended the quarter with a positive variance of \$13,622 which is attributable to savings in taxes. Cash flow at **Pooks Hill Mid-Rise** missed budget by \$21,640 largely as a result of lower rent potential coupled with overages in utilities and maintenance expenses. **Strathmore Court** ended the quarter with a positive cash flow variance of \$18,831 largely as a result of lower than anticipated vacancies and savings in utility and maintenance costs. **TPP LLC Pomander** and **TPP LLC Timberlawn** ended the quarter with a negative cash

flow variance of \$28,185 and \$10,601 respectively, largely due to a delay in loan management fee invoices for FY'19 that were paid in FY'20.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'20 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 \$574,652 higher than budgeted. **The Ambassador**, which is in the process of demolition, experienced expenses of \$52,022 mainly driven by continued natural gas and security costs coupled with 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 \$40,875 primarily attributable to higher vacancies at the property coupled with higher utility maintenance and bad debt expense. Cash flow at **Brookside Glen** was \$104,976 higher than projected as a result of lower than anticipated administrative, utility, and maintenance expense that were partially offset by higher vacancy loss. **Cider Mill Apartments** reported a positive cash flow variance of \$529,831 primarily due to a delay in the receipt of the invoice for taxes. In addition, the property experienced savings in administrative costs due to staff vacancies that were partially offset by higher maintenance and bad debt expense coupled with lower than anticipated laundry and fee income. **Diamond Square** experienced a negative cash flow variance of \$44,335 due to higher security cost that reflects expenses that will be reclassified to capital. **Elizabeth House Interim RAD** experienced a negative cash flow variance of \$73,156 due to shortfalls in tenant income that was partially offset by savings in utilities and maintenance expense. The FY'20 Budget was based on the final Public Housing property, Elizabeth House, being fully converted under the Rental Assistance Demonstration (RAD) Program. Activity for the units that have not been converted is shown in the Public Housing Program. **State Rental Combined** ended the quarter with a \$64,724 greater loss than projected loss due to higher administrative and maintenance expense. **Westwood Tower** ended the quarter with a positive cash flow variance of \$150,097 driven by higher than anticipated tenant income coupled with lower vacancy loss and lower than anticipated maintenance expenses. **The Willows** ended the quarter with a positive cash flow variance of \$48,639 largely due to lower than anticipated utility and maintenance that was partially offset by higher vacancies at the property.

The Public Fund (Attachment D)

- The FY'20 Budget was based on the final Public Housing property, Elizabeth House, being fully converted under the Rental Assistance Demonstration (RAD) Program and therefore did not include a budget for the Public Housing Rental Program (See Opportunity Housing). As a result of the delay in the final units converting at Elizabeth House, the program ended the quarter with a surplus of \$49,813 primarily based on the income that exceeded expenses related to the remaining units at the property. This was partially offset by the small amount of expenses at Emory Grove which is slated for demolition.
- The Housing Choice Voucher Program (HCVP) ended the quarter with a surplus of \$1,696,871. The surplus was comprised of Housing Assistance Payment (HAP) revenue that exceeded HAP payments by \$1,474,126 coupled with an administrative surplus of \$222,745. The HAP

surplus will be restricted to the HCVP reserve known as the Net Restricted Position (NRP), which includes funds received in prior years that were recognized but not used. The program ended the period with a positive administrative variance of \$216,018 when compared to the projected surplus of \$6,727 as a result of higher than anticipated administrative fee income that was partially offset by a small negative variance in administrative expenses due largely to the timing of contract expenses. The positive fee variance is largely due to the Department of Housing and Urban Development (HUD) providing additional administrative fees in July 2019 as a result of the final reconciliation of fees earned based on actual utilization through December 2018.

Tax Credit Partnerships

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

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'20. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect timing issues. Capital projects are long-term; therefore, it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

Manor at Fair Hill Farm exceeded its capital budget for the year as a result of roof work that was planned for FY'19 but was expensed in FY'20. There are sufficient replacement reserves at the property to cover the overage through September.

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

WHEREAS, the Commission reviewed the First Quarter FY'20 Budget to Actual Statements during its January 8, 2020 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the First Quarter FY'20 Budget to Actual Statements.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on Wednesday, January 8, 2020.

Patrice Birdsong
Special Assistant to the Commission

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FY 20 First Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(3 Months) Budget	(3 Months) Actual	Variance
General Fund			
General Fund	(\$2,570,180)	(\$3,298,729)	(\$728,549)
Administration of Multifamily and Single Family Fund			
Multifamily Fund	\$1,325,407	\$1,110,302	(\$215,105)
Draw from / (Restrict to) Multifamily Bond Fund	(\$1,325,407)	(\$1,110,302)	\$215,105
Single Family Fund	\$471,432	\$459,118	(\$12,314)
Draw from / (Restrict to) Single Family Bond Fund	(\$471,432)	(\$459,118)	\$12,314
Opportunity Housing Fund			
Opportunity Housing Properties	\$195,497	\$71,852	(\$123,645)
Development Corporation Property Income	\$2,167,206	\$1,996,978	(\$170,228)
OHRF			
OHRF Balance	\$1,333,944	\$17,387	(\$1,316,557)
Excess Cash Flow Restricted	(\$1,333,944)	(\$17,387)	\$1,316,557
Draw from existing funds	\$0	\$0	\$0
Net -OHRF	\$0	\$0	\$0
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	(\$207,477)	(\$1,229,899)	(\$1,022,422)

Public Fund			
Public Housing Rental (1)	\$0	\$49,813	\$49,813
Housing Choice Voucher Program HAP (2)	\$513,595	\$1,474,126	\$960,531
Housing Choice Voucher Program Admin (3)	\$6,727	\$222,745	\$216,018
Total -Public Fund	\$520,322	\$1,746,684	\$1,226,362
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	\$0	(\$49,813)	(\$49,813)
(2) Draw from / Restrict to HCV Program Cash Reserves	(\$513,595)	(\$1,474,126)	(\$960,531)
(3) Draw from / Restrict to HCV Program Excess Admin Fee	(\$6,727)	(\$222,745)	(\$216,018)
SUBTOTAL - Public Funds	\$0	\$0	\$0

TOTAL - All Funds	(\$207,477)	(\$1,229,899)	(\$1,022,422)
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FY 20 First Quarter Operating Budget to Actual Comparison

	Capital Expenses		Variance
	(12 Months) Budget	(3 Months) Actual	
General Fund			
East Deer Park	\$325,000	\$67,533	\$257,467
Kensington Office	\$375,000	\$89,888	\$285,112
Information Technology	\$585,000	\$99,270	\$485,730
Opportunity Housing Fund	\$6,995,052	\$1,101,503	\$5,893,549
TOTAL - All Funds	\$8,280,052	\$1,358,194	\$6,921,858

FY 20 First Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(3 Months)	Variance		(3 Months)	Variance
	Net Cash Flow Budget	Income	Expense	Net Cash Flow Actual	
Properties with unrestricted cash flow for FY18 operating budget					
The Barclay	\$46,686	(\$24,569)	(\$27,153)	(\$5,036)	(\$51,722)
Glenmont Crossing	\$83,295	(\$18,370)	\$67,707	\$132,632	\$49,337
Glenmont Westerly	\$105,398	(\$16,997)	\$75,018	\$163,420	\$58,022
Magruder's Discovery	\$197,422	(\$10,892)	\$16,796	\$203,326	\$5,904
The Metropolitan	\$416,064	\$6,289	\$13,706	\$436,060	\$19,996
Montgomery Arms	\$111,258	\$1,766	\$12,417	\$125,441	\$14,183
TPM - 59 MPDUs	\$83,819	\$21,964	(\$8,509)	\$97,274	\$13,455
Paddington Square	\$125,662	\$25,444	(\$1,681)	\$149,425	\$23,763
Pooks Hill High-Rise	\$160,471	\$25,985	\$21,769	\$208,224	\$47,753
Scattered Site One Dev. Corp.	\$76,199	\$18,232	(\$28,918)	\$65,512	(\$10,687)
Scattered Site Two Dev. Corp.	(\$13,934)	\$10,820	\$2,069	(\$1,046)	\$12,888
Sligo Development Corp.	\$1,732	\$9,135	(\$2,430)	\$8,437	\$6,705
VPC One Corp.	\$459,006	\$14,599	(\$54,084)	\$419,521	(\$39,485)
VPC Two Corp.	\$314,128	\$16,634	(\$97,856)	\$232,906	(\$81,222)
Subtotal	\$2,167,206	\$80,040	(\$11,149)	\$2,236,096	\$68,890
Properties with restricted cash flow (external and internal)					
Alexander House	\$32,984	(\$91,964)	\$495,438	\$436,458	\$403,474
MetroPointe	(\$31,459)	(\$4,827)	(\$6,494)	(\$42,780)	(\$11,321)
Oaks at Four Corners	\$41,302	(\$3,535)	\$55,611	\$93,378	\$52,076
RAD 6 Total	\$39,488	(\$75,213)	(\$61,999)	(\$97,724)	(\$137,212)
Ken Gar	\$8,304	(\$1,113)	(\$3,879)	\$3,313	(\$4,991)
Parkway Woods	(\$1,160)	(\$3,347)	\$21,407	\$16,900	\$18,060
Sandy Spring Meadow	\$21,776	(\$8,769)	\$6,994	\$20,001	(\$1,775)
Seneca Ridge	(\$43,994)	(\$41,575)	(\$17,419)	(\$102,988)	(\$58,994)
Towne Centre Place	\$22,110	(\$17,054)	(\$6,218)	(\$1,163)	(\$23,273)
Washington Square	\$32,452	(\$3,355)	(\$62,884)	(\$33,787)	(\$66,239)
Subtotal	\$82,315	(\$175,539)	\$482,556	\$389,332	\$307,017
TOTAL ALL PROPERTIES	\$2,249,521	(\$95,499)	\$471,407	\$2,625,428	\$375,907

FY 20 First Quarter Operating Budget to Actual Comparison
For Opportunity Housing Properties - Net Cash Flow

	(3 Months) Net Cash Flow		Variance		(3 Months) Net Cash Flow	
	<u>Budget</u>		<u>Income</u>	<u>Expense</u>	<u>Actual</u>	<u>Variance</u>
Properties with unrestricted cash flow for FY18 operating budget						
64 MPDUs	\$15,415		(\$727)	\$13,473	\$28,161	\$12,746
Chelsea Towers	(\$18,363)		\$5,522	\$8,363	(\$4,479)	\$13,884
Fairfax Court	\$34,767		\$2,476	(\$6,597)	\$30,646	(\$4,121)
Holiday Park	(\$52,650)		(\$12,617)	(\$1,160)	(\$66,427)	(\$13,777)
Jubilee Falling Creek	\$3,516		\$11	(\$1,366)	\$2,161	(\$1,355)
Jubilee Hermitage	\$749		\$2,986	(\$293)	\$3,442	\$2,693
Jubilee Horizon Court	(\$3,127)		\$87	\$4,542	\$1,502	\$4,629
Jubilee Woodedge	\$1,694		(\$1,804)	\$148	\$38	(\$1,656)
McHome	\$10,762		(\$6,288)	\$2,495	\$6,969	(\$3,793)
McKendree	\$8,416		\$763	\$7,458	\$16,638	\$8,222
MHLP VII	(\$28,801)		\$4,997	\$6,491	(\$17,312)	\$11,489
MHLP VIII	(\$23,141)		(\$2,078)	(\$190)	(\$25,408)	(\$2,267)
MHLP IX Pond Ridge	(\$12,103)		(\$1,629)	(\$30,759)	(\$44,491)	(\$32,388)
MHLP IX Scattered	(\$135,224)		(\$3,136)	(\$132)	(\$138,492)	(\$3,268)
MHLP X	\$3,156		(\$1,355)	(\$42,864)	(\$41,062)	(\$44,218)
MPDU 2007 Phase II	(\$7,280)		\$1,523	\$12,099	\$6,342	\$13,622
Pooks Hill Mid-Rise	\$89,179		(\$8,876)	(\$12,764)	\$67,539	(\$21,640)
Strathmore Court	\$123,267		\$8,092	\$10,739	\$142,098	\$18,831
TPP LLC Pomander Court	\$25,531		(\$1,632)	(\$26,553)	(\$2,654)	(\$28,185)
TPP LLC Timberlawn	\$159,734		\$14,047	(\$24,648)	\$149,133	(\$10,601)
Subtotal	\$195,497		\$362	(\$81,518)	\$114,344	(\$81,153)
Properties with restricted cash flow (external and internal)						
617 Olney Sandy Spring Road	(\$732)		(\$1,970)	(\$698)	(\$3,400)	(\$2,668)
The Ambassador	\$0		\$0	(\$52,022)	(\$52,022)	(\$52,022)
Avondale Apartments	\$21,386		(\$15,520)	(\$25,355)	(\$19,489)	(\$40,875)
Brooke Park	(\$359)		\$633	(\$6,015)	(\$5,741)	(\$5,382)
Brookside Glen (The Glen)	\$81,828		(\$20,513)	\$125,489	\$186,804	\$104,976
Camp Hill Square	\$74,384		\$400	(\$13,575)	\$61,210	(\$13,174)
CDBG Units	\$3,354		\$1,279	\$13	\$4,646	\$1,292
Cider Mill Apartments	(\$334,184)		(\$30,545)	\$560,376	\$195,647	\$529,831
Dale Drive	\$6,354		\$1	(\$1,022)	\$5,333	(\$1,021)
Diamond Square	\$78,231		\$7,843	(\$52,178)	\$33,896	(\$44,335)
Elizabeth House Interim RAD	(\$6,967)		(\$193,575)	\$120,418	(\$80,123)	(\$73,156)
Holly Hall Interim RAD	(\$65,215)		(\$1,915)	(\$3,067)	(\$70,197)	(\$4,982)
King Farm Village	\$1,734		(\$247)	\$197	\$1,683	(\$51)
Manchester Manor	\$9,986		(\$640)	(\$1,442)	\$7,904	(\$2,082)
The Manor at Cloppers Mill	\$56,624		(\$5,984)	(\$80)	\$50,560	(\$6,064)
The Manor at Colesville	\$51,647		(\$3,004)	\$15,191	\$63,835	\$12,188
The Manor at Fair Hill Farm	\$54,961		\$5,978	\$2,280	\$63,220	\$8,259
NCI Units	\$13,314		\$1,131	\$1,888	\$16,333	\$3,019
NSP Units	\$6,651		\$2,401	\$4,514	\$13,567	\$6,916
Paint Branch	\$25,061		(\$3,862)	(\$2,883)	\$18,317	(\$6,744)
Shady Grove Apts	\$61,799		(\$1,379)	\$29,349	\$89,769	\$27,970
Southbridge	\$22,475		(\$728)	(\$527)	\$21,220	(\$1,255)
State Rental Combined	(\$18,989)		(\$3,805)	(\$60,919)	(\$83,713)	(\$64,724)
Westwood Tower	\$190,535		\$69,287	\$80,810	\$340,632	\$150,097
The Willows	(\$58,457)		(\$20,255)	\$68,894	(\$9,818)	\$48,639
Subtotal	\$275,421		(\$214,989)	\$789,636	\$850,073	\$574,652
TOTAL ALL PROPERTIES	\$470,918		(\$214,627)	\$708,118	\$964,417	\$493,499

FY 20 First Quarter Operating Budget to Actual Comparison
For HUD Funded Programs

	(3 Months) <u>Budget</u>	(3 Months) <u>Actual</u>	<u>Variance</u>
Public Housing Rental			
Revenue	\$0	\$266,429	\$266,429
Expenses	\$0	\$216,616	(\$216,616)
Net Income	\$0	\$49,813	\$49,813
Housing Choice Voucher Program			
HAP revenue	\$24,569,640	\$25,520,954	\$951,314
HAP payments	\$24,056,045	\$24,046,828	(\$9,217)
Net HAP	\$513,595	\$1,474,126	\$960,531
Admin.fees & other inc.	\$1,951,224	\$2,185,644	\$234,420
Admin. Expense	\$1,944,497	\$1,962,899	(\$18,402)
Net Administrative	\$6,727	\$222,745	\$216,018
Net Income	\$520,322	\$1,696,871	\$1,176,549

FY 20 First Quarter Operating Budget to Actual Comparison
For Public Housing Rental Programs - Net Cash Flow

	(3 Months) Net Cash Flow <u>Budget</u>	Variance		(3 Months) Net Cash Flow <u>Actual</u>	<u>Variance</u>
		<u>Income</u>	<u>Expense</u>		
Elizabeth House	\$0	\$266,247	(\$212,705)	\$53,543	\$53,543
Emory Grove	\$0	\$182	(\$3,911)	(\$3,730)	(\$3,730)
TOTAL ALL PROPERTIES	\$0	\$266,429	(\$216,616)	\$49,813	\$49,813

FY 20 First Quarter Operating Budget to Actual Comparison
For Capital Improvements

	(12 Months) Budget	(3 Months) Actual	Variance
General Fund			
East Deer Park	\$325,000	\$67,533	\$257,467
Kensington Office	\$375,000	\$89,888	\$285,112
Information Technology	\$585,000	\$99,270	\$485,730
Subtotal	\$1,285,000	\$256,691	\$1,028,309
Opportunity Housing			
Ambassador	\$0	\$0	\$0
Alexander House	\$123,556	\$5,421	\$118,135
Avondale Apartments	\$22,920	\$20,955	\$1,965
The Barclay	\$46,716	\$33,463	\$13,253
Brooke Park	\$0	\$0	\$0
Brookside Glen (The Glen)	\$86,700	\$17,273	\$69,427
Camp Hill Square	\$27,100	\$4,098	\$23,002
CDBG Units	\$5,875	\$0	\$5,875
Chelsea Towers	\$29,040	\$7,439	\$21,601
Chevy Chase Lake	\$0	\$0	\$0
Cider Mill Apartments	\$605,100	\$138,614	\$466,486
Dale Drive	\$5,220	\$1,231	\$3,989
Diamond Square	\$388,540	\$13,249	\$375,291
Elizabeth House Interim RAD	\$0	\$0	\$0
Fairfax Court	\$57,025	\$686	\$56,339
Glenmont Crossing	\$138,821	\$4,887	\$133,934
Glenmont Westerly	\$220,199	\$7,453	\$212,746
Greenhills Apartments	\$0	\$0	\$0
Holiday Park	\$26,550	\$14,751	\$11,799
Holly Hall	\$0	\$0	\$0
Jubilee Falling Creek	\$0	\$0	\$0
Jubilee Hermitage	\$250	\$0	\$250
Jubilee Horizon Court	\$0	\$0	\$0
Jubilee Woodedge	\$365	\$0	\$365
Ken Gar	\$6,000	\$1,399	\$4,601
King Farm Village	\$0	\$0	\$0
Magruder's Discovery	\$108,244	\$13,319	\$94,925
Manchester Manor	\$176,874	\$4,033	\$172,841
Manor at Cloppers Mill	\$58,823	\$24,772	\$34,051
Manor at Colesville	\$181,522	\$174,604	\$6,918
Manor at Fair Hill Farm	\$50,587	\$70,230	(\$19,643)
McHome	\$38,075	\$2,796	\$35,279
McKendree	\$23,250	\$0	\$23,250
MetroPointe	\$369,200	\$17,683	\$351,517
The Metropolitan	\$753,372	\$60,352	\$693,020
Montgomery Arms	\$75,620	\$31,155	\$44,465
MHLP VII	\$41,350	\$5	\$41,345
MHLP VIII	\$73,600	\$5,808	\$67,792
MHLP IX - Pond Ridge	\$30,500	\$4,675	\$25,825
MHLP IX - Scattered	\$91,400	\$14,128	\$77,272
MHLP X	\$125,350	\$19,739	\$105,611
MPDU 2004	\$0	\$0	\$0
MPDU 2007	\$0	\$0	\$0
MPDU 2007 Phase II	\$8,850	\$0	\$8,850
617 Olney Sandy Spring Road	\$0	\$0	\$0
64 MPDUs	\$37,350	\$2,837	\$34,513
TPM - 59 MPDUs	\$21,700	\$20,223	\$1,477
Oaks at Four Corners	\$192,470	\$14,491	\$177,979
NCI Units	\$18,675	\$72	\$18,603
NSP Units	\$13,725	\$0	\$13,725
Paddington Square	\$98,824	\$24,237	\$74,587
Paint Branch	\$9,900	\$0	\$9,900
Parkway Woods	\$30,116	\$785	\$29,331
TPP LLC Pomander Court	\$13,500	\$0	\$13,500
Pooks Hill High-Rise	\$553,000	\$21,453	\$531,547
Pooks Hill Mid-Rise	\$52,600	\$8,872	\$43,728
Sandy Spring Meadow	\$12,000	\$9,530	\$2,470
Scattered Site One Dev. Corp.	\$108,925	\$22,036	\$86,889
Scattered Site Two Dev. Corp.	\$63,500	\$0	\$63,500
Seneca Ridge	\$22,419	\$5,262	\$17,157
Shady Grove Apts	\$186,945	\$54,251	\$132,694
Sligo Development Corp.	\$34,000	\$0	\$34,000
Southbridge	\$25,337	\$5,360	\$19,977
State Rental Combined	\$165,000	\$31,487	\$133,513
Strathmore Court	\$201,144	\$80,021	\$121,123
Towne Centre Place	\$12,004	\$3,270	\$8,734
TPP LLC Timberlawn	\$106,864	\$26,367	\$80,497
VPC One Dev. Corp.	\$78,300	\$11,961	\$66,339
VPC Two Dev. Corp.	\$65,750	\$11,719	\$54,031
Washington Square	\$10,500	\$1,331	\$9,169
Westwood Tower	\$648,700	\$6,871	\$641,829
The Willows	\$215,210	\$24,849	\$190,361
Subtotal	\$6,995,052	\$1,101,503	\$5,893,549
TOTAL	\$8,280,052	\$1,358,194	\$6,921,858

APPROVAL OF FY'20 FIRST QUARTER BUDGET AMENDMENT

January 8, 2020

- The net effect of the FY'20 First Quarter Budget Amendment is a balanced budget.
- Total operating budget for the Agency has increased from \$276.2 million to \$276.4 million.
- Total capital budget for the Agency has increased from \$154.3 million to \$155.2 million.
- Personnel Complement remains unchanged.
- No policy changes are reflected in the budget amendment.

M E M O R A N D U M

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
 Terri Fowler Ext. 9507
 Tomi Adebo Ext. 9472

RE: Approval of FY'20 First Quarter Budget Amendment

DATE: January 8, 2020

STATUS: Committee Report Deliberation [X]

OVERALL GOAL & OBJECTIVE:

To amend the FY'20 Budget so that it reflects an accurate plan for the use of the Agency's financial resources for the remainder of the year.

BACKGROUND:

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

ISSUES FOR CONSIDERATION:

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

- **General Fund:** The FY'20 First Quarter Budget Amendment requests authorization to rollover unspent capital funds for Facilities to cover emergency work necessary at the 880 Bonifant facility. The funding for these expenditures was restricted at the end of FY'19 in anticipation of this rollover request. This budget amendment identifies the restricted cash as the source for the expenditures and will be reflected in the FY'20 budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by \$200,000 to reflect the source and use of the funds to pay for the capital expenditures.
- **Bond Funds:** Bond draws are made each year to fund the administrative costs associated with the Multifamily and Single Family Bond Programs. As a result of expense savings over the past few years, remaining money from the draws has been restricted to cover future program costs. Staff is recommending that the FY'20 budgeted draws for these funds be reduced by the accumulated savings in each fund.

- **Multifamily Bond Funds:** Accumulated savings in the Multifamily Bond Fund is \$151,876. The projected draw of \$1,726,341 will be reduced by this amount and the savings will be used towards FY'20 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,574,465.
- **Single Family Bond Funds:** Accumulated savings in the Single Family Bond Fund is \$77,315. The projected draw of \$1,372,606 will be reduced by this amount and the savings will be used towards FY'20 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,295,291.

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

- **Capital Improvements:**

- **Capital Roll Over for Facilities (General Fund):** All planned capital expenses for Facilities were not completed in FY'19. Therefore, staff requests that \$200,000 be rolled forward and included in the FY'20 Budget to pay for emergency work necessary at 880 Bonifant.
- **Capital Roll Over for Information Technologies (General Fund):** All planned capital expenses for Information Technologies (IT) were not completed in FY'19. Therefore, staff requests that \$217,560 be rolled forward and included in the FY'20 Budget.
- **Capital Roll Over for Opportunity Housing Fund Properties:** Each year, Property Management reviews capital budgets at year end and requests capital funds to roll forward to the next year. This is necessary as there are always capital projects that have not been completed by year end. This year, Property Management has requested that \$509,275 for several properties be rolled forward and included in the FY'19 Budget. This work will be funded from property replacement reserves.

FY'20 1st Quarter Capital Rollover	
Manor at Fair Hill Farm	\$8,884
Manor at Clopper Mill	\$20,000
Manor at Colesville	\$145,709
MetroPointe	\$116,218
Metropolitan	\$43,459
Oaks at Four Corners	\$130,043
Strathmore Court	\$29,962
Timberlawn	\$15,000
Total	\$509,275

- **Fiscal Year Tax Credit Capital Roll Over:** The Strathmore Court Tax Credit entity follows a fiscal year; however, the budget is not consolidated in the agency budget and therefore not reflected on the attached chart. Property management has requested to roll forward FY'19 capital of \$12,038 which will increase the FY'20 amended capital budget from \$72,940 to \$84,978.

BUDGET IMPACT:

The net effect of the FY'20 First Quarter Budget Amendment is a balanced budget.

The total FY'20 Operating Budget for HOC increased from \$276,161,036 to \$276,361,036. This is an increase of \$200,000. The total FY'20 Capital Budget for HOC has increased from \$154,279,276 to \$155,206,111. This is an increase of \$926,835. Approval by the Commission of any budget amendments will revise the FY'20 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the FY'20 First Quarter Budget Amendment at the December 20, 2019 meeting. Action is requested at the January 8, 2020 Commission meeting.

COMMITTEE RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission approval of the proposed FY'20 First Quarter Budget Amendment.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") adopted a budget for FY'20 on June 5, 2019;

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

WHEREAS, the net effect of the FY'20 First Quarter Budget Amendment is a balanced budget;

WHEREAS, the total FY'20 Operating Budget increased from \$276,161,036 to \$276,361,036;

WHEREAS, the total FY'20 Capital Budget increased from \$154,279,276 to \$155,206,111;
and

WHEREAS, approval of the budget amendments to revise the FY'20 budget will reflect an accurate plan for the use of the Commission's resources for the remainder of FY'20.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'20 Operating Budget by increasing total revenues and expenses for the Commission from \$276,161,036 to \$276,361,036.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY'20 Capital Budget by increasing revenues and expenses for the Commission from \$154,279,276 million to \$155,206,111.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 8, 2020.

Patrice Birdsong
Special Assistant to the Commission

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FY'20 Operating Budget First Quarter Amendment				Adopted Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	First Quarter Budget Amendment
General Fund									
	General Fund	\$24,839,363	\$25,476,063	(\$636,700)	\$200,000	\$200,000	\$25,039,363	\$25,676,063	(\$636,700)
	Restrict to GFOR	\$0	\$1,152,719	(\$1,152,719)	\$0	\$0	\$0	\$1,152,719	(\$1,152,719)
	Restrict to OHPR	\$0	\$1,152,719	(\$1,152,719)	\$0	\$0	\$0	\$1,152,719	(\$1,152,719)
Multifamily & Single Family Bond Funds									
	Multifamily Fund	\$16,352,524	\$16,352,524	\$0	\$0	\$0	\$16,352,524	\$16,352,524	\$0
	Single Family Fund	\$9,197,496	\$9,197,496	\$0	\$0	\$0	\$9,197,496	\$9,197,496	\$0
Opportunity Housing Fund									
	Opportunity Housing & Dev Corps	\$97,775,049	\$94,976,558	\$2,798,491	\$0	\$0	\$97,775,049	\$94,976,558	\$2,798,491
	Draw from GFOR for MetroPointe Deficit	\$143,647	\$0	\$143,647	\$0	\$0	\$143,647	\$0	\$143,647
	Opportunity Housing Reserve Fund	\$5,672,471	\$1,541,412	\$4,131,059	\$0	\$0	\$5,672,471	\$1,541,412	\$4,131,059
	Restricted to OHRF	\$0	\$4,131,059	(\$4,131,059)	\$0	\$0	\$0	\$4,131,059	(\$4,131,059)
Public Fund									
	Housing Choice Voucher Program	\$104,040,932	\$105,106,753	(\$1,065,821)	\$0	\$0	\$104,040,932	\$105,106,753	(\$1,065,821)
	Draw from HCVP Administrative Reserve	\$433,251	\$0	\$433,251	\$0	\$0	\$433,251	\$0	\$433,251
	County Contributions towards HCVP Administration	\$632,570	\$0	\$632,570	\$0	\$0	\$632,570	\$0	\$632,570
	Federal , State and Other County Grants	\$17,073,733	\$17,073,733	\$0	\$0	\$0	\$17,073,733	\$17,073,733	\$0
TOTAL - ALL FUNDS		\$276,161,036	\$276,161,036	\$0	\$200,000	\$200,000	\$276,361,036	\$276,361,036	\$0

Footnotes - explanation of changes recommended to adopted

- GF R** \$200,000 Roll forward Facilities FY'19 Capital
- GF E** \$200,000 Roll forward Facilities FY'19 Capital

- MF R** (\$151,876) Reduce Multifamily Bond Fund draw by FY'19 accumulated savings
- MF R** \$151,876 Add carryover of cumulative savings

- SF R** (\$77,315) Reduce Single Family Bond Fund draw by FY'19 accumulated savings
- SF R** \$77,315 Add carryover of cumulative savings

FY'20 Capital Budget 1st Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes to Revenue	Net Changes to Expenses	Revenues	Expenses	1st Quarter Amendment
Capital Improvements									
	East Deer Park	\$325,000	\$325,000	\$0	\$200,000	\$200,000	\$525,000	\$525,000	\$0
	Kensington Office	\$375,000	\$375,000	\$0	\$217,560	\$217,560	\$592,560	\$592,560	\$0
	Information Technology	\$585,000	\$585,000	\$0	\$0	\$0	\$585,000	\$585,000	\$0
	Opportunity Housing Properties	\$6,995,052	\$6,995,052	\$0	\$509,275	\$509,275	\$7,504,327	\$7,504,327	\$0
		\$8,280,052	\$8,280,052	\$0	\$926,835	\$926,835	\$9,206,887	\$9,206,887	\$0
Capital Development Projects									
	900 Thayer	\$14,866,781	\$14,866,781	\$0	\$0	\$0	\$14,866,781	\$14,866,781	\$0
	Alexander House	\$9,616,457	\$9,616,457	\$0	\$0	\$0	\$9,616,457	\$9,616,457	\$0
	Bauer Park	\$22,764,505	\$22,764,505	\$0	\$0	\$0	\$22,764,505	\$22,764,505	\$0
	Deeply Affordable Units	\$1,250,000	\$1,250,000	\$0	\$0	\$0	\$1,250,000	\$1,250,000	\$0
	Elizabeth House III	\$32,435,744	\$32,435,744	\$0	\$0	\$0	\$32,435,744	\$32,435,744	\$0
	Georgian Court	\$12,001,713	\$12,001,713	\$0	\$0	\$0	\$12,001,713	\$12,001,713	\$0
	Greenhills	\$1,830,114	\$1,830,114	\$0	\$0	\$0	\$1,830,114	\$1,830,114	\$0
	The Lindley (CCL)	\$1,277,701	\$1,277,701	\$0	\$0	\$0	\$1,277,701	\$1,277,701	\$0
	Shady Grove	\$19,377,409	\$19,377,409	\$0	\$0	\$0	\$19,377,409	\$19,377,409	\$0
	Stewartown	\$16,815,541	\$16,815,541	\$0	\$0	\$0	\$16,815,541	\$16,815,541	\$0
	Upton II	\$12,728,883	\$12,728,883	\$0	\$0	\$0	\$12,728,883	\$12,728,883	\$0
	Waverly House	\$1,034,376	\$1,034,376	\$0	\$0	\$0	\$1,034,376	\$1,034,376	\$0
		\$145,999,224	\$145,999,224	\$0	\$0	\$0	\$145,999,224	\$145,999,224	\$0
TOTAL - ALL FUNDS		\$154,279,276	\$154,279,276	\$0	\$926,835	\$926,835	\$155,206,111	\$155,206,111	\$0

Footnotes - explanation of changes

GF-IT R \$200,000 Roll forward Faculties FY'19 Capital
GF-IT E \$200,000 Roll forward Faculties FY'19 Capital

GF-IT R \$217,560 Roll forward IT FY'19 Capital
GF-IT E \$217,560 Roll forward IT FY'19 Capital

OH R Add roll over budgets from FY'19 - \$509,275

\$8,884 Manor at Fair Hill Farm - (Computer, Landscaping, HVAC Replacements)
\$20,000 Manor at Clopper Mill - (Hallway Painting, Common Area Flooring)
\$145,709 Manor at Colesville - (Roof Replacement, Asphalt Work, Exterior Painting)
\$116,218 MetroPointe - (Exterior Painting, HVAC Equipment)
\$43,459 Metropolitan - (Fountain)
\$130,043 Oaks at Four Corners - (Brick Work, Concrete Work, Water-proofing, Exterior Painting)
\$29,962 Strathmore Court - (Door Replacement, Brick Wall replacement)
\$15,000 Timberlawn - (Signage for New Logo)
\$509,275 Total Change to OH Fund

OH E Add roll over budgets from FY'19 - \$509,275

\$8,884
\$20,000
\$145,709
\$116,218
\$43,459
\$130,043
\$29,962
\$15,000
\$509,275 **Total Change to OH Fund**

**AUTHORIZATION TO WRITE OFF BAD DEBT
RELATED TO TENANT ACCOUNTS RECEIVABLE
(JULY 1, 2019 – SEPTEMBER 30, 2019)**

January 8, 2020

- 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 July 1, 2019 to September 30, 2019 totaled \$45,338. This quarter write off includes \$26,413 from Opportunity Housing properties, \$2,323 from the Supportive Housing program, \$12,494 from RAD properties, and \$4,108 from Rental Assistance Sec8 Repays. Past tenants at VPC One Corporation, VPC Two Corporation, MHLP IX, MHLP X and RAD Properties accounted for the majority of the write-offs. These were mainly due to tenants who vacated their units voluntarily, were evicted for non-payment.
- The next anticipated write-off of former tenants' bad debt balance will be for the period covered October 1, 2019 to December 31, 2019, and will be performed in the third 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
 Charnita Jackson Property Management Ext. 9776

RE: Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable
(July 1, 2019 – September 30, 2019)

DATE: January 8, 2020

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 September 18, 2019 was for \$224,199 which covered the three-month period from April 1, 2019, through June 30, 2019.

The proposed write-off of former tenant accounts receivable balances for the first quarter July 1, 2019, through September 30, 2019, is \$45,338.

The first quarter write-off totaling \$45,338 is primarily due to the Opportunity Housing properties (VPC One Corporation, VPC Two Corporation, MHLP IX and MHLP X), RAD 6 properties, Supportive Housing, and Rental Assistant Sec 8 Repays. The primary reasons for the write-offs include tenants who were evicted for non-payment, tenants who voluntarily left their units, and Tenants who are no longer in the HCV or supportive housing programs.

The following table shows the write-offs by fund/program.

	Current	Prior			Fiscal Year 2020	Fiscal Year 2019
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
Property Type	07/01/19 - 09/30/19	07/01/18 - 09/30/18	09/30/18 - 09/30/19	09/30/18 - 09/30/19	07/01/19 - 09/30/19	07/01/18 - 09/30/18
Public Housing	\$ -	\$ 1,124	\$ (1,124)	-100.00%	\$ -	\$ 1,124
Opportunity Housing	26,413	201,011	(174,598)	-86.86%	26,413	201,011
Supportive Housing	2,323	11,669	(9,346)	-80.09%	2,323	11,669
RAD Properties	12,494	34,853	(22,359)	-64.15%	12,494	34,853
Rental Asst Sec8 Repays	4,108	-	4,108	0.00%	4,108	-
	\$ 45,338	\$ 248,657	\$ (203,319)	-81.77%	\$ 45,338	\$ 248,657

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

	Current	Prior			Fiscal Year 2020	Fiscal Year 2019
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
Public Fund	07/01/19 - 09/30/19	07/01/18 - 09/30/18	09/30/18 - 09/30/19	09/30/18 - 09/30/19	07/01/19 - 09/30/19	07/01/18 - 09/30/18
Former PH Tenants	\$ -	\$ 1,124	\$ (1,124)	-100.00%	\$ -	\$ 1,124
Total Public Fund	\$ -	\$ 1,124	\$ (1,124)	-100.00%	\$ -	\$ 1,124

Within the Public Housing properties, there were no write-offs in the first quarter of FY '20.

	Current	Prior			Fiscal Year 2020	Fiscal Year 2019
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
Opportunity Housing (OH) Fund	07/01/19 - 09/30/19	07/01/18 - 09/30/18	09/30/18 - 09/30/19	09/30/18 - 09/30/19	07/01/19 - 09/30/19	07/01/18 - 09/30/18
Avondale	\$ -	\$ 24	\$ (24)	-100.00%	\$ -	\$ 24
Holiday Park	-	3,775	(3,775)	-100.00%	-	3,775
MHLP IX - MPDU	6,228	5,818	410	7.05%	6,228	5,818
MHLP VIII	110	-	110	0.00%	110	-
MHLP X	3,766	-	3,766	0.00%	3,766	-
Scattered Site One Dev Corp	1,317	5,661	(4,344)	-76.74%	1,317	5,661
State Rental Partnership	-	8,078	(8,078)	-100.00%	-	8,078
VPC One Corp	11,071	130,182	(119,111)	-91.50%	11,071	130,182
VPC Two Corp	3,921	47,473	(43,552)	-91.74%	3,921	47,473
Total OH Fund	\$ 26,413	\$ 201,011	\$ (174,598)	-86.86%	\$ 26,413	\$ 201,011

Within the Opportunity Housing portfolio, the \$26,413 write-off amounts were largely for VPC One Corporation, VPC Two Corporation, MHLP IX–MPDU, MHLP X and Scattered Site One Development Corporation. The write-offs were mainly due to tenants who were evicted due to non-payment of rents, voluntarily vacated their units or purchased a home.

	Current	Prior			Fiscal Year 2020	Fiscal Year 2019
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	<u>07/01/19 - 09/30/19</u>	<u>07/01/18 - 09/30/18</u>	<u>09/30/18 - 09/30/19</u>	<u>09/30/18 - 09/30/19</u>	<u>07/01/19 - 09/30/19</u>	<u>07/01/18 - 09/30/18</u>
Supportive Housing						
McKinney X	\$ 2,323	\$ 9,184	\$ (6,861)	-74.71%	\$ 2,323	\$ 9,184
McKinney XII	-	2,485	(2,485)	-100.00%	-	2,485
Total Supportive Housing	\$ 2,323	\$ 11,669	\$ (9,346)	-80.09%	\$ 2,323	\$ 11,669

Within the Supportive Housing Program, the \$2,323 write-off amounts were due to one tenant who moved out of Supportive Housing Program and obtained a voucher, and one tenant who was deceased.

	Current	Prior			Fiscal Year 2020	Fiscal Year 2019
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	<u>07/01/19 - 09/30/19</u>	<u>07/01/18 - 09/30/18</u>	<u>09/30/18 - 09/30/19</u>	<u>09/30/18 - 09/30/19</u>	<u>07/01/19 - 09/30/19</u>	<u>07/01/18 - 09/30/18</u>
RAD Properties						
RAD 6 - Ken Gar	\$ -	\$ 10,000	\$ (10,000)	-100.00%	\$ -	\$ 10,000
RAD 6 - Seneca Ridge	9,236	24,785	(15,549)	-62.74%	9,236	24,785
RAD 6 - Washington Square	3,258	-	3,258	0.00%	3,258	-
Waverly House LP	-	68	(68)	-100.00%	-	68
Total RAD Properties	\$ 12,494	\$ 34,853	\$ (22,359)	-64.15%	\$ 12,494	\$ 34,853

Within the RAD properties, the \$12,494 write-off amounts were due to a tenant who was evicted due to non-payment of rents and another tenant who left his unit voluntarily.

	Current	Prior			Fiscal Year 2020	Fiscal Year 2019
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	<u>07/01/19 - 09/30/19</u>	<u>07/01/18 - 09/30/18</u>	<u>09/30/18 - 09/30/19</u>	<u>09/30/18 - 09/30/19</u>	<u>07/01/19 - 09/30/19</u>	<u>07/01/18 - 09/30/18</u>
Rental Asst Sec8 Repays						
Rental Asst Sec8 Repays	\$ 4,108	\$ -	\$ 4,108	0.00%	\$ 4,108	\$ -
Total Rental Asst Sec8 Repays	\$ 4,108	\$ -	\$ 4,108	0.00%	\$ 4,108	\$ -

Within the Rental Assistant Sec8 Repays, the \$4,108 write-off amounts were due to tenants who left the program.

The next anticipated write-off will be for the second quarter of FY'20, covering Oct 1, 2019, through December 31, 2019. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the debt database.

ISSUES FOR CONSIDERATION:

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

BUDGET IMPACT:

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

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the write-off of bad debt at the December 20, 2019 meeting. Action is requested at the January 8, 2020 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

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

RESOLUTION NO. 20-03

**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 July 1, 2019 – September 30, 2019 is \$45,338, consisting of \$26,413 from Opportunity Housing properties, \$12,494 from RAD properties, \$4,108 from Rental Assistance Sec8 Repays, and \$2,323 from Supportive Housing program.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes and directs the Executive Director, or his designee, without further action on its part, to take any and all actions necessary and proper to write off \$45,338 in bad debt related to (i) tenant accounts receivable balances that are delinquent for more than ninety (90) days, and (ii) former tenant balances, including the execution of any and all documents related thereto.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on Wednesday, January 8, 2020.

Patrice M. Birdsong
Special Assistant to the Commission

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SHADY GROVE APARTMENTS LIMITED PARTNERSHIP: APPROVAL TO RENEW THE PROPERTY MANAGEMENT CONTRACT

January 8 , 2020

- The Property Management Contract with Shady Grove Apartments Limited Partnership (“Shady Grove”) is expiring January 15th 2020. 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 Shady Grove Apartments be renewed for one (1) year with Edgewood/Vantage Management.

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: Jay Berkowitz Division: Property Management Ext. 4857

RE: Shady Grove Apartments Limited Partnership: Approval to Renew the Property Management Contract

DATE: January 8 , 2020

STATUS: Consent 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 Shady Grove Apartments Limited Partnership.

BACKGROUND:

Shady Grove Apartments is a garden style community of 144 HUD units. The property was built in 1980 and is located in Deerwood. This established neighborhood is located just 5 minutes away from Shady Grove Shopping Center and 15 minutes to Lake Forest Mall, Sam’s Club, Costco, and many other convenient stores. The property management contract for Shady Grove is expiring on January 15th, 2020. The property received a score of 99A for its most recent REAC inspection and has maintained an average occupancy of 99% over the last 2 years.

Staff wishes to renew the property management contract for Shady Grove Apartment 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. The contract renewal will reflect that the management fee will be based on performance.

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Start Date/End Date	Contract Terms (Remaining Renewals)
Shady Grove	144	EMC/Vantage Management	\$65,664	1/15/2020	1/16/2020 to 1/15/2021	1-1 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 Shady Grove?

BUDGET IMPACT:

The renewal of the property management contract for Shady Grove Apartments for one year will not have a budget impact as the costs associated with the services were factored into the FY2020 property budget.

TIME FRAME:

Deliberation for Commission action at the January 8th 2020 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 contract with Edgewood/Vantage Management for one year (1) year at Shady Grove Apartments.

RESOLUTION NO.: 20-04

RE: Shady Grove Apartments Limited Partnership: Approval to Renew Property Management Contract

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of Shady Grove Apartments Limited Partnership (“Shady Grove LP”), and Shady Grove LP owns the development known as Shady Grove Apartments located in Gaithersburg, Maryland (“Shady Grove ”); and

WHEREAS, staff desires to renew the current property management contract at Shady Grove 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 Shady Grove Apartments 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 Shady Grove.

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 January 8th, 2020.

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Patrice M. Birdsong
Special Assistant to the Commission

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACT FOR POOKS HILL COURT

January 8, 2020

- The Property Management contract for Pooks Hill Court expires on **January 22, 2020**. The contract with Vantage Management provides for a renewal period through **December 22, 2020**.
- Per the Commission's procurement policy, the Commission must approve all property management contract renewals.
- Staff requests that the contract for Pooks Hill Court be renewed through December 22, 2020 with Vantage Management. Vantage has been managing this property since September 2013.
- Pooks Hill Court is currently 94% occupied and includes 10 affordable units restricted to households earning up to 50% AMI as well as 40 unrestricted units.

M E M O R A N D U M

TO: Housing Opportunities Commission
VIA: Stacy L. Spann, Executive Director
FROM: Staff: Millicent Anglin Division: Property Management Ext. 9676
RE: Approval to Renew Property Management Contract for Pooks Hill Court
DATE: January 8, 2020

STATUS: Consent Deliberation Future Action]

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew the property management contract with Vantage Management for property management services at Pooks Hill Court.

BACKGROUND:

Pooks Hill Court is a 50-unit, multi-family property that includes 40 unrestricted units and 10 affordable units restricted to households earning up to 50% AMI. The property is located in Bethesda and offers amenities including a swimming pool and parking.

Staff wishes to renew Pooks Hill Court’s property management contract with Vantage Management through December 22, 2020. The project is well-maintained and has stable occupancy. Pooks Hill Court is currently 94% occupied with three vacant units expected to lease shortly.

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

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Start Date/End Date	Contract Terms (Remaining Renewals)
Pooks Hill Court	50	Vantage	\$27,432	1/22/2020	1/23/2020-12/22/2020	One

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director to renew the property management services contract with Vantage Management for Pooks Hill Court?

BUDGET IMPACT:

The renewal of the property management contract for Pooks Hill Court 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 December 22, 2020 will be factored into the FY2021 budget. Additionally, the renewal will be performance-based so the management fee would be lower if revenue declined below budgeted expectations.

TIME FRAME:

At the December 20, 2019 meeting, the Budget, Finance, and Audit Committee reviewed the request to renew the property management contract for Pooks Hill Court through December 22, 2020. For Commission action at the January 8, 2020 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance, and Audit Committee recommends to the Commission approval of the property management contract renewal with Vantage Management for Pooks Hill Court through December 22, 2020.

RESOLUTION NO.: 20-05

**RE: Pooks Hill Court: Approval to Renew
the Property Management Contract
Through December 22, 2020**

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

WHEREAS, staff desires to renew the current property management contract at Pooks Hill Court with Vantage Management through December 22, 2020.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to execute a renewal of the property management contract at Pooks Hill Court with Vantage Management through December 22, 2020.

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 January 8, 2020.

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**Patrice M. Birdsong
Special Assistant to the
Commission**

Development and Finance Committee

BOND COUNSEL CONTRACTS: RENEWAL WITH KUTAK ROCK LLP AND BALLARD SPAHR LLP IN ACCORDANCE WITH THE CURRENT CONTRACT AND APPROVAL TO SELECT KUTAK ROCK LLP AS SOLE BOND COUNSEL FOR THE GENERAL TRUST INDENTURE

January 8, 2020

- On April 5, 2017, the Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”) approved the selection of Kutak Rock LLP and Ballard Spahr LLP to serve as bond counsel for a new contract term, initially for three years, with two additional one year renewals for a maximum contract term of five years. The contract term commenced on April 10, 2017 and the initial three-year term ends April 9, 2020. Each renewal must be approved by the Commission.
- Bond counsel to a municipal housing bond issuer such as HOC provides legal advice specific to the issuance of tax-exempt bonds or other securities issued to finance its housing programs. Most importantly, it provides legal opinions to the marketplace that addresses among other things: (1) the validity of the bonds, and (2) the excludability of interest on the bonds from gross income for federal income tax purposes. Without an accompanying opinion of nationally recognized bond counsel, the bonds are not normally marketable.
- Kutak Rock LLP was selected as its sole bond counsel for the Single Family Mortgage Revenue Bond Resolution (the “1979 Parity Indenture”) and its Single Family Housing Bond Resolution (the “2009 NIBP Parity Indenture”).
- Kutak Rock LLP and Ballard Spahr were both selected as bond counsel for its multifamily issuances with Ballard Spahr initially serving as bond counsel for selected stand-alone transactions as they become experienced with HOC and demonstrate their ability to perform on other transactions. Kutak Rock would serve the Commission initially as bond counsel for all its multifamily bond issuances.
- On July 10, 2019, the Commission approved the creation of a new indenture, the General Trust Indenture (“GTI”), which is a multiple program indenture that authorizes the Commission to issue taxable or tax-exempt bonds to finance or reimburse the related Commission’s capital expenditures. The GTI was created by Kutak Rock, working with the Commission’s staff and its financial advisor.
- On December 20, 2019 the Development & Finance Committee considered the request by staff to renew the contracts with Kutak Rock LLP and Ballard Spahr LLP and unanimously voted to recommend approval to the full Commission.
- Staff recommends that the Commission accept the recommendation of the Development & Finance Committee and approve the renewal of the bond counsel contracts with Kutak Rock LLP and Ballard Spahr LLP for one year on the same terms of the existing contract.
- Staff further recommends that Kutak Rock LLP be approved as bond counsel for the newly created parity General Trust Indenture.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Division: Mortgage Finance Staff: Brown/Benjamin/Arrington Ext: 9589/9590/9760

RE: Bond Counsel Contracts: Renewal with Kutak Rock LLP and Ballard Spahr LLP in Accordance with the Current Contract and Approval to Select Kutak Rock LLP as Sole Bond Counsel for the General Trust Indenture

DATE: January 8, 2020

STATUS: **Committee Report:** **Deliberation** X

OVERALL GOAL & OBJECTIVE:

Renewal of the bond counsel contracts with Kutak Rock LLP and Ballard Spahr LLP in accordance with the current contract, thereby, enabling the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) to meet its affordable housing goals.

BACKGROUND:

The current contracts for bond counsel with Kutak Rock LLP and Ballard Spahr LLP expire on April 10, 2020.

Bond Counsel

Bond counsel to a municipal housing bond issuer such as HOC provides legal advice specific to the issuance of tax-exempt bonds or other securities issued to finance its housing programs. Most importantly, it provides legal opinion to the marketplace that addresses among other things: (1) the validity of the bonds and (2) the excludability of interest on the bonds from gross income for federal income tax purposes. Without an accompanying opinion of nationally recognized bond counsel, the bonds are not normally marketable.

More specifically, bond counsel participates in the structuring of bond transactions, prepare, review and assemble documents that serve as the transcript for the issued debt. They also provide interpretative services to HOC on an ongoing basis and assist with related covenant and tax compliance matters. They may also assist with continuing disclosure as well as arbitrage rebate compliance if requested, including ad hoc consulting services to address Internal Revenue Service (“IRS”), Securities and Exchange Commission (“SEC”) issues, and other matters that arise from HOC’s financing activities.

Though not mandatory, bond counsel is expected to be or become familiar with HOC’s affordable housing goals and mission, thereby, enabling HOC to balance profitability goals with public purpose. A stable bond counsel relationship provides continuity for the issuer as it experiences staff turnover throughout the years; therefore, the selected firm (or firms) must possess the breadth, depth and

industry presence to enhance its ability to provide related services for HOC to respond to industry changes, market factors, and changes in governing laws.

Current Bond Counsel Relationship

On April 5, 2017, the Commission approved the selection of Kutak Rock LLP (“Kutak Rock”) and Ballard Spahr LLP (“Ballard”) as its bond counsel for a new contract term of three (3) years, initially, with two (2) additional one-year extensions and authorized the Executive Director to execute contract documents. Kutak Rock was selected as the Commission’s sole bond counsel for the Single Family Mortgage Revenue Bond Resolution (the “1979 Parity Indenture”) and its Single Family Housing Bond Resolution (the “2009 NIBP Parity Indenture”).

Kutak Rock has assisted HOC with the issuance of approximately \$3.4 billion in 193 bond series throughout its 36-year relationship with HOC, including approximately \$200 million covering 11 transactions since 2017. This experience with HOC involved issuance under its single family and multifamily parity indentures, as well as stand-alone (conduit) indentures.

Ballard is a Philadelphia-based law firm of more than 500 lawyers practicing throughout the United States in the areas of litigation, business and finance, intellectual property, public finance, and real estate. Ballard’s primary area of practice includes its public finance practice specializing in the area of general housing bond finance with its lawyers having served as bond counsel in every form of traditional municipal debt, including tax-exempt, taxable, new money and all forms of financings involving many forms of credit enhancement.

Ballard is new in its representation as bond counsel to the Commission and both Ballard and Kutak Rock were selected in 2017 as bond counsel for HOC’s multifamily issuances with Ballard initially serving as bond counsel for selected stand-alone transactions, as they become experienced with HOC and demonstrate their ability to perform on other transactions. Kutak Rock would serve the Commission initially as bond counsel for all its multifamily bond issuances. Since the contract was awarded, Ballard has not represented the Commission on any private developer transaction because all but one (1) bond issuance have been for HOC-owned or affiliate transactions.

Parity versus Conduit Bond Counsel Representation

HOC’s single family bond programs operate pursuant to two parity (open) single family Bond Resolutions. One, the 1979 Indenture, created in that year, embodies all of the complexities of 36-year tax law, industry, and market changes. The second, the 2009 NIBP Indenture, created in 2009 to allow for participation in the U.S. Treasury Initiative for Housing Finance Agencies, is less complex. The multifamily program operates a little differently, but most of the activities are conducted pursuant to the 1996 Housing Development Bond Resolution (the “1996 Indenture”) and the 2002 Multiple Purpose Bond Resolution (the “Multiple Purpose Indenture”). One older parity indenture—the 1984 indenture—is no longer used for new multifamily issuances and only has two series of bonds outstanding. As with the single family parity indentures, the firm selected to represent the Commission as bond counsel for the multifamily programs must be knowledgeable about all of the issues inherent in similar programs.

On July 10, 2019, the Commission approved the creation of a new indenture, the General Trust Indenture (“GTI”), which is a multiple program indenture that authorizes the Commission to issue taxable or tax-exempt bonds or other evidences of indebtedness to finance homeownership programs and rental housing programs, or to finance or reimburse the related Commission’s capital expenditures.

The bonds issued under the GTI are revenue bonds, and may be private activity bonds or governmental bonds. The bonds will be secured by rental housing and/or single family home mortgage loans. The GTI authorizes the issuance of new money and refunding bonds. It is a parity indenture, but subordinate bonds are authorized to be issued. Individual bond issues will be via supplemental indentures, which establish funds and accounts as may be necessary for the individual bond issuances.

In addition to these parity indentures, from time to time, HOC issues bonds that finance private developer transactions on a stand-alone basis. Those may be characterized as conduit issuances. While experience in multifamily parity bond issues might be helpful, conduit issuances are different in structure and documentation.

Contract Renewal

As stated previously, the Commission’s current contract with Kutak Rock and Ballard is for a term of three (3) years (through April 17, 2020), initially, with two (2) additional one-year extensions. Based upon the long history with Kutak Rock and the continued desire to work with Ballard for selected stand-alone multifamily transactions, staff proposes the renewal of both contracts for a one-year term in accordance with provisions of the existing contracts. Staff further proposes that Kutak Rock be designated as sole bond counsel for the new General Trust Indenture with its fees charged based upon the type of issuance outlined below.

Fees:

Kutak Rock’s average hourly rate is \$350. A flat fee of \$52,000 is for HOC’s single family bond issuance under its parity indentures, and for multifamily issuances funding developments that are owned by HOC or its affiliates, the per-transaction fee under a parity indenture is \$60,000. Private developer stand-alone issuances are proposed at \$60,000-\$70,000 based on complexity.

Ballard’s hourly rate is \$477 for its partners and associates with annual increases of \$25 for partners and \$20 for associates. Additionally, a flat fee of \$60,000 is for stand-alone multifamily conduit issuances. Per the contract, these fees are fixed for the first three (3) years with 3% annual escalations thereafter.

The use of para-professionals is anticipated by both firms to reduce overall costs. Given HOC’s real estate and financing pipeline, staff proposes the fee under each contract to not exceed \$600,000 annually.

	Ballard Spahr ¹	Kutak Rock	Comments
Hourly Fee (Partners & Associates)			
Partners	\$491	\$350	
Associates	\$383	\$250	
Paralegal	\$210	\$175	
Single Family Parity	N/A	\$52,000	
Multifamily Parity	N/A	\$60,000	HOC-owned or sponsored
Multifamily Stand-alone	\$61,800	\$60,000-\$70,000	Private developers
Reimbursable Expenses	Actual cost	Actual cost	

¹ Renewal fees for Ballard reflect a 3% increase in accordance with the existing contract.

ISSUES FOR CONSIDERATION:

1. Does the Commission wish to accept the recommendation of the Development and Finance Committee to approve the renewal of the contract with Kutak Rock LLP and Ballard Spahr LLP as its bond counsel for a one-year extension in accordance with the provisions of the existing bond counsel contracts?
2. Does the Commission wish to accept the recommendation of the Development and Finance Committee to approve the selection of Kutak Rock LLP as its sole bond counsel for the General Trust Indenture?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Ballard Spahr LLP
Kutak Rock LLP

BUDGET IMPACT:

There is no impact for the Commission's FY20 operating budget. Bond counsel fees are built into the cost of issuance budget for each issuance and routine hourly costs are included in the Mortgage Finance Division's budget which is funded from annual draws from the indentures.

TIME FRAME:

For action at the January 8, 2020 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

1. Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the renewal the bond counsel contracts with Kutak Rock LLP and Ballard Spahr LLP and extend for one (1) year in accordance with the current contracts.
2. Staff further recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the selection of Kutak Rock LLP as its sole bond counsel for the General Trust Indenture and approve fee structure consistent with a single family or multifamily issuance.
3. Staff further recommends approval of the annual aggregate contract amount of up to \$600,000 for both contracts.

Resolution No.: 20-06

Re: Bond Counsel Contracts: Renewal with Kutak Rock LLP and Ballard Spahr LLP in Accordance with the Current Contracts and Approval to select Kutak Rock LLP as sole bond counsel for the General Trust Indenture

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”) is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and, as further provided in that certain Memorandum of Understanding by and between the Commission and Montgomery County, Maryland the Commission is authorized to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, the ability to issue notes and bonds to the capital markets is subject to the issuance of an opinion from nationally recognized bond counsel concerning (1) the validity of the bonds, and (2) the excludability of interest on the bonds from gross income for federal income tax purposes, without which the bonds are not normally marketable; and

WHEREAS, on April 5, 2017, the Commission appointed Kutak Rock LLP (“Kutak”) and Ballard Spahr LLP (“Ballard”) as bond counsel for its financing programs for a three-year term, with the two optional one year renewals that must be approved by the Commission; and

WHEREAS, the Commission is satisfied with the services that are provided by bond counsel and wishes to renew the contracts for one year in accordance with provisions of the existing contracts; and

WHEREAS, the Commission, with the help of Kutak Rock LLP, created a new General Trust Indenture in 2019, which is a multiple program indenture that authorizes the Commission to issue taxable or tax-exempt bonds to finance or reimburse the related Commission’s capital expenditures across programs, and staff recommends that Kutak be named sole counsel for such indenture.

NOW, THEREFORE BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the renewal of the existing contracts with Kutak and Ballard as its bond counsel for one year, including the fees schedules submitted with the initial proposal that provide for a 3% annual increase for Ballard after the first three years.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the selection of Kutak as its sole bond counsel for the newly created General Trust Indenture with compensation that is consistent with the existing engagements.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the maximum aggregate contract amount of \$600,000 annually.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the 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 transactions and actions contemplated herein, including the execution of any documents related thereto.

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Patrice Birdsong
Special Assistant to the Commission

**STEWARTOWN HOMES: AUTHORIZATION TO SELECT GENERAL CONTRACTOR FOR THE RENOVATION OF
STEWARTOWN HOMES IN ACCORDANCE WITH
RFQ #2121 AND RFP #2121-01 APPROVAL TO FREEZE LEASING TO FACILITATE RENOVATION, AND
APPROVAL OF REQUEST FOR ADDITIONAL PREDEVELOPMENT FUNDS**

STEWARTOWN HOMES RENOVATION



Stacy L. Spann, Executive Director

**Kayrine Brown
Zachary Marks
Gio Kaviladze**

January 8, 2020
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Executive Summary

- Stewartown (“Property”) was constructed in 1977 in Gaithersburg. The property contains 94 townhome units within 12 structures. Stewartown has not undergone any major renovation since 2000, other than replacements at failure and scheduled capital improvements.
- Stewartown has reached the end of its initial 15-year LIHTC compliance period and the project team is currently preparing for the property’s upcoming LIHTC re-syndication and comprehensive renovation. The transaction is projected to close in the Summer of CY2020, with renovation to start soon after. The existing tax credit investor exit process is currently in progress and nearing conclusion.
- In preparation for the renovation, in August 2018 HOC started **Phase 1** of General Contractor (“GC”) evaluation and selection process for upcoming renovation projects at its three properties: Georgian Court, Shady Grove Apartments, and Stewartown Homes. General Contractor Request for Qualifications (“RFQ”) was issued to solicit qualification statements from all interested GCs and pre-qualify contractors for the renovation projects. HOC received eleven (11) submissions for the RFQ and qualified five contractors to submit proposals in response to phase 2, Requests For Proposal (“RFP”), for individual projects.
- In September 2019, HOC started **Phase 2** of the GC selection process by issuing an RFP for the selection of general contractor to renovate Stewartown Homes. RFPs were issued to only the five GCs pre-qualified during phase 1 of the selection. Out of these five GCs, three submitted proposals. Staff has completed its review and determined that Harkins Builders’ proposal was the most advantageous, with a renovation cost of \$8.9 million or \$95,241 per unit.
- The Commission previously authorized \$350,000 predevelopment funding for the renovation. The property has incurred significant costs related to RAD 2 conversion of 19 units previously subsidized under RAP contract related to 236 mortgage financing. RAD 2 and other predevelopment expenses incurred to date have exhausted the amount previously authorized by the Commission. In preparation for the upcoming for tax credit re-syndication, bond financing and renovation, staff requests **additional \$350,000 pre-development funding authorization** from OHRF Fund to cover projected predevelopment expenses through closing.
- The property is currently fully occupied. The Property has had a 98% average occupancy rate over the past five years. As the upcoming renovation will take place in phases, with each phase lasting approximately two months and comprising 12-16 units, the property will need to make this number of units available for renovation through either future vacancy or temporary tenant relocations off-site. To minimize the number of residents that will be impacted by temporary relocations off-site during the construction, staff requests the Commission’s **authorization to freeze leasing** at the property immediately and hold any upcoming vacancies, up to 16 vacant units required for each phase of renovation, for the duration of the renovation.

Project Summary and Renovation Scope

Project Name	Stewartown Homes	Units	94	Expected Closing Date	Q4 FY20-Q1 FY21
Location	Gaithersburg, MD	Average Unit Size (SF)	972	Stabilization Date	Q4 FY2022
Product Type	Townhomes	Occupancy (12/2019)	100%	Recapitalization Strategy	Rehabilitation
Year Built	1977	Total Rentable Sqft	91,324	Funding Strategy	4% LIHTC/Bonds

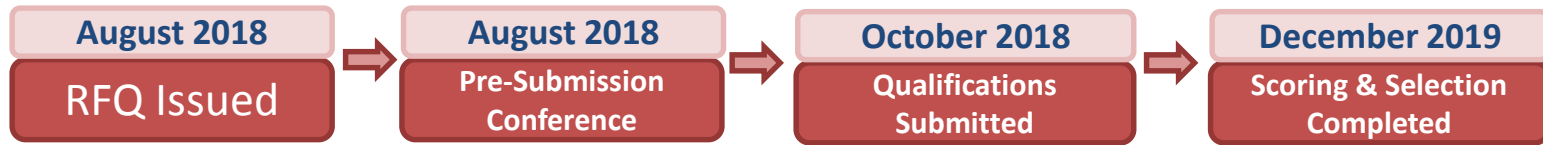
Stewartown (“Property”) was constructed in 1977 in Gaithersburg. The property contains 94 townhome units within 12 structures. A community room/leasing is located on site. Units are outfitted with the typical amenities, all of which would be upgraded during the renovation. As a result of renovation, the property will see improvements to energy efficiency, the common areas and exterior grounds will be enhanced, and residents’ units will be modernized.



Stewartown has not undergone any major renovation, other than replacements at failure and scheduled capital improvements, since 2000, when HOC acquired the Property. Staff has developed a renovation scope that includes the following:

- Upgrading of interior kitchen and bathroom, including but not limited to energy efficient appliances, new cabinets, countertops, fixtures, flooring, painting, and lighting.
- Installation of modern HVAC units, hot water heaters, furnaces.
- Conversion of half baths in four bedroom units to full baths.
- Replacement of roofs not yet replaced by scheduled capital improvements.
- Replacement of siding, gutters, windows, and doors.
- Addition of five UFAS units to conform with LIHTC requirements.
- Improvements to the site including paving, site lighting, landscaping, a new playground, and signage.

GC Selection – Phase 1, RFQ



- In August 2018, HOC started phase 1 of general contractor evaluation and selection process for upcoming renovation projects at its three properties: Georgian Court, Shady Grove Apartments, and Stewartown Homes.
- General Contractor Request for Qualifications (“RFQ”) #2121 was issued in order to solicit qualification statements from all interested GCs and pre-qualify a small group of contractors for the upcoming renovation projects.
- HOC received 11 submissions for the RFQ.
- Five firms qualified to participate in Phase 2, the RFP phase of the GC selection process.

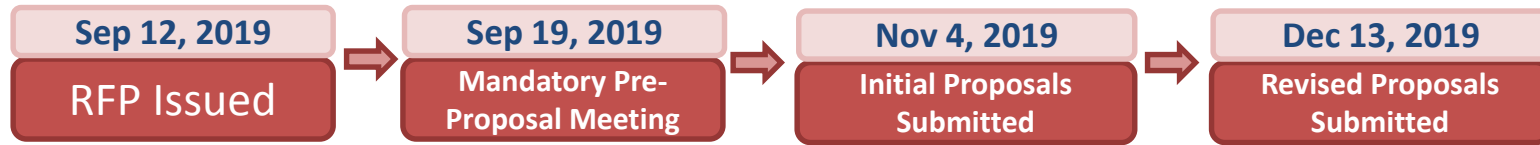
RFQ Scoring Criteria	Points
Contractor’s Qualification Statement	20
Brochure and Supporting Materials	10
General Experience	30
Management and Operations	40
Total:	100

RFQ Submissions	Selection
Bozzuto Contracting Company	Qualified
Broughton Construction Company	Not Qualified
CBP Constructors (Hooten Construction)	Qualified
Centennial Contractors Enterprises	Not Qualified
D&A Contractors	Not Qualified
Dustin Construction	Not Qualified
Harkins Builders	Qualified
Highway and Safety Services	Not Qualified
Nastos Construction	Not Qualified
Sugar Mill	Qualified
Winmar	Qualified

Affirmative Action Goals: “Contractor shall use its commercially reasonable best efforts to contract with and engage Minority, Female and Disabled (MFD) subcontractors and/or suppliers, as certified by a Federal or locally recognized certification program, with respect to at least twenty percent (20%) of its contracts for subcontract work and supplies. Written goals will be submitted to HOC with each task request.”

Section 3 / HOC Works Compliance: All contracts and purchase orders executed between HOC and contractors are subject to either Section 3 or HOC Works, based on the funding source of the contract.

GC Selection – Phase 2, RFP



- Of the five pre-qualified GCs, Bozzuto notified HOC that because of time and schedule constraints they would not participate in Phase 2. Winmar did not attend the meeting and did not notify HOC about the reasons they chose not to submit proposal.
- The initial proposals by all three offerors were significantly higher than anticipated. To better understand proposal pricing structure and evaluate the potential and feasibility for scope adjustments, staff met with all three offerors to clarify HOC’s scope and budget objectives and to solicit the contractors’ suggestions for moderating costs. To better identify the impact of potential scope adjustments on the renovation budgets, offerors were asked to submit revised renovation budgets that would more clearly delineate pricing of some scope items.
- HOC staff identified several scope items that appeared to have impacted the pricing significantly and could potentially be evaluated for scope adjustment or value engineering. After further discussions, internally as well as with the property management, staff identified some renovation scope items that can be excluded from the scope to reduce the project budget. Due to the age of the property and the time since the last major renovation, staff determined that the condition of many of the scope items that were being evaluated for potential exclusion from the scope, such as siding replacement and parking lot mill and overly, requires them to be included in the scope.
- The most advantageous proposal was submitted by Harkins Builders at \$8.9 million or \$95 thousand per unit.
- Harkins Builders also has the lowest builder’s profit built into their proposal at 4.5%, while Sugar Mill’s is at 6%. Harkins and Sugar Mill also have lowest combined indirect and G&A costs relative to net construction costs.
- In their past work for HOC, Harkins has met Section 3/HOC Works requirements by direct hiring HOC Section 3 low income residents; Hooten has met compliance by subcontracting Section 3 and minority owned business concerns; Sugar Mill has not worked for HOC.

Revised Proposals	Harkins	Hooten	Sugar Mill
Total Cost	\$8,952,691	\$9,395,453	\$9,125,837
Per Unit Cost	\$95,241	\$99,952	\$97,083

Indirect and G&A Costs	Harkins	Hooten	Sugar Mill
Builder's Profit	4.5%	5.7%	6.0%
General Overhead	2.2%	1.5%	2.0%
Bond Premium	0.9%	1.1%	1.0%
General Requirements	9.8%	12.2%	8.2%
Total:	17.4%	20.5%	17.2%

Predevelopment Funding

Existing Commission Authorizations

Resolutions	Source	Amount
Res 17-23	OHRF	\$150,000
Res 18-29	OHRF	\$200,000
	Total:	\$350,000

Predevelopment Expenses Paid from Existing Authorizations

Scope Item	Vendor	Amount
Architectural Services	Zavos Architecture + Design	\$183,300
Environmental Review (RAD)*	All Environmental	\$4,950
Rent Comparability Study (RAD)*	Gill Group	\$4,100
Legal and Transaction Counsel (RAD)*	Hessel, Aluise, And Neun	\$2,708
Consultant (RAD)*	Morrison Avenue Capital Partners	\$140,000
Capital Needs Assessment (RAD)*	On Site Insight Inc	\$14,750
	Total:	\$349,808

* Total RAD2 related expenses: \$166,508

Predevelopment Expenses to be Paid from Present Authorization

Scope Item	Vendor	Amount
Energy Efficiency Design Consulting	Elysian Energy	\$6,930
Market Study	Novogradac & Company	\$6,500
Phase I Environmental		\$5,000
Appraisal		\$10,000
ALTA Survey		\$20,000
Legal		\$50,000
CDA Fees		\$40,000
Permit Fees		\$94,000
Pre-Construction Services		\$75,000
Other / Contingency		\$42,570
	Additional Funding Request:	\$350,000

- The Commission previously approved \$350,000 funding for predevelopment activities for Stewarttown Homes in March 2017 and May 2018.
- Significant portion of predevelopment spending to-date is attributable to preservation and conversion of the expiring RAP contract subsidizing 19 units at the Property to Project Based Section 8 assistance.
- RAD 2 and other predevelopment expenses incurred to date have exhausted the amount previously authorized by the Commission.
- In preparation for the upcoming for tax credit re-syndication, bond financing and renovation, staff requests additional \$350,000 pre-development funding authorization from OHRF Fund to cover projected predevelopment expenses through closing.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Commission wish to:

1. Approve the selection of Harkins Builders as the General Contractor for the renovation of Stewarttown Homes property and authorize the Executive Director to negotiate a contract with Harkins Builders?
2. Authorize \$350,000 additional predevelopment funding from OHRF Fund?
3. Authorize HOC staff and the property management to stop leasing future vacant units, up to a total of 16 vacant units required for each phase of renovation, for the duration of the renovation?

BUDGET / FISCAL IMPACT

General Contractor selection has no impact on the Agency's operating budget. Property renovation costs will be paid from the project development budget.

Request for additional predevelopment funding from OHRF Fund will reduce available Fund balance for other purposes.

The Agency does not receive net cash flow proceeds from the Property. In addition, the Property's adopted CY2020 operating budget already assumes 10% vacancy in preparation of the renovation. With 0% current vacancy, even if the property reaches 17% vacancy rate implied by 16 vacant units, the average vacancy loss for the calendar year is unlikely to exceed 10%.

The impact of vacancy on the Property's CY2021 budget will depend on projected average vacancy rate through the year. The Property's CY2021 budget to be presented to the Commission will reflect the impact of future vacancy.

Summary and Recommendations

TIME FRAME

For action at the January 8, 2020 meeting of the Commission.

PREVIOUS COMMISSION APPROVALS

Resolution 17-23 - Approval to Advance Funds from the Opportunity Housing Reserve Fund (OHRF) to Fund Predevelopment Expenses for Bauer Park, Town Center, and Stewartown Homes through the Submission of Low Income Housing Tax Credit Applications

Resolution 18-52 - Approval to Withdraw from the PNC Bank, N.A. Real Estate Revolving Line of Credit (RELOC) to Prepay Existing Mortgages for Georgian Court Apartments, Shady Grove Apartments, Stewartown Homes, and the Willows.

Resolution 18-29 - Approval of Preliminary Development Plans and Predevelopment Funding for Georgian Court Apartments, Shady Grove Apartments, and Stewartown Homes.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission:

1. Approve the selection of Harkins Builders as the General Contractor for the renovation of Stewartown Homes property and authorize the Executive Director to negotiate a contract with Harkins Builders.
2. Authorize \$350,000 additional predevelopment funding from OHRF Fund.
3. Authorize HOC staff and the property management to stop leasing future vacant units, up to a total of 16 vacant units required for each phase of renovation, for the duration of the renovation.

RESOLUTION No.: 20-07

RE: Stewartown Homes: Authorization to Select General Contractor for the Renovation of Stewartown Homes in Accordance with RFQ #2121 and RFP #2121-01; Approval to Freeze Leasing to Facilitate Renovation; and Approval of Request for Additional Predevelopment Funds

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) seeks to preserve Montgomery County’s existing affordable housing, including that subsidized by Rental Assistance Payment (“RAP”) contracts and Section 236 financing facing growing sustainability challenges; and

WHEREAS, Stewartown Homes (the “Property”), located at 9310 Merust Lane, Gaithersburg, was built in 1977 under the Section 236 Program and consists of 94 townhome units, 19 of which were subsidized by a RAP contract, in twelve (12) buildings on three (3) parcels totaling 15 acres of land; and

WHEREAS, the Property, with the exception of ongoing capital improvements, has not had major renovations within the last twenty years; and

WHEREAS, the Commission approved a predevelopment plan at the May 2, 2018 Commission meeting to comprehensively renovate the Property in order to maximize its life, public purpose, and financial contribution to HOC; and

WHEREAS, in August 2018, HOC started Phase 1 of the General Contractor (“GC”) evaluation and selection process for the upcoming renovation by issuing a Request for Qualifications (“RFQ”) to solicit qualifications statements from all interested GCs and to pre-qualify contractors for Phase 2 of the selection process; and

WHEREAS, in September 2019, HOC started Phase 2 of the GC selection process by issuing an RFP to those GCs qualified via the RFQ for the selection of general contractor to renovate the Property; and

WHEREAS, Harkins Builders (“Harkins”) submitted the most advantageous proposal in response to the RFQ and RFP and staff recommends the selection of Harkins as general contractor for the renovation of the Property; and

WHEREAS, staff will present to the Commission (1) a Final Development Plan after the construction costs and budget are finalized, and (2) a Financing Plan after potential capital providers, amounts, and terms are assessed, and such plans will identify the sources of funds to finance all expected predevelopment and development costs; and

WHEREAS, in March 2017 and May 2018, the Commission approved an aggregate amount of \$350,000 in funding from the Opportunity Housing Reserve Fund (“OHRF”) for predevelopment activities for the renovation of the Property; and

WHEREAS, costs related to the conversion of the expiring RAP contract subsidizing 19 units at the Property to Project Based Section 8 assistance and other predevelopment expenses incurred to date have exhausted the predevelopment funding previously authorized by the Commission; and

WHEREAS, in preparation for the upcoming tax credit re-syndication, bond financing, and renovation, staff projects an additional \$350,000 in funding will be needed to cover predevelopment expenses through closing; and

WHEREAS, the upcoming renovation will take place in phases, with each phase lasting approximately two months and comprising up to 16 units, and the Property will need to make this number of units available for renovation through either vacancy or temporary resident relocations off-site; and

WHEREAS, to minimize the number of residents that will be impacted by temporary relocations off-site during the construction, staff requests the Commission's authorization to freeze leasing at the property immediately and hold any upcoming vacancies, up to 16 vacant units required for each phase of renovation, for the duration of the renovation.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Harkins is selected as the General Contractor for renovation of the Property, and the Executive Director is authorized to negotiate contract terms with Harkins for the renovations contemplated under RFQ #2121 and RFP #2121-01 for the Property.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County approves an additional \$350,000 in predevelopment funding from the OHRF for design and due diligence related to the renovation of the Project, bringing the total authorized funding to \$700,000, to be repaid to the OHRF by the construction financing for the renovation of the Property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby authorizes HOC staff and the Property's management to freeze leasing any vacant units beginning immediately and to hold any upcoming vacancies, up to 16 vacant units, for the duration of the renovation.

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

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on January 8, 2020.

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Patrice M. Birdsong
Special Assistant to the Commission

Deliberation and/or Action

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM:	Division:	Staff	Contact
	Real Estate	Zachary Marks, Director	Ext. 9613
	Legal	Eamon Lorincz, Deputy General Counsel	Ext. 9751
	Mortgage Finance	Kayrine Brown, Chief Investment & RE Officer	Ext. 9589

RE: Elizabeth House III: Approval to Convert and Transfer Public Housing Subsidy from Elizabeth House to Elizabeth House III and Execute HUD Agreements and Other Documents in Connection Therewith

DATE: January 8, 2020

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

OVERALL GOAL & OBJECTIVE:

To approve the transfer of rental assistance and the permanent relocation of residents from 106 units at Elizabeth House to replacement units at Elizabeth House III, with 80 units converting to Project Based Rental Assistance (“**PBRA**”) via the Rental Assistance Demonstration (“**RAD**”) program and 26 units converting via Tenant Protection Vouchers.

BACKGROUND:

Over the past few years, the Commission has approved numerous actions in furtherance of the financing, development and construction of a new 267-unit independent senior living affordable rental community in Silver Spring, Maryland that will be known as Elizabeth House III (the “**Project**”). The Commission closed on the construction financing and executed the construction contracts for the Project in October of 2019.

HOC has received a RAD Conversion Commitment from HUD to convert 106 Public Housing units at Elizabeth House, with 80 units converting to PBRA via the RAD program and 26 units converting via Tenant Protection Vouchers, and to transfer the resulting Project Based Rental Assistance and Tenant Protection Vouchers to the Project (collectively, the “**RAD Conversion**”). The closing of the RAD Conversion is anticipated to occur on March 1, 2020.

Staff are now prepared to finalize an ongoing submission to HUD of a RAD Application in order to obtain final HUD approval (the “**HUD Approval**”) to complete the RAD Conversion. As part of this process, HUD needs a written resolution from the Commission and several documents must be executed, including an amendment to the RAD Conversion Commitment and a Master Lease Agreement.

ISSUES FOR CONSIDERATION:

Does the Commission wish to grant its approval to execute an Amendment to the RAD Conversion Commitment, a Master Lease Agreement and other related documents so that the staff can complete the submission of the RAD Application to HUD, obtain the final HUD Approval and complete the RAD Conversion?

BUDGET IMPACT:

There is no impact on the Commission's FY2020 Operating Budget.

TIME FRAME:

For action at the Commission meeting on January 8, 2019.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission grant its approval for the Executive Director to execute an Amendment to the RAD Conversion Commitment, a Master Lease Agreement and other related documents so that the staff can complete the submission of the RAD Application to HUD, obtain the HUD Approval and complete the RAD Conversion.

RESOLUTION No.: 20-08

RE: Elizabeth House III: Approval to Convert and Transfer Public Housing Subsidy from Elizabeth House to Elizabeth House III, and Execute HUD Agreements and Other Documents in Connection Therewith

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

WHEREAS, the Commission desires to convert the Public Housing subsidy provided to one hundred and six (106) Public Housing units located at the multifamily housing community commonly known as Elizabeth House (the "**Converting Units**") as follows: (a) eighty (80) units to a form of project-based assistance under Section 8 of the United States Housing Act of 1937, as amended, pursuant to the United States Department of Housing and Urban Development's ("**HUD**") Rental Assistance Demonstration ("**RAD**") Program (the "**RAD Units**") and (b) twenty six (26) units to Tenant Protection Vouchers pursuant to demolition and disposition application made pursuant to Section 18 of the U.S. Housing Act of 1937 (the "**Tenant Protection Vouchers**"), which Tenant Protection Vouchers are expected to be processed simultaneously with the RAD Units (collectively, the "**RAD Conversion**");

WHEREAS, in connection with the RAD Conversion, the Commission desires to transfer such assistance (the "**RAD Transfer**") to a project to be constructed in Silver Spring, Maryland and to be commonly known as Elizabeth House III located at 1315 Apple Avenue in Silver Spring, Maryland (the "**Project**").

WHEREAS, in connection with the RAD Conversion and the RAD Transfer, the Commission and Elizabeth House III Limited Partnership, a Maryland limited partnership (the "**Partnership**"), which is the owner of the Project and is a tax credit partnership ultimately controlled by the Commission, as the sole member of its general partner, desire to enter into various agreements, including without limitation, an Amendment to the RAD Conversion Commitment, Master Lease Agreement for RAD Temporary Housing in Place (Elizabeth House III), Certification and Assurances, and Consolidated Owner Certification – Rental Assistance Demonstration, RAD Use Agreement, RAD Subordination Agreement(s), Housing Assistance Payment (HAP) Contract and such other documents as may be required by the RAD Conversion Commitment (collectively, the "**HUD Agreements**").

WHEREAS, the Commissioners have determined it to be in the best business and interest of the Commission and the Partnership to complete the RAD Conversion and RAD Transfer and to enter into the HUD Agreements.

NOW, THEREFORE, BE IT RESOLVED, by the Housing Opportunities Commission of Montgomery County, for itself and, with respect to the Partnership, additionally in its capacity as the sole member of the general partner of the Partnership, that (A) the Commission and the Partnership, as applicable, are hereby authorized to perform their respective obligations under the HUD Agreements and (B) the Executive Director is authorized to execute and deliver (i) the HUD Agreements, (ii) any and all documents deemed necessary and appropriate to obtain HUD approval (the "**HUD Approval**") for the RAD Conversion

and RAD Transfer and (iii) any other documents reasonably required to be executed by the Commission or the Partnership to carry out the transactions contemplated by the HUD Agreements.

BE IT FURTHER RESOLVED, that the Commission hereby authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including without limitation, finalizing the submission to HUD of all documents required by HUD to obtain the HUD Approval and, upon receipt of such HUD Approval, completing the RAD Conversion and RAD Transfer.

BE IT FURTHER RESOLVED, by the Commission that all actions of the Commission, the Partnership and their respective officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed, including, but not limited to, the initial submission of the RAD closing package and the execution of the RAD Conversion Commitment.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on January ____, 2020.

Patrice M. Birdsong
Special Assistant to the Commission

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- To satisfy Internal Revenue Service rules with respect to the reimbursement of capital expenditures incurred by governmental entities or borrowers of proceeds of tax-exempt bonds, the Commission is being asked to adopt the attached Reimbursement Resolution so that all expenditures incurred no earlier than 60 days prior to the date a resolution is adopted, may be funded with the proceeds of tax-exempt bonds when issued to fund the permanent mortgage in the future.
- Staff recommends approval of the attached reimbursement resolution declaring the Commission's intent to reimburse itself for capital expenditures incurred in connection with the acquisition and development of the Phase II at Shady Grove development.

Resolution No.: 20-09

Re: West Side at Shady Grove: Approval of a Resolution Declaring the Official Intent of the Housing Opportunities Commission of Montgomery County to Reimburse itself with the Proceeds of a Future Tax-Exempt Borrowing for Certain Capital Expenditures to be Undertaken in Connection with the Acquisition and Development of the Property

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

WHEREAS, the Commission has determined that it is in the best interest of the Commission to make certain capital expenditures on the projects named in this Resolution; and

WHEREAS, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to finance such capital expenditures in an amount not to exceed \$100,000,000, *all or a portion of which may reimburse* the Commission for the portion of such capital expenditures incurred or to be incurred subsequent to the date which is 60 days prior to the date hereof but before such borrowing, and the proceeds of such tax-exempt borrowing will be allocated to reimburse the Commission’s expenditures within 18 months of the later of the date of such capital expenditures or the date that the Projects (as hereinafter defined) is placed in service (but in no event more than 3 years after the date of the original expenditure of such moneys); and

WHEREAS, the Commission hereby desires to declare its official intent, pursuant to Treasury Regulation §1.150-2, to reimburse the Commission for such capital expenditures with the proceeds of the Commission’s future tax-exempt borrowing for such projects named in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION THAT:

Section 1. *Declaration of Official Intent.* The Commission presently intends and reasonably expects to finance costs related to the acquisition, predevelopment, development, and equipping of the property known as West Side at Shade Grove Multi-Family Parcel D (the “Project”), generally located in Gaithersburg area of Montgomery County, with moneys currently contained in its Opportunity Housing Reserve Fund, and General Fund Property Reserve Account, County Revolving Fund accounts, and any other funds of the Commission so designated for use by the Commission.

Section 2. *Dates of Capital Expenditures.* All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings will be incurred not earlier than 60 days prior to the date of this Resolution except preliminary expenditures as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

Section 3. *Issuance of Bonds or Notes.* The Commission presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds in an amount not to exceed \$100,000,000 will be applied to reimburse the Commission for its expenditures in connection with the Project.

Section 4. *Confirmation of Prior Acts.* All prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Project, shall be and the same hereby are in all respects ratified, approved and confirmed.

Section 5. *Repeal of Inconsistent Resolutions.* All other resolutions of the Commission, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

Section 6. *Effective Date of Resolution.* This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED at a regular meeting held this ____ day of _____.

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Patrice Birdsong
Special Assistant to the Commission

Future Action

Adjourn

Development Corporation Meetings

Montgomery Arms Development Corporation

MONTGOMERY ARMS DEVELOPMENT CORPORATION:

**APPROVAL TO RENEW THE PROPERTY MANAGEMENT CONTRACT AT
MONTGOMERY ARMS DEVELOPMENT CORPORATION**

January 8, 2020

- The Property Management Contract with Montgomery Arms Development Corporation (“Montgomery Arms”) is expiring January 21, 2020. The contract provides for a renewal period through December 21,2020.
- Per the Commission’s procurement policy, the Commission must approve all property management contract renewals.
- Staff requests that the contract for Montgomery Arms Apartments be renewed through December 21, 2020 with Edgewood/Vantage Management.

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: Jay Berkowitz Division: Property Management Ext. 4857

RE: Approval to Renew the Property Management Contract at Montgomery Arms Development Corporation

DATE: January 8, 2020

STATUS: Consent 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 Montgomery Arms Development Corporation.

BACKGROUND:

Montgomery Arms Development Corporation (“Montgomery Arms”) is 129-unit garden style community of 12 project-based units, 52 units @ 60% median income, 10 McKinney units and 55 market units. The property is located in the heart of downtown Silver Spring. The property management contract for Montgomery Arms is expiring on January 21, 2020. The property received a score of 99A for its most recent REAC inspection and has maintained an average occupancy of 95% over the last 2 years.

Staff wishes to renew the property management contract for Montgomery Arms through December 21, 2020 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. The contract renewal will reflect that the management fee will be based on performance.

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Start Date/End Date	Contract Terms (Remaining Renewals)
Montgomery Arms	129	EMC/Vantage Management	\$56,760	1/21/2020	1/22/2020 to 12/21/2020	1-1 One Year Renewal 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 Montgomery Arms?

BUDGET IMPACT:

The renewal of the property management contract for Montgomery Arms will not have a budget impact as the costs associated with the services are factored into the FY2020 property budget.

TIME FRAME:

For Commission action at the January 8th 2020 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the full 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 Montgomery Arms through December 21, 2020.

RESOLUTION NO.: 20-001_{MA}

**RE: Montgomery Arms Development
Development Corporation: Approval
to Renew the Property Management
Contract**

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

WHEREAS, staff desires to renew the current property management contract at the Property for through December 21, 2020 with Edgewood/Vantage Management.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Montgomery Arms Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a renewal of the property management contact at the Property with Vantage Management through December 21, 2020.

BE IT FURTHER RESOLVED by the Board of Directors of Montgomery Arms 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 transactions 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 Montgomery Arms Development Corporation at a meeting conducted on January 8, 2020.

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

Pooks Hill Development Corporation

APPROVAL TO RENEW PROPERTY MANAGEMENT CONTRACT FOR POOKS HILL DEVELOPMENT CORPORATION

January 8, 2020

- The Property Management contract for Pooks Hill Tower expires on **January 22, 2020**. The contract with Vantage Management provides for a renewal period through **December 22, 2020**.
- Staff requests that the contract for Pooks Hill Tower be renewed through December 22, 2020 with Vantage Management. Vantage has been managing this property since September 2013.
- Pooks Hill Tower is currently 98% occupied and includes 132 unrestricted units and 57 affordable units restricted to households earning up to 50% AMI. The property's latest REAC score from November 2, 2018 was 99a.

MEMORANDUM

TO: Board of Directors of the Pooks Hill 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 Pooks Hill Development Corporation

DATE: January 8, 2020

STATUS: Consent Deliberation Future Action

OVERALL GOAL & OBJECTIVE:

To authorize the Executive Director to renew the property management contract with Vantage Management for property management services at Pooks Hill Development Corporation.

BACKGROUND:

Pooks Hill Tower is a 189-unit, multi-family property that includes 57 affordable units restricted to households earning up to 50% AMI and 132 unrestricted units. The property is located in Bethesda and offers amenities including a swimming pool and parking.

Staff wishes to renew Pooks Hill Tower’s property management contract with Vantage Management through December 22, 2020. The property is well-maintained and received a 99a REAC score during the last inspection in November 2018. Pooks Hill Tower is currently 98% occupied.

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

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Start Date/End Date	Contract Terms (Remaining Renewals)
Pooks Hill Tower	189	Vantage	\$103,693	1/22/2020	1/23/2020-12/22/2020	One

ISSUES FOR CONSIDERATION:

Does the Board of Directors of the Pooks Hill Development Corporation wish to authorize the Executive Director to renew the property management services contract with Vantage Management for Pooks Hill Tower?

BUDGET IMPACT:

The renewal of the property management contract for Pooks Hill Tower 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 December 22, 2020 will be factored into the FY2021 budget. Additionally, the renewal will be performance-based so the management fee would be lower if revenue declined below budgeted expectations.

TIME FRAME:

At the December 20, 2019 meeting, the Budget, Finance, and Audit Committee reviewed the request to renew the property management contract for Pooks Hill Tower through December 22, 2020. For Board of Directors action at the January 8, 2020 meeting.

STAFF RECOMMENDATION & BOARD OF DIRECTORS ACTION NEEDED:

The Budget, Finance, and Audit Committee recommends to the Board of Directors of the Pooks Hill Development Corporation approval to renew the property management contract with Vantage Management for Pooks Hill Tower through December 22, 2020.

RESOLUTION NO.: 20-001PH

**RE: Pooks Hill Development Corporation:
Approval to Renew the Property
Management Contract for Pooks Hill
Towers through December 22, 2020**

WHEREAS, Pooks Hill Development Corporation owns the development known as Pooks Hill Tower located in Bethesda, Maryland; and

WHEREAS, staff desires to renew the current property management contract at Pooks Hill Tower with Vantage Management through December 22, 2020.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Pooks Hill Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to execute a renewal of the property management contact at Pooks Hill Tower with Vantage Management through December 22, 2020.

BE IT FURTHER RESOLVED by the Board of Directors of Pooks Hill 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 Board of Directors of Pooks Hill Development Corporation at a meeting conducted on January 8, 2020.

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

Adjourn