



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

EXPANDED AGENDA

December 9, 2020

			Res #
<p>4:00 p.m.</p> <p>Page 5</p>	<p>I. <u>INFORMATION EXCHANGE</u></p> <ul style="list-style-type: none"> A. Resident Advisory Board B. Community Forum C. Report of the Executive Director D. Commissioner Exchange <p>*Community Forum – In order to continue to implement recommended social distancing guidelines, HOC will conduct its meetings via an online platform and teleconference call until further notice. Persons who desire to participate in the Community Forum must complete the Request to Address Commission Form found on the HOC webpage at least 24 hours prior to the start of the meeting. You will be required to provide your full first and last name, a valid email address, as well as a valid phone number to confirm your participation. Approved participants will be notified no later than 12:00 p.m. on the day of the Commission Meeting. Please refer to HOC’s website for the complete Public Observation and Participation Guidelines and for information on HOC’s State of Emergency Open Meeting Procedures.</p>		
<p>4:45 p.m.</p> <p>Page 10</p> <p>21</p> <p>25</p>	<p>II. <u>APPROVAL OF MINUTES</u></p> <ul style="list-style-type: none"> A. Approval of Minutes of November 4, 2020 B. Approval of Minutes of November 4, 2020 Administrative Session C. Approval of Minutes of November 20, 2020 Development and Finance Committee Meeting D. Approval of Minutes of November 24, 2020 Special Session 		
<p>5:00 p.m.</p> <p>Page 28</p>	<p>III. <u>ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION</u></p> <ul style="list-style-type: none"> A. Acceptance of HOC FY’20 Audited Financial Statements, Single Audit Report, and Management Letter 		20-82R (pg. 29)
<p>5:10 p.m.</p> <p>Page 31</p>	<p>IV. <u>CONSENT</u></p> <ul style="list-style-type: none"> A. Revisions to HOC’s Administrative Plan for the Housing Choice Voucher Program to Update Statutory Changes 		20-83 (pg. 35)

Page 56	<p>to the Project-Based Voucher Program as described in Chapter 22 of the Plan</p> <p>B. Amendment of Approval to Increase the Obligation to Draw on the PNC Bank, N.A. Line of Credit to Refund and Redeem Single Family Bonds</p>		20-89 (pg. 57)
5:20 p.m.	<p>V. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u></p>		
Page 60	<p>A. Development and Finance Committee – Com. Simon, Chair</p> <p>1. HOC Headquarters: Approval for the Executive Director to Execute Task Order to Engage Lerch, Early and Brewer for Legal Services</p>		20-84 (pg. 63)
5:45 p.m. Page 65	<p>2. Stewartown: Approval of Final Development Plan; Formation of Ownership Entities, Admission of Investor Limited Partner, and Authorization for the Executive Director to Execute a Limited Partnership Agreement and General Contractor Contract for the Stewartown Homes Development</p>		20-85 (pg. 83)
6:05 p.m. Page 86	<p>3. West Side Shady Grove: Approval of a Final Development Plan; Authorization for the Executive Director to Accept the Assignment of Third-Party Contracts for the Development, Ratification of Formation of Additional Legal Entities, Authorization to Accept a Montgomery County Housing Initiative Fund Short-Term Bridge Loan of up to \$15 million, and Authorization to Advance Funds in an amount up to for the Payment to Secure Building Permits and Bind the Builder’s Risk Insurance</p>		20-86 (pg. 103)
6:20 p.m. Page 106	<p>4. West Side Shady Grove: Approval of the Financing Plan, Feasibility, Public Purpose and Bond Authorizing Resolution for West Side Shady Grove Apartments; Approval to Issue a Commitment and Loan to HOC at Westside Shady Grove, LLC for Development and Permanent Financing; and, Approval for the Borrower to Accept a Loan in Accordance with the Finance Plan</p>		20-87 (pg. 121) 20-87 ^B (pg. 124)
6:35 p.m.	<p><u>ADJOURN</u></p>		
6:45 p.m.	<p><u>ADMINISTRATIVE SESSION</u></p>		

<p><i>A closed Administrative Session will be called to order pursuant to Section 3-305(b)(3) and Section 3-305(b)(13) of the General Provisions Article of the Annotated Code of Maryland</i></p>		
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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



Family Self-Sufficiency Activities

On November 12th, 2020, the FSS Social Work intern facilitated a virtual Health & Wellness workshop. Nine participants attended the session, Combating Holiday Blues. The discussion revolved around ways of managing the signs of Seasonal Affective Disorder and the negative impact of media on their mood. The presenter led the participants through a self-guided imagery and sound meditation exercise. Through this exercise, participants learned to control their breathing, relax their minds and engage in peaceful thoughts. Once at ease, participants repeated self-affirmations as they experience a change in their overall mood. Participants were encouraged to continue to use this technique to manage negative thoughts and feelings.

Emmanuel Brinklow Seventh Day Adventist Church conducted a virtual Financial Literacy workshop on November 17th, 2020. Sixteen participants attended the session. The presenters provided tips and resources on ways to manage expenses and enjoy the holidays in spite of the Covid-19 pandemic. Participants were reminded that they are not alone and were encouraged to reach out for support.

FSS staff continue to recruit for the FSS program via cold calls and bi-weekly virtual information sessions. For the month of November, 7 new program participants successfully completed the enrollment process.

Service Coordination Support and Rental Assistance Continue During COVID-19

Service Coordination

The Service Coordination Unit continued to provide services to customers during November 2020. These services included assessments, information and referral. Resident Counselors continued to engage customers to determine their needs. Customers were referred to our partners and received food assistance. Customers also continued to receive referrals to Housing Stabilization, unemployment assistance, TCA, SNAP, MEAP, EARP and other benefit programs. Resident Counselors continued to work remotely due to the COVID-19 pandemic. However, staff continues to come in as needed for emergencies and to assist with food distribution.

Resident Counselors entered families into the Holiday Giving database for Thanksgiving and December holiday assistance. In addition, faith-based organizations will provide holiday assistance to families at Stewartown Homes, Town Center/Sandy Spring communities for December. In addition, Olney MOMs will serve approximately 20 families at Town Center/Sandy Spring.

Programming

Resident Services continues to provide food resources and other supports during this pandemic to our residents. There was an increase in food resources as a result of the Holiday Giving Project and one-time holiday arrangements with a few of our service providers to serve approximately 1200 customers (Manna Food Center (185), Capital Area Food Bank Programs (120), Senior Nutrition Program/Frozen Meal Delivery Program (180),

Nourish Now (22), KFC Hungry Harvest Program (73), Goshen UMC (120), City of Gaithersburg/Manna/Safeway Holiday Program (96), Rainbow Family Ministries/All Set Restaurant Collaboration (200), Emmanuel Brinklow SDA (200). We are appreciative of our service providers for their continual support in serving our customers.

Social Isolation is always a concern for our most vulnerable old adult residents and therefore staff are working diligently to provide social engagement virtually during the holiday season to keep them connected in their communities. As an example, Forest Oak Towers hosted Virtual Thanksgiving Bingo twice in November with a total participation of nine (9) residents. Included on the call were volunteers from Covenant Life Church, Ann Jackson (hosts their monthly Money Management sessions), Michelle DeCarlo (FOT Volunteer), and Social Work Intern Dan Kwak (also moderator of the Bingo). Goshen United Methodist Church provided prepared Thanksgiving Meals that were delivered door to door for 120 residents and residents were also the recipients of the holiday collaboration between the City of Gaithersburg, Manna Food Center, and Safeway.

HOC Academy

HOC Academy is looking forward to the following to upcoming AEWD programs. AEWD will offer a 10-week Small Business Strategy Course for two cohorts in 2021. In December 2020, we will host two orientation sessions for approximately 20 FSS participants who expressed interest in developing their business/business idea.

HOC Academy AEWD Participant Highlight

Fatima Bangoura requested tuition assistance in August of 2020. She was referred to the Education Opportunities Center's (EOC) Paying for Education & Tuition workshop which is a monthly collaboration between HOC and EOC. As a result of her work with AEWD and EOC she received a full scholarship the following month and completed her Phlebotomy Certification. Fatima recently informed that she completed her interview with a Fortune 500 health care provider, DaVita! She now awaits her offer letter. HOC Academy is excited about Fatima's journey. She is certainly tenacious and unafraid to pursue her dreams. Congratulations to Fatima Bangoura!

Supportive Housing

The Supportive Housing Program continued to provide support to 250 program participants. Program staff continued to call clients weekly and deliver gift cards to assist with food for those that were in need. The team has continued to enroll new clients into the program, house new clients and respond to critical needs for clients as they arise.

Fatherhood Initiative

The Fatherhood began the planning phase of the newly awarded grant. During the planning phase contractors/partners will be secured and recruitment of participants will begin.

COVID Rental Assistance Program

Residents Services staff continued to work with Compliance and LPA to issue additional rental assistance resources to County residents who have lost income due to COVID 19. Residents Services staff completed the

review of approximately 1,400 applications. There were just under 300 applications approved. Call Center staff began outreach efforts to give applicants an additional opportunity to submit missing documents and increase the number of approved applications. Outreach efforts should be completed in December of 2020.

December Holidays

Resident Services will be the recipient of the annual Grass Roots Organization for the Wellbeing of Seniors (GROWS) Scarves for Seniors Event. This has been a collaborative effort for the last 15 years to ensure that seniors throughout the County receive warm winter wear and holiday gifts to encourage their hearts. Unfortunately, we won't be able to host our traditional holiday parties due to COVID-19 restrictions, but staff are still planning to deliver those gifts door to door to those in need. In addition, Tanglewood's Santa Store is preparing for its first virtual kickoff. Participants will be able to participate in a virtual holiday gathering and receive gift cards for holiday shopping. Last, but not least, approximately 20 TCP-Olney households will receive holiday gift cards from Olney Moms.

HOC Maintenance Efforts

All COVID-19 protocols remained in effect during the month of November. During this month, some maintenance staff members received positive COVID-19 test results in HUB-S, HUB-G and HUB-R. Consequently, certain staff from those HUBs were quarantined. A total of twenty (20) maintenance staff members, including three (3) Maintenance Supervisors were quarantined during the month. That number represents one third (1/3) of the entire Maintenance Division. The majority of the staff returned to work during the last week of the month and we are hopeful that the remaining staff will return in early December. A contracted vendor sanitized and disinfected the work spaces where these staff worked. Additionally, six (6) contracted maintenance staff were retained in order to keep the Division functioning. The contracted staff consisted of four TMWs and two Custodians. The Maintenance Division would like to recognize Steven Firth, Johnny Bell, Jose Calderon and Ibrahima Fall, who worked diligently to supervise our remaining staff and to coordinate the efforts of the contractors. Kudos to Steve, Johnny, Jose and Ibrahima for their outstanding efforts!

In the month of November, the Maintenance Division completed one thousand and two (1002) work orders, one hundred and forty-nine (149) of which were emergencies. Year to date, the Maintenance Division has completed seven thousand, three hundred and twenty-three (7323) total work orders, eight hundred and twenty-four (824) of which were emergencies.

During this month, the work order response time significantly increased because of the lack of staff due to COVID-19 quarantines. Emergency work orders were completed within an average of 54.82 hours. The year-to-date average for completing emergencies is 40.01 hours. For the month of November, High Priority Work Orders and Regular Priority Work Orders were both completed in an average of ten (10) and eighteen (18) days, respectively. The year-to-date averages for both of these categories was fourteen (14) and twenty (23) days respectively.

During this month, elevator inspections took place at Bauer, Arcola Towers and Elizabeth House. A minor repair was identified at Bauer and the work required for that repair has been completed. The re-inspection is scheduled for December 9, 2020. At Arcola Towers, while the elevators were found to be in excellent condition, an issue with the generator was identified. The repair to the generator is covered under a warrantee. The elevator re-inspection will be scheduled as soon as the repairs are complete. Additionally, an issue was identified with one of the elevators at Elizabeth House causing that elevator to be placed out of service. The repairs have begun

and should be completed in early December. The re-inspection for that elevator will also be scheduled as soon as the repairs are complete.

There was a major fire at Camp Hill on Friday, November 13, 2020. While the fire was contained mostly to one unit, there was significant damage to other units due to water and smoke. Additionally, the structural integrity of the roof to the building was compromised due to the fire. As such, it was necessary to relocate four families that resided in that building. Maintenance and Property Management staff work quickly to identify replacement units for those families, make them ready and to schedule the moves. Preliminarily, the estimated costs to repair the building is approximately five hundred thousand dollars (\$500,000.00). The cause of the fire is expected to be determined as arson, however, the investigation is still ongoing.

Lastly, the candidate that was selected to replace the Maintenance Supervisor position in HUB-S began work on November 30, 2020. We welcome Mr. James Kinder to the HOC team! Recruitment is still underway to fill two TMW positions due to the upcoming retirements of TMWs in HUB-S and HUB-T.

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

November 4, 2020

20-10

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted via an online platform and teleconference on Wednesday, November 4, 2020, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:03 p.m. Those in attendance were:

Present

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

Also Attending

Stacy L. Spann, Executive Director
Cornelia Kent
Kayrine Brown
Charnita Jackson
Rita Harris
Heather Grendze
Jay Berkowitz
Terri Fowler
Olutomi Adebo
Lynn Hayes
Renee Harris

Aisha Memon, General Counsel
Eamon Lorincz
Christina Autin
Zachary Marks
Nicolas Deandreis
Eugenia Pascual
Millicent Anglin
Jennifer Arrington
Kathryn Hollister
Kristyn Greco
Ian Hawkins

Resident Advisory Board

Shawntel Reddix-Thomas

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

Guest

Mandy Merchant, CliftonLarsonAllen
Karen Griener, CliftonLarsonAllen
Amanda Dalton

Chair Priest opened the meeting with a welcome and roll call of Commissioners.

I. **Information Exchange**

- **Resident Advisory Board** - Shawntel Thomas-Reddix provided an update of the RAB October 19, 2020 meeting. Next meeting is scheduled for Monday, November 16, 2020.
- **Community Forum** – Amanda Dalton addressed the Board regarding her emergency housing situation. Chair Priest indicated that he would work closely with Executive Director Spann in addressing this concern as it relates to Women of Domestic Violence.

Executive Director's Report

- Stacy L. Spann, Executive Director, acknowledge the Single Family Team in their first virtual homeowners workshop, as well as acknowledging the Resident Services and Housing Resources Teams in taking on online services to allow all customers to take advantage of services.
- Commissioners commented that the Executive Director and Team continue to perform well, and should continue to treat all customers with the utmost respect in doing the best job as it relates to responsiveness to customers concerns.

Commissioner Exchange

Chair Priest informed that a complaint was filed in September 2020, to the State of Maryland Open Meetings Compliance Board and that HOC was in violation of open meeting act as it relates to the Budget, Finance and Audit Committee, the Development and Finance Committee, and Legislative and Regulatory Committee. The Open Meetings Compliance Board issued its opinion on November 2, 2020 indicating that these Committees are subject to the Open Meetings Act. HOC will immediately rectify this error.

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

A. Approval of Minutes of October 7, 2020

B. Approval of Minutes of October 7, 2020 Administrative Session

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

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

1. Review of the Draft Fiscal Year 2020 (FY 20) CAFR, Single Audit Report and Management Letter

Cornelia Kent, Chief Financial Officer, Mandy Merchant and Karen Greiner of CliftonLarsonAllen, LLP, were the presenters. No resolution for approval.

2. Commission Approval of the Calendar Year 2021 (CY'21) Portfolio Budget

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

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

RESOLUTION NO.: 20-74

**RE: Commission Approval of the Calendar
Year 2021 (CY'21) Portfolio Budgets**

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of the following entities: (1) Alexander House Apartments Limited Partnership (Alexander House); (2) Arcola Towers RAD Limited Partnership (Arcola Towers); (3) Bauer Park Apartments LP; (4) Forest Oak Towers Limited Partnership; (5) Greenhills Apartments Limited Partnership; (6) 4913 Hampden Lane Limited Partnership(Lasko Manor); (7) Spring Garden One Associates Limited Partnership (Spring Garden); (8) Tanglewood and Sligo LP (Tanglewood/Sligo); (9) 900 Thayer Limited Partnership (Fenton Silver Spring); (10) Waverly House RAD Limited Partnership (Waverly House); and (11) Wheaton Metro Limited Partnership (MetroPointe) (together, the “LP Entities”);

WHEREAS, HOC is the managing member of CCL Multifamily LLC (“CCL”), the owner of The Lindley;

WHEREAS, as the general partner of the LP entities and managing member of CCL, HOC manages the businesses and is liable for the debts;

WHEREAS, the limited partners in LP Entities have contributed money and share in profits, but take no part in running the businesses and incur no liability with respect to the LP Entities beyond their contributions;

WHEREAS, since HOC has a financial obligation to cover the debts of the LP Entities and CCL, HOC has an interest in the successful performance of LP Entities and CCL and, as such, should review their performances and approve their budgets; and

WHEREAS, the Budget, Finance and Audit Committee informally reviewed the CY’21 Budgets of the LP Entities at the October 13, 2020 meeting.

WHEREAS, the Budget, Finance and Audit Committee also informally reviewed the CY’21 Budget of CCL, which is operated on a Calendar Year basis, at the October 13, 2020 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of each of the LP Entities, as each entities’ general partner, that it hereby approves the CY’21 Operating Budgets for the LP Entities, as shown on the attached Exhibit A.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of CCL Multifamily LLC, as its managing member, that it hereby approves the CY’21 Operating Budget for CCL, as shown on the attached Exhibit A.

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 actions contemplated herein.

3. Approval to Renew the Property Management Contract at Shady Grove Apartments Limited Partnership

Jay Berkowitz, Asset Manager, was the presenter.

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

RESOLUTION NO.: 20-75

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

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 contract 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.

4. Approval to Renew Property Management Contract for Pooks Hill

Millicent Anglin, Asset Manager, was the presenter.

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

RESOLUTION NO.: 20-76

RE: Approval to Renew Property Management Contract for Pooks Hill Court

WHEREAS, the Housing Opportunities Commission of Montgomery County 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, 2021.

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, 2021.

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.

5. Approval to Renew Property Management Contract for the Willows Apartment

Millicent Anglin, Asset Manager, was the presenter.

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

RESOLUTION NO.: 20-77

RE: Approval to Renew Property Management Contract for The Willows Apartments

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of The Willows of Gaithersburg Associates Limited Partnership (“The Willows LP”), and The Willows LP owns the development known as The Willows Apartments (the “Property”); and

WHEREAS, HOC’s staff desires to renew the current property management contract at the Property through January 15, 2022 with Edgewood Management.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of The Willows LP, as its general partner, that the Executive Director is hereby authorized and directed to execute a renewal of the property management contract at the Property through January 15, 2022 with Edgewood Management.

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 transaction contemplated herein.

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

1. Hillandale: Approval of Budget and Funding for the Demolition of Holly Hall Apartments; Approval of Revised Predevelopment Budget and Funding of Predevelopment Expenditures for Hillandale Gateway, LLC

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

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

RESOLUTION NO.: 20-78

**RE: Approval of Budget and Funding for the
Demolition of Holly Hall Apartments; Approval of
Revised Predevelopment Budget and Funding of
Predevelopment Expenditures for Hillandale
Gateway, LLC**

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”), is the owner of a 96-unit rental property in Hillandale known as Holly Hall Apartments located on approximately 4.35 acres of land at 10110 New Hampshire Avenue, Silver Spring, MD 20903 (“Holly Hall”); and

WHEREAS, HOC is the sole member of HOC at Hillandale Gateway, LLC, which is a member of Hillandale Gateway, LLC, the entity that will redevelop the Holly Hall site; and

WHEREAS, on July 11, 2014, HOC purchased a 43,671 square foot parcel of land located at the southwest corner of Powder Mill Road and New Hampshire Avenue (the “CONA Site”) from Capital One Bank, N.A.; and

WHEREAS, on July 8, 2015, the Commission authorized the creation of a joint venture between The Duffie Companies (“Duffie”) and HOC (together, the “Development Team”) to redevelop Holly Hall and the CONA Site (“the Redevelopment Properties”), where HOC will contribute the Redevelopment Properties and Duffie contributed cash, both purchasing respective ownership interests (70% to HOC and 30% to Duffie) in the venture; and

WHEREAS, on October 7, 2015, March 1, 2017, January 9, 2019 and February 5, 2020 the Commission authorized loans to Hillandale Gateway, LLC from HOC’s Opportunity Housing Reserve Fund (“OHRF”) in the total amount of \$6,372,470 to fund predevelopment activities related to the Redevelopment Properties; and

WHEREAS, on February 6, 2019, the Commission authorized the sale of HOC’s seventy percent (70%) interest in the CONA Site to Duffie, contingent on the CONA Site remaining a part of the combined development approval for the Redevelopment Properties, and authorized HOC’s portion of the proceeds from the disposition of the CONA site, in the amount of \$1,326,251, to remain with Hillandale Gateway, LLC and be used for future predevelopment and development activities related to the Redevelopment Properties; and

WHEREAS, the Commission desires to approve a revised predevelopment budget for the Redevelopment Properties (“Revised Predevelopment Budget”) in the amount of \$10,053,974, representing predevelopment funding spent to date, future predevelopment expenditures through closing of construction financing, prefunded closing costs, and contingency; and

WHEREAS, the Commission desires to approve predevelopment funding (“Predevelopment Funding”) in the amount of \$1,809,253 to cover predevelopment expenditures related to the redevelopment of the Redevelopment Properties through closing of Hillandale Gateway, LLC’s redevelopment construction-period financing (“Construction Financing”); and

WHEREAS, staff recommends approval of additional Predevelopment Funding as a loan in the amount of \$1,809,253 to Hillandale Gateway, LLC from HOC’s OHRF, and such loan shall accrue interest at the short-

term Applicable Federal Rate of the Internal Revenue Code and will be repaid from the proceeds of Construction Financing; and

WHEREAS, the closing of Construction Financing and construction start for the Redevelopment Properties is anticipated to occur toward the end of calendar year 2021; and

WHEREAS, Holly Hall is a vacant property and must now be demolished to make way for the development of the Redevelopment Properties; and

WHEREAS, the Commission desires to approve funding in the amount of \$843,700 for the demolition of Holly Hall, which includes pre-demolition work, the demolition contract, and contingency (together, "Demolition Funding"); and

WHEREAS, staff recommends the Demolition Funding to be funded from HOC's OHRF; and

WHEREAS, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to finance such capital expenditures for the redevelopment of the Redevelopment Properties 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 Redevelopment Properties 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 Housing Opportunities Commission of Montgomery County that it approves the Revised Predevelopment Budget of \$10,053,974 for the redevelopment of the Redevelopment Properties, representing predevelopment funding spent to date, future predevelopment expenditures through closing of Construction Financing, prefunded closing costs, and contingency.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves Predevelopment Funding in the amount of \$1,809,253 to cover predevelopment expenditures related to the redevelopment of the Redevelopment Properties through Construction Financing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, that it authorizes a loan to Hillandale Gateway, LLC from HOC's OHRF in the amount of \$1,809,253, accruing interest at the applicable federal rate and to be repaid at the closing of Construction Financing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of HOC at Hillandale Gateway, LLC, as its sole member, that the Executive Director, or his designee, is authorized to take any and all actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related to Hillandale Gateway, LLC's acceptance of the loan from HOC's OHRF in an amount up to \$1,809,253.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it presently intends and reasonably expects to finance costs related to the predevelopment and other expenditures of the Redevelopment Properties located in the Hillandale area of Montgomery County, with moneys currently contained in its OHRF and any other funds of the Commission so designated for use by the Commission.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that 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).

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it 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 Redevelopment Properties.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves Demolition Funding in the amount of \$843,700 for the demolition of Holly Hall, which includes pre-demolition work, the demolition contract, and contingency, and that the Demolition Funding be funded from the OHRF.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that 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 redevelopment of the Redevelopment Properties, shall be and the same hereby are in all respects ratified, approved and confirmed.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that all other resolutions of the Commission, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the *extent* of such inconsistency.

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

2. Strathmore: Approval to Fund the Due Diligence Budget for the FHA Risk Share Mortgage Refinancing of Strathmore Court Apartments

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 Simon and seconded by Chair Pro Tem Nelson. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, Merkwitz, and Simon.

RESOLUTION NO.: 20-79

**RE: Approval to Fund the Due Diligence
Budget for the FHA Risk Share
Mortgage Refinancing of Strathmore Court
Apartments**

WHEREAS, on June 3, 2020, the Housing Opportunities Commission of Montgomery County (the "Commission") approved the issuance of 2020 Series A Bonds, Series B Bonds and Series C Bonds under the Multifamily Housing Development Bond Resolution ("MHDB" or the "1996 Indenture") in order to (1) finance the acquisition and rehabilitation of Bauer Park Apartments,(2) refund 2007 Series A, 2007 Series C-1, and 2010 Series A bonds previously issued under the 1996 Indenture, and (3) refund the 2002 Series A Bonds previously issued under the Multiple Purpose Bond Resolution ("MPB" or the "Multiple Purpose Indenture"); and

WHEREAS, the MHDB 2020 Series B Bonds and Series C Bonds refunding lowered the Commission's borrowing cost for the multifamily bond program and has created an estimated year-one net savings of \$755,635 within the 1996 Indenture; and

WHEREAS, the 2002 Series A Bonds, previously issued under the Multiple Purpose Indenture, refunded with MHDB 2020 Series B Bonds, supports the underlying, unenhanced mortgage loan for Strathmore Court Apartments (hereinafter "Strathmore"); and

WHEREAS, to obtain FHA Risk Share credit enhancement for Strathmore's existing mortgage, funding is required to complete the FHA Risk Share application and due diligence costs in the amount of \$121,339 (the "Due Diligence Costs"); and

WHEREAS, staff recommends funding the Due Diligence Costs from the savings of the 2020 Series B and Series C refunded Multifamily Housing Development Bonds in the 1996 Indenture.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves utilizing the savings from the 2020 Series B and Series C refunded Multifamily Housing Development Bonds in the 1996 Indenture to fund the estimated due diligence budget of \$121,340 for the refinancing of Strathmore Court Apartments.

BE IT FURTHER RESOLVED that the Executive Director, or his designee, is hereby authorized and directed to take all actions necessary and proper to carry out the transactions and activities contemplated herein, including the execution of any documents related thereto.

3. Single Family Bonds: Approval to Increase the Obligation to Draw on the PNC Bank, N.A. Line of Credit to Refund and Redeem Single Family Bonds

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 Simon and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom, Merkwitz, and Simon.

RESOLUTION NO.: 20-80

**RE: Approval to Increase the Obligation to
Draw on the PNC Bank, N.A. Line of Credit to Refund
and Redeem Single Family Bonds**

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 issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, pursuant to its authority, the Commission has utilized the practice of issuing refunding bonds in the Single Family Mortgage Purchase Program (the "Program") to recycle and extend the life of volume cap it allocates to each bond issue and/or to refinance its outstanding bond debt at lower interest rates, thereby, minimizing negative arbitrage expenses to the Program; and

WHEREAS, the recycling is achieved by reserving mortgage principal repayments and prepayments to make new mortgage loans, net of those subject to statutory restrictions, and using the proceeds of a new bond issue to refund and redeem the prior outstanding bonds associated with the mortgage principal repayments and prepayments; and

WHEREAS, in December 2018, the Commission authorized draws on the \$60 million PNC Bank, N.A. Line of Credit ("PNC LOC") to refund the Program's bonds eligible for replacement refunding up to an amount of \$5 million on a revolving basis, in accordance with the PNC LOC's terms; and

WHEREAS, the PNC LOC has an unobligated balance of approximately \$6,854,398, as of September 30, 2020; and

WHEREAS, due to the Commission's extensive pipeline of anticipated multifamily projects in 2021 and the limited volume cap received annually from the Maryland Department of Housing and Community Development, existing single family volume cap already used by the Commission should be preserved to the extent possible; and

WHEREAS, on January 1, 2021, it is anticipated that approximately \$9 million of bonds will be eligible for replacement refunding and a single family bond issuance is not expected until the first quarter of 2021; and

WHEREAS, to preserve the Commission's existing bond authority, staff recommends that the Commission approve a temporary increase of the Program's authorization to draw on the PNC LOC to refund bonds eligible for replacement refunding from \$5 million to \$10 million.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission approves a temporary increase of the Program's authorization to draw on the PNC LOC to refund bonds eligible for replacement refunding from \$5 million to \$10 million.

BE IT FURTHER RESOLVED that the temporary increase will expire upon the closing of the Single Family bond issuance in the first quarter of 2021, and revert to, up to \$5 million on a revolving basis in accordance with the terms of the PNC LOC, including the payment of interest by the Single Family Program at the 30-day LIBOR plus 90 basis points.

BE IT FURTHER RESOLVED that while outstanding, all Program draws on the PNC LOC will be fully cash collateralized by mortgage repayments and prepayments in the single family indentures.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, or his designee, 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.

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 5:20 p.m. and reconvened in closed session at approximately 5:31 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 November 4, 2020 at approximately 5:31 p.m. via an online platform and teleconference, with moderator functions occurring at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Sections 3-305(b)(3) and 3-305(b)(13) to discuss a potential real property acquisition and the confidential commercial and financial terms of a potential real estate transaction.

The meeting was closed on a motion by Vice Chair Kelleher, seconded by Chair Pro Tem Nelson, with Commissioners Priest, Kelleher, Nelson, Byrd, Croom, Merkowitz, and Simon unanimously voting in approval. The following persons were present during the closed session: Roy Priest, Frances Kelleher, Richard Y. Nelson, Jr., Linda Croom, Jeffrey Merkowitz, Jackie Simon, Stacy Spann, Aisha Memon, Cornelia Kent, Claire Kim, Gio Kaviladze, Charnita Jackson, Kayrine Brown, Zachary Marks, and Gail Willison.

In closed session, the Commission discussed potential acquisitions of real property and the confidential commercial and financial terms of potential real estate transactions. The following actions were taken:

1. With a quorum present, the Commission duly adopted Resolution 20-81AS, with Commissioners Roy Priest, Frances Kelleher, Richard Y. Nelson, Jr., Linda Croom, Jeffrey Merkowitz, and Jackie Simon voting in approval, which approved the following for a certain real estate transaction in Montgomery County: (1) the execution of a purchase contract; (2) the creation of ownership entities; (3) funding for the earnest money deposit; and (4) funding for due diligence. Commissioner Byrd was necessarily absent and did not participate in the vote.
2. Commissioner Simon requested an update on another potential real property acquisition. No formal action was taken.

The closed session was adjourned at 6:24 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

November 20, 2020

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Development and Finance Committee was conducted via an online platform and teleconference on Friday, November 20, 2020, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:04 a.m. Those in attendance were:

Present

Jackie Simon, Chair – Development and Finance Committee
Roy Priest - Commissioner
Richard Y. Nelson – Commissioner

Also Attending

Stacy Spann, Executive Director	Kayrine Brown, Deputy Director
Aisha Memon, General Counsel	Zachary Marks
Eamon Lorincz, Deputy General Counsel	Jennifer Arrington
Christina Autin	Vivian Benjamin
Kristyn Greco	Ellen Goff
Nicolas Deandreis	Kathryn Hollister
Cornelia Kent	Jay Shepherd
Terri Fowler	Gio Kaviladze
Eugenia Pascual	Victoria Dixon
Charnita Jackson	Patrice Birdsong, Spec. Asst. to Commission

Executive Director Spann opened the Development and Finance Committee meeting with a roll call of participants, and Commissioner Simon convened as Committee Chair.

DISCUSSION ITEMS

- 1. Fenwick and Second - HOC Headquarters: Approval for the Executive Director to Execute Task Order to Engage Lerch, Early and Brewer for Legal Services**

Kayrine Brown, Deputy Director, introduced Jay Shepherd, Senior Financial Analyst, who provided the presentation. The team requested that the Development and Finance Committee join staff's recommendation that the full Commission authorize the Executive Director to approve and execute a legal consulting task order to Lerch, Early and Brewer to provide land use and development entitlement services for the headquarters development through completion.

The team responded to the Commissioners questions in regards to contingency cost and experience with Mandatory Referral.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend the item for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

2. Stewartown Homes - Stewartown: Approval of Final Development Plan; Formation of Ownership Entities, Admission of Investor Limited Partner, and Authorization for the Executive Director to Execute a Limited Partnership Agreement and General Contractor Contract for the Stewartown Homes Development

Kayrine Brown, Deputy Director introduced Gio Kaviladze, Senior Financial Analyst, who provided the presentation. The team requested that the Development and Finance Committee join staff's recommendation that the full Commission approve the final development plans for Stewartown Homes.

Mr. Kaviladze began his presentation with a summary of the overall objective of the development plan for the renovations. He provided an explanation of financial benefit of the transaction.

Commissioner Simon informed that there is playground equipment that's available to accommodate children with disabilities and is attractive to children. She suggested that we consider this design for future playground areas.

The team addressed the Commissioners concerns regarding rents, utilities and contingency plans.

A motion was made by Commissioner Priest and seconded by Commissioner Nelson to recommend the item for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

3. West Side Shady Grove – Phase II at Shady Grove: Approval of a Final Development Plan to Authorize the Executive Director to Execute a Guaranteed Maximum Price (“GMP”) Contract with Bozzuto Construction; Accept the Assignment of Third-party Contracts for the Development; Authorize the Formation of Additional Legal Entities; and Accept a Montgomery County Housing Initiative Fund (“HIF”) Short-Term Bridge Loan

Kayrine Brown, Deputy Director introduced Marcus Ervin, Housing Acquisitions Manager, who provided a summary overview of the development plan of Phase II. The team requested that the Development and Finance Committee join staff’s recommendation that the full Commission approve the final development plan for West Side Shady Grove.

Commissioner Priest noted the impressive work done by HOC in its approach of providing a positive economic impact in Montgomery County.

Commissioner Nelson inquired whether HOC has received a commitment from DHCA on the HIF loan and options if denied. Mr. Ervin informed that the team is working on the application and is having positive dialogue with official at DHCA and also exploring options if funds are not available.

Commissioner Simon noted the rising cost in labor and material due to COVID and the impact on development.

Commissioner Nelson expressed his appreciation on behalf of the Commission on the team’s efforts in prioritizing and accommodating the request of the Commission and motioned for approval. Commissioner Priest seconded the motion to recommend the item for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson

4. West Side Shady Grove – WSSG: Final Financing Plan, Feasibility, Public Purpose and Bond Authorizing Resolution for West Side Shady Grove Apartments; to Issue a Commitment and Loan to HOC at West Side Shady Grove, LLC for Development and Permanent Financing; and to Accept a Loan in Accordance with the Finance Plan

Kayrine Brown, Deputy Director introduced Jennifer Arrington, Assistant Director of Bond Management, who provided a presentation on the West Side Shady Grove Final Financing Plan. The team requested that the Development and Finance Committee join staff’s recommendation that the full Commission approve the final financing plan for West Side Shady Grove.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest, acknowledging the impact of the Bond Financing in creating all sources of financing in making this transaction happen, and for recommendation for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

Commissioner Simon thanked the staff for thorough packet of information. The meeting adjourned at 11:09 a.m. upon a motion by Commissioner Nelson and seconded by Commissioner Priest. Affirmative votes cast by Commissioners Simon, Priest, and Nelson.

Next scheduled meeting is December 18, 2020.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Special Session Minutes

November 24, 2020

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted via an online platform and teleconference on Tuesday, November 24, 2020, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 2:05 p.m. Those in attendance were:

Present

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

Absent

Linda Croom
Pamela Byrd

Also Attending/Teleconference

Stacy L. Spann, Executive Director
Christina Autin
Cornelia Kent
Eugenia Pascual
Francisco Vega
Nicolas Deandreis

Aisha Memon, General Counsel
Kayrine Brown
Zachary Marks
Olutomi Adebo
Gail Willison
Kristyn Greco

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

I. ITEMS REQUIRING DELIBERATION and/or ACTION

- A. Acceptance of HOC FY'20 Audited Financial Statements, Single Audit Report, and Management Letter

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

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

RESOLUTION NO.: 20-82

**RE: Acceptance of HOC FY'20 Audited Financial
Statements, Single Audit Report,
and Management Letter**

WHEREAS, the independent auditors, CliftonLarsonAllen LLP, presented their report for FY'20, which included the FY'20 Audited Financial Statements, Single Audit Report, and Management Letter, to the Housing Opportunities Commission of Montgomery County (the "Commission"); and

WHEREAS, at a meeting held on November 24, 2020, the Commission reviewed the FY'20 Audited Financial Statements, Single Audit Report, and Management Letter.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission accept the FY'20 Audited Financial Statements, Single Audit Report, and Management Letter prepared by CliftonLarsonAllen LLP.

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 2:22 p.m., on a motion by Commissioner Simon, seconded by Chair Pro Tem Nelson with Commissioners Priest, Kelleher, Nelson, Merkowitz, and Simon unanimously voting in approval. Commissioners Byrd and Croom were necessarily absent and did not participate in the vote.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Administrative and Special Session Ratifications

**RATIFICATION OF ACTION TAKEN IN SPECIAL SESSION ON
NOVEMBER 24, 2020:**

**ACCEPTANCE OF HOC FY'20 AUDITED FINANCIAL STATEMENTS, SINGLE
AUDIT REPORT, AND MANAGEMENT LETTER**

December 9, 2020

- At a Special Session held on November 24, 2020, the Commission adopted Resolution 20-82 in which the Commission accepted the FY'20 audited financial statements, single audit report, and management letter prepared by CliftonLarsonAllen LLP.
- Consistent with the Commission's Second Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in a regular open meeting with a quorum participating, the action undertaken at the November 24, 2020 Special Session. Additionally, the Commission wishes to ratify any action taken since the Special Session with respect to the approved action.

RESOLUTION: 20-82R

RE: Acceptance of HOC FY'20 Audited Financial Statements, Single Audit Report, and Management Letter

WHEREAS, the independent auditors, CliftonLarsonAllen LLP, presented their report for FY'20, which included the FY'20 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 24, 2020, the Commission reviewed the FY'20 Audited Financial Statements, Single Audit Report, and Management Letter;

WHEREAS, at a Special Session duly called and held on November 24, 2020, with a quorum participating, the Commission duly adopted Resolution 20-82, with Commissioners Priest, Kelleher, Nelson, Merkowitz, and Simon voting in approval, and with Commissioners Byrd and Croom being necessarily absent and not participating in the vote;

WHEREAS, by adopting resolution 20-82, the Commission accepted the FY'20 Audited Financial Statements, Single Audit Report, and Management Letter prepared by CliftonLarsonAllen LLP; and

WHEREAS, consistent with the Commission's Second Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in a regular open meeting with a quorum participating, the action undertaken by the Commissioners in adopting Resolution 20-82 and any actions taken since November 24, 2020 to effectuate the actions contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 20-82 and any subsequent actions taken in relation thereto are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on December 9, 2020.

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Patrice M. Birdsong
Special Assistant to the Commission

Consent

**REVISIONS OF HOC'S ADMINISTRATIVE PLAN
FOR THE HOUSING CHOICE VOUCHER PROGRAM
TO INCLUDE UPDATES TO THE PROJECT-BASED VOUCHER PROGRAM**

December 9, 2020

- The Code of Federal Regulations (CFR) requires Public Housing Agencies (PHAs) to adopt written plans and policies that describe the federal regulations and establish local policies for administration of the voucher programs of the given PHA. For the Housing Choice Voucher (HCV) program, this governing document is the Administrative Plan.
- The CFR also requires that PHAs revise their Administrative Plan as needed in order to comply with federal requirements. Optional changes unique to a specific PHA may also be added, provided they do not conflict with federal regulations.
- At this time, HOC has developed proposed revisions to its Administrative Plan that will include regulatory updates to the Project-Based voucher program as described in Chapter 22 of the plan.
- A public comment period for this proposed revision began on October 30, 2020 and concluded on November 30, 2020. A virtual public hearing was conducted on December 2, 2020 via the You-Tube platform.
- Staff is requesting that the Commission adopt the proposed revisions to HOC's Administrative Plan.

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: Lynn Hayes Division: Housing Resources Ext. 9622

RE: Revisions to HOC’s Administrative Plan for the Housing Choice Voucher Program to include updates to the Project-Based Voucher Program

DATE: December 9, 2020

OVERALL GOAL & OBJECTIVE:

To request that the Housing Opportunities Commission of Montgomery County accept staff’s recommendation, which is supported by the Legislative and Regulatory Committee, to adopt the revisions to HOC’s Administrative Plan for the Housing Choice Voucher program to include statutory updates of the Project-Based Voucher Program as described in Chapter 22 of the Plan (the “Revisions”), and authorize the Executive Director, or his designee, to implement the revisions to the Administrative Plan for the Housing Choice Voucher Program (“Administrative Plan”).

BACKGROUND:

The Housing Opportunity Through Modernization Act (HOTMA) was enacted July 29, 2016. The Act made numerous changes to statutes that govern the U.S. Department of Housing and Urban Development (HUD) programs, including the Project Based Voucher Program (PBV). HUD published PIH Notice 2017-21 to implement various provisions of the PBV Program. In summary, HUD redefined the Project-Based Voucher Program cap, income mixing requirement, contract term, and contract extensions.

The Project-Based Voucher Program size cap is now based on 20% of authorized units in our program baseline, in lieu of 20% of our Annual Budget Authority (ABA). The program cap can be increased by an additional 10% of our program baseline (above the 20% program limit) for exception categories. Exception categories include units under contract on or after April 18, 2017 specifically providing supportive services to elderly or disabled families or units specifically serving homeless or veterans families. Units in low poverty areas with a poverty rate of 20% or less also qualify as exception units.

The income mixing requirement for an individual project is now the greater of 25 units per project or 25% of the units in a project. If the property is located in a census tract with a poverty rate of 20% or less, the income mixing requirement can be increased to 40% of the units in a project.

The initial term of the Housing Assistance Payment Contract has increased from a maximum of 15 years to a maximum of 20 years. Additionally, the term of the contract extension has increased from a maximum of 15 years to a maximum of 20 years.

As part of the process for making revisions to a PHA's Administrative Plan, public comment is required. Accordingly, HOC provided a 30-day public comment period which concluded with a public hearing on December 2, 2020 on the Administrative Plan revisions. During the comment period, HOC made a draft of the proposed revisions to the Administrative Plan available on the Agency's website. Also during the comment period, HOC staff met with the Resident Advisory Board (RAB) to discuss the proposed revisions and seek endorsement of the proposed changes. Notice of the comment period and public hearing was advertised in a local newspaper in Montgomery County.

Staff propose the attached revisions to Chapter 22 of the Administrative Plan to conform to the established PBV rules and regulations as stipulated in the Federal Register (FR) notice 82 FR 5458. The detailed changes are provided in the attached Exhibit.

ISSUES FOR CONSIDERATION:

Does the Housing Opportunities Commission of Montgomery County wish to accept staff's recommendation, which is supported by the Legislative and Regulatory Committee, to adopt of revisions to HOC's Administrative Plan for the Housing Choice Voucher program to include statutory updates to the Project-Based Voucher Program as described in Chapter 22 of the Plan (the "Revisions"), and authorize the Executive Director, or his designee, to implement the revisions to the Administrative Plan for the Housing Choice Voucher Program ("Administrative Plan")?

PRINCIPALS:

Housing Resources Division

BUDGET IMPACT:

None.

TIME FRAME:

The Legislative and Regulatory Committee informally reviewed this item at its meeting on October 19, 2020. For formal Commission action on December 9, 2020.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Housing Opportunities Commission of Montgomery County accept its recommendation, which is supported by the Legislative and Regulatory Committee, to adopt revisions to HOC's Administrative Plan for the Housing Choice Voucher program to include statutory updates to the Project-Based Voucher Program as described in Chapter 22 of the Plan (the "Revisions"), and authorize the Executive Director, or his designee, to implement the

revisions to the Administrative Plan for the Housing Choice Voucher Program (“Administrative Plan”).

RESOLUTION: 20-83

**RE: Revisions to HOC’s Administrative Plan
for the Housing Choice Voucher
Program to Update Statutory Changes to the
Project-Based Voucher Program as described
in Chapter 22 of the Plan**

WHEREAS, the Housing Opportunities Commission of Montgomery County desires to revise its Administrative Plan for the Housing Choice Voucher Program (the “Plan”) to include statutory updates to the Project-Based Voucher Program as described in Chapter 22 of the Plan (the “Revisions”), as identified in the revised Plan attached hereto as Exhibit A; and

WHEREAS, a public comment period for the Revisions began on October 30, 2020 and concluded on November 30, 2020 with a public hearing.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County adopts the Revisions, as identified in the revised Plan attached hereto as Exhibit A;

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, 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 actions contemplated herein.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on December 9, 2020.

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Patrice Birdsong
Special Assistant to the Commission

EXHIBIT A

Revised Administrative Plan for the Housing Choice Voucher Program

[attached]

Proposed Revisions to
HOC's Administrative Plan for the Housing Choice Voucher Program

Please note: Existing language is in **BLACK**, proposed changes are in **RED**, and proposed deletions are shown with ~~strikethrough~~.

Chapter 22

HOUSING CHOICE VOUCHER PROJECT-BASED PROGRAM

[24 CFR 983]

A. OVERVIEW

1. Purpose of Program: The program goals for the Project-Based Voucher (PBV) Program are:

1. To contribute to the improvement and long-term viability of the area's housing stock.
2. To increase the supply of affordable housing and location choice for very low-income households.
3. To integrate housing and supportive services such as education, case management, job training, and day care to help families and individuals achieve stability and self-reliance.
4. To promote the coordination and leveraging of resources of public, semi-public, or nonprofit agencies with compatible missions.

2. Program Elements:

1. A PHA may attach up to 20 percent of its voucher baseline ~~budget~~ to PBV units. Additionally, the Housing Opportunity Through Modernization Act of 2016 (HOTMA) authorizes the PHA to project-base an additional 10% of its baseline above the 20% program limit for HAP Contracts executed on or after April 18, 2017. The additional units must fall into at least one of the following eligible categories:
 - a. The units are specifically made available to house individuals and families who meet the definition of homeless under section 103 of the McKinney-Vento Homeless Assistance Act and contained in the Continuum of Care Interim Rule at 24 CFR 578.3
 - b. The units are specifically made available to house families that are comprised of or include a veteran.
 - c. The units provide annual supportive services to persons with disabilities or elderly persons. Potential services may include meal service, housekeeping aid, personal aid, transportation services, health-related services, case management, child care, educational services, employment services, job training, counseling and financial literacy. The service provision must be clearly defined at the time of the application and will be considered in addition to other criteria.

- d. The units are located in a census tract with a poverty rate of 20% or less, as determined in the most recent American Community Survey 5-year Estimates. The units eligible for the additional 10% exception category may be distributed among one, all, or a combination of the categories as long as the total number of units does not exceed the 10% cap.
2. The units may be new construction, rehabilitated or existing units.
 3. ~~Not more than~~ The greater of 25 units or 25 percent of the units in any building may be assisted with PBV. The exceptions to this limitation are for single-family properties (defined as 1-4 units in a building) and “excepted units” in a multi-family building. Excepted units are those that are specifically made available for elderly ~~or disabled~~ families or families eligible to receiveing supportive services.
 4. The location of PBV units must be consistent with the goals of deconcentrating poverty and expanding housing and economic opportunities. For HAP Contracts executed on or after April 18, 2017, the maximum amount of PBV assistance may be increased to the greater of 25 units or 40% of the units in the building. The building must be located in a census tract with a poverty rate of 20% or less as determined in the most recent American Community Survey 5-Year Estimates.

3. Requirements for Participation:

1. Competitive Selection Process: HOC must follow a competitive selection process as described in the regulations at 24 CFR §983.51. Exceptions to the competitive selection process are permitted on a case by case basis, as described in item 3 of this section.
2. Developers/Owners Proposal: Developers/owners must submit a proposal for PBV assistance in response to a Request for Proposals (RFP) issued by HOC as part of the competitive selection process described in item 1, above.
3. Non-Competitive Selection Process: As per the Housing Opportunity Through Modernization Act of 2016 (HOTMA) HOC may, by amendment to this Administrative Plan, from time to time attach PBV assistance to units in a project in which HOC has an ownership interest or over which HOC has control, without following a competitive selection process. Use of this non-competitive selection exception requires HOC’s engagement in an initiative to improve, develop, or replace a public housing property or site.

- a. PHA ownership interest. In order to qualify for this exception to use a non-competitive selection process for receipt of PBV assistance, the units which receive the assistance must be in a project in which HOC has an ownership interest or over which HOC has control. For the purposes of this exception, an “ownership interest” is not limited to the definition of “PHA owned” as defined herein or otherwise by HUD, and does include any HOC connection to a project where HOC, its officers, employees, or agents hold any direct or indirect interest in the project in which the units are located, including, but not limited to, an interest as any of the following:
 - i. Titleholder;
 - ii. Lessee;
 - iii. Stockholder;
 - iv. Member, or general or limited partner;
 - v. Member of a limited liability corporation; or
 - vi. Lessor of the ground lease for the land upon which the PBV project is located or will be constructed.

b. Other conditions for use of the non-competitive selection exception are as follows:

- i. HOC must be engaged in an initiative to improve, develop, or replace public housing properties or sites. The public housing properties or sites may be in HOC’s existing public housing inventory or they may be from those previously removed from the public housing inventory through any available legal removal tool within five years of the date on which HOC entered into the Agreement to Enter a Housing Assistance Payments (AHAP) contract or Housing Assistance Payments (HAP) contract, pursuant to the non-competitive selection.
- ii. If HOC plans rehabilitation or new construction, a minimum threshold of \$25,000 in hard costs per-unit is required, except as provided in iii, below.
- iii. If HOC plans to replace public housing by attaching project-based assistance to existing housing in which the Agency has an ownership interest or over which HOC has control, then the \$25,000 per-unit minimum threshold does not apply as long as the existing housing substantially complies with HUD’s housing quality standards (HQS). See Chapter 10 of this Administrative Plan for further information on what it means to substantially comply with HUD’s housing quality standards.

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- iv. An explanation of the work HOC plans to do on the property or site and how many units of PBV assistance the Agency plans to add via non-competitive selection must be added to this Chapter in Section G.

- v. All of the units identified by HOC for non-competitive selection must be eligible for PBV assistance in accordance with 24 CFR 983.53. Furthermore, selection of the units must satisfy all other statutory and regulatory requirements of the PBV program as per HUD and this chapter of HOC's Administrative Plan.

4. **Selection Criteria:**

HOC will review proposals requesting PBV based on the selection criteria detailed in the Request for Proposals, and in compliance with all relevant statutory, regulatory, and HOC requirements.

Before HOC will provide voucher rental assistance, all developments must have PHA Board approval, meet Housing Quality Standards and have an executed Housing Assistance Payments Contract.

B. ELIGIBLE UNITS

1. Eligible Units:

- a. All PBV selected sites must be in compliance with PBV goals, Civil Rights requirements and Housing Quality Standards. HOC will review the applications to determine if the location is consistent with the goal of deconcentrating poverty and preserving and/or expanding housing and economic opportunities. HOC will take into consideration the site selection standards listed in 24 CFR §983.57 and the PBV program goals.
- b. To define a PBV unit as a unit in a rehabilitated housing, each unit must require a minimum of \$3000 in rehabilitation costs.
- c. For units requesting an exception to the **25 units** or 25 percent cap in a building, and that exception is based on providing supportive services, the services must be designed as services essential for maintaining or achieving independent living such as, but not limited to, counseling, education, job training, health care, mental health services, alcohol and/or other substance abuse services, child care services and or case management services. These services may be defined as being a participant in a PHA's FSS program.

2. Ineligible Units: HOC may not attach PBV assistance for units of the following types of housing:

- a. Shared housing
- b. Units on the grounds of a penal, reformatory, medical, mental or similar public or private institution
- c. Nursing homes or facilities providing continuous psychiatric medical, nursing service, board and care or intermediate care
- d. Units that are owned or controlled by an educational institution and are designated for occupancy by students of the institution
- e. Manufactured homes
- f. Transitional housing
- g. Owner occupied units
- h. Units occupied by an ineligible family.
- i. Units subsidized with any governmental rent subsidy or any governmental subsidy that covers all or any part of the operating costs of the housing. (24 CFR 983.54(c)(d)).

C. APPLICANT ELIGIBILITY FOR PARTICIPATION

Applicant eligibility for the project-based program is also covered in Chapter 2 of this document.

1. Applicants must meet the eligibility requirements for tenant-based Housing Choice Voucher Program.
2. Persons who will reside in PBV units must come from HOC wait list and/or be referred by the owner.
 - a. When a vacancy occurs in a PBV supportive housing unit, the owner may refer applicants to HOC. The applicant names will be placed on the HOC wait list and selected as a special admission for the available unit.
 - b. HOC will survey its regular wait list no less than once a year for each bedroom size for vacancies in non-supportive housing PBV developments. If the PHA is unable to provide enough eligible applicants from its wait list to fill PBV units, the owner may refer applicants to HOC.
3. HOC will not screen applicants for family behavior or check rental references. This will remain the responsibility of the owner. HOC will screen applicants in the manner established for all voucher applicants.
4. If the owner of a PBV unit denies a PBV applicant that was selected from HOC's wait list, that denial does not affect their place on the wait list for tenant based assistance.

5. If the owner refers an applicant (because HOC was unable to provide interested, eligible applicants) that applicant will be placed on the wait list as a special admission for the PBV program. The applicant must still meet all tenant-based eligibility requirements.
6. If an applicant from HOC wait list has been approved by the owner and is in verification status with HOC and their name comes to the top of the wait list to receive tenant based assistance (TBA), the applicant will be given the option to continue to be processed for the PBV unit or to be processed for a TBA voucher. The applicant will sign a statement declaring their choice.

D. LEASES AND HOUSING ASSISTANCE PAYMENTS CONTRACTS

1. If the owner uses a standard lease form for rental to unassisted tenants, the lease for a voucher-assisted tenant must be in such standard form but it must be for a one-year initial term and it must include the HUD tenancy addendum. The lease must specify the name(s) of the owner(s) and the tenant, the address of the unit rented, the term of the lease including any provision for renewal, the amount of the tenant rent to owner, a listing of what services, maintenance, equipment and utilities to be provided by the owner and the amount of any charges that are for food, furniture or supportive services.
2. The Housing Assistance Payments contract between the owner and HOC will be for an initial term of up to ~~15~~ 20 years, or such longer term permitted by HUD regulations than in effect. After the initial term, HOC may agree to extend the term of the contract for an additional term of up to ~~15~~ 20 years, or such longer term permitted by HUD regulations than in effect. To be eligible for an extension, the property and owner must be in compliance with program rules and applicable HUD statutes and regulations. The length of the extension will be negotiated with the owner and the form will be subject to any HUD prescribed conditions at the time of the extension.
3. An owner may request an increase to the rent at the annual anniversary of the HAP contract by a 60 day written notice to HOC. See Chapter 11 of this Administrative Plan for further information regarding rent increase guidelines for the Housing Choice Voucher program.
4. Under the PBV program, HOC is required to remove a unit from a PBV HAP contract after 180 days of zero housing assistance payments to the unit owner. In response to the COVID-19 pandemic, at its discretion HOC may keep a unit under contract for a period of time that exceeds 180 days but does not extend beyond December 31, 2020. This temporary policy expires on December 31, 2020 in accordance with the waiver flexibility authorized in PIH Notice 2020-13.

E. CONTINUED PARTICIPATION

1. A family may choose to move out of a PBV unit with continued assistance any time after 12 months of initial occupancy. If a family moves before their completion of 12 months of occupancy in their PBV unit, they are terminated from the Housing Choice Voucher program. Program termination in this context includes termination from the PBV program as well as from the opportunity to convert to a tenant-based voucher.
2. If a PBV tenant is determined no longer eligible for the Housing Choice Voucher PBV program, they are given a minimum of 30 days to vacate a unit. If the family does not vacate the unit, HOC must remove that PBV unit from the HAP contract or substitute a similar unit in the building. A PBV tenant who is terminated from the PBV program is given a minimum of 30 days notice of the termination and must vacate the unit on the effective date of the termination.
3. If the family receives no rent assistance for six months (that is, if the family's income remained at a level where their Total Tenant Payment [TTP] is equal to or exceeds the gross rent for the unit), the family will be required to vacate the unit. HOC will notify the family at least sixty days before the six months deadline that they must vacate the unit. If the family does not vacate the unit at the end of the six months, HOC must remove the unit from the HAP contract or substitute a similar unit in the same complex.
4. If HOC determines, at annual recertification, that the family is occupying a wrong size unit or determines anytime that the family is occupying a unit with accessibility features that the family does not require but another family does require, HOC will offer continued assistance in the following order:
 - a. An appropriate unit in another PBV unit either in the same building or another PBV assisted building.
 - b. Tenant based assistance if the family has been a PBV participant for at least 12 months.
 - c. Other project-based assistance.
5. For families residing in units that provide qualifying supportive services, as detailed in the HAP contract (see paragraph B. 1. in this chapter), the project must verify annually that at least one family member in each such unit receives supportive services. These services do not have to be provided by the project or at the project, but must comply with the terms of the HAP contract.

To verify the receipt of services, the project must use the format and procedures prescribed by HOC and notify HOC whether or not each family is in compliance.

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If a family, without good cause, fails to participate in at least one of the qualifying supportive services, as detailed in the HAP contract, HOC will determine that the

family is no longer eligible to participate in the program (see paragraph E. 2. in this chapter and in Chapter 15).

F: RENTAL ASSISTANCE DEMONSTRATION PROGRAM

The Housing Opportunities Commission of Montgomery County (HOC) successfully applied to participate in the Rental Assistance Demonstration (RAD) program of the U.S. Department of Housing and Urban Development (HUD). As part of HOC's RAD process, the Agency will be converting some of its existing Public Housing (PH) portfolio to Project-Based Voucher (PBV) rental assistance. For those existing HOC PH residents whose subsidies will be converting through RAD to PBV, the following participation parameters and resident rights will apply above and beyond the existing procedures and policies detailed in this Administrative Plan which would have otherwise applied to them:

1. No Re-screening of Tenants upon Conversion: [PIH-2012-32 (HA), REV-2, 1.6.C.1]

Pursuant to the RAD statute, at conversion, current households are not subject to rescreening, income eligibility, or income targeting. Consequently, current households will be grandfathered for conditions that occurred prior to conversion, but will be subject to any ongoing eligibility requirements for actions that occur after conversion. For example, a unit with a household that was over-income at the time of conversion would continue to be treated as an assisted unit. Thus, 24 CFR § 982.201, concerning eligibility and targeting, will not apply for current households. Once that remaining household moves out, the unit must be leased to an eligible family.

2. Right to Return: [PIH-2012-32 (HA), REV-2, 1.6.C.2]

Any resident that may need to be temporarily relocated to facilitate rehabilitation or construction has a right to return to an assisted unit at the Covered Project once rehabilitation or construction is completed. Permanent involuntary displacement of residents may not occur as a result of a project's conversion of assistance, including, but not limited to, as a result of a change in bedroom distribution, a de minimis reduction of units, the reconfiguration of efficiency apartments, or the repurposing of dwelling units in order to facilitate social service delivery. Where the transfer of assistance to a new site is warranted and approved, residents of the Converting Project will have the right to reside in an assisted unit at the new site once rehabilitation or construction is complete.

3. Renewal of Lease: [PIH-2012-32 (HA), REV-2, 1.6.C.3]

The regulations under 24 CFR § 983.257(b)(3) require Project Owners to renew all leases upon lease expiration, unless cause exists. Examples of cause include:

- a. Serious violation or repeated violation of the terms and conditions of the lease; and
- b. Violation of federal, State, or local law that imposes obligations on the tenant in connection with the occupancy or use of the premises.

In accordance with 24 CFR § 983.257(a) for the PBV program, cause does not include a business or economic reason or desire to use the unit for an individual, family, or nonresidential rental purpose.

4. Phase-in of Tenant Rent Increases Over 3 Years: [PIH-2012-32 (HA), REV-2, 1.6.C.4]

If a tenant's monthly rent increases by more than the greater of 10 percent or \$25 purely as a result of conversion, the rent increase will be phased in over 3 years. The method described below explains the set percentage-based phase-in a Project Owner must follow according to the phase-in period. For purposes of this section "standard TTP" refers to the Total Tenant Payment calculated in accordance with regulations at 24 CFR §5.628 and the "most recently paid TTP" refers to the TTP recorded on line 9j of the family's most recent HUD Form 50058. If a family in a project converting from Public Housing to PBV was paying a flat rent immediately prior to conversion, HOC will use the flat rent amount to calculate the phase-in amount for Year 1, as illustrated below.

Three Year Phase-in:

- Year 1: Any recertification (interim or annual) performed prior to the second annual recertification after conversion – 33% of difference between most recently paid TTP or flat rent and the standard TTP
- Year 2: Year 2 Annual Recertification (AR) and any Interim Recertification (IR) prior to Year 3 AR – 66% of difference between most recently paid TTP and the standard TTP
- Year 3: Year 3 AR and all subsequent recertifications – Full standard TTP

5. Family Self Sufficiency (FSS) and Resident Opportunities and Self Sufficiency Service Coordinator (ROSS-SC) programs: [PIH-2012-32 (HA), REV-2, 1.6.C.5]

Public Housing residents that are current FSS participants will continue to be eligible for FSS once their housing is converted under RAD, and PHAs will be allowed to use any remaining PH FSS funds, to serve those FSS participants who live in units converted by RAD. Due to the program merger between PH FSS and HCV FSS that took place pursuant to the FY 2014 Appropriations Act (and was continued in the FY 2015 Appropriations Act), no special provisions are required to continue serving FSS participants that live in public housing units converting to PBV under RAD.

However, there are certain FSS requirements (e.g. escrow calculation and escrow forfeitures) that apply differently depending on whether the FSS participant is a participant under the HCV program or a public housing resident, and HOCs must follow such requirements accordingly. HOC administers the FSS program in accordance with FSS regulations at 24 CFR Part 984, the participants' contracts of participation, and the alternative requirements established in the "Waivers and Alternative Requirements for the FSS Program" Federal Register notice, published on December 29, 2014, at 79 FR 78100. Further, upon conversion to PBV, already escrowed funds for FSS participants shall be transferred into the HCV escrow account and be considered Tenant-Based Rental Assistance (TBRA) funds, thus reverting to the HAP account if forfeited by the FSS participant.

Current ROSS-SC grantees will be able to finish out their current ROSS-SC grants once their housing is converted under RAD. However, once the property is converted, it will no longer be eligible to be counted towards the unit count for future ROSS-SC grants, nor will its residents be eligible to be served by future ROSS-SC grants, which, by statute, can only serve public housing residents.

6. Resident Participation and Funding: [PIH-2012-32 (HA), REV-2, 1.6.C.6] [PIH-2012-32 (HA), REV-2, Attachment 1B]

In accordance with Attachment 1B of PIH-2012-32 (HA), REV-2, residents of Covered Projects with converted PBV assistance will have the right to establish and operate a resident organization for the purpose of addressing issues related to their living environment and be eligible for resident participation funding, which includes the terms and conditions of their tenancy as well as activities related to housing and community development.

- a. **Legitimate Resident Organization.** A Project Owner must recognize legitimate resident organizations and give reasonable consideration to concerns raised by legitimate resident organizations. A resident organization is legitimate only if it has been established by the residents of a Covered Project, meets regularly, operates democratically, is representative of all residents in the project, and is completely independent of the Project Owner, management, and their representatives. In the absence of a legitimate resident organization at a Covered Project, HUD encourages the Project Owner and residents to work together to determine the most appropriate ways to foster a constructive working relationship, including supporting the formation of a legitimate residents organization. Residents are encouraged to contact the Project Owner directly with questions or concerns regarding issues related to their tenancy. Project Owners are also encouraged to actively engage residents in the absence of a resident organization; and
- b. **Protected Activities.** Project Owners must allow residents and resident organizers to conduct the following activities related to the establishment or operation of a resident organization:

- i. Distributing leaflets in lobby areas;
- ii. Placing leaflets at or under residents' doors;
- iii. Distributing leaflets in common areas;
- iv. Initiating contact with residents;
- v. Conducting door-to-door surveys of residents to ascertain interest in establishing a resident organization and to offer information about resident organizations;
- vi. Posting information on bulletin boards;
- vii. Assisting residents to participate in resident organization activities;
- viii. Convening regularly scheduled resident organization meetings in a space on site and accessible to residents, in a manner that is fully independent of management representatives. In order to preserve the independence of resident organizations, management representatives may not attend such meetings unless invited by the resident organization to specific meetings to discuss a specific issue or issues; and
- ix. Formulating responses to Project Owner's requests for:
 1. Rent increases;
 2. Partial payment of claims;
 3. The conversion from project-based paid utilities to resident-paid utilities;
 4. A reduction in resident utility allowances;
 5. Converting residential units to non-residential use, cooperative housing, or condominiums;
 6. Major capital additions; and
 7. Prepayment of loans.

In addition to these activities, Project Owners must allow residents and resident organizers to conduct other reasonable activities related to the establishment or operation of a resident organization.

Project Owners shall not require residents and resident organizers to obtain prior permission before engaging in the activities permitted in this section.

- c. Meeting Space. Project Owners must reasonably make available the use of any community room or other available space appropriate for meetings that is part of the multifamily housing project when requested by:
 - i. Residents or a resident organization and used for activities related to the operation of the resident organization; or
 - ii. Residents seeking to establish a resident organization or collectively address issues related to their living environment.

Resident and resident organization meetings must be accessible to persons with disabilities unless this is impractical for reasons beyond the organization's control. If the project has an accessible common area or areas, it will not be impractical to make organizational meetings accessible to persons with disabilities.

Project Owners may charge a reasonable, customary and usual fee, approved by the Secretary as may normally be imposed and in accordance with procedures prescribed by the Secretary, for the use of meeting space. HOC may waive this fee.

- d. Resident Organizers. A resident organizer is a resident or non-resident who assists residents in establishing and operating a resident organization, and who is not an employee or representative of current or prospective Project Owners, managers, or their agents.

Project Owners must allow resident organizers to assist residents in establishing and operating resident organizations.

- e. Canvassing. If a Covered Project has a consistently enforced, written policy against canvassing, then a non-resident resident organizer must be accompanied by a resident while on the property of the project.

If a project has a written policy favoring canvassing, any non-resident resident organizer must be afforded the same privileges and rights of access as other uninvited outside parties in the normal course of operations. If the project does not have a consistently enforced, written policy against canvassing, the project shall be treated as if it has a policy favoring canvassing.

A resident has the right not to be re-canvassed against his or her wishes regarding participation in a resident organization.

- f. Funding. Project Owners must provide \$25 per occupied unit annually for resident participation, of which at least \$15 per occupied unit shall be provided to the legitimate resident organization at the covered property. These funds must be used for resident education, organizing around tenancy issues, and training activities. In the absence of a legitimate resident organization at a Covered Project:
 - i. HOC encourages the Project Owners and residents to work together to determine the most appropriate ways to foster a constructive working relationship, including supporting the formation of a legitimate residents organization. Residents are encouraged to contact the Project Owner directly with questions or concerns regarding issues related to their tenancy. Project Owners are also encouraged to actively engage residents in the absence of a resident organization; and
 - ii. Project Owners must make resident participation funds available to residents for organizing activities in accordance with this Notice. Residents must make requests for these funds in writing to the Project Owner. These requests will be subject to approval by the Project Owner.

HOC's Resident Advisory Board (RAB) will serve as the required resident organization described herein and in compliance with this section.

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7. Resident Procedural Rights: [PIH-2012-32 (HA), REV-2, 1.6.C.7]

The following items are incorporated into both the Section 8 Administrative Plan and the Project
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Of Montgomery County, Maryland

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Owner's lease, which includes the required tenancy addendum, as appropriate. Evidence of such incorporation may be requested by HUD for purposes of monitoring the program.

- a. **Termination Notification.** HUD is incorporating additional termination notification requirements to comply with section 6 of the Act for public housing projects that convert assistance under RAD. In addition to the regulations at 24 CFR § 983.257 related to Project Owner termination of tenancy and eviction (the termination procedure for RAD conversions to PBV requires that HOC provide adequate written notice of termination of the lease which shall not be less than:
 - i. A reasonable period of time, but not to exceed 30 days:
 1. If the health or safety of other tenants, HOC employees, or persons residing in the immediate vicinity of the premises is threatened; or
 2. In the event of any drug-related or violent criminal activity or any felony conviction;
 3. 14 days in the case of nonpayment of rent; and
 4. 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.
- b. **Grievance Process.** In accordance with the RAD Statute, the following procedural rights are required in order to comply with section 6 of the Act.

For issues related to tenancy and termination of assistance, PBV program rules require the Project Owner to provide an opportunity for an informal hearing, as outlined in 24 CFR § 982.555. RAD will specify alternative requirements for 24 CFR § 982.555(b) in part, which outlines when informal hearings are not required, to require that:

- i. In addition to reasons that require an opportunity for an informal hearing given in 24 CFR § 982.555(a)(1)(i)-(vi), an opportunity for an informal hearing must be given to residents for any dispute that a resident may have with respect to a Project Owner action in accordance with the individual's lease or the contract administrator in accordance with RAD PBV requirements that adversely affect the resident's rights, obligations, welfare, or status.
- ii. For any hearing required under 24 CFR § 982.555(a)(1)(i)-(vi), the contract administrator will perform the hearing, as is the current standard in the program. The hearing officer must be selected in accordance with 24 CFR § 982.555(e)(4)(i). For any additional hearings required under RAD, the Project Owner will perform the hearing.
- iii. There is no right to an informal hearing for class grievances or to disputes between residents not involving the Project Owner or contract administrator.

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- iv. The Project Owner gives residents notice of their ability to request an informal hearing as outlined in 24 CFR § 982.555(c)(1) for informal hearings that will address circumstances that fall outside of the scope of 24 CFR § 982.555(a)(1)(i)-(vi).
- v. The Project Owner provides opportunity for an informal hearing before an

eviction.

Current PBV program rules require that hearing procedures must be outlined in HOC's Section 8 Administrative Plan. See Chapter 19: Complaints and Appeals.

8. Earned Income Disregard (EID): [PIH-2012-32 (HA), REV-2, 1.6.C.8]

Tenants who are employed and are currently receiving the EID exclusion at the time of conversion will continue to receive the EID after conversion in accordance with regulations at 24 CFR § 5.617. Upon the expiration of the EID for such families, the rent adjustment shall not be subject to rent phase-in as described in Section 1.6.C.4 of the RAD Notice; instead, the rent will automatically rise to the appropriate rent level based upon tenant income at that time.

Under the Housing Choice Voucher program, the EID exclusion is limited only to persons with disabilities (24 CFR § 5.617(b)). In order to allow all tenants (including non-disabled persons) who are employed and currently receiving the EID at the time of conversion to continue to benefit from this exclusion in the PBV project, the provision in section 5.617(b) limiting EID to disabled persons is waived. The waiver and the resulting alternative requirements apply only to tenants receiving the EID at the time of conversion. No other tenant (e.g., tenants who at one time received the EID but are not receiving the EID exclusion at the time of conversion) is covered by this waiver.

9. Jobs Plus: [PIH-2012-32 (HA), REV-2, 1.6.C.9]

Jobs Plus grantees awarded in FY14 and future funds that convert the Jobs Plus target projects(s) under RAD will be able to finish out their Jobs Plus period of performance at that site unless significant relocation and/or change in building occupancy is planned. If either is planned at the Jobs Plus target project(s), HUD may allow for a modification of the Jobs Plus work plan or may, at the Secretary's discretion, choose to end the Jobs Plus program at that project.

10. When Total Tenant Payment Exceeds Gross Rent: [PIH-2012-32 (HA), REV-2, 1.6.C.10]

Under normal PBV rules, HOC may only select an occupied unit to be included under the PBV HAP contract if the unit's occupants are eligible for housing assistance payments (24 CFR §983.53(d)). Also, HOC must remove a unit from the contract when no assistance has been paid

for 180 days because the family's TTP has risen to a level that is equal to or greater than the contract rent, plus any utility allowance, for the unit (i.e., the Gross Rent)) (24 CFR §983.258). Since the rent limitation under this Section of the Notice may often result in a family's TTP equaling or exceeding the gross rent for the unit, for current residents (i.e. residents living in the public housing property prior to conversion), HUD has waived both of these provisions and requires that the unit for such families be placed on and/or remain under the HAP contract when TTP equals or exceeds the Gross Rent. Further, HUD is establishing the alternative requirement that the rent to owner for the unit equal the family's TTP until such time that the family is eligible for a housing assistance payment. HUD has waived this policy as necessary to implement this alternative provision, the provisions of Section 8(o)(13)(H) of the Act and the implementing regulations at 24 CFR 983.301 as modified by Section 1.6.B.5 of the RAD Notice. In such cases, the resident is considered a participant under the program, and all of the family obligations and protections under RAD and PBV apply to the resident. Likewise, all requirements with respect to the unit, such as compliance with the HQS requirements, apply as long as the unit is under a HAP contract. Assistance may subsequently be reinstated if the tenant becomes eligible for assistance. HOC is required to process these individuals through the Form-50058 submodule in PIC.

Following conversion, 24 CFR §983.53(d) applies, and any new families referred to the RAD PBV project must be initially eligible for a HAP payment at admission to the program, which means that their TTP may not exceed the gross rent for the unit at that time. Further, HOC must remove a unit from the contract when no assistance has been paid for 180 days. If units are removed from the HAP contract because a new admission's TTP comes to equal or exceed the gross rent for the unit and if the project is fully assisted, HUD is imposing an alternative requirement that HOC must reinstate the unit after the family has vacated the property; and, if the project is partially assisted, HOC may substitute a different unit for the unit on the HAP contract in accordance with 24 CFR §983.207 or, where "floating" units have been permitted, Section 1.6.B.10 of PIH-2012-32 (HA), REV-2.

11. Under-Occupied Unit: [PIH-2012-32 (HA), REV-2, 1.6.C.11]

If a family is in an under-occupied unit under 24 CFR 983.259 at the time of conversion, the family may remain in that unit until an appropriate-sized unit becomes available in the Covered Project. When an appropriate-sized unit becomes available in the Covered Project, the family living in the under-occupied unit must move to the appropriate-sized unit within a reasonable period of time, as determined by the administering Voucher Agency. HOC has determined this time frame to be 60 days. In order to allow the family to remain in the under-occupied unit until an appropriate-sized unit becomes available in the Covered Project, 24 CFR 983.259 is waived.

12. Wrong-sized Unit: [Quick Reference Guide for Public Housing Project Converting to PBV Assistance 3.4.1]

In cases where, after initial tenancy, the family is occupying a wrong-sized unit or a unit that has accessibility features not required by the family and where the unit is needed by a family

that requires this accessibility feature, HOC will promptly notify the owner and the family can be offered assistance in:

- a. Another appropriate size unit (in the same building); or
- b. The form of a tenant-based voucher, if funding is available.

13. Establishment of Wait List: [PIH-2012-32 (HA), REV-2, 1.6.D.4]

24 CFR §983.251 sets out PBV program requirements related to establishing and maintaining a voucher-wide, PBV program-wide, or site-based wait list from which residents for the Covered Project will be admitted. These provisions will apply unless the project is covered by a remedial order or agreement that specifies the type of wait list and other wait list policies. HOC shall consider the best means to transition applicants from the current public housing wait list, including:

- a. Transferring an existing site-based wait list to a new site-based wait list. If HOC is transferring the assistance to another neighborhood, HOC must notify applicants on the wait list of the transfer of assistance and of how they can apply for residency at the new project site or other sites. Applicants on a project-specific wait list for a project where the assistance is being transferred shall have priority on the newly formed wait list for the new project site in accordance with the date and time of their application to the original project's wait list.
- b. Informing applicants on the site-based wait list on how to apply for a PBV program-wide or HCV program-wide wait list.
- c. Informing applicants on a public housing community-wide wait list on how to apply for a voucher-wide, PBV program-wide, or site-based wait list. If using a site-based wait list, HOC shall establish a wait list in accordance with 24 CFR § 903.7(b)(2)(ii)-(iv) to ensure that applicants on the PHA's public housing community-wide wait list have been offered placement on the converted project's initial wait list. In all cases, HOC has the discretion to determine the most appropriate means of informing applicants on the public housing community-wide wait list given the number of applicants, HOC resources, and admissions requirements of the projects being converted under RAD. HOC may consider contacting every applicant on the public housing wait list via direct mailing; advertising the availability of housing to the population that is less likely to apply, both minority and non-minority groups, through various forms of media (e.g., radio stations, posters, newspapers) within the marketing area; informing local non-profit entities and advocacy groups (e.g., disability rights groups); and conducting other outreach as appropriate. Applicants on the agency's public housing community-wide wait list who wish to be placed onto the newly established site-based wait list must be placed in accordance with the date and time of their original application to the centralized public housing wait list. Any

- d. activities to contact applicants on the public housing wait list must be conducted in accordance with the requirements for effective communication with persons with disabilities at 24 CFR § 8.6 and with the obligation to provide meaningful access for persons with limited English proficiency (LEP).

HOC is required to maintain any site-based wait list in accordance with all applicable civil rights and fair housing laws and regulations unless the project is covered by a remedial order or agreement that specifies the type of wait list and other wait list policies.

To implement this provision, HUD has specified alternative requirements for 24 CFR § 983.251(c)(2). However, after the initial wait list is established, HOC shall administer its wait list for the converted project in accordance with 24 CFR § 983.251(c).

14. Choice-Mobility: [PIH-2012-32 (HA), REV-2, 1.6.D.9]

One of the key features of the PBV program is the mobility component; this component provides that if a family elects to terminate the assisted lease at any time after the first 12 months of occupancy in accordance with program requirements, HOC must offer the family the opportunity for continued tenant-based rental assistance in the form of either assistance under the voucher program or other comparable tenant-based rental assistance.

Similarly, former Public Housing residents converted via RAD to Project-Based Rental Assistance (PBRA), also receive special choice mobility. For RAD-converted PBRA customers, if the family elects to terminate their assisted lease at any time after the first 24 months of occupancy in accordance with program requirements, HOC must offer the family the opportunity for continued tenant-based rental assistance in the form of either assistance under the voucher program or other comparable tenant-based rental assistance.

Once a RAD-converted PBV or PBRA family elects to terminate their assisted lease so that they can convert from their current project-based subsidy to a tenant-based subsidy, their name is added to HOC's Choice Mobility Wait List. As customers on this Choice Mobility Wait List reach the top of the list, they are selected for their tenant-based voucher and will continue through the voucher issuance process described in Chapter 8 of this Administrative Plan.

RAD Voucher Turnover Cap

All RAD-converted PBV and PBRA customers who reach their eligibility for Choice Mobility (12 months and 24 months, respectively) are subject to the following procedures of HOC's RAD Voucher Turnover Cap:

- Up to 15 percent of turnover units at each RAD project in any given Calendar Year may be used by customers called from the Choice Mobility Wait List.

- For eligible customers who are unable to exercise their Choice Mobility option at a property because the cap is exhausted for that year, HOC will add their names to the Choice Mobility Wait List.
- HOC's Choice Mobility Wait List is stored within Housing Path and is a unified list across all RAD properties.
- Among all available HOC turnover vouchers, every third voucher is available to a customer coming off the Choice Mobility Wait List.

This RAD Voucher Turnover Cap does not apply to PBVs entered into outside of the context of RAD.

15. Vacancy Payments:

In order to receive vacancy payments, Project Owners assisted under RAD must meet the following requirements:

a. Payments for the Move-out Month:

If an assisted family moves out of the unit, the Project Owner may keep the housing assistance payment payable for the calendar month when the family moves out. However, the owner may not keep the payment if HOC determines the vacancy is the owner's fault.

b. Vacancy Payment:

At its discretion, HOC will make vacancy payments of the monthly rent, but not to exceed two full months following the move out month. Any vacancy payment may cover only the period the unit remains vacant. In order to claim the vacancy loss, the unit must be available for lease and the landlord must:

- i. Notify HOC within 48 hours, excluding weekends and holidays, upon learning of the vacancy, or prospective vacancy; and
- ii. Pursue activities to fill the vacancy, including:
 1. Seek eligible applicants by listing the unit with HOC;
 2. Notify HOC of the availability of the unit; and
 3. Not reject potentially eligible applicants except for good cause.

G: PROJECT DESCRIPTIONS OF PROJECT-BASED VOUCHER ASSISTANCE PROVIDED USING A NON-COMPETITIVE SELECTION PROCESS

Each property or site which will receive PBVs through the non-competitive selection process provided for in this Administrative Plan, are identified below.

1. In December of 2017, HOC used the non-competitive selection process provided for herein to award HOC 40 Project-Based Vouchers (PBV). These vouchers are reserved

for use at HOC's Park View apartment project. Park View is a new construction, age-restricted property which is currently under development, and is expected to open for occupancy in April of 2019. Park View is located at 3132 Bel Pre Road in Aspen Hill, Maryland. HOC is developing Park View as a mixed-income property with a total of 120 units. HOC expects to exceed the required minimum threshold of \$25,000 in hard costs per unit during construction of Park View. At closing, Park View had an estimated hard cost per unit of \$142,610.

2. In November of 2018, HOC used the non-competitive selection process provided for herein to award HOC 26 Project-Based Vouchers (PBV). These vouchers are reserved for use at HOC's Elizabeth House III apartment project. Elizabeth House III is a new construction, age-restricted property which is currently under development, and is expected to open for occupancy in 2021. Elizabeth House III is located in downtown Silver Spring, Maryland; an area rich in amenities, including multiple public transit, entertainment, employment, education, and retail options. HOC is developing Elizabeth House III as part a mixed-income group of properties known together as Elizabeth Square. The full Elizabeth House III will include approximately 267 units. HOC expects to exceed the required minimum threshold of \$25,000 in hard costs per unit during construction of Elizabeth House III.

AMENDMENT OF APPROVAL TO INCREASE THE OBLIGATION TO DRAW ON THE PNC BANK, N.A. LINE OF CREDIT TO REFUND AND REDEEM SINGLE FAMILY BONDS

December 9, 2020

- On November 4, 2020, the Commission approved Resolution 20-80, which approved a temporary increase of the Single Family Mortgage Purchase Program's authorization to draw on the PNC Bank, N.A. Line of Credit ("PNC LOC") to refund bonds eligible for replacement refunding from \$5 million to \$10 million, with the temporary increase expiring upon the closing of the Single Family bond issuance in the first quarter of 2021.
- Resolution 20-80 mistakenly included the incorrect interest rate and staff desires to correct this error.
- The correction is that the Program's draws on the PNC LOC to refund bonds eligible for replacement refunding shall be tax exempt draws, including the payment of interest by the Program at the tax exempt rate of 68.5% of 30-day London Interbank Offered Rate plus 59 basis points.

RESOLUTION No.: 20-89

RE: Amendment of Approval to Increase the Obligation to Draw on the PNC Bank, N.A. Line of Credit to Refund and Redeem Single Family Bonds

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 issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, pursuant to its authority, the Commission has utilized the practice of issuing refunding bonds in the Single Family Mortgage Purchase Program (the “Program”) to recycle and extend the life of volume cap it allocates to each bond issue and/or to refinance its outstanding bond debt at lower interest rates, thereby, minimizing negative arbitrage expenses to the Program; and

WHEREAS, the recycling is achieved by reserving mortgage principal repayments and prepayments to make new mortgage loans, net of those subject to statutory restrictions, and using the proceeds of a new bond issue to refund and redeem the prior outstanding bonds associated with the mortgage principal repayments and prepayments; and

WHEREAS, on November 4, 2020, by approving Resolution 20-80, the Commission approved a temporary increase of the Program’s authorization to draw on the PNC Bank, N.A. Line of Credit (“PNC LOC”) to refund bonds eligible for replacement refunding from \$5 million to \$10 million with the temporary increase expiring upon the closing of the Single Family bond issuance in the first quarter of 2021, and revert to up to \$5 million on a revolving basis in accordance with the terms of the PNC LOC; and

WHEREAS, Resolution 20-80 mistakenly included the incorrect interest rate and the Commission desires to correct the error.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Single Family Mortgage Purchase Program’s draws on the PNC LOC to refund bonds eligible for replacement refunding shall be tax exempt draws, and shall be drawn in accordance with the terms of the PNC LOC, including the payment of interest by the Single Family Program at the tax exempt rate of 68.5% of 30-day LIBOR plus 59 basis points.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, or his designee, 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.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on December 9, 2020.

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Patrice Birdsong
Special Assistant to the Commission

Committee Reports and Recommendations for Action

Development and Finance Committee

HOC HEADQUARTERS: APPROVAL FOR THE EXECUTIVE DIRECTOR TO EXECUTE TASK ORDER TO ENGAGE LERCH, EARLY & BREWER FOR LEGAL SERVICES

December 9, 2020

- Staff has identified Lerch, Early & Brewer (“LEB”) to provide legal services for the entitlement of the site, which is proposed for the development of HOC’s new headquarters building (“HOC HQ”), located at Second Avenue and Fenwick Lane in Silver Spring.
- HOC HQ will be entitled via the Mandatory Referral process. Mandatory Referral is a development review process through which non-residential public sector developments (from federal, state, and local governments) and public and private utilities are referred to the Planning Board for review.
- Very few projects can utilize the Mandatory Referral process for obtaining necessary development approvals prior to receiving building permits and even fewer firms with specialized legal expertise were available to determine this course of action.
- From its pool of legal counsel, approved by the Commission on April 3, 2019, LEB is uniquely qualified to assist the Commission to navigate the regulatory and approval Mandatory Referral process for its new headquarters.
- The aggregate task orders for LEB, under its pool contract, will exceed \$250,000 and as such, in accordance with HOC’s Procurement Policy adopted on June 7, 2017, the Commission must approve the Task Order. LEB has estimated the cost to complete the associate land use work for the new HQ building to be approximately \$365,000, but Staff is requesting that the Commission approve an amount up to \$400,000 to include a contingency of \$35,000.
- If approved by the Commission, this engagement will be funded from predevelopment budget previously approved by the Commission, which includes legal costs for the entitlement.
- Given the importance of the HOC HQ development, the Executive Director requests that the Commission approve up to \$400,000 for task order with LEB to ensure sustained working knowledge and timely completion of the project.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Division: Real Estate
Staff: Kayrine V. Brown, Chief Investment & Real Estate Officer Ext. 9589
Zachary Marks, Director of Real Estate Ext. 9613
Jay Shepherd, Senior Financial Analyst Ext. 9762

RE: HOC Headquarters: Approval for the Executive Director to Execute Task Order to Engage Lerch, Early & Brewer for Legal Services

DATE: December 9, 2020

COMMITTEE REPORT: Deliberation X

OVERALL GOAL & OBJECTIVE:

To approve a Task Order pursuant to which Lerch, Early & Brewer (“LEB”) will provide legal land use and development entitlement services for the HOC Headquarters development.

BACKGROUND:

The proposed HOC Headquarters development is located in downtown Silver Spring next to the Elizabeth Square developments in the Arts and Entertainment District. This development provides a rare opportunity to leverage in-place assets already operating in the community to enhance the experience of HOC’s staff, its partners, and customers.

On February 8, 2019, HOC issued RFQ #2150 for Real Estate Legal Services and received 13 responses. On April 3, 2019, the Commission approved the pool of legal counsel consisting of 12 firms. The attorneys in the pool would assist HOC’s staff to navigate legal issues pertaining to its real estate development and financing concerns and to ensure that the Commission successfully executes transactions, while complying with complex regulatory and contractual obligations. The pool was created in lieu of adding full time staff to handle the legal workload. Legal counsel is engaged, as needed, under Task Orders. If services were rendered during the development phase of a project, expenses would be funded from the project’s development budget, which would be approved by the Commission through its normal review and approval process. If services were rendered before a development budget is approved, expenses would be funded from the revolving Real Estate Working Capital Operating Fund (“RE Fund”), which includes a \$350,000 budget for legal services. Once a development budget is approved, any funds used from the RE Fund would be repaid. Therefore, such expenditures are not expected to have an adverse financial impact on the Commission’s operating budget.

For the proposed new HOC headquarters building located at Second Avenue and Fenwick Lane in Silver Spring, which will be entitled via the Mandatory Referral process, staff proceeded under a two-step

engagement process for this project. The first involved a limited investigation around the issue of whether HOC may proceed with entitlement using Mandatory Referral. Very few projects can utilize the Mandatory Referral process for obtaining necessary development approvals prior to receiving building permits and even fewer firms with specialized legal expertise were available to determine this course of action. LEB is uniquely qualified to assess the option and make a recommendation for advancement. Due to the firm's involvement, LEB was determined to be the best value for the second step, the actual filing and processing of the project, based on the Mandatory Referral process that was to be used.

The aggregate task orders for LEB, under its pool contract, will exceed \$250,000 and as such, in accordance with HOC's Procurement Policy adopted on June 7, 2017, the Commission must approve the Task Order. LEB has estimated the cost to complete the associate land use work for the new HQ building to be approximately \$365,000, but Staff is requesting that the Commission approve an amount up to \$400,000 to include a contingency for any unforeseen issues that could arise before the project is approved.

On May 6, 2019, the Commission approved a revised predevelopment budget of \$2,650,150, which includes funds allocated for the entitlement of the development.

Given the importance of the HOC HQ development, the Executive Director requests that the Commission approve up to \$400,000 for task order with LEB to ensure sustained working knowledge and timely completion of the project.

ISSUES FOR CONSIDERATION:

Will the Commission accept staff's recommendation, which is supported by the Development & Finance Committee, to approve a Task Order for Lerch, Early & Brewer to provide legal land use service for the entitlement of the HOC HQ development and for the Executive Director to execute the Task Order?

BUDGET/FISCAL IMPACT:

The Lerch, Early & Brewer task order will be funded by the HOC HQ (Second & Fenwick) predevelopment budget, previously approved by the Commission for consulting services.

The estimated total cost of the task order plus work through completion is \$400,000, which includes a contingency of \$15,000.

PRINCIPALS:

Lerch, Early & Brewer
Housing Opportunities Commission of Montgomery County

TIME FRAME:

For formal action at the December 9, 2020 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve a Task Order with Lerch, Early & Brewer for approximately \$400,000 to provide legal land use services for the entitlement of the HOC HQ development, including authorization for the Executive Director to execute said Task Order.

RESOLUTION No. 20-84

RE: HOC Headquarters: Approval for the Executive Director to Execute Task Order to Engage Lerch, Early & Brewer for Legal Services

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”), has secured three lots located at 1324 and 1328 Fenwick Lane, Silver Spring, MD 20910, as the site of a new headquarters building projected to be approximately 85,000 gross square feet or the maximum allowed by the current zoning regulations (the “New HQ”); and

WHEREAS, on September 5, 2018, the Commission approved a predevelopment budget in the amount of \$2,116,000 for the initial feasibility design and entitlement of the New HQ and a draw on the \$60 million PNC Bank, N.A. Line of Credit to fund the first installment of predevelopment funding in the amount of \$264,500; and

WHEREAS, on May 6, 2020, the Commission approved a revised predevelopment budget in the amount of \$2,650,150 for the design and entitlement of the New HQ and a draw on the \$60 million PNC Bank, N.A. Line of Credit to fund the second installment of predevelopment funding in the amount of \$793,800; and

WHEREAS, in order to expedite the delivery of New HQ, reduce overall costs, and minimize development period risk, the Commission approved submitting an application for Mandatory Referral for the New HQ; and

WHEREAS, very few projects can utilize the Mandatory Referral process for obtaining necessary development approvals prior to receiving building permits, even fewer firms with specialized legal expertise were available to determine and help the Commission file and process the required applications based on the Mandatory Referral process; and

WHEREAS, On April 3, 2019, the Commission approved the pool of legal counsel consisting of 12 firms, which would assist HOC’s staff to navigate legal issues pertaining to its real estate development and financing concerns and to ensure that the Commission successfully executes transactions while complying with complex regulatory and contractual obligations; and

WHEREAS, a firm in the pool, Lerch, Early & Brewer (“LEB”), is uniquely qualified to perform the actual filing and processing of the project, based on the Mandatory Referral process that is to be used and the aggregate task orders for LEB under its pool contract will exceed \$250,000 and as such, in accordance with HOC’s Procurement Policy adopted on June 7, 2017, the Commission must approve the current Task Order; and

WHEREAS, LEB has estimated the cost to complete the associate legal land use work for the new HQ building to be approximately \$365,000, but Staff is requesting that the Commission

approve an amount up to \$400,000 to include a contingency for any unforeseen issues that may arise before the project is approved.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County approves a Task Order under the current pool contract with Lerch, Early & Brewer for approximately \$400,000 to provide legal land use services for the entitlement of the HOC HQ development, including authorization for the Executive Director to execute said Task Order.

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

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on December 9, 2020.

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Patrice M. Birdsong
Special Assistant to the Commission

FINAL DEVELOPMENT PLAN

STEWARTOWN HOMES



Stacy L. Spann, Executive Director

Kayrine Brown
Zachary Marks
Gio Kaviladze

December 9, 2020
Page 65 of 131

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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.

Resolution 20-07 - 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

Resolution 20-30: - Authorization to Select Low Income Housing Tax Credit Syndicator for the Renovation of Stewartown Homes and Authorization for the Executive Director to Negotiate an Operating Agreement

Executive Summary

- Stewartown Homes (“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.
- The Property has reached the end of its initial 15-year LIHTC compliance period. The project team is currently preparing for the upcoming LIHTC re-syndication and comprehensive renovation. The transaction is currently projected to close in the February or March of 2021, with renovation to start soon after. Previous tax credit investor exit process has been concluded and the Property is now fully owned by HOC.
- In 2019, staff obtained 19 project based vouchers under Component 2 of the RAD program. In September 2019, staff obtained additional funding for project based vouchers for up to 35 units under the Low Vacancy Voucher (LVV) program. Resident certification for the LVV program is currently in progress and will result in ~15 project based vouchers for the Property.
- Since 2017, the Commission has approved several actions for the re-syndication and renovation of the Property. In January 2020 the Commission approved the selection of Harkins Builders as the General Contractor for the renovation. At the same time, the Commission authorized the Property to freeze leasing and hold any upcoming vacancies, up to 16 vacant units required for each phase of renovation, for the duration of the renovation. In March 2020 the Commission approved the selection of Boston Capital as the tax credit syndicator for the renovation. The LOI with Boston Capital was finalized in July 2020.
- The projected Total Development Cost is approximately \$38.2 million, to be funded with HOC-issued tax-exempt bonds and FHA Risk Share mortgage (~\$11.75 million), HOC-issued short-term tax-exempt bonds (\$4.16 million), HOC seller note (~\$11.8 million), and 4% Low Income Housing Tax Credit (“LIHTC”) equity (~\$8.4 million).
- The Property currently has approximately \$4.1 million existing debt, consisting of \$1.5 million senior mortgage, \$2.1 million County HIF loan, and \$0.5 million HOC loan. The senior mortgage will be repaid prior to closing. Staff is seeking subordination and assignment of the County HIF and HOC loans to the new owner entity upon re-syndication, which will be included with the request to approve the financing plan.
- The renovation is scheduled to begin in March 2021 and will proceed in seven phases, with each phase consisting of 11-14 units and taking approximately 60 days to complete. As each phase delivers after renovation, tenants will move into new renovated unit. The renovation includes the conversion of five (5) units into UFAS accessible units.
- Renovation is projected to be 14-16 months in duration. The general contractor has given consideration to COVID-related issues and potential delays when developing the construction schedule.

Project Summary

Project Name	Stewartown Homes	Units	94	Expected Closing Date	Q3 FY2021
Location	Gaithersburg, MD	Average Unit Size (SF)	972	Stabilization Date	Q4 FY2022
Product Type	Townhomes	Occupancy (11/2020)	96%	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.

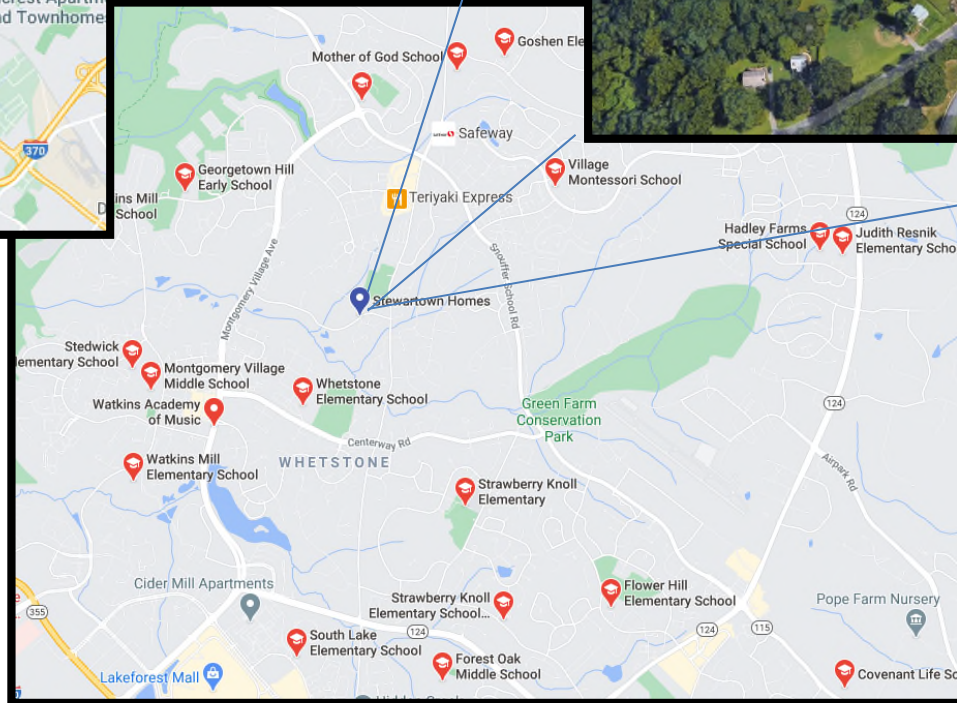
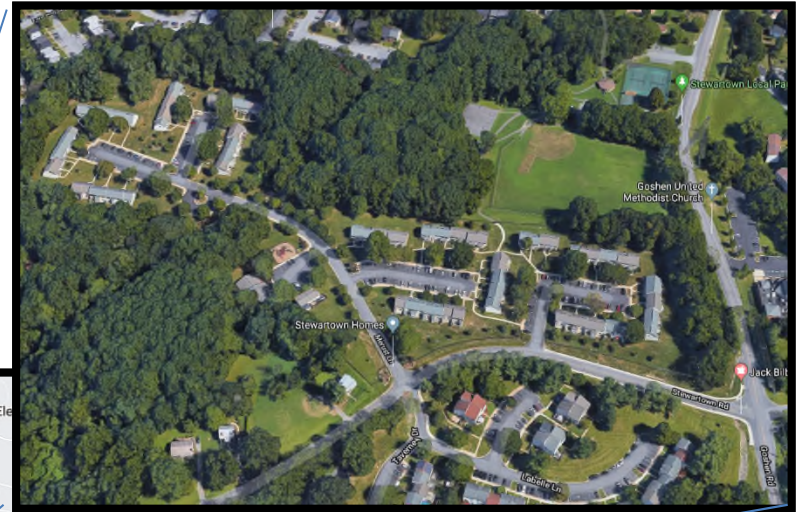
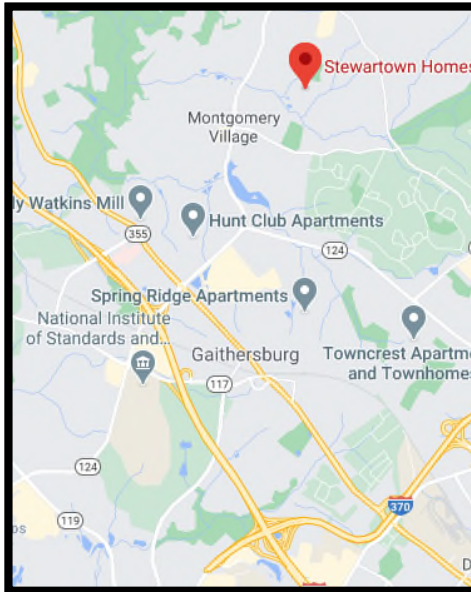


Circa 2001

Stewartown has not undergone any major renovation, other than replacements at failure and scheduled capital improvements, since 2000, when HOC acquired and renovated 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 and electric hot water heaters.
- Conversion of half baths in four bedroom units to full baths.
- Replacement of roofs, siding, gutters, windows, and doors.
- Addition of five UFAS units to conform with LIHTC requirements.
- Improvements to the site including paving, site lighting, landscaping, an upgraded playground with new equipment, and signage.

Location Map



Development Plan – Transaction Rationale

HOC Benefits

- Brings the Property in line with the new HOC standard of high quality, well designed, energy efficient affordable housing
- Meets Agency’s mission for maintaining affordable housing
- Ensures properties are financially sustainable and competitive within the rental marketplace

Serving our Residents

- Provides a much improved living standard at modest rental increases
- Lowers utility expenses by upgrading to energy efficient systems
- Improves amenities and overall community through capital investment.
- Reduces ongoing maintenance costs to the Property

Public Purpose

- Offers residents a low-density setting within a stable, attractive homeownership corridor. The neighboring community provides a quiet and community-oriented setting that appeals to both single persons as well as small and large families.
- The availability of two-story townhouse units addresses the housing needs of larger families with children.
- All 94 units will serve households earning up to 60 percent of the Area Median Income.

	RAD2 PBV	RAD2 PBV	RAD LVV	RAD LVV
	Units	Rents*	Units	Rents*
2 Bedrooms	4	\$1,513	4	\$1,382
3 Bedrooms	10	\$1,749	9	\$1,585
4 Bedrooms	5	\$1,926	2	\$1,776
Total	19	\$1,746	15	\$1,556

* *These rents include tenants’ rent payments and PBV subsidy payments. The actual tenants’ rent payments will be limited to 30% of their gross annual income.*

	# of UFAS	# of Other	Unit	Existing	Utility	Existing	Max Supportable	Market
	Units	Units	Size	Net Rents	Allowances	Gross Rents	Tax Credit Rents	Rents
1 Bedrooms	2	0	854	NA	NA	NA	\$1,234	\$1,600
2 Bedrooms	2	4	854	\$1,218	\$131	\$1,349	\$1,507	\$1,700
3 Bedrooms	1	45	948	\$1,384	\$164	\$1,548	\$1,729	\$1,900
4 Bedrooms	0	6	1200	\$1,536	\$186	\$1,722	\$1,926	\$2,150
Total	5	55	972	\$1,382	\$162	\$1,544	\$1,725	\$1,907

* Utility Allowances for converted 1 bedroom units will be based on the HUD utility allowance amounts at the time these units are placed in service.

Development Plan – Renovation Scope

Staff has developed a renovation scope that includes the following:

- Upgrading of interior kitchen and bathroom, including but not limited to energy efficient appliances, washers and dryers, new cabinets, countertops, fixtures, flooring, painting, and lighting.
- Installation of modern HVAC units and electric hot water heaters.
- 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.
- Conversion of five (5) existing units to UFAS accessible units.
- Improvements to the site including paving, site lighting, landscaping, an upgraded playground with new equipment, and signage.

These improvements will not only address curb appeal, but also – and more importantly – increase energy efficiency, extend the Property’s useful life, and allow the Property to better compete in the marketplace.



Photos on this page represent conceptual design elements and examples of a finished unit showing the standard energy efficient appliance package.

Development Plan – Development Team

Architect

Founded in Frederick, MD in 2003, ZA+D, LLC is a full-service architectural firm of professionals whose diversity and experience enables them to handle the most complex and challenging projects. Because of their focus is on agency-intensive and community-oriented projects, most of their clientele includes non-profit entities, schools, and local government authorities. The firm possesses expertise with new construction as well as the renovation, rehabilitation, and adaptive re-use of existing structures.



Property Management

Edgewood Management offers a full suite of real estate management services and specialize in developing innovative solutions and repositioning troubled assets in all areas: operations, administrative, financial and physical. They have been managing properties for 40 years and have expanded to service 14 states, including the District of Columbia. Edgewood Management Corporation is recognized as the 8th largest manager of Affordable Housing by the National Affordable Housing Management Association (NAHMA) and the 50th largest manager by the National Multi-Housing Council (NMHC).



General Contractor

Founded in 1965, Harkins is an employee-owned construction company serving clients engaged in the development of multifamily, commercial, and government projects. Harkins has been ranked as one of the top 25 largest builders by the National Multifamily Housing Council and has 250 employees and supports \$400 million annual volume. Harkins has extensive experience in LIHTC funded multifamily townhome and garden apartment renovation projects.



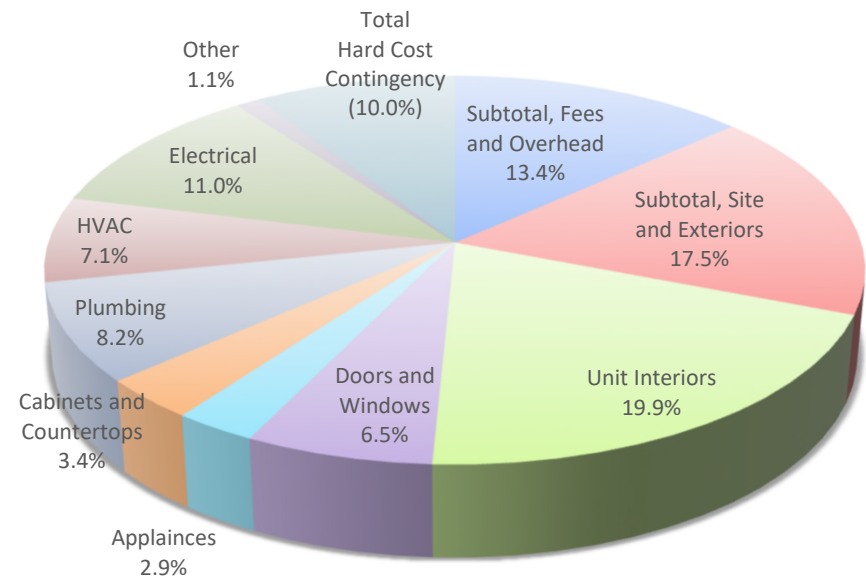
LIHTC Investor

Founded in 1974, Boston Capital is a multifamily housing investment company focused on providing equity and debt financing for the development, acquisition and preservation of apartment communities for people from all walks of life. Boston Capital has invested in nearly 232,000 apartments in more than 2,220 communities nationwide. Today, Boston Capital is one of the largest owners of apartment properties in the United States. Boston Capital is currently in the process of being acquired by Boston Financial Investment Management.



Development Plan – Construction Costs

Construction Costs	Total	Per Unit
General Requirements	\$649,200	\$6,906
Bonds and Insurance	\$243,345	\$2,589
Builder's Profit	\$359,388	\$3,823
Overhead	\$179,694	\$1,912
Subtotal, Fees and Overhead	\$1,431,627	\$15,230
Site Work and Amenities	\$782,033	\$8,320
Roof Replacement	\$465,575	\$4,953
Siding Replacement	\$622,658	\$6,624
Subtotal, Site and Exteriors	\$1,870,266	\$19,896
Unit Interiors	\$2,124,665	\$22,603
Doors and Windows	\$694,105	\$7,384
Appliances	\$305,967	\$3,255
Cabinets and Countertops	\$365,416	\$3,887
Plumbing	\$876,614	\$9,326
HVAC	\$758,139	\$8,065
Electrical	\$1,172,617	\$12,475
Other	\$117,535	\$1,250
Subtotal, Units	\$6,415,058	\$68,245
Hard Cost Contingency (10.0%)	\$971,695	\$10,337
Grand Total Construction Costs	\$10,688,646	\$113,709



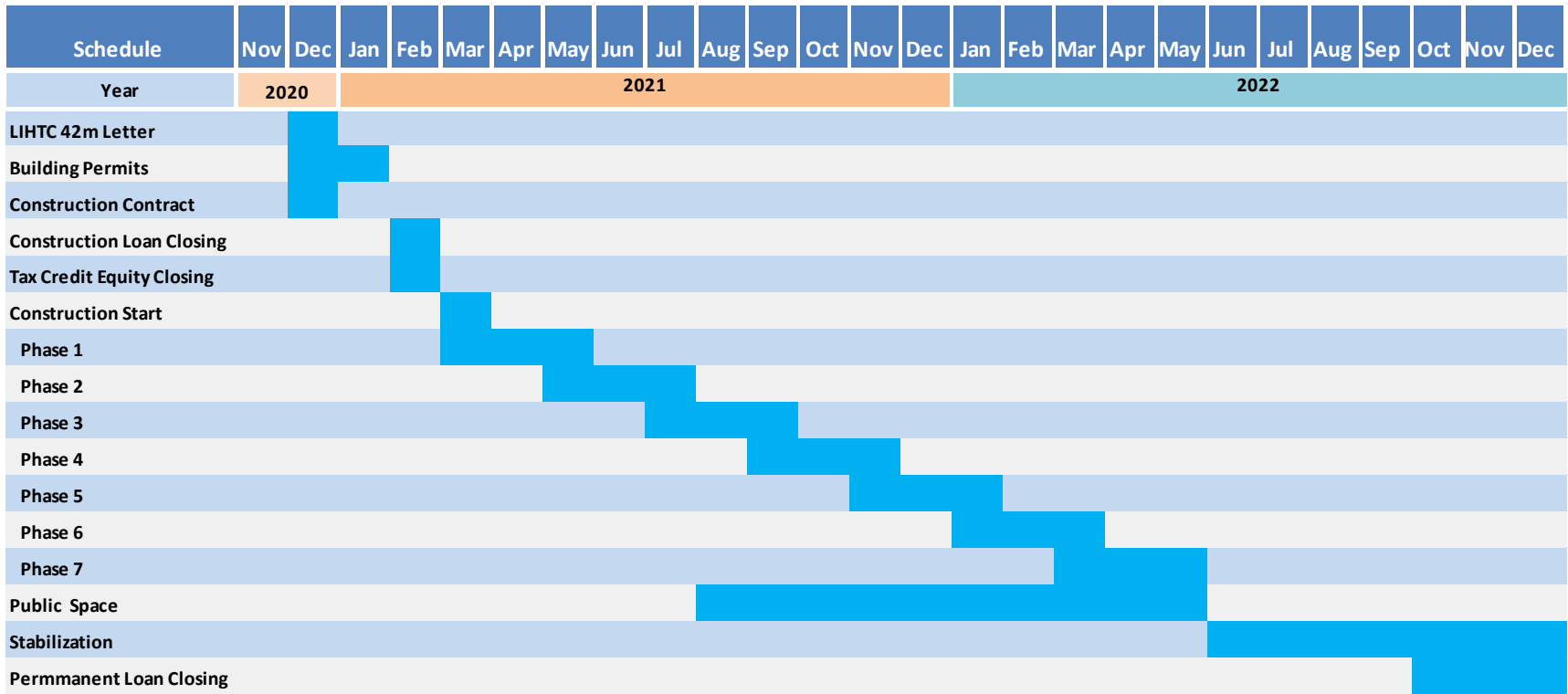
Development Plan – Renovation Phases



Development Plan – Relocation Plan

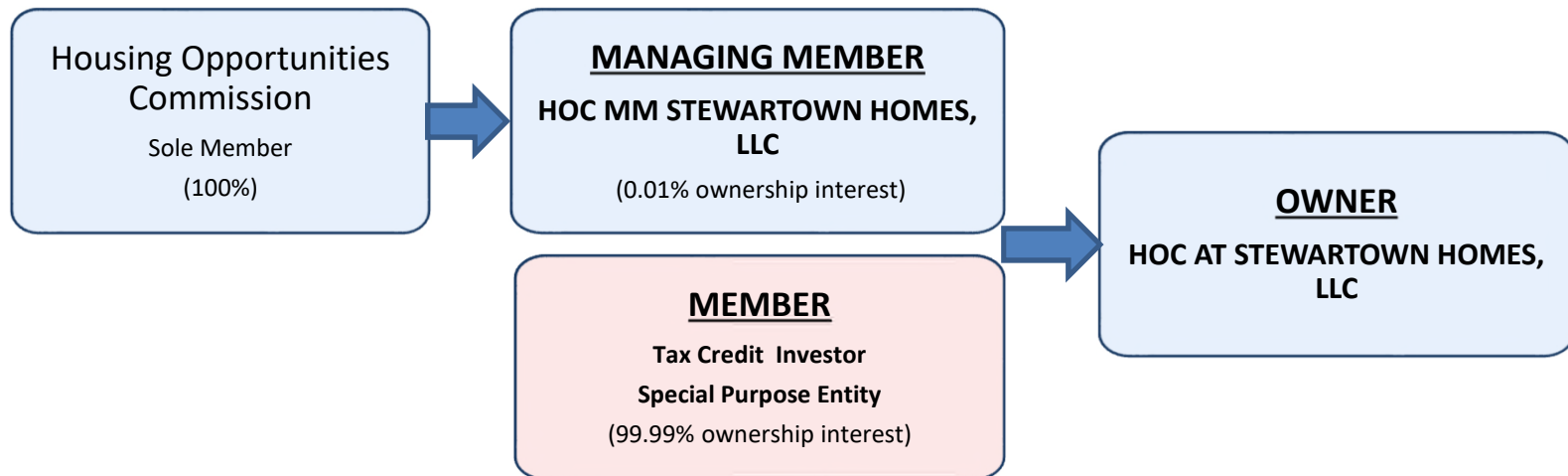
- As Stewartown Homes undergoes renovation, construction activities will follow current recommended best practices based on what is currently known about the COVID-19 (Coronavirus) disease. As this issue progresses, staff will implement new/revised best practices to protect the safety and health of residents, staff and employees.
- Due to the heightened concerns resulting from the COVID-19 pandemic, additional detailed plans have been developed to address the resident population as a whole and to accommodate each resident specifically during the renovation, as their needs are identified.
- Phased renovation approach will ensure that the workers will be isolated from the residents and there will be minimize possible pathways for COVID transmission.
- In consultation with staff of the Resident Services Division, staff will provide ongoing counseling support to the residents during the renovation.
- From information gathered from the residents, staff has determined that the best strategy is to fully vacate buildings undergoing renovation by temporarily relocating the residents of these buildings/units to other on- and off-site HOC units. This approach will be most effective for protecting tenants from the known pathways of COVID-19 transmission and will enable the contractor to complete the renovation on the least amount of time.
- Ownership is holding vacant units to accommodate the renovation and relocation needs of the each phase. There are currently four (4) vacant units at the Property. Therefore, to accommodate each phase of renovation, the remaining 7-10 households in each phase will have to be relocated to off-site units. Affected residents will be provided a comparable unit at the Property, to the extent possible. These vacant units are in good, tenant move-in condition and will be extensively cleaned and sanitized at each turnover, to ensure incoming residents have a clean, safe and sanitary unit to occupy during their stay.
- Residents with special needs will be given priority for relocation to other on-site buildings during construction.
- Residents with children will also be given priority for on-site relocation, to the extent possible after residents with special needs have been accommodated.
- Staff and the contractors have developed Site Specific Safety Plans to combat the spread of COVID-19. Prior to occupancy by residents, temporary units will be thoroughly disinfected. Additionally, cleaning crews will be dedicated at wipe down all common hard surfaces.
- The relocation plan lays out and informs residents of their right to counseling and our duty to assist each with their individual needs. The plan also provides residents with the options for their future with us and for their permanent relocation.

Development Plan – Timeline



Development Plan - Ownership Structure

- HOC controlled single purpose entity, HOC MM Stewartown Homes, LLC, together with tax credit investor/syndicator's single purpose entity, will form the Property owner limited liability corporation, HOC at Stewartown Homes, LLC.
- HOC MM Stewartown Homes, LLC will be the Managing Member of the HOC at Stewartown Homes, LLC.
- HOC at Stewartown Homes, LLC will be the single purpose entity that will own Stewartown Homes.
- Three-tiered ownership structure is needed for disaffiliating HOC from the Property owner LLC and therefore making the seller note, deferred developer fee, and potentially other loans extended by HOC to the Property owner LLC non-recourse liabilities.
- This structure will allow the tax credit investor member of the Property owner LLC to maximize future tax deductions related to loan interest costs and therefore enhance investor yield. Without such disaffiliation, investor yield on the transaction, and consequently tax credit equity price, would be lower.



Sources and Uses of Funds

- Tax credit investor will pay \$0.965 per dollar of tax credit, which will result in approximately \$8.4 million tax credit equity contribution for the renovation.

USES OF FUNDS	AMOUNT	PER UNIT
Construction Costs	\$10,688,646	\$113,709
Fees Related To Construction Costs	\$1,064,655	\$11,326
Financing Fees and Charges	\$2,078,032	\$22,107
Acquisition Costs - Senior Debt Repayment	\$1,480,510	\$15,750
Acquisition Costs - MCO HIF Loan Repayment	\$2,107,503	\$22,420
Acquisition Costs - HOC Loan Repayment	\$0	\$0
Acquisition Costs - Seller Proceeds	\$11,811,987	\$125,659
Acquisition Costs Other	\$329,000	\$3,500
Developer's Fees	\$3,061,003	\$32,564
Syndication Costs	\$177,500	\$1,888
Guarantees and Reserves	\$1,220,897	\$12,988
Tax-Exempt Bonds (Short-Term)	\$4,159,970	\$44,255
TOTAL	\$38,179,703	\$406,167

SOURCES OF FUNDS	AMOUNT	PER UNIT
Tax-Exempt Bonds	\$11,750,025	\$125,000
Tax-Exempt Bonds (Short-Term)	\$4,159,970	\$44,255
LIHTC Equity	\$8,359,978	\$88,936
County HIF Loan	\$2,107,503	\$22,420
Interim Income	\$0	\$0
Seller Note	\$11,802,227	\$125,556
Property Cash	\$0	\$0
Deferred Developer's Fee	\$0	\$0
Funding Gap / (Surplus)	\$0	\$0
TOTAL	\$38,179,703	\$406,167

- \$4.16 million short-term bonds are needed to meet the 50% test.
- The development budget includes \$490K soft and financing cost contingencies.
- At current interest rates the Property's NOI can support senior permanent debt of up to \$14.6 million, or \$155K per unit. If the transaction were to be underwritten at this level, the need for short-term tax-exempt bonds needed to meet the 50% test would be minimized, and the size of the HOC seller note would be reduced to \$8.7 million.
- However, Fannie Mae, the tax credit investor in this transaction, has a \$125K per unit limit on the senior debt. This limit reduces the permanent senior debt size to \$11.75 million, increases the amount of short-term bonds to \$4.16 million, and increases HOC seller note size from \$8.7 million to \$11.8 million.
- This underwriting scenario assumes that the existing \$2.1 million County HIF loan will be assigned to the new Property owner entity and subordinated to the new senior debt.

Developer Fee Schedule	Date	Amount
Construction Closing*	Feb-21	\$612,201
Substantial Completion*	Aug-22	\$612,201
Rental Achievement / State Designation	Feb-23	\$1,836,602
Total		\$3,061,003

Existing Debt	11/1/2020
HOC Note	\$565,994
County Loan	\$2,107,503
Mortgage	\$1,480,510
TOTAL	\$4,154,007

	Property Value
As Is, Restricted	\$15,400,000
As Renovated, Restricted	\$18,400,000
As Renovated, Unrestricted	\$21,800,000

Operating Proforma

OPERATING PERFORMANCE	Year 1	PER UNIT
RENTAL INCOME		
Rental Income	\$1,664,605	\$17,709
Other Income	\$4,125	\$44
Less: Vacancy Loss/Bad Debt	(\$116,811)	(\$1,243)
NET RENTAL INCOME	\$1,551,919	\$16,510
TOTAL OPERATING EXPENSES		
Admin & Operating Expenses	\$286,663	\$3,050
Maintenance Expenses	\$312,765	\$3,327
Contract Management Fee	\$44,964	\$478
Utility Expenses	\$109,023	\$1,160
Taxes & Insurance	\$20,850	\$222
Replacement Reserve Contribution	\$32,900	\$350
TOTAL EXPENSES	\$807,165	\$8,587
NET OPERATING INCOME	\$744,754	\$7,923
Debt Service Payments	\$647,485	\$6,888
NET CASH FLOW	\$97,269	\$1,035
DSCR	1.15	

- Due to the current multifamily rental market uncertainties, tax credit investor's preference is to underwrite the transaction at 7% vacancy rate, which is significantly higher than the historical ~2% vacancy rate at the Property.
- Rent and expense growth rates at 2% and 3%, respectively. The actual rent increases going forward will be based on the annual County Executive Voluntary Rent Guidelines for rent increase.
- Projected rental income includes additional revenue from 19 project based vouchers obtained by the staff under Component 2 of the RAD program in February 2019 and 15 low vacancy project based vouchers also obtained by the staff in 2019.
- Replacement reserves will be funded at \$1,200 per unit at closing, plus \$350 per unit per year escalating at 3% annually.
- The Property's current annual operating expenses are approximately \$940,000 (almost \$10,000 per unit). This represents about 62% operating expense ratio, which is very high for any multifamily property. Typical operating expense ratios for multifamily properties ranges between 35% and 50%, depending on the age and condition.

- CDA underwriting guidelines require that per unit operating expenses for LIHTC properties should be between \$4,000 and \$7,000.
- As the Property's current expenses significantly exceed this threshold, HOC Asset Management, Budget, Real Estate Development and other department staff are working to develop a plan to gradually, over the next two years, reduce the operating expense to conform to CDA guidelines and to make the Property operation more sustainable in the long-term.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Will the Commission approve staff's recommendation, which is supported by the Development and Finance Committee, to:

- Approve the final development plan for the renovation of Stewarttown Homes;
- Ratify the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction;
- Authorize the staff to negotiate with Montgomery County DHCA, an assignment and assumption agreement of the existing HIF loan to the new Property owner entity and for the Executive Director to sign the assignment and assumption agreement;
- Authorize the Executive Director to sign a purchase and sale agreement between the current Property owner entity and the new Property owner entity and to complete the closing of the purchase and sale of the Property;
- **Authorize the transfer of the Property from the current Property owner entity and the new Property owner entity;**
- Authorize the Executive Director to enter into an operating agreement with the tax credit investor and permission to admit a tax credit investor as a 99.99% member of the new Property owner entity;
 - While the LIHTC investor has been selected and approved by the Commission, no binding agreement has been executed. The syndicator has expressed to HOC that we may continue to explore more advantageous LIHTC pricing for the transaction. Should that occur, staff will return to the Commission for a new equity investor approval and a revised final development plan.
- Authorize the Executive Director to sign the general contractor contract with Harkins Builders for an amount not to exceed \$9.6MM?

TIME FRAME

For formal action at the December 9, 2020 meeting of the Commission.

Summary and Recommendations

BUDGET / FISCAL IMPACT

There is no adverse impact for the Agency's FY2021 or FY2022 budgets.

The transaction will raise approximately \$8.4 million of tax credit equity for the renovation of Stewartown Homes. The Commission will earn Development Fee of \$3.06 million and Commitment Fee of \$318,200; 60% of which will be paid to the OHRF and 40% to the General Fund when received. The first installment of the Development Fee in the amount of \$612,201 (20% of the total) is projected to be received by the Commission in third quarter of FY2021. The Commitment Fee is also projected to be received by the Commission in Q3 of FY2021. Predevelopment expenses of up to \$700,000 will be repaid to OHRF at the financial closing, also in the third quarter of FY2021.

During the 24 months of construction period, the project will continue to maintain 80% occupancy rate to ensure the project does not fall into an operating deficit. The debt service interest payments during the construction period will be capitalized and paid from the development budget.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission approve:

- The final development plan for the renovation of Stewartown Homes;
- Ratification of the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction;
- Authorization for the staff to negotiate with Montgomery County DHCA an assignment and assumption agreement of the existing HIF loan to the new Property owner entity and for the Executive Director to sign the assignment and assumption agreement;
- Authorization for the Executive Director to sign a purchase and sale agreement between the current Property owner entity and the new Property owner entity and to complete the closing of the purchase and sale of the Property;
- **Authorization to transfer the Property from the current Property owner entity and the new Property owner entity;**
- Authorization for the Executive Director to enter into an operating agreement with the tax credit investor and permission to admit a tax credit investor as a 99.99% member of the new Property owner entity;
 - While the LIHTC investor has been selected and approved by the Commission, no binding agreement has been executed. The syndicator has expressed to HOC that we may continue to explore more advantageous LIHTC pricing for the transaction. Should that occur, staff will return to the Commission for a new equity investor approval and a revised final development plan.
- Authorization for the Executive Director to sign the general contractor contract with Harkins Builders for an amount not to exceed \$9.6MM.

RESOLUTION No.: 20-85

RE: Approval of Final Development Plan, Ratification of the Formation of Ownership Entities, Admission of Investor Member, Authorization for the Executive Director to Execute a Purchase and Sale Agreement and Close on the Purchase and Sale of the Property, and to Execute an Operating Agreement and General Contractor Contract for the Stewartown Homes Development.

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) seeks to preserve Montgomery County’s existing affordable housing, including properties previously 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 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 and public purpose it delivers; and

WHEREAS, in January 2020 the Commission approved the selection of Harkins Builders as the general contractor for the renovation of the Property;

WHEREAS, the Property reached the end of its initial 15-year Low Income Housing Tax Credit (“LIHTC”) compliance period, and staff recommends re-syndicating a new tax credit transaction in order to raise additional capital to finance the proposed renovation; and

WHEREAS, HOC formed and is currently the ultimate sole member of HOC at Stewartown Homes, LLC (“Stewartown LLC”), which will be the future owner entity of the Property; and

WHEREAS, HOC formed and is currently the sole member of HOC MM Stewartown Homes, LLC, (“Stewartown MM LLC”), which is the current sole member and planned managing member of Stewartown LLC; and

WHEREAS, HOC intends to negotiate an Operating Agreement with a tax credit investor affiliate of Boston Capital (the “Investor”) for the admission of the Investor as a non-managing investor member of Stewartown LLC with a 99.99% interest; and

WHEREAS, staff has prepared the Final Development Plan for the Property identifying a total development cost of approximately \$38.5 million to be funded with the proceeds of HOC-issued tax-

exempt bonds enhanced by FHA Risk Share mortgage insurance, HOC-issued short-term tax-exempt bonds, assignment and assumption by Stewartown LLC of an existing County HIF loan, 4% Low Income Housing Tax Credit (“LIHTC”) equity, a seller note, and the preservation of affordability for 100% of the units at 60% of the area median income (the “Final Development Plan”).

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Final Development Plan for the rehabilitation of the Property is hereby approved, which includes an estimated total development cost of up to \$38.5 million, the delivery of 94 townhome units, and the restriction of 100% of the units to those earning at or below an income averaged 60% of the area median income.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the formation of Stewartown LLC and Stewartown MM LLC is hereby ratified.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Stewartown MM LLC, as its sole member, acting on behalf of itself and on behalf of Stewartown LLC, as its managing member, that it approves (1) the negotiation of the assignment and assumption of the existing County HIF loan by Stewartown LLC, and (2) the execution of related documents, including without limitation any amendments thereto required by Investor or Montgomery County, Maryland as lender so long as such amendments do not increase the principal sum of the existing County HIF loan.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Stewartown MM LLC, as its sole member, acting on behalf of itself and on behalf of Stewartown LLC, as its managing member, that it approves (1) the negotiation and execution of a Operating Agreement with the Investor for Stewartown LLC, (2) the admission of the Investor as a non-managing member of Stewartown LLC with a 99.99% interest, and (3) the execution of related documents, including without limitation tax credit recapture and other guarantees by Stewartown MM LLC and/or the Housing Opportunities Commission of Montgomery County as may be required by the Investor.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of the current owner of the Property, MV Affordable Housing Associates Limited Partnership (the “Seller”), as its general partner and ultimate sole owner of its limited partner, and on behalf of Stewartown MM LLC, as its sole member, acting on behalf of itself and on behalf of Stewartown LLC, as its managing member, that it approves (1) the negotiation and execution of a Purchase and Sale Agreement, (2) the transfer of the Property from Seller to Stewartown LLC (3) the acquisition of the Property by Stewartown LLC, and (4) the execution of related documents, including without limitation assignment and assumption of existing HAP contracts and the existing management agreement.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of the Seller, that the Seller may accept some or all of the purchase price for the sale of the Property in the form of a subordinated seller note.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Stewartown MM LLC, as its sole member, acting on behalf of itself and on behalf of Stewartown LLC, as its managing member, that it approves the negotiation and

execution of a general contractor contract with Harkins Builders for the renovation of the Property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Stewartown MM LLC, as its sole member, acting on behalf of itself and on behalf of Stewartown LLC, as its managing member, that the Executive Director of HOC, or his designee, 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.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on December 9, 2020.

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Patrice M. Birdsong
Special Assistant to the Commission

WEST SIDE SHADY GROVE: APPROVAL OF A FINAL DEVELOPMENT PLAN; AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO ACCEPT THE ASSIGNMENT OF THIRD-PARTY CONTRACTS FOR THE DEVELOPMENT, RATIFICATION OF FORMATION OF ADDITIONAL LEGAL ENTITIES, AUTHORIZATION TO ACCEPT A MONTGOMERY COUNTY HOUSING INITIATIVE FUND SHORT-TERM BRIDGE LOAN OF UP TO \$15M, AND AUTHORIZATION TO ADVANCE FUNDS IN AN AMOUNT UP TO FOR THE PAYMENT TO SECURE BUILDING PERMITS AND BIND THE BUILDER'S RISK INSURANCE

PHASE II AT SHADY GROVE



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE BROWN
ZACHARY MARKS
MARCUS ERVIN
GIO KAVILADZE

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Executive Summary

West Side Shady Grove Apartments (“WSSG” or the “Property”) will be a 268-unit mixed-income, mixed-use residential rental community located in Rockville, Maryland, steps from a Washington Metropolitan Area Transit Authority (“WMATA”) Red Line Station. The Property will feature a 30% affordable component, including 25% of its units (or 67 units) set aside for households earning no more than 50% of the AMI and 5% of its units (or 13 units) set aside for households earning no more than 65% AMI. The remaining 188 units will be market rate.

The Commission closed on the land on December 18, 2019, with a modified development concept that resulted in a reduction in residential units from the originally proposed 270-units after discussions with EYA, Bozzuto to ensure a balanced unit distribution and affordability mix to incorporate three-bedroom units, a combined 19 UFAS and Audio Visual units, and the Up County HOC Service Center.



Presently, the development is slated to close on the construction financing on January 28, 2021 and begin construction in February 2021 with a 24-month construction schedule concluding in January 2023, lease-up for a period of 16 months following the first unit delivery in November 2022, and stabilization in February 2024. The current request of the Commission does not include approval for authorization for the Executive Director to execute the construction contract with the General Contractor, Bozzuto Construction, which the budget is still being finalized. As such, staff will seek approval of this request at the January 2021 meeting of the Commission.

HOC’s insurance broker, Alliant Insurance Services, Inc. has worked in earnest with the HOC team and its development partners during the predevelopment phase to underwrite the construction insurance policy and coverages. Alliant has advised that although the expiration of insurance treaties, which govern pricing, has been extended from December 31, 2020 to May 31, 2021 allowing for additional time to bind the final Builder’s Risk Insurance Policy, uncertainty in the insurance market necessitates the need to have funding readily available to bind prior to the financial closing of the development at the end of January 2021. Additionally, a condition of closing is that building permits have been delivered to the lender by the developer such that the construction may commence without delay; therefore, it is necessary to advance funds to pay the remainder of the permit fees to the County. Final architectural plans are expected to be approved at the beginning of January and following that approval, the balance of the payments will be submitted and permits are then secured.

To continue to advance the development, staff recommends, with the support of the Development and Finance Committee, that the Commission approve the Final Development Plan for the development of Phase II at Shady Grove. Additionally, staff seeks authorization for the Executive Director to accept the assignment of third-party contracts for the development that were in-place when the project was brought to HOC; authorization for the Executive Director to form additional legal entities where necessary for purposes of the owner and developer agreements; and authorization for the Executive Director to accept a Montgomery County Housing Initiative Fund (“HIF”) short-term bridge loan of up to \$15MM until the County Housing Production Trust Fund “HPTF” is made available. Though not discussed with the Development and Finance Committee, staff also requests authorization to advance funds from the FHA Risk Share Reserve account in an amount up to \$1.6MM for the payment to secure the required building permits and bind the Builder’s Risk Insurance Policy to lock-in current pricing and avoid premium increases.

Previous Commission Approvals

Date	Res.	Description
September 4, 2019	19-92AS	Approval to Assume all Rights and Obligations Under the Terms of the Purchase and Sale Agreement for the Acquisition of the Underlying County Land Currently Under Contract by EYA/CSP Associates, LLC, an EYA Affiliate; Approval to Complete the Acquisition and Fund the Predevelopment Expenditures; and Authorization to Establish a Single Asset Entity to Own the Development.
December 5, 2019	19-110AS	Approval to Enter into a Joint Pre-Development Agreement and Agreement to Assign with EYA/CSP Associates LLC and EYA BA/SGS Mf D, LLC for the Development of the West Side Shady Grove Multifamily Development known as Building D.
January 8, 2020	20-09	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.
July 1, 2020	20-59AS	Authorization to Approve Additional Pre-Development Funding (\$1.07 million) from the County Revolving Opportunity Housing Development Fund.
July 1, 2020	20-56	Adoption of an Authorizing Resolution for the Selection of PNC Bank, National Association, as the Lender of a Tax-Exempt Obligation for the Purpose of Financing West Side Shady Grove.

Development Overview

Development Summary

• Highlights

•Number of Units.....	268
•Gross Square Feet.....	300,223 SF
•Amenity Space.....	10,830 SF
•Retail Space.....	30,438 (includes 7,268 SF HOC Service Center)
•Subtotal GSF.....	341,491 SF
•Parking Garage.....	165,485 SF
•Grand Total SF.....	506,976 SF
•Est Total Project Costs.....	\$119.35M (incl. HOC Financing Fee, Includes Davis Bacon, HOC Service Center Buildout, & Construction Cost increases)
•Est Total Construction Contract.....	\$76.41M

Development Timeline

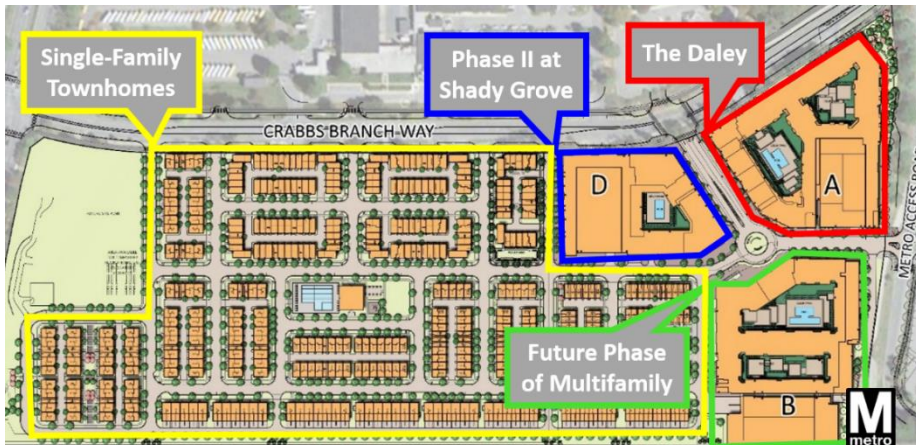
• Milestones

•Construction Start.....	February – 2021
•No. of Months in Const. Period.....	24 Months
•First Unit Delivery (prior to completion).....	November - 2022
•Const. Period End.....	January - 2023
•Lease-up - # of Units per Month.....	18 units
•Stabilized Year - Rents.....	February - 2024
•Stabilized Year – Expenses.....	February - 2024

Development Overview

Development History: A Storied History, A Bright Future

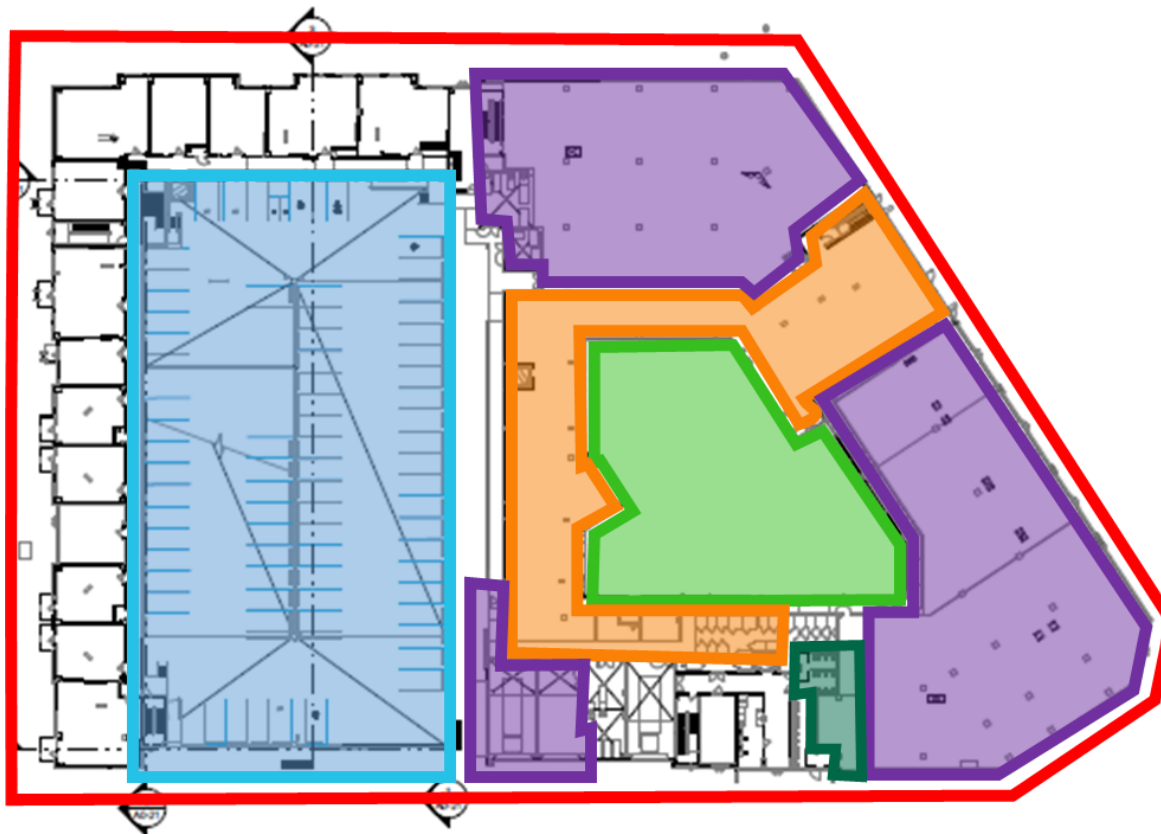
- The vision to dramatically create a vibrant, transit-oriented community in Shady Grove, MD, can be traced back to the creation of the Shady Grove Sector Plan, in which EYA played a central role.
- In 2010, EYA and Montgomery County executed a Master Planning and Real Estate Purchase Agreement granting EYA the exclusive right to purchase and redevelop the western side of Crabbs Branch Way. This opportunity accounts for almost two-thirds of the residential density, with EYA serving as the master planner for the entire 90-acre site.
- Since that time, Bozzuto and EYA have worked to secure the necessary entitlements to make the dream of a modern, livable community in Shady Grove a reality.
- Montgomery County has committed to invest approximately \$24 million in public infrastructure improvements. This investment has resulted in reconstructing Crabbs Branch Way into an urban boulevard, as well as utility and pedestrian upgrades, all of which will serve the future residents of the Project and the community at large for years to come.



Master Development Plan

- The Westside master development includes 45 acres of land, totaling approximately 1,014 multifamily units, 100 for-sale condominiums, 406 townhomes, up to 82,000 square feet of retail, and a public library.
- Bozzuto was selected by EYA to be co-developer of the first multifamily phases, which includes The Daley (completed in 2017) and Phase II at Shady Grove.
- Phase II will build upon the success of The Daley and will be a critical component in the transformation of the master-planned community.
- In 2019, EYA completed the 148 townhomes in Phase I and sold the remaining townhome and condominium ground to Stanley Martin and Lennar, both of which opened for sales in the first half of 2020.

Development Plan – Site Plan



Residential

- 268 wood-framed residential units
- Includes 13 workforce housing and 67 MPDU units

Entrance, Leasing Office, and Amenity

- 10,830 SF of ground-floor amenity space including fitness club, e-lounge, pet spa, entertainment kitchen and more.

Retail

- 23,045 SF of retail space

HOC Office Space

- 7,393 SF office space to be leased by HOC, including an at-grade lobby and second floor space

Courtyard

- 9,600 SF first floor outdoor space
- Includes pool, grilling area, and lounge

Garage

- 6-story above-grade parking garage
- 476 automobile spaces and 9 motorcycle spaces

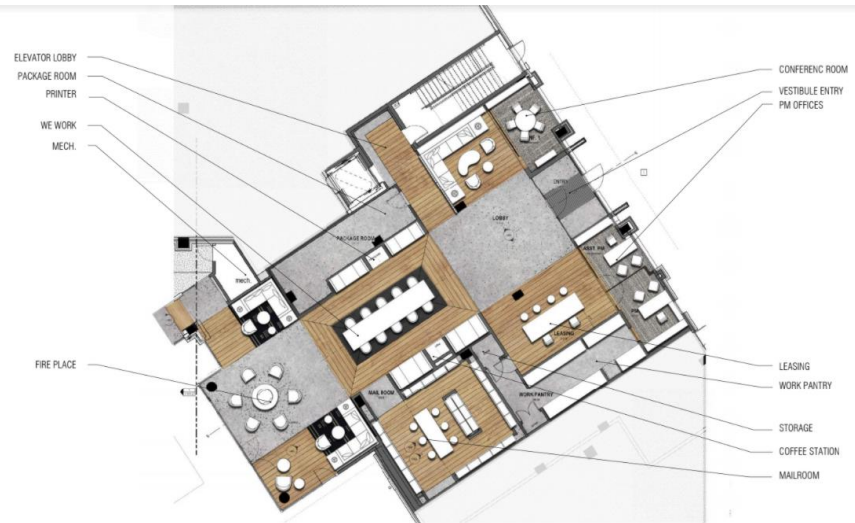
Development Plan – Transaction Rationale

Public-Private Partnership

- The Development will involve a public-private partnership between EYA and Bozzuto, two of the region’s top real-estate developers, and the Housing Opportunities Commission of Montgomery County (“HOC”), a public agency that develops, administers, and owns mixed-income multifamily housing in Montgomery County. The property builds upon a track record of successful past partnerships among all three firms.
- In addition to the ground floor retail slated for the Development, HOC will operate its regional Customer Service Center on the second floor of the Property.

The HOC Approach

- HOC leverages every opportunity and resource to improve housing quality and create community-connected, amenity-rich, transit-oriented, mixed-income communities at a range of affordability levels.
- Over the course of the last ten years, HOC’s economic impact has resulted in over three billion in economic activity, 19k+ jobs supported or created, one million in labor income and over \$51MM in County tax revenue. In the coming years, HOC plans to invest and create additional new construction housing opportunities throughout Montgomery County similar to the Phase II at West Side Shade Grove development.



Unit Mix

- The Project will deliver 268 units, including 13 workforce units (5% of the total unit count), which will be targeted to residents between 65% of AMI, and 67 Moderately Priced Dwelling Units (“MPDUs”), which will target residents at or below 50% of AMI. The MPDUs include 10 three-bedroom units, and the balance will be a mix of one- and two-bedroom units.

Affordable Housing Demand

- Montgomery County, like much of the region, is experiencing a significant shortage of affordable housing, creating a significant demand for high-quality affordable units. In particular, there is a need for family-sized affordable units, and the Project’s dedicated affordable units include 10 three-bedroom units.

Development Plan – Interior Renderings



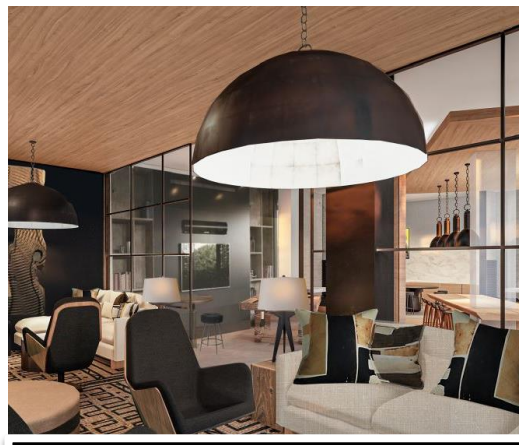
LEASING LOBBY



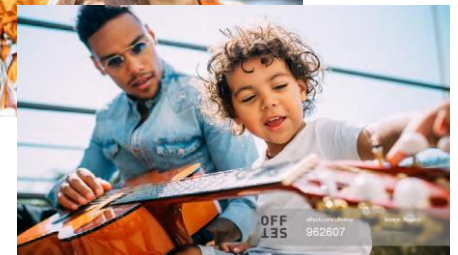
LEASING LOBBY



LOBBY LOUNGE



THEATRE



Development Plan – Development Team

Phase II at Shady Grove is being managed by a highly-experienced development team that combines an extensive multifamily and mixed-use development track record. The additional third-party contracts that the Commission will assume were team members previously procured by the Development team prior to HOC's involvement.

Co-Developer: EYA, co-developer is one of the largest and most successful residential infill developers in the DC region, delivering over 5,000 high-quality townhomes, condominiums and apartments since its founding in 1992. Over 25 years EYA has earned an excellent reputation for creating high-quality neighborhoods that deliver the brand promise of “life within walking distance.” EYA has built second to none relationships with elected officials, planning staffs, and community groups through thoughtful planning, high-quality execution, and fair business dealings. It has been honored with over 300 local and national awards, including America’s Best Builder from Builder Magazine in 2000 and 2009, the ULI Award of Excellence, Professional Builders’ 2015 National Housing Quality Gold Award, and Smart Growth America’s Locus 2018 Company of the Year Award.



Co-Developer, Property Manager, and General Contractor: Established in 1988, The Bozzuto Group consists of integrated real estate companies that are active in development, management, homebuilding, and construction. While The Bozzuto Group’s operations are focused geographically in the Mid-Atlantic and Northeast regions, its companies and its principals have won the nation’s highest honors, including the National Association of Home Builders (“NAHB”) Pillars of the Industry Multifamily Development Firm of the Year (2016 and 2003), Property Management Company of the Year (2017, 2009 and 2000), and Builder of the Year (1998) awards.



Architect: KTGy Architecture + Planning is a leading international full-service architecture design and planning firm delivering innovation, artistry and attention to detail across multiple offices and studios, ensuring that its clients and communities get the best they have to offer no matter the building type or location. KTGy’s architects and planners combine big picture opportunities, modern sustainable practices and impeccable design standards to help create developments of enduring value. KTGy designed the Daley at Shady Grove, Bozzuto’s Anthem House in Baltimore, and HOC’s most recent mixed-income & mixed-use development Fenton Silver Spring.



Development Plan – Sources & Uses

USES OF FUNDS	CONSTRUCTION
Acquisition Costs	\$2,338,156
Construction Costs	\$76,417,045
Costs Related to Construction	\$21,162,678
Financing Costs	\$6,769,679
Construction Period Interest (Senior Loan)	\$4,949,630
Construction Period Negative Arbitrage Costs	\$2,520,521
Third Party Financing Costs	\$0
Guarantees and Reserves	\$500,000
Developer's Fee	\$4,691,762
TOTAL USES OF FUNDS	\$119,349,472

SOURCES OF FUNDS	CONSTRUCTION
Senior Debt	\$96,627,228
Developer Equity	\$7,722,244
County Development Loan (HPF / HIF) ¹	\$15,000,000
County Permanent Loan (HIF)	\$0
Mezzanine Loan / Private Equity	\$0
TOTAL SOURCES OF FUNDS	\$119,349,472

PERMANENT
\$2,338,156
\$76,417,045
\$21,412,678
\$6,844,074
\$4,949,630
\$2,520,521
\$2,479,831
\$2,076,712
\$4,691,762
\$123,730,409

PERMANENT
\$96,627,228
\$7,722,244
\$0
\$0
\$19,380,937
\$123,730,409

1) HOC's application to DHCA for the short-term HIF bridge financing was approved at a loan committee meeting on December 2nd, 2020, which a commitment letter is forthcoming. It is anticipated that closing would occur contemporaneously with the larger project financial closing in January 2021. Staff will continue working with County & County Council officials through Q12021 to seek approval of the larger HPTF funding that will repay the short-term HIF bridge.

The Sources & Uses assume the following:

Use of Funds:

- The estimated construction costs and related fees represent a market shift in both the construction and financial sectors necessary to complete the Development including feedback from the General Contractor that accounts for increased costs in the lumber market, utilities, apartment and amenity finishes, and retail/commercial improvements among other trades.

Sources of Funds

- The financing assumes a Tax Exempt construction to permanent FHA Risk Share mortgage for no more than \$100m; developer equity in the amount of \$7.7m; and a short-term HIF bridge loan from DHCA during construction in an approximate amount of \$15m at a negotiated interest rate that shall be funded at the construction closing in January 2021, and be repaid by the County Housing Production Trust Fund "HPTF" prior to the permanent loan conversion.

Development Plan – Amenities & Unit Mix

Unit Features

- Quartz countertops, tiled kitchen backsplashes, and full-size stainless steel kitchen appliances.
- Premium wood-like vinyl plank flooring in living areas and ceramic tile bathroom floors.

Community Amenities

- 10,830 SF of premium amenity space including:
 - State-of-the-art fitness center with indoor/outdoor yoga studio
 - Club/game room with TV, kitchen, and dining spaces
 - Library and conference areas with Wi-Fi connectivity, providing work-from-home capability
 - Outdoor courtyard containing a pool, fire pit, lounge areas, and grilling stations allowing for group activities

Retail

- Approximately 23,000 SF of ground floor retail space including:
 - 9,700 SF leased to a national pharmacy.
 - Four to five small-format retail spaces, which are anticipated to include restaurant, fitness, and retail uses, totaling approximately 13,469 SF.

Construction

- The Development will feature a five-story wood-frame residential building over a concrete podium and a five-story above-grade parking structure.
- Featuring open and inviting spaces from the entrance and throughout the common areas, The Development seeks to maximize the resident experience through its superior design.
- The community is being designed to National Green Building Standards and will contain a variety of environmentally sustainable features with the goal of minimizing the Development's environmental impact and cutting down on operating expenses.

UNIT SIZE	UNIT COUNT	% OF TOTAL	UNIT SIZE	TOTAL SQFT	TENANT RENT
Studio	9	3.4%	510	4,590	\$1,575
JR 1BR	40	14.9%	606	24,252	\$1,381
1BR	102	38.1%	677	69,042	\$1,647
1BR+DEN	17	6.3%	840	14,280	\$1,995
2BR	76	28.4%	1,045	79,445	\$2,050
2BR TERRACE	3	1.1%	1,292	3,876	\$2,500
2BR+DEN	10	3.7%	1,303	13,030	\$2,700
3BR	10	3.7%	1,594	15,940	\$1,459
2BR+DEN TERRACE	1	0.4%	1,486	1,486	\$2,925
	268	100%	843	225,941	\$1,788
	TRUE	TRUE	TRUE	TRUE	TRUE

UNIT TYPE	UNIT COUNT	% OF TOTAL	UNIT SIZE	TOTAL SQFT	TENANT RENT
MPDU	67	25.0%	884	59,211	\$1,172
WORKFORCE	13	4.9%	809	10,512	\$1,380
MARKET	188	70.1%	831	156,218	\$2,035
NA	0	0.0%	0	0	\$0
NA	0	0.0%	0	0	\$0
NA	0	0.0%	0	0	\$0
	268	100%	843	225,941	\$1,788
	TRUE	TRUE	TRUE	TRUE	TRUE

AMI TARGET	UNIT COUNT	% OF TOTAL	UNIT SIZE	TOTAL SQFT	TENANT RENT
30%	0	0.0%	0	0	\$0
50%	67	25.0%	884	59,211	\$1,172
60%	0	0.0%	0	0	\$0
65%	13	4.9%	809	10,512	\$1,380
80%	0	0.0%	0	0	\$0
MKT	188	70.1%	831	156,218	\$2,035
	268	100%	843	225,941	\$1,788
	TRUE	TRUE	TRUE	TRUE	TRUE

Development Plan – Operating Proforma

SHADY GROVE WEST SIDE OPERATING PROFORMA

Year					2025
					1
Market Residential Revenue Escalation				3.00%	1.17
Affordable Residential Revenue Escalation				2.00%	1.11
Other Revenue Escalation				2.50%	1.14
Operating Expense Escalation				3.00%	1.17
RENTAL INCOME	% of NP	Per SQFT	PUPM	4/1/2020	2025
Rental Potential (Market)			\$2,035	\$4,592,040	5,360,895
Rental Potential (Affordable)			\$1,206	\$1,157,520	1,283,418
Less: Stabilized Vacancy			(\$162)	(\$287,478)	(332,216)
Less: Concessions				\$0	0
Other Res Income Potential				\$1,642,933	1,869,208
Less: Stabilized Vacancy				(\$82,147)	(93,460)
NET RENTAL INCOME				\$7,022,868	\$8,087,846
OPERATING EXPENSES	% of NRI	Per SQFT	Per Unit	4/1/2020	2025
Rental Expense	1.62%	\$0.50	\$425	\$113,900	(132,971)
Salary Expense	7.09%	\$2.20	\$1,858	\$497,944	(581,316)
Administrative Expenses	1.41%	\$0.44	\$369	\$98,892	(115,450)
Maintenance Expense	4.21%	\$1.31	\$1,102	\$295,379	(344,835)
Management Fee	2.97%	\$0.75	\$629.72	\$168,766	(222,416)
Retail Expense	3.47%	\$1.08	\$910.04	\$243,892	(284,727)
Utilities	2.10%	\$0.65	\$549	\$147,132	(171,767)
Insurance	1.20%	\$0.37	\$315	\$84,420	(98,555)
Master HOA	0.11%	\$0.03	\$28	\$7,411	(8,651)
HOC Overhead Fee	4.08%	\$1.27	\$1,068	\$286,224	(334,147)
Replacement Reserve/Unit	0.95%	\$0.30	\$250	\$67,000	(78,218)
TOTAL EXPENSES	39.23%	\$12.02	\$10,132	\$2,715,497	(3,195,551)
NET OPERATING INCOME				\$5,011,908	\$5,714,794
Debt Service Payments				(\$4,861,795)	(\$4,861,795)
NET CASH FLOW				\$852,999	\$852,999
DSCR				1.18	1.18
DEBT YIELD				5.91%	5.91%
Operating Expense Ratio				39.51%	39.51%
Operating Expenses Per Unit				\$11,924	\$11,924

The current proforma assumes the following:

- Blended Rent growth of 2.5% (3% increase on Market Rate Units & 2% increase on Affordable Units) and Operating Expense growth of 3%.
- 5% stabilized vacancy rate.
- Operating Expense Ratio of 38.10% or \$11,392/unit.
- Stabilized Occupancy of 95% by February 2024 with the permanent mortgage conversion occurring by February 2024.
- The Property will benefit from a State and County Property Tax Exemption for the non-commercial components of the Development.

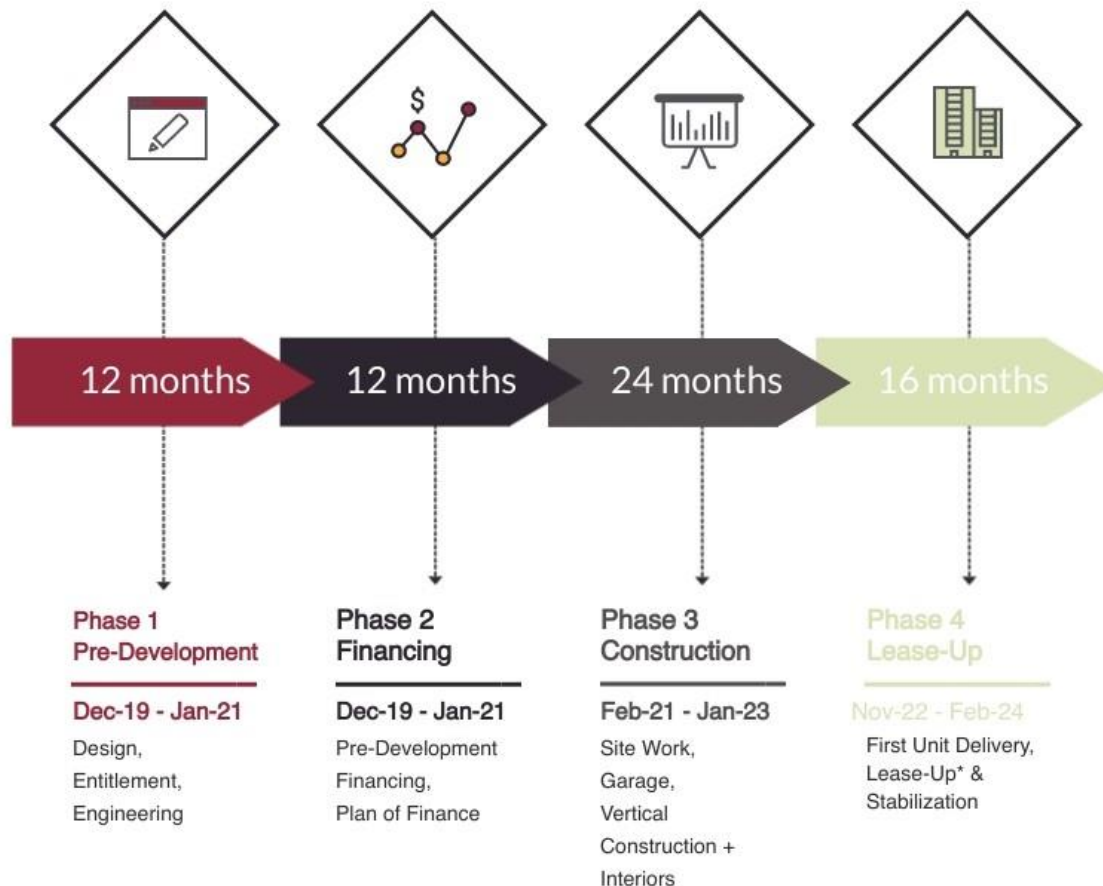
Development Plan – Schedule of Contracts

The current proforma assumes the following:

- Included in this request is authorization for the Executive Director to accept the assignment of third-party contracts for the development that were in-place when the project was brought to HOC.
- Contracts include the following:

Contract	Consultant
Architect	KTGY
Interior Design	RDJ
FF&E Procurement	Becwood (RDJ affiliate)
HOC Designer	Design Collective (DCI)
Landscape Designer	Land Design
Civil engineer	VIKA
Utility engineer	Richter
Retail broker	KLNB
Marketing Firm	Hickok Cole
Geotechnical/Environmental	ECS
Permit Expediter	Quigley Permits / Laura Quigley
Wells & Associates	Traffic
Lighting	Palindrome
Fitness	enerGy wellness
Trash	Elytus

Development Plan – Schedule



*Lease-Up assumes lease-up pace of 18 units/month.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Will the Commission approve staff's recommendation, which is supported by the Development and Finance Committee, to:

- Approve the Final Development Plan for the development of Phase II at Shady Grove;
- Authorize the Executive Director to accept the assignment of third-party contracts for the development;
- Authorize the Executive Director to form additional legal entities where necessary for purposes of the owner & developer agreements; and
- Authorize the Executive Director to accept a Montgomery County Housing Initiative Fund short-term bridge loan of up to \$15 million during the construction phase until such time the County HPTF funding is made available.
- Authorize the Executive Director to advance funds from the FHA Risk Share Reserve in an amount up to \$1.6MM for the payment to secure the required building permits and bind the Builder's Risk Insurance Policy.

TIME FRAME

For formal action at the December 9, 2020 meeting of the Commission.

BUDGET / FISCAL IMPACT

There is no adverse impact for the Agency's FY2021 or FY2022 budgets.

The Commission will earn a total Development Fee in an approximate amount of \$938,920 and Financing Fees in an approximate amount of \$1,923,220. The first installment of the Development Fee in the amount of \$281,676 (30% of the total) is projected to be received by the Commission in the first quarter of calendar year 2021. The Commitment Fee is also projected to be received by the Commission in the first quarter of calendar year 2021. HOC sources from the OHRF will repay predevelopment expenses of up to \$6,070,000 in the first quarter of calendar year 2021.

Summary and Recommendations

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends, which is supported by the Development and Finance Committee, that the Commission:

- Approve the Final Development Plan for the development of Phase II at Shady Grove;
- Authorize the Executive Director to accept the assignment of third-party contracts for the development;
- Authorize the Executive Director to form additional legal entities where necessary for purposes of the owner and developer agreements; and
- Authorize the Executive Director to accept a Montgomery County Housing Initiative Fund short-term bridge loan of up to \$15MM during the construction phase until such time the County HPTF funding is made available.
- Authorize the Executive Director to advance funds from the FHA Risk Share Reserve in an amount up to \$1.6MM for the payment to secure the required building permits and bind the Builder's Risk Insurance Policy.

RESOLUTION No.: 20-86

RE: APPROVAL OF A FINAL DEVELOPMENT PLAN; AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO ACCEPT THE ASSIGNMENT OF THIRD-PARTY CONTRACTS FOR THE DEVELOPMENT, RATIFICATION OF FORMATION OF ADDITIONAL LEGAL ENTITIES, AUTHORIZATION TO ACCEPT A MONTGOMERY COUNTY HOUSING INITIATIVE FUND SHORT-TERM BRIDGE LOAN OF UP TO \$15M, AND AUTHORIZATION TO ADVANCE FUNDS IN AN AMOUNT UP TO FOR THE PAYMENT TO SECURE BUILDING PERMITS AND BIND THE BUILDER'S RISK INSURANCE

WHEREAS, on December 18, 2019, the Housing Opportunities Commission of Montgomery County ("HOC" or the Commission") completed the acquisition of the development parcel generally located on the west side of Crabbs Branch Way, south of Shady Grove Road and the Metro Access Road (the "Westside Property") that will serve as the location for the proposed 268-unit mixed-income and mixed-use development currently known as Building D; and

WHEREAS, the Westside Property is subjected to certain regulatory approvals, including an approval for the development of a stick-over-podium, mixed-use multifamily building on that portion of the Westside Property known as the "Multifamily Building D Property" or "Phase II Shady Grove," which is intended to include (i) a mix of residential dwelling units comprised of approximately 268 units, including 188 market-rate units (the "Market Rate Units"), and 80 affordable units, which include 13 units restricted to households with incomes at or below 65% of Area Median Income ("AMI") and 67 units restricted to households with incomes at or below 50% of AMI, (ii) approximately 22,000 square feet of retail space (of which 9,731 square feet is pre-leased to a national pharmacy chain), approximately 9,200 square feet of common amenity space, a courtyard with recreational facilities, and potentially a space to accommodate the relocation of HOC's Up-County Service Center, and (iii) a precast parking garage; and

WHEREAS, HOC is the sole member of the ownership entity known as HOC at West Side Shady Grove, LLC (the "Owner"); and

WHEREAS, HOC has formed additional wholly-owned subsidiary entities, HOC MM Westside Shady Grove, LLC (the "HOC Managing Member") and HOC EYA/BC Westside Shady Grove, LLC (the "JV Entity") and desires to assign the interests of the Owner to the JV Entity to create a legal structure that will better facilitate mezzanine or preferred equity financing at permanent conversion if necessary; and

WHEREAS, following such assignment, and pursuant to a separate resolution approved by the Commission, HOC desires to admit EYA/BA SGS MF D, LLC, an affiliate of EYA, LLC ("EYA") and The Bozzuto Group ("Bozzuto"), as a minority member of the JV Entity, with the HOC Managing Member serving as the managing member and majority member; and

WHEREAS, staff recommends approval of a Final Development Plan and related activities to advance the development efforts for the Westside Property; provided, however that staff will return to the Commission prior to the planned closing to obtain authorization for the Executive Director to execute a Guaranteed Maximum Price (“GMP”) Contract with Bozzuto Construction Company; and

WHEREAS, affiliates of HOC’s development partners have executed contracts with service providers to assist in the development and construction of the Westside Property (the “Third-Party Contracts”), and HOC wishes for such Third-Party Contracts to be assigned to the Owner; and

WHEREAS, HOC desires for the Owner to accept a Montgomery County Housing Initiative Fund Short-Term Bridge Loan of up to \$15M, which shall be repaid when the County Housing Production Trust Fund (“HPTF”) or other permanent sources become available; and

WHEREAS, tax-exempt bond proceeds may not be advanced prior to the FHA Initial Endorsement to cover the cost for obtaining building permits, binding the Builder’s Risk Insurance policy, and other related predevelopment expenses; and

WHEREAS, staff seeks authorization to advance funds in an amount up to \$1,600,000 from the FHA Risk Share Reserve account, which will be repaid at the closing of the construction financing to secure the building permits for the development to guarantee their receipt prior to closing and bind the required Builder’s Risk Insurance prior to the financial closing in January 2021, and before insurance treaties renew in May 2021 due to uncertainties in the insurance market that may potentially result in higher premiums.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, on its behalf and on behalf of the Owner as its ultimate managing member, that it approves the Westside Property final development plan and related activities to advance the development efforts including authorization for the Executive Director to accept the assignment of Third-Party Contracts for the Westside Property, and authorization for the Owner to accept a Montgomery County Housing Initiative Fund Short-Term Bridge Loan of up to \$15M, which shall be repaid when the County Housing Production Trust Fund (HPTF) or other permanent sources become available.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, that it ratifies the formation of the Managing Member and JV Entity and that, on its behalf and on behalf of the Owner and the JV Entity, it approves the assignment of all of its membership interests in the Owner to the JV Entity.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, that it authorizes a draw from the FHA Risk Share Reserve account in an amount up to \$1,600,000, which will be repaid at the closing of the construction financing to cover the cost for obtaining building permits and binding the Builder’s Risk Insurance policy.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission Montgomery County, acting on behalf of itself and on behalf of the Owner, the JV Entity, and the HOC Managing Entity, as the ultimate managing member of each, authorizes the Executive Director of HOC, or his designee, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open session meeting conducted on December 9, 2020.

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Patrice M. Birdsong
Special Assistant to the Commission

**APPROVAL OF THE FINANCING PLAN, FEASIBILITY, PUBLIC PURPOSE AND BOND
AUTHORIZING RESOLUTION FOR WEST SIDE SHADY GROVE APARTMENTS;
APPROVAL TO ISSUE A COMMITMENT AND LOAN TO HOC AT WESTSIDE SHADY
GROVE, LLC FOR DEVELOPMENT AND PERMANENT FINANCING; AND, APPROVAL
OF BORROWER TO ACCEPT LOAN IN ACCORDANCE WITH THE FINANCING PLAN**

PHASE II AT SHADY GROVE



STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE BROWN
JENNIFER ARRINGTON
VICTORIA DIXON**

December 9, 2020

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EXECUTIVE SUMMARY

West Side Shady Grove Apartments (“WSSG” or the “Property”) will be a 268-unit mixed-income, mixed-use residential rental community located in Rockville, Maryland, steps from a Washington Metropolitan Area Transit Authority (“WMATA”) Red Line Station. The Property will feature a 30% affordable component, including 25% of its units (or 67 units) set aside for households earning no more than 50% of the Area Median Income (“AMI”) and 5% of its units (or 13 units) set aside for households earning no more than 65% AMI. The remaining 188 units will be market rate. Building on the success of The Daley at Shady Grove, WSSG marks the second multifamily phase in the dramatic 90-acre master-planned redevelopment of Montgomery County’s County Service Park.

Since September 2019, the Commission has approved several actions and adopted resolutions to purchase the underlying land for the Property by HOC at Westside Shady Grove, LLC (the “Borrower”)(a single-asset entity controlled by the Commission) and fund predevelopment

expenses of approximately \$6.07 million to complete the entitlement, design, and permitting of the property. These expenses were funded from various sources available to the Commission, which shall all be repaid from proceeds at the financial closing.

While WSSG qualifies for four (4) percent Low Income Housing Tax Credits (“LIHTC”), the financing strategy did not include LIHTC equity, which would require the use of a new allocation of Private Activity Bonds (“PABs”) and volume cap, a very limited resource. However, the Housing and Economic Recovery Act of 2008 (“HERA”) and provisions of the Code, which governs the issuance of PABs, allows the recycling of multifamily volume cap into new multifamily transactions to preserve volume cap. Completing the recycling of multifamily volume cap achieves three (3) core project financing goals: obtaining the lowest possible interest rate with private participation in the permanent phase without the use of new volume cap.

On July 1, 2020, the Commission adopted a Bond Authorizing Resolution for the issuance of a tax-exempt loan facility with PNC Bank, N.A. for up to \$100 million (the “PNC Recycling Facility”) for the purpose of preserving the volume cap for the financing of WSSG. The volume cap for this transaction is being provided from the recycling of multifamily private activity volume cap from short-term bonds and a loan issued in 2018 and 2019 by Maryland Community Development Administration (“CDA”) and HOC, respectively. As of November 2, 2020, CDA and HOC completed the recycling of private activity volume cap via draws on the PNC Recycling Facility, and the \$100 million in recycled repayments associated with CDA’s and HOC’s tax-exempt bonds and/or loan have been placed in a Guaranteed Investment Contract held by TD Bank.



EXECUTIVE SUMMARY

With the entitlement process ending and permitting for construction underway, on December 2, 2020, staff has presented a Final Development Plan to the Commission for an estimated total cost of \$124 million to develop, finance and construct the Property.

To execute the Final Development Plan, staff proposes the following Financing Plan, which includes the issuance of up to \$100 million in tax-exempt refunding bonds under the 1996 Multifamily Housing Development Bond Resolution (the “1996 Indenture”) to fund a tax-exempt 31-year construction to permanent mortgage loan in the same amount, insured under the FHA Risk Sharing Program (the “Mortgage Loan”); HOC equity in the approximate amount of \$5.5 million to be provided from the Opportunity Housing Reserve Fund (“OHRF”); developer equity in the approximate amount of \$2.2 million; a County development short-term bridge loan from the Housing Initiative Fund (“HIF”) for approximately \$15 million; and, a mezzanine loan in the approximate amount of \$19.4 million, required for the Mortgage Loan’s permanent conversion, will be sourced and presented to the Commission for approval at a future date. The construction and lease up period will be approximately 40 months with the Property achieving stabilized operations on or about February 2024. Upon conversion, which will occur no later than August 2024, the 40-year amortization of the permanent, tax-exempt FHA Risk Sharing loan will commence.

Staff has completed its underwriting and with the support of the Development and Finance Committee, recommends the following actions of the Commission:

- 1) Approval of WSSG’s Financing Plan totaling \$124 million that includes the following sources: a) tax-exempt construction to permanent mortgage loan, credit enhanced by FHA Risk Share; b) developer equity; c) a County HIF short-term loan to bridge receipt of County Housing Production Fund (“HPF”) loan; and d) gap financing or mezzanine loan, sourced and presented to the Commission during construction for approval.
- 2) Approval of the feasibility and public purpose for WSSG.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt refunding bonds in an amount not to exceed \$100 million under the 1996 Indenture.
- 4) Authorization for HOC to Issue a Financing Commitment to Borrower for an FHA Risk Share construction to permanent mortgage loan in an amount of up to \$100 million.
- 5) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, for HOC to assume 50% of the risk and HUD to assume 50%, for the transaction.
- 6) Approval for HOC to provide equity for the transaction in an approximate amount of \$5.5 million from the OHRF.
- 7) Approval for the Borrower to accept the Mortgage Loan.

EXECUTIVE SUMMARY

Borrower	HOC at Westside Shady Grove, LLC	
Units/Affordability	268 Units 30% Affordable	
	67	≤ 50% AMI
	13	≤ 65% AMI
	188	Market
Stabilized Net Operating Income	\$5,592,476	
Volume Cap / Tax-Exempt Financing (up to)	\$100,000,000 1996 Multifamily Housing Development Bond Resolution	
First Mortgage / Permanent Loan (up to)	\$100,000,000 FHA Risk Share Mortgage	
Permanent Mortgage Interest Rate*	3.94%	
Mortgage Insurance	FHA Risk Share - 50% HOC / 50% FHA	
Permanent Loan Amortization / Term (up to)	40 Years / 31 Years (incl. 3-yr construction period)	
Debt Service Coverage Ratio	1.15	
County Participation	Tax-exemption for non-commercial use (at stabilization) County HIF Loan - \$15,000,000	
Gap Financing or Mezzanine Loan (up to)	\$19,400,000 (source to be identified during construction)	

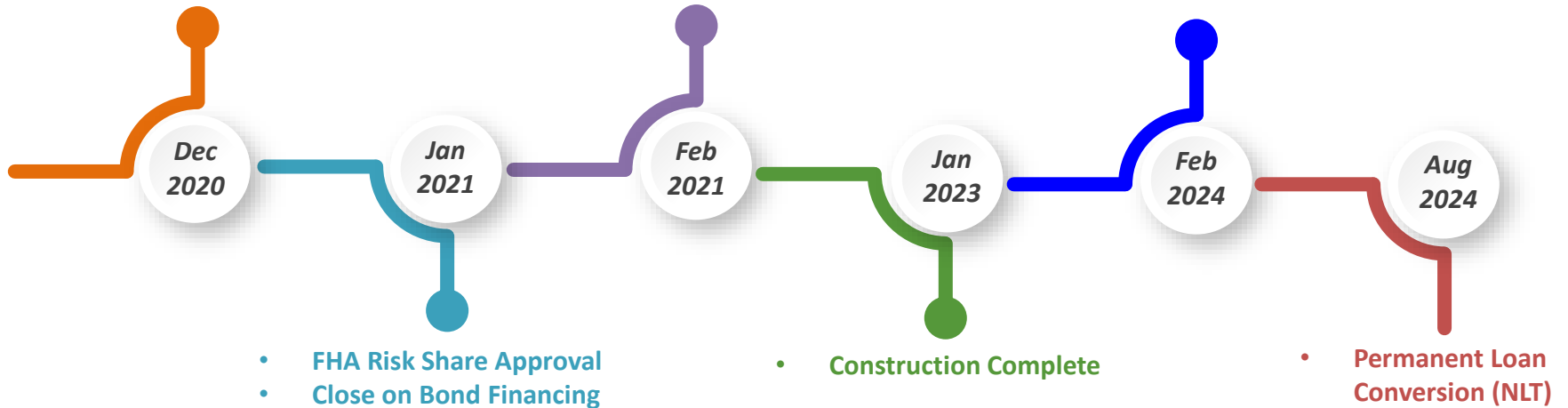
*includes - 2.52% bond yield, 0.35% issuer fee, 0.25% Mortgage Insurance Premium, 0.82% cushion

FINANCING SCHEDULE

- Bond Authorizing Resolution (Commission Meeting)
- Submit FHA Risk Share Application

- Close on Real Estate
- Begin Construction

- Achieve Stabilization



PROPERTY OVERVIEW



Location 8005 Gramercy Blvd, Rockville, MD 20855

Owner HOC at Westside Shady Grove, LLC

Property Manager The Bozzuto Group

Total Units 268

Unit Mix	Count
Studio	9
1 BR/1BA - Jr.	40
1BR/1BA	102
1BR/1BA+Den	17
2BR/2BA	76
2BR/2BA Terrace	3
2BR/2BA+Den	10
2BR/2BA+Den Terrace	1
3BR/2BA	10

Public Purpose 30% affordable

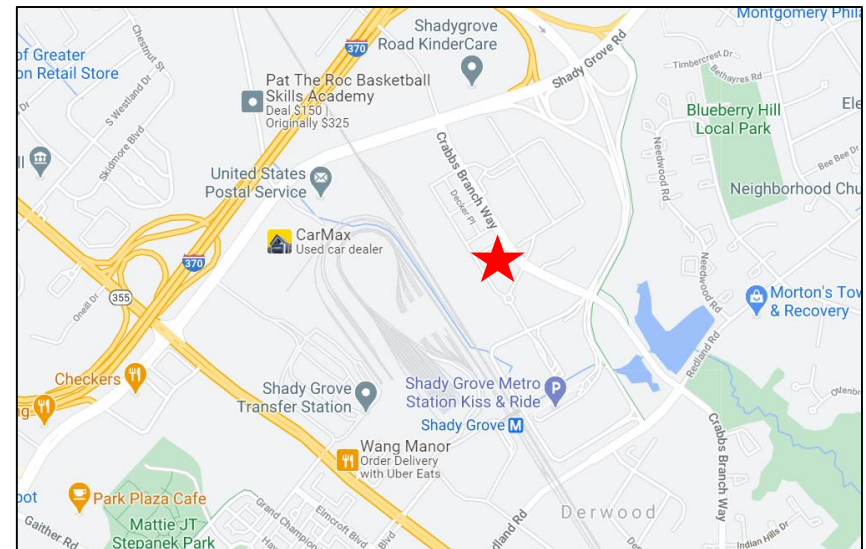
- 25% (or 67 units) ≤ 50% AMI
- 5% (or 13 units) ≤ 65% AMI

Amenities

Approximately 11,000 square feet of community amenities including state-of-the-art fitness center with indoor/outdoor yoga studio; club/game room with TV, kitchen, and dining spaces; library and conference areas with Wi-Fi connectivity, providing work-from-home capability; and, an outdoor courtyard containing a pool, fire pit, lounge areas, and grilling stations allowing for group activities. Also, approximately 23,000 square feet of ground floor retail space to include a CVS Pharmacy anchor tenant.

Planned Construction

A five-story, wood-frame residential building over a concrete podium and a five-story, above-grade parking structure. The units will include Quartz countertops, tiled kitchen backsplashes, full-size stainless steel kitchen appliances, premium wood-like vinyl plank flooring in living areas and ceramic tile bathroom floors. The community is being designed to National Green Building Standards and will contain a variety of environmentally sustainable features.



TRANSACTION HIGHLIGHTS

Public Purpose	The mixed-income project of 268 units, will feature a 30% affordable component, including 25% of its units (67 units) set aside for households earning no more than 50% of the AMI and 5% of its units (13 units) set aside for households earning no more than 65% AMI. It is noteworthy that all 10 of the three-bedroom units at the property will be available to households with incomes at or below 50% of the AMI.										
County Interest	The real estate tax exemption from the County for 268 residential units is estimated to be valued at \$832,322 at stabilization (CY 2024). The County will also provide a development short-term bridge loan from its HIF Program for approximately \$15 million during construction. The County’s short-term funding will be retired upon receipt of County Housing Production Funds or at the conversion to the permanent loan.										
Volume Cap Allocation	Of the 2020 County housing volume cap allocated, only \$13,125,691 remains; therefore, volume cap for this transaction is provided from the recycling of multifamily private activity volume cap from short-term bonds and a loan issued in 2018 and 2019 by Maryland Community Development Administration (“CDA”) and HOC, respectively. HOC completed the recycling of private activity volume cap in the amount of \$100 million, as of November 2, 2020, via draws on a PNC Recycling Facility.										
Bond Financing	Up to \$100 million – Proceeds from the publicly sold tax-exempt refunding bonds will redeem the outstanding PNC Recycling Facility, and the recycled repayments from CDA and HOC will fund the construction to permanent mortgage loan for up to \$100 million, which will be insured under the FHA Risk Sharing Program. The refunding bonds will mature in 2052, as they may not exceed 34 years from the issue date of the CDA refunded bonds (originally issued in 2018). Therefore, the Mortgage Loan will have a 31-year term with an estimated interest rate of 3.94%. Post the construction/lease-up period of approximately 40 months, the Mortgage Loan will begin a 40-year amortization.										
Credit Enhancement	The Mortgage Loan will be enhanced with FHA Risk Share mortgage insurance. HOC will assume 50% of the risk for the transaction and FHA 50%. This level of risk is required by FHA due to the balloon feature of the FHA loan, having a 40-year amortization and a 31-year term.										
Developer Equity	The developer will provide combined equity of approximately \$7.7 million.										
Gap/Mezzanine Financing	Gap financing expected as a mezzanine loan in the approximate amount of \$19.4 million will be secured in advance of permanent conversion to take out the County’s funds.										
Developer Fee	A developer fee of \$4.7 million will be earned with HOC earning 20% (\$938,352) and the co-developers earning 80% (\$3,753,410).										
Development Team	<table border="0"> <tr> <td>Owner/Borrower:</td> <td>HOC at Westside Shady Grove, LLC</td> </tr> <tr> <td>Developers:</td> <td>HOC / EYA / The Bozzuto Group</td> </tr> <tr> <td>General Contractor:</td> <td>The Bozzuto Group</td> </tr> <tr> <td>Architect:</td> <td>KTGY Architecture + Planning</td> </tr> <tr> <td>Property Management:</td> <td>The Bozzuto Group</td> </tr> </table>	Owner/Borrower:	HOC at Westside Shady Grove, LLC	Developers:	HOC / EYA / The Bozzuto Group	General Contractor:	The Bozzuto Group	Architect:	KTGY Architecture + Planning	Property Management:	The Bozzuto Group
Owner/Borrower:	HOC at Westside Shady Grove, LLC										
Developers:	HOC / EYA / The Bozzuto Group										
General Contractor:	The Bozzuto Group										
Architect:	KTGY Architecture + Planning										
Property Management:	The Bozzuto Group										

STABILIZED PRO FORMA

Stabilized Proforma	CY 2025	Per Unit
Gross Residential Revenue	\$6,644,313	\$24,792
Gross Retail & Other Revenue	\$1,869,208	\$6,975
Vacancy, Concessions, Bad Debt	(\$425,676)	(\$1,588)
Effective Gross Income (EGI)	\$8,087,845	\$30,179
Operating Expenses	\$2,294,834	\$8,563
Replacement Reserves	\$78,218	\$292
Net Operating Income (NOI)	\$5,714,793	\$21,324
Debt Service	\$4,861,795	\$18,141
Cash Flow Before Distributions	\$852,998	\$3,183
Debt Service Coverage Ratio (DSCR)	1.18	

- The stabilized pro forma assumes the Property will reach 93% occupancy by winter of 2023 with the Mortgage Loan converting to permanent no later than August 2024.
- The Property will receive both residential and retail revenue with the retail component totaling approximately 23,000 square feet.
- Rent and expense annual growth rates are projected at 2.5% and 3%, respectively, while vacancy is underwritten at 5%.
- Operating Expenses include Retail Expenses of \$281,560.
- Initial replacement reserves will be established at \$1,000 per unit from capital sources.
- The Property will benefit from a State and County Property Tax Exemption for the non-commercial components of the Development

- Current debt sizing is based on an estimated all-in interest rate of 3.94% (including MIP, HOC's Loan Management Fee ("LMF"), and a 0.82% cushion). Subject to interest rate movements, staff anticipates that the Property will support a loan of approximately \$97 million with a DSCR of 1.15:1.00.
- The CY 2025 Cash Flow Before Distributions in the amount of \$852,998 will be impacted by future mezzanine debt payments, which will likely be due in advance of any ownership distribution.

FINANCING PLAN

The WSSG Financing Plan includes a tax-exempt construction to permanent FHA Risk Share mortgage loan for no more than \$100 million; developer equity in the approximate amount of \$7.7 million; a County development short-term bridge loan from the HIF for approximately \$15 million; and, gap financing or a mezzanine loan to be sourced during construction in the approximate amount of \$19.8 million, which will retire the County's short-term loan.

Sources	Construction	\$/Unit	Permanent	\$/Unit
a) FHA Risk Share Mortgage Loan	\$96,627,228	\$360,549	\$96,627,228	\$360,549
b) Developer Equity	\$7,722,244	\$28,814	\$7,722,244	\$28,814
c) County Development Loan (HIF/HPF)	\$15,000,000	\$55,970	\$0	\$0
d) Mezzanine Loan	\$0	\$0	\$19,380,937	\$72,317
TOTAL SOURCES	\$119,349,472	\$445,334	\$123,730,409	\$461,681
Uses	Construction	\$/Unit	Permanent	\$/Unit
Acquisition	\$2,338,156	\$8,724	\$2,338,156	\$8,724
Construction Costs	\$76,417,045	\$285,138	\$76,417,045	\$285,138
Costs Related to Construction	\$19,725,456	\$73,602	\$22,205,286	\$82,856
Design and Engineering	\$4,438,728	\$16,562	\$4,438,728	\$16,562
Financing and Legal Costs	\$6,769,679	\$25,260	\$6,844,074	\$25,538
Guarantees and Reserves	\$500,000	\$1,866	\$2,076,712	\$7,749
Developer Costs	\$4,376,432	\$16,330	\$4,626,432	\$17,263
Capitalized Operating Costs	\$92,214	\$344	\$92,214	\$344
Developer Fee	\$4,691,762	\$17,507	\$4,691,762	\$17,507
TOTAL USES	\$119,349,472	\$445,334	\$123,730,409	\$461,681

- To fund the Mortgage Loan, up to \$100 million in proceeds from publicly sold tax-exempt refunding bonds (the "Bonds") will redeem the outstanding PNC Recycling Facility, and the recycled tax-exempt repayments from CDA and HOC that are invested in a Guaranteed Investment Contract will fund the Mortgage Loan. Current sizing is based on an estimated interest rate of 3.94%, including MIP and LMF, and a DSCR of 1.15. The Bonds and underlying Mortgage Loan will be issued under the 1996 Indenture. See page 11 for details on the structure of the Bonds.
- The developer will provide approximately \$7.7 million in equity with HOC and EYA/Bozzuto providing approximately \$5.5 million and \$2.2 million, respectively. HOC's equity will be provided at financial closing via a draw from the OHRF.
- The County HIF bridge loan of approximately \$15 million is anticipated to be outstanding for less than one year until proceeds from the County Housing Production Funds are available to retire the loan, but while outstanding, interest only loan accrues at 3.5% and is included in the permanent uses.
- Mezzanine loan in the approximate amount of \$19.4 million will be secured in advance of permanent conversion to take out the County short-term HPF loan.

VOLUME CAP & BOND STRUCTURE

Volume Cap: While WSSG qualifies for four (4) percent LIHTC, the financing strategy does not include LIHTC equity, which would require the use of a new allocation of PABs and volume cap, a very limited resource, as only \$13,125,691 remains of the County's 2020 allocated volume cap. However, the Housing and Economic Recovery Act of 2008 ("HERA") and provisions of the Code, which governs the issuance of PABs, allows the recycling of multifamily volume cap into new multifamily transactions; WSSG qualifies under this IRC provision.

In addition, HERA requires that the recycling refunding bonds be issued before maturity or redemption of the currently outstanding original bonds (refunded bonds) and that the recycling refunding bonds be issued (i) within six (6) months of repayment of the initial loan and that a new loan of the repayment be made within that six (6) month period to fund a new multifamily project, (ii) not later than four (4) years after the issuance of the refunded bonds, and (iii) with the latest maturity of the recycling refunding bonds not exceeding 34 years from the issue date of the refunded bonds. Refunded bonds have to be redeemed within 90 days of the issuance of refunding bonds.

On July 1, 2020, the Commission adopted a Bond Authorizing Resolution for the issuance of a tax-exempt loan facility with PNC Bank, N.A. for up to \$100 million (the "PNC Recycling Facility") for the purpose of preserving the volume cap for the financing of WSSG. The volume cap for this transaction is being provided from the recycling of multifamily private activity volume cap from short-term bonds and a loan issued in 2018 and 2019 by Maryland Community Development Administration ("CDA") and HOC, respectively.

As of November 2, 2020, CDA and HOC completed the recycling of private activity volume cap in the amount of \$100 million via draws on the PNC Recycling Facility, and the \$100 million in recycled repayments associated with CDA's and HOC's tax-exempt bonds and/or loan have been placed in a Guaranteed Investment Contract held by TD Bank, as security for the tax-exempt facility with PNC Bank.

Bond Structure: The Bonds for WSSG will be issued under a Risk Share Pass-Through Bond structure, whereby the amount of mortgage principal and interest on the bonds will be paid monthly ("pass-through") in lieu of semi-annually, as in typical bond structures. The Bonds will have a stated maturity and a par amount with no serials, terms, sinking funds or other predetermined bond amortization schedule. The Bonds will be rated based upon the FHA Risk Share credit enhancement on the underlying mortgage plus a reserve fund. However, and unlike the all the other bonds in the indenture, these bonds will not be on parity but will "stand alone" inside the 1996 Indenture.

VOLUME CAP & BOND STRUCTURE

Because of the structure, the Bonds will be separately secured under the 1996 Indenture, such that bondholders will only look to payments on the WSSG mortgage for payment of the bonds and not other mortgage assets under the Indenture. This structure is being used to attract investors of other multifamily bonds that are structured as pass-through securities, including buyers of Fannie Mae guaranteed Mortgage Back Securities (“MBS”) as Tax-Exempt Bond Collateral (“M-TEBs”). These buyers have been willing to accept a lower bond yield than buyers of traditionally structured multifamily bonds (currently estimated at 40 bps lower). The current market dynamics favor this structure versus serials and terms, as pricing for agency paper in the commercial MBS market is very tight.

Wells Fargo proposed this unusual structure to the Commission and as a result has been elevated to the role of senior underwriter in accordance with the current procurement. PNC will serve as co-senior manager for the transaction. Most of the bonds are expected to be sold to institutional investors obviating the need for retail investors and the larger selling group; therefore, a group net sales approach has been selected with Wells Fargo and PNC having 75% and 25% of the liability for the bond issuance, respectively.

Amount (up to)	\$100,000,000
Distribute Preliminary Official Statement	1/04/2021
Bond Sale Date	1/13/2021
Bond Closing Date	1/28/2021
Final Bond Maturity	7/01/2052
Optional Redemption	1/01/2031
Bond Rating	Aaa – Moody’s
Parity or Standalone	Standalone; separately secured under a Supplemental Indenture
Unique Disclosures	The community is being designed to National Green Building Standards.
Senior Manager	Wells Fargo Securities
Co-Senior Manager	PNC Capital Markets, LLC
Mortgage Loan Structure	3 years construction, 40 year amortization, balloon 1/1/2052
Credit Enhancement	FHA Risk Sharing (construction and permanent)

SUMMARY OF BOND AUTHORIZING RESOLUTION

The Bond Authorizing Resolution prepared by the Commission's Bond Counsel, Barclay Damon, LLP, outlines key elements of the transaction, which the Commission must authorize to enable the financing to proceed. A summary of the main approvals is outlined below:

1. Issuance of stand-alone, tax-exempt refunding bonds in one or more series, as applicable (the "Bonds"), to make moneys available for the refunding of the PNC Recycling Facility in order to use the transferred proceeds thereof to finance a mortgage loan in the name of the Borrower to be insured under the FHA Risk Sharing Program to fund the acquisition and construction of the Property in an amount not to exceed \$100,000,000.
2. Execution and delivery of a Series Indenture, certain tax-related documents, a Disclosure Agreement and any and all related documents.
3. Approving the preparation, execution and distribution of preliminary and final offering documents relating to the financing.
4. Authorizing the execution of any other documents necessary for the issuance of the Bonds and the accomplishment of the Financing Plan described herein.
5. Authorizing the Chairman, Vice Chairman or Chairman Pro Tem and Executive Director or other authorized representative to proceed with the sale of the Bonds to Wells Fargo Bank, National Association and PNC Capital Markets, LLC, as co-senior managers, and to execute and deliver a Contract of Purchase in connection with such sale.
6. Authorizing the Executive Director or other authorized representative to establish the terms relating to the Bonds and to make ongoing determinations relating thereto.
7. Selection of the Underwriters, Financial Advisor and Bond Counsel.

SUMMARY & RECOMMENDATIONS

ISSUES FOR CONSIDERATION

Will the Commission approve staff's recommendation, which is supported by the Development and Finance Committee, and approve:

- 1) WSSG's Financing Plan totaling \$124 million that includes the following sources: a) tax-exempt construction to permanent loan, credit enhanced by FHA Risk Share; b) Borrower and developer equity; c) a County HIF bridge loan which shall be short-term, pending the availability of the County Housing Production Fund proceeds or remain outstanding for the duration of the development's construction loan period; and, d) a mezzanine loan or gap financing sourced during construction to take out the County short-term loan upon conversion?
- 2) The feasibility and public purpose for WSSG?
- 3) A Bond Authorizing Resolution for the issuance and delivery of tax-exempt refunding bonds in an amount not to exceed \$100 million under the 1996 Indenture?
- 4) HOC's issuance of a Financing Commitment to the Borrower for an FHA Risk Share construction to permanent mortgage loan in an amount of up to \$100 million?
- 5) HOC providing credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, for HOC to assume 50% of the risk and HUD to assume 50%, for the transaction?
- 6) HOC providing co-developer equity for the transaction in amount of approximately \$5.5 million from the OHRF?
- 7) The Borrower acceptance of the Mortgage Loan?

TIME FRAME

For formal action at the December 9, 2020 meeting of the Commission.

SUMMARY & RECOMMENDATIONS

BUDGET/FISCAL IMPACT

- In the 3rd quarter of FY 2021, the Commission will earn a Commitment Fee of approximately \$2 million, which was not included in the FY 2021 budget and, therefore, is a net positive to the Agency.
- The Commission will also earn a share of the Developer Fee of approximately \$281,000 during the 3rd quarter of FY 2021, which is approximately \$60,000 more than anticipated for FY 2021. This is a net positive to the Agency.
- The transaction will return all predevelopment funds provided from various sources available to the Commission in an approximate amount of \$6.07 million.
- The balance of the OHRF will be sufficient to provide HOC's equity for the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends, with the support of the Development and Finance Committee, that the Commission:

- 1) Approve the WSSG's Financing Plan totaling \$124 million that includes the following sources: a) tax-exempt construction to permanent loan, credit enhanced by FHA Risk Share; b) Borrower and developer equity; c) a County HIF bridge loan, which shall be short-term, pending the availability of the County Housing Production Fund proceeds or remain outstanding for the duration of the development's construction loan period; and, d) a mezzanine loan or gap financing sourced during construction to take out the County short-term loan upon conversion.
- 2) Approve the feasibility and public purpose for WSSG.
- 3) Approve a Bond Authorizing Resolution for the issuance and delivery of tax-exempt refunding bonds in an amount not to exceed \$100 million under the 1996 Indenture.
- 4) Authorize HOC to Issue a Financing Commitment to the Borrower for an FHA Risk Share construction to permanent mortgage loan in an amount of up to \$100 million.
- 5) Approve HOC providing credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, for HOC to assume 50% of the risk and HUD to assume 50%, for the transaction.
- 6) Approve HOC utilizing the OHRF to fund HOC's co-developer equity in the transaction in an approximate amount of \$5.5 million.
- 7) Approve the Borrower's acceptance of the Mortgage Loan.

RESOLUTION No.: 20-87

RE: Approval of the Financing Plan, Feasibility and Public Purpose for Westside Shady Grove Apartments; Authorization to Issue a Loan Commitment to HOC at Westside Shady Grove, LLC for Acquisition, Construction and Permanent Financing for up to \$100 million; and, Authorization for the Borrower to Accept Loan in Accordance with the Finance Plan

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

WHEREAS, Westside Shady Grove Apartments (the “Property”) will be a 268-unit mixed-income, mixed-use residential rental community to be located at 8005 Gramercy Boulevard in Rockville, Maryland; and

WHEREAS, the Property will be developed and owned by a single purpose entity known as HOC at Westside Shady Grove, LLC (“Borrower”); and

WHEREAS, the Commission will serve as the ultimate managing member and majority owner of the Borrower through a wholly owned subsidiary named HOC MM Westside Shady Grove, LLC (the “HOC Member”), the managing member of HOC EYA/BC Westside Shady Grove, LLC (the “Joint Venture Entity”), the current sole member of the Borrower (it being understood that a minority member will be admitted to the Joint Venture Entity pursuant to a separate resolution); and

WHEREAS, the Borrower proposes that the Property provide a 30% affordability component, whereby 25% of its units will be set aside for households earning no more than 50% of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area Median Income (“AMI”) and 5% of its units will be set aside for households earning no more than 65% AMI (altogether, the “Public Purpose”), which Public Purpose will be memorialized with binding affordability covenants recorded in the real property records for the Property; and

WHEREAS, on July 1, 2020, the Commission adopted a Bond Authorizing Resolution for the issuance of a tax-exempt loan facility with PNC Bank, National Association (hereinafter “PNC”) for up to \$100 million for the purpose of recycling volume cap by redeeming certain outstanding bonds of the Commission and the Community Development Administration of the Maryland Department of Housing and Community Development (the “CDA”) that were eligible to be redeemed from repayments of mortgage loans on outstanding bonds of the Commission and of the CDA; and

WHEREAS, the Commission, by receiving the tax-exempt loan from PNC, recycled such repayments of mortgage loans on outstanding bonds of the Commission and CDA in order to issue bonds to fund the acquisition, construction and equipping of the Property; and

WHEREAS, on December 9, 2020, the Commission approved, among several actions, the Final Development Plan, totaling \$124 million, and the Borrower's acceptance of a Montgomery County Housing Initiative Fund short-term bridge loan during construction for approximately \$15 million (hereinafter, the "HIF Loan"); and

WHEREAS, staff explored a variety of options for the acquisition, construction and permanent financing of the Property, and determined to use a number of sources for the \$124 million transaction, including (1) the issuance of long-term, tax-exempt refunding bonds in an amount up to \$100 million of which proceeds will fund a mortgage loan for costs related to the acquisition, construction, and permanent financing of the Property, credit enhanced by the FHA Risk Sharing Program with a loan term of 34 years, including interest only for no more than 42 months and a 40-year amortization upon conversion ("Mortgage Loan"); (2) HOC and developer equity estimated at \$7.7 million with HOC's equity to be no more than \$5.5 million; (3) the HIF Loan (which, if approved, may be replaced with a Montgomery County Housing Production Fund loan); and, (4) gap financing, likely a mezzanine loan, in the approximate amount of \$19 million, required for the Mortgage Loan's permanent conversion that will be sourced and presented to the Commission for approval at a future date (collectively, the "Financing Plan"); and

WHEREAS, a review of the transaction has been completed and it has been determined that given the financial commitments to the Property and its operating projections, this transaction is believed to be feasible ("Feasibility") and the Commission wishes to issue a loan commitment and the Borrower wishes to accept the loan in accordance with the Financing Plan.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Financing Plan, Feasibility, and Public Purpose, as recommended by staff and as described herein, is hereby approved and that the staff is hereby authorized to proceed with the review and processing of the necessary financing applications and other documentation.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the issuance of a commitment for the Mortgage Loan in an amount up to \$100,000,000 (the "Commitment"), which Mortgage Loan will be credit enhanced by FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between the Commission and the U.S. Department of Housing and Urban Development ("HUD"), of which the Commission and HUD shall both assume 50% of the risk for the transaction, and will have a term of 34-years, including up to 42 months of interest only during construction, and a 40-year amortization upon conversion to permanent.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, in its capacity as lender under the Mortgage Loan, approves the closing of the Mortgage Loan transaction upon satisfaction of the terms of the Commitment and disbursement of the proceeds of such Mortgage Loan as and when set forth in the Building Loan Agreement and other Mortgage Loan documents;

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Borrower as the ultimate managing member of its sole member, accepts the Mortgage Loan.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County approves providing the Commission's equity for the transaction, as co-developer, in an amount of no more than \$5.5 million to be funded from the Commission's Opportunity Housing Reserve Fund.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of the Managing Member of the Borrower, acting for itself and on behalf of Borrower, that the Executive Director, or a duly appointed designee of the Executive Director, is hereby authorized, without any further action on their respective parts, to execute such other documents, including without limitation guarantees from HOC required by Borrower's lenders, and to take any and all other actions, in each case as necessary and proper, in the Executive Director's judgment, to carry out the Financing Plan and the transaction and actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on December 9, 2020.

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Patrice M. Birdsong
Special Assistant to the Commission

RESOLUTION: 20-87^B

Re: Adoption of an Authorizing Resolution for the Issuance of 2021 Series A Multifamily Housing Development Bonds for the Purpose of Refunding a Certain Tax-Exempt Loan Originated by PNC Bank, National Association in order to use the Transferred Proceeds thereof to Finance West Side Shady Grove and for Approval of Certain Actions relating to the financing of West Side Shady Grove.

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AUTHORIZING THE ISSUANCE AND SALE OF A SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2021 SERIES A (THE "2021 A BONDS"), IN A TOTAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000 FOR THE PURPOSE OF REFUNDING THE TAX-EXEMPT LOAN ORIGINATED BY PNC BANK, NATIONAL ASSOCIATION (THE "RECYCLING FACILITY") AND TO USE THE TRANSFERRED PROCEEDS THEREOF TO FINANCE A MORTGAGE LOAN TO BE INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF WEST SIDE SHADY GROVE APARTMENTS, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY HOC AT WESTSIDE SHADY GROVE, LLC; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, CERTAIN TAX-RELATED DOCUMENTS, A DISCLOSURE AGREEMENT AND ANY AND ALL RELATED DOCUMENTS; APPROVING THE PREPARATION, EXECUTION AND DISTRIBUTION OF PRELIMINARY AND FINAL OFFERING DOCUMENTS RELATING TO THE FINANCING; AUTHORIZING THE EXECUTION OF ANY OTHER DOCUMENTS NECESSARY FOR THE ISSUANCE OF THE 2021 A BONDS AND THE ACCOMPLISHMENT OF THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE SALE OF THE 2021 A BONDS TO WELLS FARGO BANK, NATIONAL ASSOCIATION AND PNC CAPITAL MARKETS LLC, AS CO-SENIOR MANAGERS, AND TO EXECUTE AND DELIVER A CONTRACT OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2021 A BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2021 A BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the "Act"), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

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

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

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

WHEREAS, pursuant to the Act and the Program, the Commission entered into the Trust Indenture, dated as of November 1, 1996, as supplemented and amended (the “Trust Indenture”), by and between the Commission and U.S. Bank National Association, as successor trustee, providing for the issuance of bonds (the “Bonds”) from time to time in accordance with the provisions thereof and of any series indenture specifically relating to any such series of Bonds issued thereunder; and

WHEREAS, the proceeds received from the issuance and sale of Bonds under the Trust Indenture are used to make, purchase or finance mortgage loans (each, a “Mortgage Loan,” and collectively, the “Mortgage Loans”) or finance Mortgage Loans through the purchase of guaranteed mortgage securities; and

WHEREAS, the pledges and assignments made pursuant to the Trust Indenture and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Commission are for the equal benefit, protection and security of the owners of any and all of the Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Trust Indenture, with any Series of Bonds which are not to be on parity with the other Bonds issued under the Indenture to be provided for by a supplemental indenture; and

WHEREAS, the Commission previously entered into a tax-exempt loan transaction with PNC Bank, National Association (“PNC”) pursuant to which PNC loaned to the Commission an aggregate principal amount of \$100,000,000, the proceeds of which were used in connection with the redemption of certain outstanding bonds of the Commission and the Community Development Administration of the Maryland Department of Housing and Community Development (the “CDA”) that were eligible to be redeemed from repayments of mortgage loans on outstanding bonds of the Commission and of the CDA; and

WHEREAS, the Commission, by receiving the loan from PNC, recycled such repayments of mortgage loans on outstanding bonds of the Commission and the CDA in order to issue bonds to fund the acquisition, construction and equipping of West Side Shady Grove (the “Development”), all in accordance with the financing plans approved by the Commission in connection with the Development under separate resolutions adopted by the Commission on September 4, 2019, December 5, 2019 (as ratified on December 11, 2019), and July 1, 2020, and in accordance with the additional financing plans set forth in this Resolution and other resolutions that may be adopted by the Commission (collectively, the “Financing Plan”); and

WHEREAS, the Commission has determined to issue its tax-exempt Multifamily Housing Development Bonds, 2021 Series A (the “2021 A Bonds”) pursuant to the Trust Indenture and the Series Indenture Providing for the Issuance of Multifamily Housing Development Bonds, 2021 Series A (the “2021 A Series Indenture”), to make moneys available for the refunding of the Recycling Facility in order to use the transferred proceeds thereof for the acquisition, construction and equipping of the Development, to be owned and operated by HOC at Westside Shady Grove, LLC (the “Borrower”), a joint venture controlled by the Commission; and

WHEREAS, if necessary, the Commission may make a deposit to the debt service reserve fund created pursuant to the 2021 A Series Indenture, in accordance with the Financing Plan; and

WHEREAS, the costs of issuance of the 2021 A Bonds will be paid from the Borrower's development budget; and

WHEREAS, pursuant to the 2021 A Series Indenture, the 2021 A Bonds shall be secured solely by the proceeds thereof or funds on deposit in the funds and accounts created under the 2021 A Series Indenture and not by any other moneys, funds or accounts held under the Trust Indenture, except to the extent that any such moneys are subject to transfer or withdrawal free and clear of the lien of the Trust Indenture upon provision of a Cash Flow Certificate in accordance with the Trust Indenture. The proceeds or revenues received in connection with the 2021 A Bonds shall not constitute security for a source of payment of any other Bonds outstanding or hereinafter issued under or entered into in accordance with the Trust Indenture; and

WHEREAS, the Mortgage Loan financed with the proceeds of the 2021 A Bonds (the "2021 A Mortgage Loan") will be endorsed for federal insurance under the Risk-Sharing Agreement, dated September 23, 1994 (the "Risk-Sharing Agreement"), by and between the Commission and the Secretary of the U.S. Department of Housing and Urban Development ("HUD"), pursuant to which Risk-Sharing Agreement, the Commission will reimburse HUD for its losses under the 2021 A Mortgage Loan in an amount not greater than 50% of the outstanding principal balance of the 2021 A Mortgage Loan; and

WHEREAS, in connection with the issuance of the 2021 A Bonds and the accomplishment of the Financing Plan, the Commission anticipates entering into various documents, including, but not limited to, the 2021 A Series Indenture and, as hereinafter defined, the Offering Documents, the Contract of Purchase, the Tax-Related Documents, the Disclosure Agreement and certain other documents relating to the sale of the 2021 A Bonds, and the financing of the Development.

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

1. **2021 A Bonds.** The 2021 A Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$100,000,000 to carry out the purposes under the Program as described above. The 2021 A Bonds shall be designated as set forth in the recitals hereto, or such additional series or subseries designations as approved by the Executive Director, in consultation with the Financial Advisor and Bond Counsel to the Commission. The 2021 A Bonds are to be issued pursuant to the terms of the Trust Indenture and the 2021 A Series Indenture and shall be limited obligations of the Commission, secured by and payable solely from moneys and other assets pledged therefor under the 2021 A Series Indenture, including, without limitation, the 2021 A Mortgage Loan.

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

3. **Series Indenture.** The Chairman, the Vice Chairman, or the Chairman Pro Tem, and the Executive Director of the Commission or any authorized designee of the Executive Director are hereby authorized and directed to execute and deliver the 2021 A Series Indenture in such form or forms as shall be approved by such officers, the execution of such 2021 A Series Indenture being conclusive evidence of such approval and of the approval of the Commission, and the Secretary-Treasurer of the Commission, or any other authorized officer of the Commission (an “Authorized Officer”), is hereby authorized and directed to affix the seal of the Commission to the 2021 A Series Indenture and to attest the same.

4. **Tax-Related Documents.** The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver a Tax Regulatory Agreement and No Arbitrage Certificate and other documents (collectively, the “Tax-Related Documents”) restricting the application of the proceeds of the 2021 A Bonds and the use and occupancy of the Development in such forms as shall be prepared by Bond Counsel and approved by the Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director, the execution of the Tax-Related Documents being conclusive evidence of such approval and of the approval of the Commission. The Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director of the Commission is hereby further authorized and directed to execute and deliver on behalf of the Commission Internal Revenue Service Form 8038 relating to the 2021 A Bonds as prepared by Bond Counsel.

5. **Disclosure Agreement.** The Commission hereby authorizes and approves the execution and delivery of a continuing disclosure agreement (the “Disclosure Agreement”) related to the 2021 A Bonds, in such form as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Disclosure Agreement constituting conclusive evidence of such officer’s approval of the Disclosure Agreement and the approval of the Commission.

6. **2021 A Mortgage Loan; Real Estate Documents.** The Commission hereby authorizes and approves the financing of the 2021 A Mortgage Loan which will be endorsed for federal insurance under the Risk-Sharing Agreement, pursuant to which the Commission will reimburse HUD for its losses under the 2021 A Mortgage Loan in an amount not greater than 25% of the outstanding principal balance of the 2021 A Mortgage Loan. The Commission hereby further authorizes and approves the preparation, execution and delivery of any and all real estate documents (the “Real Estate Documents”) relating to the acquisition and construction of the Development, in its capacity as issuer of the 2021 A Bonds and in its capacity as the managing member of the Borrower.

7. **Offering Documents.** The Commission hereby authorizes and approves the preparation and distribution of a preliminary offering document of the Commission and the preparation, execution and distribution of a final offering document (collectively, the “Offering Documents”), each relating to the 2021 A Bonds, in such forms as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Offering Documents constituting conclusive evidence of such officer’s approval of the Offering Documents and the approval of the Commission.

8. **Sale of 2021 A Bonds.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to proceed with the sale of the 2021 A Bonds to Well Fargo Bank, National Association and PNC Capital Markets LLC or such other underwriter or to any other entity as shall be in the best interest of the Commission as determined by the Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission.

9. **Contract of Purchase.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to execute a contract of purchase and/or any other form of purchase agreement (the "Contract of Purchase") in connection with the issuance, purchase and sale of the 2021 A Bonds.

10. **Terms; Ongoing Determinations.** The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners to establish the dates, maturities, interest payment dates, denominations, terms of redemption, registration privileges, security and other terms, and to approve the interest rates on the 2021 A Bonds, all of the foregoing to be specified in the 2021 A Series Indenture. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, and is hereby authorized, from time to time during the period the 2021 A Bonds are outstanding, to make ongoing determinations, as may be required by the terms of the 2021 A Series Indenture and any other documents relating to the 2021 A Bonds and the 2021 A Mortgage Loan, including, but not limited to, the giving and withholding of consents, the selection of certain providers, the determination to permit the prepayment of the 2021 A Mortgage Loan and the refunding and redemption of the 2021 A Bonds and/or other Bonds, and the Executive Director or other Authorized Representative of the Commission, as the case may be, is further authorized to execute any and all documents evidencing such determinations as may be deemed necessary and proper.

11. **Other Action.** The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution relating to the 2021 A Bonds and the accomplishment of the Financing Plan.

12. **Appointment of Financial Advisor and Bond Counsel.** Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Barclay Damon LLP, New York, New York, is hereby appointed as Bond Counsel in connection with the issuance of the 2021 A Bonds.

13. **No Personal Liability.** No stipulation, obligation or agreement herein contained or contained in the 2021 A Bonds, the 2021 A Series Indenture, the Contract of Purchase, the Tax-Related Documents, the Offering Documents, the Disclosure Agreement, the Real Estate Documents, or in any other agreement or document executed on behalf of the Commission shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the 2021 A Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

14. **Action Approved and Confirmed.** All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance of the 2021 A Bonds and the accomplishment of the Financing Plan are hereby approved, and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

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

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

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on December 9, 2020.

Patrice Birdsong
Special Assistant to the Commission

Adjourn

Administrative Session