



EXPANDED AGENDA

October 7, 2015

4:00 p.m.	I. <u>Election of Officer</u> • Chair Pro Tem	
4:05 p.m.	II. <u>CONSENT ITEMS</u>	
Page 4 21	A. Approval of Minutes of September 2, 2015 B. Approval of Internal Audit Policy, Process and Procedures	
4:15 p.m.	III. <u>INFORMATION EXCHANGE</u>	
Page 31 37	A. Report of the Executive Director B. Calendar and Follow-up Action C. Correspondence and Printed Matter D. Commissioner Exchange E. Resident Advisory Board F. Community Forum G. Status Report	
4:25 p.m.	IV. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>	
Page 41 60 66 73 80 101	A. Budget, Finance and Audit Committee – <i>Com. Piñero, Chair</i> 1. Acceptance of Fourth Quarter FY'15 Budget to Actual Statements 2. Approval of CY'15 Second Quarter Budget Amendment 3. Approval to Release Obligations Against the PNC Bank \$60 Million Line of Credit B. Development and Finance Committee – <i>Com. Simon, Chair</i> 1. Approval to Accept Distribution of Duffie Contribution from Hillandale Gateway, LLC and to Loan Hillandale Gateway, LLC \$546,000 in Predevelopment Funding 2. Approval of the Development Plan for Chevy Chase Lake Apartments, Authorization for Additional Predevelopment Funding, and Repayment of the Mortgage and Using Funds from the \$60 Million PNC Line of Credit 3. Approval of Revised Development Plan and Authorization to Expend Additional Predevelopment Spending of up to \$750,000 of Opportunity Housing Reserve Funds for the Submission of the Detail Site Plan for Elizabeth Square to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County	
	V. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>	
	A.	
	VI. <u>*FUTURE ACTION ITEMS</u>	
	VII. <u>INFORMATION EXCHANGE (continued)</u> A. Community Forum	
	VIII. <u>NEW BUSINESS</u>	
	IX. <u>EXECUTIVE SESSION FINDINGS</u>	
	<u>ADJOURN</u>	

<p>Page 119</p> <p>136</p>	<p><u>Development Corporation Meeting</u></p> <ul style="list-style-type: none"> • Chevy Chase Lake Development Corporation – Approval to Accept a Tax-Exempt Loan of up to \$6,875,000 from the Housing Opportunities Commission of Montgomery County (HOC), funded through a Draw by HOC on the Original PNC Bank, N.A. Line of Credit (\$60, Million), to Prepay the First Mortgage Loan and Redeem the Portion of the 2004 Series C Multifamily • Alexander House Development Corporation – Approval of Revised Development Plan and Authorization for the Submission of the Detail Site Plan for Elizabeth Square to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County 	
<p>4:50 p.m.</p>	<p><u>ADJOURN</u></p>	
<p>5:00 p.m.</p>	<p><u>EXECUTIVE SESSION</u></p> <p>A.</p>	

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 Patrice.birdsong@hocmc.org.
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Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

September 2, 2015

15-09

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, September 2, 2015 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:07 p.m. Those in attendance were:

Present

Sally Roman, Chair
Jackie Simon, Vice Chair
Christopher Hatcher
Margaret McFarland
Richard Y. Nelson, Jr.
Roberto Piñero

Also Attending

Stacy Spann, Executive Director
Ken Goldstraw
Kayrine Brown
Fred Swan
Terri Fowler
Whitley Granberry
Jennifer Arrington
Bonnie Hodge
Dean Tyree
Belle Seyoum
Richard Hanks
Gio Kaviladze
Ugonna Ibebuchi
Hyunsuk (Wilson) Choi
Sheryl Hammond

Kelly McLaughlin, General Counsel
Jim Atwell
Gail Willison
Ethan Cohen
Zachary Marks
Jim Atwell
Shaina Francis
Bill Anderson
Bobbie DaCosta
Lynn Hayes
Mary Ellen Ewing
Angela McIntosh-Davis

Guest

None

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

IT Support

Dominique Laws

The Consent Calendar was adopted upon a motion by Vice Chair Simon and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, McFarland, Nelson and Piñero.

I. CONSENT ITEMS

- A. Approval of Minutes of Regular Meeting of August 5, 2015** – The minutes were approved as submitted.

- B. Authorization to Revise HOC’s Administrative Plan to Replace a Preference for Chronically Homeless and Medically Vulnerable Persons with a Preference for Homeless Veterans and Their Families with Respect to 10 Preference for Homeless Veterans and Their Families with Respect to 10 Housing Choice Vouchers**

RESOLUTION: 15-70

RE: Authorization to Revise HOC’s Administrative Plan to Replace a Preference for Chronically Homeless and Medically Vulnerable Persons with a Preference for Homeless Veterans and Their Families with Respect to 10 Housing Choice Vouchers

WHEREAS, Montgomery County seeks the assistance of the Housing Opportunities Commission of Montgomery County (HOC) with its “Zero: 2016” Campaign to end veteran homelessness in Montgomery County by the close of 2015 and end chronic homelessness overall by the end of 2016; and

WHEREAS, HOC wishes to assist Montgomery County with this campaign by re-allocating up to 10 Housing Choice Vouchers for the chronically homeless and medically vulnerable, which are currently unused, to homeless veterans and their families who are in need of supportive services; and

WHEREAS, the Housing Opportunities Commission of Montgomery County (HOC) desires to revise its Administrative Plan for the Housing Choice Voucher Program by replacing the existing preference for up to 10 Housing Choice Vouchers to be allocated for chronically homeless and medically vulnerable persons, and instead provide this preference for up to 10 Housing Choice Vouchers to be allocated for homeless veterans and their families; and

WHEREAS, a 30-day public comment period for this proposed revision began on August 3, 2015 and concluded on September 2, 2015 with a public hearing.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves and authorizes a revision to its Administrative Plan to replace the existing preference for chronically homeless and medically vulnerable persons with a preference for homeless veterans and their families, with respect to 10 Housing Choice Vouchers.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed, without any further action on its part, to take all actions necessary and proper to accomplish the activity contemplated herein.

C. Ratification of Action Taken in Executive Session on August 5, 2015: Approval of Pursuit of Relocation Options for Elizabeth House Residents, Including the Execution of a Purchase and Sale Contract for the Acquisition of 900 Thayer Avenue and Other Related Due Diligence, and Approval for Site Plan Approval Funding in the Amount of \$600,000 for Elizabeth Square

RESOLUTION: 15-68R

RE: Ratification of Approval of Pursuit of Relocation Options for Elizabeth House Residents, Including the Execution of a Purchase and Sale Contract for the Acquisition of 900 Thayer Avenue and other Related Due Diligence, and Approval for Site Plan Approval Funding in the Amount of \$600,000 for Elizabeth Square

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly created, organized and existing under the laws of the State of Maryland, is authorized pursuant to the Housing Authorities Law, organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland (the “Act”), to carry out and 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 rental housing properties which provide a public purpose; and

WHEREAS, at a closed Executive Session duly called and held on August 5, 2015, with a quorum being present, the Commission duly adopted Resolution 15-68(ES) titled: “Approval of Pursuit of Relocation Options for Elizabeth House Residents, including the Execution of a Purchase and Sale Contract for the Acquisition of 900 Thayer Avenue and other Related Due

Diligence, and Approval for Site Plan Approval Funding in the amount of \$600,000 for Elizabeth Square; and

WHEREAS, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commissioners in adopting Resolution 15-68(ES) and any action taken since August 5, 2015 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby ratifies Resolution 15-68(ES) and any action taken since August 5, 2015 to effectuate the transaction contemplated therein.

- D. Ratification of Action Taken in Executive Session on August 5, 2015: Authorization for the Executive Director to Enter into a Grant Agreement with Victory Housing, Inc. (VHI) to Place 39 RAD Units at Victory Crossing; Admit HOC as a Member in the Victory Crossing Owner’s General Partner; Negotiate a Letter of Intent (LOI) with VHI for the Development of Bauer Park Apartments as Incentive Fee for Holly Hall RAD Relocation Housing at Victory Crossing; and Negotiate a LOI with VHI for the Development of an Investment Exchange Site in Lieu of the Investment Grant Payable to VHI for the Holly Hall RAD Relocation Housing at Victory Crossing**

RESOLUTION: 15-69R

RE: Ratification of Authorization for the Executive Director to Enter Into a Grant Agreement with Victory Housing, Inc. (VHI) to Place 39 RAD Units at Victory Crossing; Admit HOC as a Member in the Victory Crossing Owner’s General Partner; Negotiate a Letter of Intent (LOI) with VHI for the Development of Bauer Park Apartments as Incentive Fee for Holly Hall RAD Relocation Housing at Victory Crossing; and Negotiate a LOI with VHI for the Development of an Investment Exchange Site in lieu of the Investment Grant Payable to VHI for the Holly Hall RAD Relocation Housing at Victory Crossing

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

rehabilitation and/or permanent financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

WHEREAS, at a closed Executive Session duly called and held on August 5, 2015, with a quorum being present, the Commission duly adopted Resolution 15-69(ES) titled: "Authorization for the Executive Director to Enter Into a Grant Agreement with Victory Housing, Inc. (VHI) to Place 39 RAD Units at Victory Crossing; Admit HOC as a Member in the Victory Crossing Owner's General Partner; Negotiate a Letter of Intent (LOI) with VHI for the Development of Bauer Park Apartments as Incentive Fee for Holly Hall RAD Relocation Housing at Victory Crossing; and Negotiate a LOI with VHI for the Development of an Investment Exchange Site in lieu of the Investment Grant Payable to VHI for the Holly Hall RAD Relocation Housing at Victory Crossing" for the purpose of relocating some of the Holly Hall residents to Victory Crossing and authorizing the negotiation of transactions in exchange for payments to VHI;and

WHEREAS, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission in adopting the Resolution 15-69(ES) and any action taken since August 5, 2015 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Resolution 15-69(ES) and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

II. INFORMATION EXCHANGE

- A. Report of the Executive Director** – The Executive Director reported that Housing Path crossed its 20,000-person threshold. He acknowledged Ken Goldstraw, Gail Willison, Lynn Hayes and Bonnie Hodge. There is interest from other housing authorities, in particular, Fairfax County, who contacted HOC inquiring as to how the program works. The Commissioners requested a full analysis on the Wait List once the current surge goes down, and to send out "Thank You" letters to libraries and other agencies that assisted in housing system access for potential clients.
- B. Calendar and Follow-up Action** – Confirmation of Bauer (Banor) Board Meeting for September 16, 2015 and Town Center Board Meeting scheduled for October 21, 2015.
- C. Commissioner Exchange** – Chair Roman acknowledged receipt of correspondence from resident regarding Elizabeth Square thanking HOC for clarifying matters. Vice Chair Simon discussed Bill 22-15 and Councilmember Roger Berliner's concern of push back he's receiving.
- D. Resident Advisory Board (RAB)** – None

E. **Community Forum** – None

F. **Status Report** – None

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

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

1. **Authorization to Submit County FY'17-22 Capital Improvements Program (CIP) Budget**

Terry Fowler, Budget Officer and Gio Kaviladze, Financial Analyst, were presenters.

The following resolution was approved upon a motion by Commissioner McFarland and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, McFarland, Nelson and Piñero.

RESOLUTION: 15-71

**RE: Authorization to Submit County
FY'17-22 Capital Improvements
Program (CIP) Budget**

WHEREAS, the Housing Opportunities Commission of Montgomery County receives County CIP funding for ongoing CIP projects; and

WHEREAS, the Commission must submit a request for both new and renewed funding by September 9, 2015; and

WHEREAS, the Commission wishes to maintain current funding levels in the amount of \$79,057,000; and

WHEREAS, the Commission wishes to request additional funding in the amount of \$1,250,000 annually for FY'21 and FY'22 for HOC Deeply Subsidized HOC Owned Unit Improvements;

WHEREAS, the Commission wishes to request additional funding in the amount of \$7,000,000 for Preservation & Expansion of Affordable Housing at Elizabeth Square;

WHEREAS, the Commission wishes to request additional funding in the amount of \$2,000,000 for a Demolition Fund for Emory Grove Village and The Ambassador;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission authorizes staff to submit the County FY'17 – FY'22 Capital Improvements Program (CIP) Budget in the total amount of \$90,557,000 by September 9, 2015.

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

- 1. Adoption of an Authorizing Resolution for the Issuance of 2015 Series A Multifamily Housing Development Bonds and Tax-Exempt Drawings on the PNC Bank, National Association Real Estate Revolving Line of Credit or Tax-Exempt Advances under the PNC Bank, National Association Amended and Restated Committed Line of Credit Note for the Financing of the Acquisition and Rehabilitation of the Arcola Towers and Waverly House Projects**

Kayrine Brown, Chief Investment & Real Estate Officer, Jennifer Arrington, Sr. Multifamily Underwriter, and Ugonna Ibebuchi, Financial Analyst, were presenters.

The following resolution was approved upon a motion by Vice Chair Simon and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, McFarland, Nelson and Piñero.

RESOLUTION: 15-72 Re: Adoption of an Authorizing Resolution for the Issuance of 2015 Series A Multifamily Housing Development Bonds and Tax-Exempt Drawings on the PNC Bank, National Association Real Estate Revolving Line of Credit or Tax-Exempt Advances under the PNC Bank, National Association Amended and Restated Committed Line of Credit Note for the Financing of the Acquisition and Rehabilitation of the Arcola Towers and Waverly House Projects

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 2015 SERIES A BONDS (THE "2015 SERIES A BONDS") AND AUTHORIZING TAX-EXEMPT DRAWINGS ON THE PNC BANK, NATIONAL ASSOCIATION REAL ESTATE REVOLVING LINE OF CREDIT (THE "PNC RELOC TAX-EXEMPT DRAWINGS") OR TAX-EXEMPT ADVANCES UNDER THE PNC BANK, NATIONAL ASSOCIATION AMENDED AND RESTATED COMMITTED LINE OF CREDIT NOTE (THE "PNC LOC TAX-EXEMPT ADVANCES," AND COLLECTIVELY WITH THE 2015 SERIES A BONDS AND THE PNC RELOC TAX-EXEMPT DRAWINGS, THE "2015 OBLIGATIONS"), IN A TOTAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$40,000,000 FOR THE PURPOSE OF THE FINANCING OF (1) A MORTGAGE LOAN INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION AND REHABILITATION OF ARCOLA TOWERS, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY ARCOLA TOWERS RAD LIMITED PARTNERSHIP, (2) A MORTGAGE LOAN INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION AND REHABILITATION OF WAVERLY HOUSE, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY WAVERLY HOUSE RAD LIMITED PARTNERSHIP, (3) SHORT-TERM SECURED LOANS MADE

UNDER THE BELOW-DEFINED PNC REVOLVING LOAN AGREEMENT OR THE BELOW-DEFINED LOAN DOCUMENTS RELATING TO THE PNC LOC TAX-EXEMPT ADVANCES OR SUCH ADDITIONAL SHORT-TERM SECURED LOANS FINANCED WITH THE PROCEEDS OF SHORT-TERM BONDS ISSUED UNDER THE BELOW-DEFINED TRUST INDENTURE, ALL AS SHALL BE NECESSARY FOR THE FINANCING OF THE ABOVE-DESCRIBED DEVELOPMENTS; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, CERTAIN TAX-RELATED DOCUMENTS, A DISCLOSURE AGREEMENT AND ANY AND ALL REAL ESTATE 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 2015 OBLIGATIONS AND THE ACCOMPLISHMENT OF THE TOTAL 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 2015 SERIES A BONDS TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AND THE OTHER UNDERWRITERS OR TO ANY OTHER INITIAL PURCHASERS AND TO EXECUTE AND DELIVER A CONTRACT OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2015 OBLIGATIONS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2015 OBLIGATIONS; 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, long-term and short-term financing of multifamily residential housing units in the County for occupancy by persons of eligible income and to perform any other duties that the Commission considers necessary in carrying out the purposes of the Act; and

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

WHEREAS, pursuant to the Act and the Program, the Commission entered into the Trust Indenture, dated as of November 1, 1996 (the "Trust Indenture"), by and between the Commission and U.S. Bank National Association (formerly, Sun Trust Bank), 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 (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; and

WHEREAS, the Commission has determined to issue its Multifamily Housing Development Bonds, 2015 Series A pursuant to the Trust Indenture and the Series Indenture Providing for the Issuance of Multifamily Housing Development Bonds, 2015 Series A (the “Series Indenture”) and to make tax-exempt drawings on its PNC Bank, National Association Real Estate Revolving Line of Credit pursuant to the provisions of the PNC Revolving Loan Agreement (hereinafter defined) or to request tax-exempt advances under its Amended and Restated Committed Line of Credit Note, dated as of June 30, 2014 (the “PNC Line of Credit Note”), pursuant to the Loan Documents (as defined therein) [or, alternatively, to issue tax-exempt short-term Bonds, in either case, for the funding of short-term secured loans](#) (i) to make moneys available for the acquisition and rehabilitation of two developments (together, the “RAD Developments”)—Arcola Towers, to be owned and operated by Arcola Towers RAD Limited Partnership and Waverly House, to be owned and operated by Waverly House RAD Limited Partnership—each limited partnership, an entity containing a general partner wholly-controlled by the Commission, (ii) to reimburse the Commission for prior expenditures of Commission funds to finance the acquisition and rehabilitation of the RAD Developments; (iii) to make the required deposit to the Reserve Fund (as defined in the Trust Indenture) as required by the Trust Indenture and the Series Indenture; and (iv) to reimburse the Commission for prior capital expenditures, all in accordance with the financing plans approved by the Commission in connection with the RAD Developments under the separate resolutions adopted by the Commission on August 5, 2015 and in accordance with the additional financing plans set forth in this Resolution (together, the “Total Financing Plan”); and

WHEREAS, the Mortgage Loans to be financed with the proceeds of a portion of the 2015 Obligations 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 Mortgage Loans in an amount not greater than 25% of the outstanding principal balance of the Mortgage Loans; and

WHEREAS, in connection with the issuance of the 2015 Obligations and the accomplishment of the Total Financing Plan, the Commission anticipates entering into various documents, including, but not limited to the Series Indenture and, as hereinafter defined, the

Offering Documents, the Contract of Purchase, the Tax-Related Documents, the Disclosure Agreement, the Real Estate Documents and certain other documents relating to the PNC RELOC Tax-Exempt Drawings, the PNC LOC Tax-Exempt Advances, the Mortgage Loans, the short-term secured loans, the sale of the 2015 Series A Bonds, and the financing of the RAD Developments;

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

1. **2015 Obligations.** The 2015 Obligations are hereby authorized to be issued in an aggregate principal amount not to exceed \$40,000,000 to carry out the purposes under the Program as described above. Subject to the following sentence, a portion of the 2015 Obligations shall be separately designated “2015 Series A Bonds” and a portion of the 2015 Obligations will be separately designated “PNC RELOC Tax-Exempt Drawings” and/or “PNC LOC Tax-Exempt Advances.” Notwithstanding the foregoing, the Executive Director is hereby authorized to approve, in consultation with the Financial Advisor and Bond Counsel to the Commission, such greater number of 2015 Obligations to be issued in connection with the Total Financing Plan and to determine the designations therefor. The 2015 Series A Bonds are to be issued pursuant to the terms of the Trust Indenture and pursuant to the terms of the Series Indenture. The 2015 Series A Bonds shall be limited obligations of the Commission, secured by and payable solely from moneys pledged therefor under the Indenture. The PNC RELOC Tax-Exempt Drawings will be made in accordance with the provisions of the Revolving Loan Agreement, dated as of July 1, 2014, by and between the Commission and PNC Bank, National Association (the “PNC Revolving Loan Agreement”). The PNC LOC Tax-Exempt Advances will be made in accordance with the provisions of the PNC Line of Credit Note and the related Loan Documents.

2. **Approval of Total Financing Plan.** The Commission hereby approves the Total 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 are hereby authorized and directed to execute and deliver the Series Indenture in such form as shall be approved by such officers, the execution of such Series Indenture being conclusive evidence of such approval and of the approval of the Commission, and the Secretary-Treasurer of the Commission, or any other authorized officer of the Commission (an “Authorized Officer”), is hereby authorized and directed to affix the seal of the Commission to the Series Indenture and to attest the same.

4. **Tax-Related Documents.** The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver a Tax Regulatory Agreement and No Arbitrage Certificate and other documents (collectively, the “Tax-Related Documents”) restricting the application of the proceeds of the 2015 Obligations and the use and occupancy of the RAD Developments 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-G relating to the 2015 Obligations 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 Series 2015 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. **Mortgage Loans; Real Estate Documents.** The Commission hereby authorizes and approves the financing of the Mortgage Loans with the proceeds of a portion of the 2015 Obligations 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 Mortgage Loans in an amount not greater than 25% of the outstanding principal balance of the Mortgage Loans. The Commission hereby authorizes and approves the financing of the short-term loans to be financed with the PNC RELOC Tax-Exempt Drawing, the PNC LOC Tax-Exempt Advance and/or the short-term tax-exempt Bonds. 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 rehabilitation of the RAD Developments, in its capacity as issuer of the 2015 Obligations and in its capacity as general partner of each of the limited partnership owners of the RAD Developments.

7. **Offering Documents.** The Commission hereby authorizes and approves the preparation and distribution of one or more preliminary offering documents of the Commission and the preparation, execution and distribution of one or more final offering documents (collectively, the "Offering Documents"), each relating to the 2015 Series 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 2015 Series 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 2015 Series A Bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated and such other underwriters 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 sale to the initial purchasers of the 2015 Series 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 (a) the 2015 Series A Bonds, (b) the PNC RELOC Tax-Exempt Drawing, and (c) the PNC LOC Tax-Exempt Advance, all of the foregoing to be specified, as applicable, in the Series Indenture, the PNC Revolving Loan Agreement and/or the PNC Line of Credit Note and the related Loan Documents. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, is hereby authorized, from time to time during the period the 2015 Obligations are outstanding, to make ongoing determinations, as may be required by the terms of the Series Indenture, the PNC Revolving Loan Agreement, the PNC Line of Credit Note and the related Loan Documents and any other financing documents relating to the 2015 Obligations, the RAD Developments, the Mortgage Loans, the short-term secured loans and any additional loans, including, but not limited to, the giving and withholding of consents, the selection of certain providers, the determination to permit the prepayment of the Mortgage Loans or the short-term secured loans and the refunding and redemption of the 2015 Obligations 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 2015 Obligations and the accomplishment of the Total Financing Plan.

12. **Appointment of Financial Advisor and Bond Counsel.** Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the 2015 Obligations.

13. **No Personal Liability.** No stipulation, obligation or agreement herein contained or contained in the 2015 Obligations, the Series Indenture, the Contract of Purchase, the Tax-Related Documents, the Offering Documents, the Real Estate

Documents, the Disclosure Agreement the PNC Revolving Loan Agreement, the PNC Line of Credit Note and the related Loan Documents, the Mortgage Loans, the short-term secured loans or in any other agreement or document executed on behalf of the Commission in its capacity as issuer of the 2015 Obligations or in its capacity as general partner of each of the limited partnership owners of the RAD Developments, 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 2015 Obligations 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 2015 Obligations and the accomplishment of the Total 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.

2. Approval of Interim Financing Plan and Authorization to Accept Loan from BB&T Bank for Greenhills Apartments to Repay the PNC Bank, N.A. Real Estate Line of Credit (RELOC)

Kayrine Brown, Chief Investment & Real Estate Officer, Jennifer Arrington, Sr. Multifamily Underwriter, and Ugonna Ibebuchi, Financial Analyst, were presenters. At the request of the Commissioners the original title of "Approval of Interim Financing Plans and Authorization to Accept Loans from BB&T Bank for Alexander House Development Corporation and Greenhills Apartments to Repay the PNC Bank, N.A. Real Estate Line of Credit (RELOC)" was amended to separate the Alexander House Development Corporation as an individual entity. Resolutions, 15-73a was deleted.

The following resolution was approved, as revised, upon a motion by Commissioner Piñero and seconded by Commissioner McFarland. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, McFarland, Nelson and Piñero.

RESOLUTION: 15-73

RE: Approval of Interim Financing Plan and Authorization to Accept Loan from BB&T Bank for Greenhills Apartments, to Repay the PNC

**Bank, N.A. Real Estate Line of Credit
(RELOC)**

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

WHEREAS, Greenhills Apartments (the “Property”) is a 78-unit apartment and townhome community located at 10560 Tralee Terrace in Damascus, Maryland which was acquired by the Housing Opportunities Commission of Montgomery County (the “Commission”) in 1998; and

WHEREAS, on March 7, 2012, the Commission approved a Preliminary Development Plan to renovate and refinance the Property; and

WHEREAS, on May 28, 2014, the Commission approved obtaining a line of credit with a limit of \$90 million, the Real Estate Line of Credit (the “RELOC”) from PNC Bank, N.A. (PNC), for the purpose of providing short-term financing for certain costs of the pre-development, rehabilitation, and acquisition of multifamily properties; and

WHEREAS, the Commission’s financial resources are being managed to optimize use and to ensure funding is available to support its real estate initiatives; and

WHEREAS, on November 14, 2014, a tax-exempt draw on the RELOC was made in the amount of \$4,200,000 to retire the mortgage on the Property; and

WHEREAS, on August 5, 2015, the Commission approved the financing strategy for Arcola Towers RAD Limited Partnership and Waverly House RAD Limited Partnership which involve draws on the RELOC for no more than \$7.5 million and \$15 million, respectively; and

WHEREAS, part of the Financing Plans for Arcola Towers RAD Limited Partnership and Waverly House RAD Limited Partnership involves reducing the outstanding balance on the RELOC by the end of September 2015 prior to making the necessary RELOC draws for Arcola Towers and Waverly House in or around November 2015; and

WHEREAS, the reduction on the RELOC will involve interim financings for the Property (the “Interim Financing Plan”) and Alexander House which are both slated for rehabilitation within the next two to three years; and

WHEREAS, as part of the Interim Financing Plan for the Property, the Commission obtained a loan proposal from BB&T Bank for a tax-exempt loan of \$4,200,000 plus the amount of associated costs of financing that will bear interest at a fixed interest rate of approximately

1.89% for 12 months and a floating interest rate for up to an additional 12 months, with a break-funding penalty based on prevailing interest rates.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby approves the Interim Financing Plan to accept a tax-exempt loan from BB&T Bank in an amount not to exceed \$4,500,000 in order to repay PNC for the prior draw on the RELOC benefitting Greenhills Apartments and fund related transaction costs.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, without further action on its part, hereby authorizes and directs the Executive Director to act as its authorized representative to execute all Interim Financing Plan loan documents on its behalf, and to take any and all other actions necessary and proper to carry out the transactions contemplated herein including, but not limited to, the execution of any and all other documents related thereto.

3. Authorization to Grant United Therapeutics Corporation a Right to Operate a Crane Swing Over the Montgomery Arms Property and to Execute a Crane Overswing Agreement and other Documents Relating Thereto

Kayrine Brown, Chief Investment & Real Estate Officer, and Richard Hanks, Housing Acquisitions Manager, were presenters.

The following resolution was approved upon a motion by Vice Chair Simon and seconded by Commissioner Hatcher. Affirmative votes were cast by Commissioners Roman, Simon, Hatcher, McFarland, Nelson and Piñero.

RESOLUTION: 15-74

RE: Authorization to Grant United Therapeutics Corporation a Right to Operate a Crane Swing over the Montgomery Arms Property and to Execute a Crane Overswing Agreement and other Documents Relating Thereto

WHEREAS, Montgomery Arms Development Corporation (the "Development Corporation") owns and operates a 129-unit building in Silver Spring at 8627 Fenton Street known as Montgomery Arms Apartments; and

WHEREAS, the Housing Opportunities Commission of Montgomery County Maryland (HOC) is the sole member of the Development Corporation; and

WHEREAS, Montgomery Arms Apartments provides opportunity housing at or below 90% of area median income and Project-based Section 8 units for residents at or below 30% of area median income; and

WHEREAS, financing for Montgomery Arms Apartments is funded by a first lien priority loan from HOC which was funded by the proceeds of tax-exempt governmental bonds issued by HOC; and

WHEREAS, United Therapeutics Corporation proposes to build a new office building on the land immediately east of Montgomery Arms Apartments on Montgomery County Parking Garage #29 (the "Office Building"); and

WHEREAS, to construct this new office building, United Therapeutics Corporation would need to mobilize a crane which would swing over the Montgomery Arms Apartments; and

WHEREAS, United Therapeutics Corporation is requesting that the Development Corporation enter into a Crane Swing Agreement (the "Agreement") to permit the use of the crane over the Montgomery Arms Apartment during the construction period, and HOC has reviewed and modified the Agreement ; and

WHEREAS, United Therapeutics Corporation has agreed to provide \$5,000 to the Development Corporation to cover legal costs associated with preparing and negotiating the Agreement.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity as a lender, and for and on behalf of Montgomery Arms Development Corporation, that the Executive Director is authorized to enter into direct negotiations with United Therapeutics Corporation and to execute the Crane Swing Agreement.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Montgomery Arms Development Corporation, authorizes and directs the Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to consummate the transactions contemplated herein, including the execution of any other documents related thereto.

IV. ITEMS REQUIRING DELIBERATION and/or ACTION

A. None

V. FUTURE ACTION ITEMS

None

VI. INFORMATION EXCHANGE (CONT'D)

None

VII. NEW BUSINESS
None

VIII. EXECUTIVE SESSION FINDINGS
None

The meeting recessed at 5:09 p.m. for a meeting of the Board of Alexander House Development Corporation.

The Housing Opportunities Commission meeting reconvened at 5:10 p.m. to adjourn for an Executive Session called for the purpose of considering matters related to consultation with counsel for legal advice and personnel matter. Based upon this report and there being no further business to come before this session of the Commission, a motion was made, seconded and unanimously adopted to adjourn.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

APPROVAL OF REVISED INTERNAL AUDIT POLICY and INTERNAL AUDIT PROCESS AND PROCEDURE


October 7, 2015

- In the late 1990s, the Housing Opportunities Commission created the position of Internal Auditor.
- With the creation of the position, the Commission approved an Internal Audit Policy.
- The attached document is a revision of the Policy.
- When the Internal Auditor position was created, a policy was established but not a procedure. The Internal Audit Process and Procedure is attached.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Jim Atwell, Internal Auditor  Division: Executive Ext. 9426

RE: Approval of Revised Internal Audit Policy and Internal Audit Process and Procedure

DATE: October 7, 2015

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

Approval of the revised Agency's Internal Audit Policy and provide the Commission a copy of the Internal Audit Process and Procedure

BACKGROUND:

In the late 1990s, the Housing Opportunities Commission created the position of Internal Auditor. With the creation of the position, the Commission approved an Internal Audit Policy. The attached document is a revision of the Policy.

When the Internal Auditor position was created a policy was written, but a procedure never was. The attached document is the Internal Audit Process and Procedure.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve the revised Internal Audit Policy and the Internal Audit Process and Procedure?

PRINCIPALS:

None

BUDGET IMPACT:

None

TIME FRAME:

Action at the Commission meeting of October 7, 2015

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends the Commission approve the revised Internal Audit Policy and the Internal Audit Process and Procedure

HOUSING OPPORTUNITIES COMMISSION INTERNAL AUDIT POLICY

The primary purpose of the Internal Auditor is to provide objective and professional evaluation of Commission activities to assist management in controlling areas of responsibilities and to ensure that Commission policies and procedures are followed to accomplish stated objectives.

Responsibility: The Internal Auditor is responsible for providing the Executive Director and Commission information about the adequacy and effectiveness of internal controls, compliance with established regulations, and the quality of financial and operational information. To accomplish this responsibility, all Housing Opportunities Commission activities are subject to audit. The Internal Auditor will conduct internal audits, reviews and studies to:

determine if the internal controls contained in the policies and procedures of the Housing Opportunities Commission adequately protect Commission resources,

monitor Housing Opportunities Commission compliance with applicable federal, state, and county regulations generally accepted accounting principles and Commission policy; and

evaluate the quality of financial and operating information.

Audit Standards: Internal audits will be conducted in accordance with Statements on Internal Auditing Standards (SIAS) supplemented by Government Auditing Standards (the Yellow Book) for federal programs.

Reporting: Results of all internal audits will be reported to the Executive Director and the Budget, Finance & Audit Committee. Internal audit report presentations will normally be a part of the regular Budget, Finance & Audit Committee agenda. Findings of a significant nature such as misconduct, gross negligence, or a material loss of Commission assets will be reported to the Executive Director, Chair of the Commission and Chair of the Budget, Finance & Audit Committee without delay.

A summary of all internal audits, studies, or reviews performed by the Internal Auditor will be reported to the Budget, Finance & Audit Committee and Executive Director on a quarterly basis.

Communication with the Commission: Generally requests by the Commission for internal audits will be made through the Chair of the BF&A Committee or the Commission Chair. The Internal Auditor will have free and direct access to the Commission. The Internal Auditor will participate in the quarterly meetings of the Budget, Finance & Audit Committee. At the discretion of the Committee, but at least annually, the Internal Auditor will meet alone with the Committee and Commission. The Internal Auditor may communicate directly with the Committee, members of the Committee, or individual members of the Commission on subjects directly related to internal controls or internal audits.

Dissemination of Internal Audit Information: Dissemination of internal audit reports is subject to the provisions of the Maryland Public Information Act. However, under the law, some information that might be contained in internal audit reports would not be subject to public scrutiny. Internal audit reports may, for example, contain proprietary records from contractors or personal information concerning residents or staff, or other investigative data which would not be otherwise available in litigation. The Commission has a duty to protect that material from unauthorized disclosure for the benefit of its employees, clients and contractors. Further, working papers, staff notes, and oral communications are not subject to disclosure under the law. In order to comply with the law and to provide for the security of this information, following has been established

1. Internal audit reports or portions thereof will be released to external organizations or individuals only upon proper application pursuant to the Maryland Public Information Act, after review of the materials requested to determine if, and what part of, the record is subject to disclosure under the law and only with the prior express consent of the Chair of the Budget, Finance & Audit Committee and Commission Chair.

2. Internal audit reports or portions thereof may also be released to external organizations or individuals at the discretion of the BF&A Committee Chair or the Commission Chair so long as their release doesn't compromise proprietary information about contractors or personal information concerning clients or staff.

3. Distribution of internal audit reports or portions thereof within the Housing Opportunities Commission will be at the discretion of the Executive Director.

The provisions of this section apply to all internal audit reports.

Approved: _____
Chair, Budget, Finance & Audit Committee

Date: _____

**Housing Opportunities Commission
Internal Audit Process and Procedure**

Overview

The Internal Auditor's primary activity is the implementation of a program of regular audits of the Agency's business operations, as outlined below. However, the complete range of services provided by the Internal Auditor may also include special projects and consultations as directed by the Commission and Budget, Finance and Audit Committee.

- a) **Operational Audits**: Operational audits consist of critical reviews of operating processes and procedures and internal controls that mitigate area specific risks. These audits examine the use of resources to determine if they are being used in the most effective and efficient manner to fulfill the Agency's mission and objectives.
- b) **Compliance Audits**: These audits determine the degree to which areas within the Agency adhere to mandated Federal, State and County policies and practices. Other regulatory agencies are also included within compliance audits. Recommendations usually require improvements in processes and controls used to ensure compliance with regulations.
- c) **Financial Audits**: These audits review accounting and financial transactions to determine if commitments, authorizations and the receipt and disbursement of funds are properly and accurately recorded and reported. This type of audit also determines if there are sufficient controls over cash and other assets and that there are adequate process controls over the acquisition and use of resources. Unlike external financial audits, internal financial audits do not prepare or express professional opinions on the financial statements' fairness.
- d) **Investigative audits**: These audits are conducted to identify existing control weaknesses, assist in determining the amount of loss and recommending corrective measures to prevent additional losses. The Internal Auditor will also work with outside agencies to determine if misconduct occurred at the Agency. These types of investigations can encompass misuse of Agency funds or assets, fraud or potential conflicts of interest.
- e) **Technology Audits**: Technology audits are usually comprised of control reviews of disaster recovery plans, system back up procedures and the general security of data and of the physical plant. The purpose of these audits is to evaluate the accuracy, effectiveness and efficiency of the Agency's electronic and information processing systems.

AUDIT PROCESS

Conduct of the Audit Process

Although every audit project is unique, the audit process is similar for most engagements and usually consists of eight stages. Through these stages, the Internal Auditor will determine ways to minimize risks and increase efficiencies within the area. Client involvement is critical at each stage of the audit process. An audit will result in a certain amount of time being diverted from area personnel's usual routine. One of the key objectives is to minimize this time and avoid disrupting on-going activities.

- a) **Plan**: The Internal Auditor will develop an audit plan based on a review of all pertinent information. Sources may include, but are not limited to, a risk assessment, internal and external evaluations and management guidance.
- b) **Notify**: The Internal Auditor will advise the Executive Director of the pending audit and schedule a meeting with the Division Director and the senior staff of the process to be audited. Identify the scope and objectives of the audit, how long it is expected to last and what the responsibilities for all parties are in the audit process. Any factors that may impact the audit should be raised at this time. Factors include vacations, fiscal year end reporting requirements, etc.
- c) **Test**: Testing will include interviews with the staff, review of procedures and manuals, compliance with the Agency's policies and governmental laws and regulations and assessing the adequacy of internal controls.
- d) **Communicate**: Keep the department that is undergoing the audit updated on the status of the audit on a regular basis especially if there are any findings. There may be instances where the findings can be addressed immediately.
- e) **Draft**: The report draft will include the audit Scope and Objectives, Summary and Opinion, Findings and Audit Recommendations.
- f) **Management Response**: The Executive Director will receive the audit draft and decide who in Management should confirm the facts and respond to the Audit Recommendations. Their response should assign the responsibility and have a specific target date of completion for the corrective actions. The time window for the Management Response is normally 21 calendar days.
- g) **Distribute**: The report is then released to the audited department and the Executive Director. It is also released to the Budget, Finance and Audit Committee as part of the agenda at the quarterly meetings as requested.
- h) **Verify**: The Internal Auditor will normally conduct a follow up on the Management Responses to the audit Findings and Recommendations within a reasonable time frame. This subsequent review will be discussed with the involved management and the comments published. The comments may also be released to the Budget, Finance and Audit Committee as part of the agenda at the quarterly meetings.

AUDIT PROCEDURE

Evidential Matter

Evidential matter obtained during the course of fieldwork provides the documented basis for the auditor's opinions, observations and recommendations as expressed in the auditor's opinions, observations and recommendations as noted in the audit report. The Internal Auditor is obligated by professional standards to act objectively, exercise due professional care and collect sufficient and relevant information to provide a sound basis for audit observations and recommendations.

The auditor must obtain all evidence necessary for the effective completion of the audit. The decision on how much evidence is enough and what type to seek requires the exercise of the auditor's judgment based on experience, education and intuition. A thorough knowledge of the concepts underlying audit evidence will help the auditor to improve the audit quality and efficiency of the process.

Standards for the Professional Practice of Internal Auditing require that work papers possess certain attributes to provide a sound basis for audit observations and opinions and to be considered as evidential matter. These attributes are:

- a) Sufficient information is factual and adequate so that a prudent, informed person would reach the same conclusions as the auditor,
- b) Information is reliable and the best attainable through use of appropriate audit techniques,
- c) Relevant information supports audit findings and recommendations and is consistent with the audit objectives for the audit,
- d) Useful information helps the organization meet its goals. It also provides a reference for the preparer when called upon to answer questions.

Types of evidence

If the evidence supports the basic test of sufficiency, competence and relevance, it may be used to support the auditor's findings. The following outlines the different types of evidence obtained during the course of an audit:

- a) **Physical evidence** - Obtained through observation and inquiry,
- b) **Testimonial evidence** - Based on interviews and statements from involved persons,
- c) **Documentary evidence**-Consists of legislation, reports, minutes, memoranda, contracts, extracts from accounting records, formal charts and specifications of documentation flows, systems design, operational and organizational structure,
- d) **Analytical evidence** - Secured by analysis of information collected by the auditor.

AUDIT PROCEDURE

Documentation of Evidential Matter

Standards for the Professional Practice of Internal Auditing require that audit work papers reflect the details of the evidence upon which the auditor has relied. The Internal Auditor must maintain adequate documentation of the audit, including the basis and extent of planning, the work performed and the results and findings of the audit. This will allow the work papers to serve both as tools to aid the auditor in performing their work and as written evidence of the work done to support the auditor's report. Information included in work papers should be sufficient and relevant to provide a sound basis for audit findings and recommendations.

In the process of collecting evidential matter, the auditor is required to perform audit testing to support all observations and opinions. During the performance of such testing, the auditor is not required to test the population in its entirety. Audit sampling may be employed. Audit sampling is performing an audit test on less than 100% of a population. In "sampling", the auditor accepts the risk that some or all errors will not be found and the conclusions drawn (i.e. all transactions were proper and accurate) may be wrong. The type of sampling used and the number of items selected should be based on the auditors understanding of the relative risks and exposures of the areas audited.

RESOLUTION: 15-75

**Re: Approval of Revised Internal Audit Policy
and Internal Audit Process and Procedure**

WHEREAS, in the late 1990s, the Housing Opportunities Commission created the position of Internal Auditor; and

WHEREAS, with the creation of the position, the Commission approved an Internal Audit Policy; and

WHEREAS, when the Internal Audit position was created a policy was written, but a procedure never was.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves a revision to the Internal Audit Policy to replace the existing Policy.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the Internal Audit Process and Procedure.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on October 7, 2015.

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Patrice Birdsong
Special Assistant to the Commission

Information Exchange



Report of the Executive Director

Stacy L. Spann

October 7, 2015

HOC Housing Path

The numbers continue to grow for HOC Housing Path. As of Thursday, September 24, 2015, we had received 22,118 completed applications. The HOC hotline remains busy with calls and emails from people who have questions or need help. It is a testament to the demand for more affordable housing in Montgomery County.

Real Estate Development

Westbard Sector Plan

On Thursday, September 24, 2015, the Montgomery County Planning Board held a public hearing on the Westbard Sector Plan which would allow redevelopment of the Westwood Shopping Center in Bethesda.

Commissioner Jackie Simon and Jay Shepherd, Senior Financial Analyst, testified and requested the Planning Board approve staff's recommendation to maintain the property's 75-foot height limit. Shepherd told the Planning Board the 75-foot height would make possible a new affordable housing project that could include at least 140 units.

As Commissioner Simon pointed out, that area currently has only 43 units that are considered affordable. HOC's wait list numbers show a great need for quality affordable housing and this project could be an opportunity to help hundreds of people.

Resident Services

2015 Health Fair

On Saturday, September 26, 2015, the Leadership Tomorrow team hosted the 2nd Annual HOC Health Fair at Montgomery College's Charlene R. Nunley Building located in Silver Spring, MD. Approximately 284 people attended the free event.

Licensed medical staff administered a variety of health tests including blood pressure, dental and eye exams, flu shots and performed lab work to check glucose and cholesterol levels. There were more than 25 vendors offering information on such topics as smoking cessation, glaucoma testing, nutrition, body fat screening, portion control, estate planning and diabetes.

The Health Fair featured several interactive displays including the virtual colon. Participants could walk through a colon and learn about its functions, characteristics and potential maladies. Doctors were present to discuss any colon concerns and answer questions from people after they exited the virtual colon.



FSS Graduation

Next month, after years of hard work, about 40 people will graduate from the Family Self-Sufficiency program. The event serves as a launching pad for graduates. Each one worked with a case manager to develop careers, achieve financial independence, and build assets and progress toward home ownership. After reaching their initial goals, these graduates are now ready to tackle new challenges and continue to climb the ladder of success.

HOC will celebrate their achievements during the graduation ceremony on Thursday, October 29, 2015 at the Silver Spring Civic Building located at 1 Veterans Place in Silver Spring, MD. The event will start at 6:00 p.m. Invitations will be delivered soon and I hope you can attend this special celebration.

Property Management

Stewartown Homes

I'm proud to announce that Stewartown Homes in Gaithersburg was chosen by the Property Management Association (PMA) as a winner of the 2014 PACE Awards and was to be featured in the September issue of PMA's monthly magazine.

The award reflects our dedication and commitment to serving our residents and providing families with quality affordable housing. The PMA magazine article highlights recent upgrades made to Stewartown Homes including new mailboxes, awnings, trees, handrails and asphalt work. The management team at Stewartown Homes is currently renovating a community center which is used for many resident programs including a summer camp and homework club for children.

The PACE Awards judges were impressed with the property team's dedication to high standards and the caring spirit they show to residents.

Mortgage Finance

HUD-FFB Risk Sharing Program

During the August 2015 meeting, the Board of Commissioners approved staff's request to apply for permission to participate in the U.S. Department of Housing and Urban Development and Federal Financing Bank (HUD/FFB) Risk Sharing program through a new agreement.

On Wednesday, September 16, 2015, staff received notice that HOC was given authorization to participate and begin submitting transactions to the program. While the program is initially designed to finance permanent loans only, it is expected to expand to fund construction loans as well.

HOC has submitted 11 properties with a total of 1,945 units as potential funding candidates in the approximate amount of \$279 million. Participation in this program will enable HOC to continue to fund its affordable housing initiative at favorable interest rates and fully utilize the FHA Risk Sharing program in which it has participated since 1994.

Housing Resources

New Landlord Briefings

Housing Resources began offering Landlord Briefings on Monday, September 14, 2015. These informative meetings will be held every second and third Monday of each month. Currently, 59 landlords have confirmed their attendance to one of HOC's new Landlord Briefings for the month of September.

The purpose of these monthly meetings is to educate and update landlords about the provisions of the Housing Assistance Payments Contract and their responsibilities as a Housing Choice Voucher landlord. HOC staff will also use this time to execute HAP contracts and network with landlords. These briefings are a great opportunity to better connect with landlords and maintain an open dialogue.

HOC Academy

Building Trades Construction Course



Robert Hooten leads class

HOC Works, a component unit of HOC Academy, recently completed a four week course for adults seeking careers in the building trades' fields. The class was designed to provide pre-apprenticeships for clients seeking to pursue a career in plumbing, cabinetry, painting, carpentry and construction. The class was led by Robert Hooten, President of Capital Building Partners. Mr. Hooten brought in a host of contracting consultants to provide expertise in the various trade fields. Ten participants received certifications in adult first aid/CPR and OSHA 10 standards, and have the option of pursuing a certification in Lead Abatement as well. The Building Trades Construction Course is the latest successful partnership with Capital Building Partners.

A Wider Circle Job Prep Boot Camp

A Wider Circle has partnered with HOC Academy to host a week-long Job Prep Boot Camp. The intensive workshop focuses on resume writing, career path identification and job advancement.

After completing the program, participants will be paired with a job coach for one year to receive assistance in securing a career in their desired field. HOC Academy will hold two information sessions next month: Monday, October 5, 2015 at the Silver Spring Customer Service Center and Thursday, October 8, 2015 at HOC's Kensington office.

Youth STEAM Activities

The West Point Center for Leadership and Diversity in STEAM is partnering with HOC Academy to offer a new class to middle students. They have the opportunity to participate in a one day, hands-on robot engineering and programming workshop on Saturday, October 24, 2015 at HOC's Kensington office.

Parents are also encouraged to participate. A separate one-hour workshop will be offered to parents to show them the various STEAM programs offered by West Point Military Academy and the Army Research Lab.

Social Media



Screen shot of HOC Academy's Facebook page.

You can now like, follow, tweet and share HOC Academy news and events posted on social media. HOC Academy recently launched pages on [Twitter](#), [Facebook](#) and [Instagram](#). Please check out their pages by clicking on the social media network.

Adult Education and Workforce Development (AEWD) Program

HOC's partnership with Montgomery College is making a difference in people's lives. In the past year, HOC Academy has provided tuition and/or textbook assistance to 18 residents attending Montgomery College. That number will increase with 10 more students receiving assistance with classes in the Fall 2015 and Winter 2016 semesters.

Our partnership is expanding to include more programs offered at Montgomery College. HOC Academy hosted an orientation on Wednesday, September 16, 2015 at East Deer Park for residents interested in obtaining a Certificate for Apartment Maintenance Technician (CAMT). The course will help people improve their English, math and reading skills as they learn how to repair and maintain electrical systems, plumbing, HVAC and the interiors and exteriors of apartment buildings.

Securing Financial Aid is crucial for residents who want to further their education. That's why HOC Academy will hold a Financial Aid Workshop on Wednesday, September 30, 2015 at the Gaithersburg Customer Service Center. Residents will learn what materials they need and how to submit the Free Application for Federal Student Aid (FAFSA). They will also hear about scholarships, grants and other financial aid resources.

Legislative and Public Affairs

Meeting with Councilmember Berliner

On Friday, September 11, 2015, Commissioner Simon, Scott Ellinwood and I met with Councilmember Roger Berliner, his staff and DHCA Director Clarence Snuggs to discuss Bill 22-15.

Councilmember Berliner drafted Bill 22-15 to initiate the creation of a single-stop website to provide real-time inventory and opportunities for those seeking affordable housing across all types of programs.

His desire to simplify the process for those seeking affordable housing is very much in line with the design of HOC Housing Path. We had a good discussion of the possibility of how to apply the HOC Housing Path concept to other County programs, such as MPDUs and also offerings from other non-profit developers.

Councilmember Berliner has decided to hold Bill 22-15 for the foreseeable future as HOC advises and works with other stakeholders to refine this process across a broader spectrum of programs.

Meeting with Congressman Van Hollen

On September 30, 2015, Scott Ellinwood and I met with Congressman Chris Van Hollen on Capitol Hill to provide an update on our efforts relating to VASH vouchers and the HOC Housing Path wait list. The Congressman and his staff are very pleased with our efforts and had many questions about the wait list and possibilities for innovative ways to leverage the system. Congressman Van Hollen also noted his enthusiasm and support for HOC Academy STEAM initiatives over the summer.

Town Hall Meeting

The next Town Hall Meeting will be held on Monday, November 2, 2015 in the cafeteria of Takoma Park Middle School at 7611 Piney Branch Road in Silver Spring, MD. The meeting is in Montgomery County Council District 5 and will begin at 6:30 p.m. The November Town Hall Meeting will be the final one for 2015.

HOC Executive Staff will share important information about our programs and wait list. It is a great opportunity for residents, neighbors and public officials to learn what's happening and what's ahead at HOC.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

October 2015

2	Development and Finance Committee Meeting (Special Session)(Simon, McFarland, Nelson) <i>(Rescheduled)</i>	10:00 a.m.
7	HOC Regular Meeting <i>(All)</i>	4:00 p.m.
7	Executive Session <i>(All)</i>	5:00 p.m.
15-17	NAHRO National Conference <i>(Los Angeles, CA)</i>	
16	Status/Lunch Meeting w/Executive Director <i>(All)</i> – <i>(Potomac Grill, The Talbot Center, 1093 Rockville Pike, Rockville, MD 20852)</i>	12:00 noon
19	Resident Advisory Board	7:00 p.m.
20	Budget, Finance and Audit Committee Meeting <i>(Roman, Piñero, Nelson)</i>	10:00 a.m.
21	Town Center Board Meeting <i>(Simon)</i> <i>(HOC-Hearing Room, 10400 Detrick Ave.)</i>	2:30 p.m.
23	Development and Finance Committee Meeting <i>(McFarland, Nelson, Simon)</i>	9:30 a.m.
26	Agenda Formulation <i>(Roman, Hatcher)</i>	12:00 noon
29	FSS Graduation Ceremony <i>(All)</i> – <i>(Silver Spring Civic Center, 1 Veterans Place, Silver Spring, MD 20910)</i>	6:00 p.m.

November 2015

2	Town Hall Meeting <i>(All)</i> <i>(Takoma Park Middle School, 7611 Piney Branch Rd., Silver Spring, MD 20910)</i>	6:30 p.m.
4	Budget, Finance and Audit Committee Meeting <i>(Roman, Piñero, Nelson)</i>	2:00 p.m.
4	HOC Regular Meeting <i>(All)</i>	4:00 p.m.
4	Executive Session <i>(All)</i> <i>(if needed)</i>	5:00 p.m.
13	Development and Finance Committee Meeting <i>(McFarland, Nelson, Simon)</i>	9:30 a.m.
16	Agenda Formulation <i>(Roman, Hatcher)</i>	12:00 noon
16	Resident Advisory Board <i>(Vacant)</i>	7:00 p.m.
17	Legislative and Regulatory Committee Meeting <i>(Vacant, Hatcher, Simon)</i>	2:00 p.m.
26-27	Thanksgiving Holiday <i>(HOC Offices Closed)</i>	

December 2015

2	Longevity Awards Reception	3:00 p.m.
2	Longevity Awards Presentation	4:00 p.m.
2	HOC Regular Meeting <i>(All)</i>	4:30 p.m.
8	Budget, Finance and Audit Committee Meeting <i>(Roman, Piñero, Nelson)</i>	10:00 a.m.
11	Status/Lunch Meeting w/Executive Director <i>(All)</i> – <i>Location TBD</i>	12:00 noon
18	Development and Finance Committee Meeting <i>(McFarland, Nelson, Simon)</i>	9:30 a.m.
25	Christmas Holiday <i>(HOC Offices Closed)</i>	

Activities of Interest

Hearing Board

TBD	Joint Meeting with Commission on People with Disabilities
TBD	Property Tour III

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-14-07	Fall 2015	Procurement Policy & Personnel Policy	KM-BA/PM	
TD-15-01	Fall 2015	Property Tour – 669 Properties (Renovated Units) to include Westwood Towers	KB/PB	

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

ACCEPTANCE OF FOURTH QUARTER FY'15 BUDGET TO ACTUAL STATEMENTS

October 7, 2015

- **The Agency ended the year with a surplus of \$753,678.**
- **The Multifamily Bond Fund has a surplus of \$44,199 which will be escrowed and rolled forward to the Multifamily Bond Fund in the FY'16 First Quarter Budget Amendment. The budgeted bond draw will be adjusted down accordingly.**
- **The Single Family Bond Fund has a remaining surplus of \$195,610 which will be escrowed and rolled forward to the Single Family Bond Fund in the FY'16 First Quarter Budget Amendment. The budgeted bond draw will be adjusted down accordingly.**
- **At the end of the year, several of the unrestricted properties in the Opportunity Housing Fund exceeded budget expectations; however, the overall recognizable cash flow to the Agency did not meet budget due to shortfalls in the majority of the unrestricted properties.**
- **The Public Housing rental program ended the year with a surplus of \$878,337 which will be restricted to the program at the property level.**
- **The Housing Choice Voucher (HCV) Program ended the year with an administrative surplus of \$704,237 which will be restricted to the program for future administrative deficits.**
- **Recommendation for use of the FY'15 surplus:**
 - **Staff is recommending that 50% or \$376,839 be restricted to the General Fund Operating Reserve to help fund new initiatives that will be discussed with the Commission over the next 60 days. Should the new initiatives not be approved by the Commission, the restriction of funds to the GFOR will be re-evaluated at the December 2015 Budget, Finance, and Audit Committee meeting.**
 - **Staff further recommends that 50% or \$376,839 be restricted to the OHPR to help fund the shortfall for capital needs that can be expected during the FY'17-18 budget season.**

DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the fourth quarter of FY'15 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

HOC overall (see Attachment A)

Please note the Agency's Audited Financial Statements are presented on the accrual basis which reflects non-cash items such as depreciation and the mark-to-market adjustment for investments.

The Commission approves the Operating Budget at the fund level based on a modified accrual basis which is similar to how other governmental organizations present their budgets. The purpose is to ensure that there is sufficient cash income and short-term receivables available to pay for current operating expenditures.

The Commission approves the revenue and expenses and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'15 Fourth Quarter Capital Budget to Actual Comparison.

The Agency ended the year with a net cash surplus of \$753,678 which equates to .30% of the total operating budget and .47% of the total operating budget less Housing Assistance Payments (HAP). The primary contributors to this positive variance were lower than anticipated adjusted expenses in the General Fund (see General Fund) as well as additional Housing Choice Voucher (HCV) administrative fees, based on a higher pro-ration factor, coupled with savings in the administrative costs of the program which eliminated the projected deficit in the program (see Public Fund).

Explanations of major variances by fund

The General Fund consists of the basic overhead costs for the Agency. This fund ended the year with a deficit of \$772,468, which resulted in a positive variance of \$300,593 when compared to the projected deficit of \$1,073,061. As of June 30, 2015, income in the General Fund was \$763,424 more than budget and expenses were \$462,831 more than budget.

A primary contributor to the variances in both income and expenses was related to the Asset Repositioning Fees received from Public Housing to reimburse the Agency for start-up costs related to the Section 18 Disposition of the Public Housing scattered site units. The fees were reflected as income in the General Fund; however, the majority of the fee income or \$669,837 was transferred to the Opportunity Housing Reserve Fund (OHRF) to repay the advances that were drawn to cover the expenses from prior years. If the impact of the fees related to prior years was removed, there would have been a positive variance in both income and expenses of

\$93,587 and \$207,006, respectively ($\$763,424 - \$669,837 = \mathbf{\$93,587}$ and $(\$462,831) + \$669,837 = \mathbf{\$207,006}$).

The primary contributor to the balance of the positive income variance was the receipt of one-time Loan Management and Commitment Fees for Churchill. The project was originally budgeted to close in FY'14; however, changes in the financing plan delayed the closing until the fall of 2014. The additional revenue was almost entirely offset by lower than anticipated cash flow in the unrestricted Development Corporation Fees, as a result of property performance, that is reflected as fee income in the General Fund (see Opportunity Housing Fund), and changes in the anticipated closing dates for the redevelopment of Timberlawn/Pomander Court, Arcola Towers and Waverly House. A portion of the development fees originally budgeted to be received in FY'15 has been incorporated into the FY'16 Budget Amendment.

The primary contributors to the adjusted positive expense variance in the General Fund were savings in administrative salaries and benefits due to turnover and salary lapse as well as savings in maintenance contract expenses.

The Multifamily Bond Fund and Single Family Bond Fund are budgeted to balance each year.

The Multifamily Bond Fund draw for FY'15 was reduced by the \$82,222 of savings left in the fund at FY'14 year-end. As a result of savings in administrative salaries and benefits, the fund ended the year with a positive expense variance of \$38,023. This savings in expenses offset by the reduced bond draw results in a cumulative net savings of \$44,199 ($\$82,222 - \$38,023$). Staff is recommending that the budgeted draw for FY'16 for the Multifamily Bond Fund be reduced by this amount.

The Single Family Bond Fund draw for FY'15 was reduced by the \$249,291 of savings left in the fund at FY'14 year-end. As a result of savings in administrative salaries and benefits, the fund ended the year with a positive expense variance of \$53,681. This savings in expenses offset by the reduced bond draw results in a cumulative net savings of \$195,610 ($\$249,291 - \$53,681$). Staff is recommending that the budgeted draw for FY'16 for the Multifamily Bond Fund be reduced by this amount.

The Opportunity Housing Fund

The budget to actual statements for the Opportunity Housing and Development Corporations illustrated on-going issues with properties failing to meet budgeted revenue expectations. These variances were primarily associated with vacancy due to renovations, lower gross rents based on new product in the rental markets, and an aging scattered site portfolio.

Many of the properties that experienced revenue shortfalls had expense savings that partially or fully offset these shortfalls.

In some instances, the impact of renovations on occupancy was mitigated through partial or full restriction of cash flow and is reflected as a reduction of the restricted cash thus minimizing the negative impact to the Agency.

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

- The first group includes properties that we budgeted to provide unrestricted net cash flow toward the Agency's FY'15 Operating Budget. It should be noted that several of these properties also had a portion of operating cash flow restricted for various reasons. For properties that did not meet their total cash flow expectations, and also had partially restricted cash flow – **Glenmont Westerly, The Metropolitan, Scattered Site One Development Corporation, VPC One Development Corporation (VPC One)** and **VPC Two Development Corporation (VPC Two)** – the Development Corporation fee has been recognized, by property, up to the lesser of the amount budgeted or generated, and any remaining cash flow was then restricted. This group ended the year with cash flow of \$7,307,652 or \$801,240 more than projected. As stated previously, we can only recognize revenue up to the amount budgeted for each property. Nearly half of the properties in this portfolio exceeded budgeted cash flow; however, when we exclude the extra income earned on properties exceeding their budgets, the quarter's recognizable cash flow is \$6,003,784 or \$502,628 below budget.

Unrestricted Development Corporations

	(12 Months)	(12 Months)		(12 Months)
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Adjusted</u>
Alexander House	\$1,499,308	\$2,348,701	\$849,393 ⁽¹⁾	\$1,499,308
The Barclay	\$167,243	\$99,901	(\$67,342)	\$99,901
Chevy Chase Lake	\$202,093	\$41,871	(\$160,222)	\$41,871
Glenmont Westerly	\$138,902	\$138,902	\$0	\$138,902
Magruder's Discovery	\$563,980	\$598,246	\$34,266 ⁽¹⁾	\$563,980
The Metropolitan	\$408,577	\$408,577	\$0	\$408,577
Montgomery Arms	\$393,093	\$349,861	(\$43,232)	\$349,861
TPM - 59 MPDUs	\$179,509	\$229,598	\$50,089 ⁽¹⁾	\$179,509
Paddington Square	\$273,823	\$298,530	\$24,707 ⁽¹⁾	\$273,823
TPM - Pomander Court	\$58,291	\$79,538	\$21,247 ⁽¹⁾	\$58,291
Pooks Hill High-Rise	\$435,591	\$538,683	\$103,092 ⁽¹⁾	\$435,591
Scattered Site One Dev. Corp. ..	\$310,070	\$147,355	(\$162,715)	\$147,355
Scattered Site Two Dev. Corp. .	\$3,522	(\$45,465)	(\$48,987)	(\$45,465)
Sligo Development Corp.	\$71,384	\$51,254	(\$20,130)	\$51,254
TPM - Timberlawn	\$227,204	\$448,278	\$221,074 ⁽¹⁾	\$227,204
VPC One Dev. Corp.	\$893,063	\$893,063	\$0	\$893,063
VPC Two Dev. Corp.	\$680,759	\$680,759	\$0	\$680,759
Subtotal	\$6,506,412	\$7,307,652	\$801,240	\$6,003,784
		Recognizable Cash Flow		(\$502,628)

Notes:

(1) - Properties exceeding budgeted cash flow.

- The positive cash flow variance at **Alexander House** was primarily the result of lower debt service payments due to the prepayment of the mortgage using the \$90M PNC Real Estate Line of Credit (RELOC) which more than offset the lower rental income. **The Barclay** had a negative variance of \$67,342 driven primarily by higher than projected vacancy loss at the property. **Chevy Chase Lake** experienced a negative cash flow variance of \$160,222 as tenants vacated the property in anticipation of the impending development plans. The loss of revenue was partially offset by savings in maintenance expenses. **Montgomery Arms** experienced lower gross rents and higher vacancies which resulted in a negative cash flow variance of \$43,232 through year-end. The FY'15 Adopted Budget restricted 25% of the projected cash flow for **TPM - 59 MPDUs**. Expenses at the property were \$102,531 (\$76,898 + \$25,633) less than budget primarily as the result of lower debt service payments due to the prepayment of the mortgage using the \$90M PNC Real Estate Line of Credit (RELOC). The savings in expenses was partially offset by higher vacancies at the property resulting in a positive cash flow variance of \$66,786 (\$50,089 + \$16,697). The FY'15 Adopted Budget restricted 50% of the projected cash flow for **Paddington Square**. Cash flow at the property exceeded budget by \$49,414 (\$24,707 + \$24,707) largely due to a delay in the planned refinancing which resulted in lower than anticipated debt service expense. This savings in expenses more than offset the lower gross rents experienced at the property. The FY'15 Adopted Budget restricted 50% of the projected cash flow for **TPM -**

Pomander Court. Expenses at the property were \$79,176 (\$39,588 + \$39,588) less than budget primarily as the result of lower debt service payments due to the prepayment of the mortgage using the \$90M PNC Real Estate Line of Credit (RELOC). The savings in expenses was partially offset by higher vacancies at the property resulting in a positive cash flow variance of \$42,494 (\$21,247 + \$21,247). Cash flow at **Pooks Hill High-Rise** exceeded budget by \$103,092 as a result of savings in utility and maintenance expenses which more than offset the lower rental income. The Adopted FY'15 Budget restricted 50% of the projected cash flow for **Scattered Site One Development Corporation.** The property experienced a negative cash flow variance of \$266,073 (\$162,715 + \$103,358) as a result of higher than anticipated vacancies coupled with an error in the budget for late fees at one of the HUBs. The cash flow from **TPM - Timberlawn** was restricted by 50% to allow for the uncertainties during renovations. The positive cash flow variance of \$442,148 (\$221,074 + \$221,074) at the property was primarily the result of lower debt service payments due to the prepayment of the mortgage using the \$90M PNC Real Estate Line of Credit (RELOC) which more than offset the lower rental income. The cash flow from both **VPC One** and **VPC Two** was restricted by 50% to allow for the uncertainties during renovations. The higher vacancies at both properties were partially offset by savings in debt service payments as a result of a delay in the permanent financing for renovations.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'15 Operating Budget. Cash flow from this group of Development Corporation properties was \$16,326 more than budgeted. Cash flow at **Glenmont Crossing** exceeded budget by \$87,784 as a result of lower concessions and vacancies coupled with savings in salary and benefits. The FY'15 Adopted Budget projected a cash flow deficit of (\$173,225) for **MetroPointe.** The year-end deficit was lower than projected by \$41,935 driven primarily from an approved rate change from the Washington Suburban Sanitary Commission (WSSC) that resulted in a refund of payments from prior years and a credit to the current year utility costs. Cash flow at **The Metropolitan** was \$152,591 below budget primarily as a result of lower gross rents due to Yieldstar pricing adjustments made to maintain residential occupancy. The loss of income has been partially offset by savings in utilities. The FY'15 Adopted Budget anticipated that the closing for the **RAD 6** Properties (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square) would occur in September 2014 resulting in a transfer of the properties from the Public Housing Portfolio to the Opportunity Housing Portfolio in October 2014. As a result, this chart reflects a nine month budget for the properties for October 2014 through June 2015. The actual closing did not occur until December 2014; therefore, the actuals for the properties are based only on the six month period of January through June of 2015. This results in an understatement of both revenue and expenses when compared to budget. There is a corresponding overstatement of both revenue and expenses for the three month period of October through December of 2014 reflected in the Public Housing Portfolio (See Public Fund). It should also be noted that the FY'15 Adopted Budget was based on the properties paying debt service during the year. The construction period interest is being paid by the development budget during renovations which has resulted in savings in expenses for the year.

Attachment C is a chart of the Opportunity Housing properties. This chart divides the properties into two groups.

- The first group consists of properties whose unrestricted net cash flow will be used for the Agency's FY'15 Operating Budget. This group ended the quarter with cash flow of \$1,798,216 or \$297,905 less than budget. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter's recognizable cash flow for this group is \$1,702,901 or \$393,220 below budget.

Unrestricted Opportunity Housing Properties

	(12 Months) Budget	(12 Months) Actual	Variance	(12 Months) Adjusted
64 MPDUs	\$164,304	(\$2,749)	(\$167,053)	(\$2,749)
Chelsea Towers	\$29,559	\$51,955	\$22,396 ⁽¹⁾	\$29,559
Fairfax Court	\$101,462	\$106,542	\$5,080 ⁽¹⁾	\$101,462
Holiday Park	\$64,005	\$36,592	(\$27,413)	\$36,592
Jubilee Falling Creek	\$9,156	\$8,001	(\$1,155)	\$8,001
Jubilee Hermitage	\$9,064	\$5,966	(\$3,098)	\$5,966
Jubilee Horizon Court	\$0	(\$10,831)	(\$10,831)	(\$10,831)
Jubilee Woodedge	\$9,834	\$13,548	\$3,714 ⁽¹⁾	\$9,834
McHome	\$121,084	\$99,541	(\$21,543)	\$99,541
McKendree	\$5,844	\$40,223	\$34,379 ⁽¹⁾	\$5,844
MHLP II	\$0	(\$1,061)	(\$1,061)	(\$1,061)
MHLP III	\$0	(\$12,760)	(\$12,760)	(\$12,760)
MHLP VII	\$196,937	\$124,091	(\$72,846)	\$124,091
MHLP VIII	\$286,153	\$264,773	(\$21,380)	\$264,773
MPDU 2007 Phase II	\$36,061	\$31,411	(\$4,650)	\$31,411
Pooks Hill Mid-Rise	\$165,880	\$166,541	\$661 ⁽¹⁾	\$165,880
Southbridge	\$189,035	\$218,120	\$29,085 ⁽¹⁾	\$189,035
Strathmore Court	\$707,743	\$658,313	(\$49,430)	\$658,313
Subtotal	\$2,096,121	\$1,798,216	(\$297,905)	\$1,702,901
		Recognizable Cash Flow		(\$393,220)

Notes:

(1) - Properties exceeding budgeted cash flow.

- Cash flow for **64 MPDUs** was \$167,053 less than budget primarily as a result of lower gross rents coupled with higher vacancies. **Holiday Park** ended the year with a negative variance of \$27,413 primarily due to higher vacancies coupled with the erroneous exclusion of the budget for solid waste tax. The latest **Jubilee House at Horizon Court** came online during FY'15. Since the property was vacant, the maintenance expenses and tax payments will be covered by unrestricted cash in the Opportunity Housing Fund. **MHLP II** and **MHLP III** both had units remaining to be sold. Although the units were vacant, the Agency still had to pay

Home Owner Association (HOA) fees and minimal utility costs at both properties. Cash flow at **MHLP VII** was \$72,846 below budget as a result of higher vacancies and tax expenses. Staff is researching the tax bills to determine the reason for the higher cost and will seek a refund if warranted. **Strathmore Court** ended the year with a negative cash flow variance of \$49,430 primarily as a result of lower gross rents coupled with higher vacancies. The revenue shortfall was partially offset by savings in utility and maintenance expenses.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'15 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was \$94,155 higher than budget for the year. The FY'15 Adopted Budget projected a deficit of \$417,641 at **The Ambassador** that was to be funded from unrestricted cash in the Opportunity Housing Fund. The property experienced a positive cash flow variance of \$420,763 mainly due to higher rental income coupled with savings in debt service payments. The budget assumed a steady increase in vacancy that did not occur at the anticipated pace. In addition, the property experienced lower debt service payments due to the prepayment of the mortgage using the \$90M PNC Line of Credit (LOC). The cash flow of \$3,122 will be restricted to the property. In addition, the unrestricted cash in the Opportunity Fund that would have been used to cover the projected deficit at The Ambassador can be used to help offset the shortfalls at other properties. The budgeted cash flow for **Brooke Park** was \$32,329 lower than anticipated primarily as a result of higher maintenance costs coupled with the payment of taxes that were not accounted for in the budget process. **Brookside Glen** experienced a negative cash flow variance of \$110,144 for the year primarily as a result of lower gross rents and higher vacancies coupled with higher than anticipated administrative, utility and maintenance expenses. Cash flow for **Diamond Square** ended the year \$68,290 above budget which was driven by lower vacancies coupled with savings in administrative, utility and maintenance expenses. The **CDBG, NCI** and **NSP Units** have individual budgets for each unit that include a standard annual amount for maintenance related expenses. Any cash flow at year-end resulting from savings in expenses and/or additional earned income is restricted to the respective property's Operating Reserves. As a result of lower vacancies coupled with savings in maintenance expenses, most of the properties exceeded budget. The estimated year-end contribution of excess cash resulted in minor year-end surpluses and/or shortfalls that will be adjusted in FY'16. Cash flow for **State Rental Combined** was \$211,229 below budget mainly due to lower gross rents and higher vacancies coupled with higher maintenance contract expenses. **Westwood Towers** had a negative variance of \$73,139 primarily due to lower gross rents which was partially offset by savings in maintenance expenses.

The Public Fund (Attachment D)

- The Public Housing Rental Program ended the year with a surplus of \$878,337 which resulted in a positive variance of \$815,280 when compared to the projected surplus of \$63,057. Income was \$3,031,303 more than budget primarily as a result of the continued subsidy received for the scattered sites that converted to VPC One Development Corporation and VPC Two Development Corporation. A portion of the subsidy was received

as an Asset Repositioning Fee (ARF) and was used to reimburse the Agency for the start-up costs related to the Section 18 scattered site disposition that was funded by the OHRF (See General Fund). In addition, a delay in the closing of the RAD 6 properties (See Opportunity Housing Fund) resulted in their continuing to be reported in the Public Housing Portfolio for the third quarter whereas the budget for this period resided in Opportunity Housing.

Expenses were \$2,216,023 higher than budgeted as a result of the partial transfer of the Asset Repositioning Fees to the General Fund, a delay in the transfer of the remaining scattered sites that had not yet converted to the VPC properties and the delay in the RAD 6 closing. The higher expenses in these properties were partially offset by savings in utilities and maintenance expenses at the elderly buildings. The cash surplus of \$878,337 will be restricted to the program for future operational needs.

- The Housing Choice Voucher Program (HCVP) ended the year with a surplus of \$1,363,770 which resulted in a positive variance of \$1,795,964 when compared to the projected shortfall of \$432,194. The surplus was comprised of Housing Assistance Payments (HAP) revenue that exceeded HAP expenses by \$659,533 and an administrative surplus of \$704,237. The HAP surplus will be restricted for future HAP payments. The program ended with an administrative surplus due to higher than anticipated revenue of \$258,589 and savings in administrative expenses of \$877,842. The higher revenue was the result of a higher proration factor of 79% compared to the budgeted proration factor of 75% and higher administrative fees received on incoming portables. The savings in expenses were primarily due to savings in administrative salaries and benefits, and management fee expenses which are now based on utilization. The administrative surplus of \$704,237 will be restricted to reduce future administrative shortfalls in the program.

Budget Impact – FY'15

- As explained in this memo, the Agency ended the year with a \$753,678 surplus primarily as a result of not having to cover an administrative deficit in the Housing Choice Voucher Program (see Public Fund) coupled with lower adjusted expenses than budgeted in the General Fund (see General Fund).
- Staff recommends that the 50% of \$753,678 surplus or \$376,839 be restricted to the General Fund Operating Reserve (GFOR). There are several planned initiatives in development that the Executive Director plans to discuss with the Commission over the next 60 days. It is anticipated that funding will be required to complete the projects. Therefore, restricting this surplus will provide a potential funding source once the Commission has approved the proposed undertakings. Should the new initiatives not be approved by the Commission, the restriction of funds to the GFOR will be re-evaluated at the December 2015 Budget, Finance, and Audit Committee meeting.

- Staff further recommends that the balance of the surplus or \$376,839 be restricted to the Opportunity Housing Property Reserve (OHPR) to help fund the shortfall for capital needs that can be expected during the FY'17-18 budget season.

Tax Credit Partnerships

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

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'15. The chart is grouped in two sections – General Fund and Opportunity Housing properties. Several properties exceeded their budget due to unanticipated physical needs at the properties. On properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve (OHPR) to help fund their capital needs for FY'15. Total expenditures for the portfolio did not exceed the authorized amount allocated from the OHPR for FY'15. Capital Budgets from projects with positive variances will be rolled forward as requested.

Following is an explanation of properties that have exceeded their annual capital budget. There are sufficient property reserves to cover the overages at all of the properties except **MHLP VIII**. The overages at this property will be covered by the OHPR. There are sufficient savings in other capital budgets that were drawing from this reserve to cover the overage at this time.

The Ambassador exceeded its capital budget primarily as a result of required repairs to the garage. **Alexander House** exceeded its capital budget as a result of unplanned kitchen and bathroom upgrades in three units, replacement of breezeway doors that were not functioning properly, and replacement of the compressor and motor for the rooftop air conditioning units for the common area hallways. Most of the unplanned expenditures were covered by savings in other budgeted capital categories. Both **Glenmont Crossing** and **Glenmont Westerly** have exceeded their capital budgets as a result of necessary replacements of cabinets, appliances and flooring at turnover. **MetroPointe** exceeded its capital budget as a result of additional flooring replacements based on turnover. The capital budget adopted for **Timberlawn** reflected a mid-year commencement of renovations at the property. As a result of a delay in the renovations, the property has exceeded its capital budget for the year due to cabinet and flooring replacements as well as the purchase of a new trash rack required in the storm water system per county inspection. As mentioned previously, budgeting for the **CDBG, NCI** and **NSP Units** is standardized and as such did not include plans for any capital improvements. Nominal capital expenditures have occurred at a few units within the portfolios. **Jubilee Falling Creek** has also incurred nominal capital improvements that have exceeded budget. Many of the older scattered sites that have not undergone any comprehensive renovations continue to experience capital needs that exceed the established capital budgets. The expenditures are

primarily related to cabinet, appliance, flooring, HVAC, window, and roof replacements as well as driveway asphalt repairs. This is reflected as overages in **MHLP VII - VIII, Scattered Site One and Two Development Corporations, and State Rental Combined**. The **VPC** properties continue to experience capital needs on the yet to be renovated units. Finally, nominal capital costs have been reflected on four of the converted RAD 6 Properties (Seneca Ridge, Towne Centre Place, and Washington Square).

WHEREAS, the budget policy for the Housing Opportunities Commission of Montgomery County states that quarterly Budget to Actual Statements will be reviewed by the Commission; and

WHEREAS, the Budget, Finance and Audit Committee reviewed the Fourth Quarter FY'15 Budget to Actual Statements during its September 22, 2015 meeting; and

WHEREAS, the Agency ended the year with a surplus of \$753,678; and

WHEREAS, the Commission authorized the restriction of 50% or \$376,839 to the General Fund Operating Reserve to help fund new initiatives that will be discussed with the Commission over the next 60 days; and

WHEREAS, the Commission further authorized the restriction of 50% or \$376,839 to the Opportunity Housing Property Reserve (OHPR) to help fund the shortfall for capital needs that can be expected during the FY'17-18 budget season.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Fourth Quarter FY'15 Budget to Actual Statements and corresponding restrictions of the FY'15 surplus.

BE IT FURTHER RESOLVED that should the new initiatives not be approved by the Commission, the restriction of funds to the GFOR will be re-evaluated at the December 2015 Budget, Finance, and Audit Committee meeting.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, October 7, 2015.

Patrice Birdsong
Special Assistant to the Commission

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FY 15 Fourth Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(12 Months) Budget	(12 Months) Actual	Variance
General Fund			
General Fund	(\$1,073,061)	(\$772,468)	\$300,593
Administration of Multifamily and Single Family Fund			
Multifamily Fund	\$0	(\$44,199)	(\$44,199)
Single Family Fund	\$0	(\$195,610)	(\$195,610)
Excess Bond Fund Cash Flow	\$0	\$239,809	\$239,809
Opportunity Housing Fund			
Opportunity Housing Properties	\$2,096,121	\$1,702,901	(\$393,220)
Restricted Development Corporation Properties	(\$173,225)	(\$131,290)	\$41,935
Cover loss on Restricted Opportunity Housing Property	(\$417,641)	\$0	\$417,641
Cover loss on Unrestricted Development Corporation Property	\$0	(\$45,465)	(\$45,465)
OHRF			
OHRF Balance	\$0	\$1,681,232	\$1,681,232
Excess Cash Flow Restricted	\$0	(\$1,681,232)	(\$1,681,232)
Draw from existing funds	\$0	\$0	\$0
Net -OHRF	\$0	\$0	\$0
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	\$432,194	\$753,678	\$321,484
Public Fund			
Public Housing Rental (1)	\$63,057	\$878,337	\$815,280
Housing Choice Voucher Program HAP (2)	\$0	\$659,533	\$659,533
Housing Choice Voucher Program Admin (3)	(\$432,194)	\$704,237	\$1,136,431
Total -Public Fund	(\$369,137)	\$2,242,107	\$2,611,244
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	(\$63,057)	(\$878,337)	(\$815,280)
(2) Draw from / Restrict to HCV Program Cash Reserves	\$0	(\$659,533)	(\$659,533)
(3) Draw from / Restrict to HCV Program Excess Admin Fee	\$0	(\$704,237)	(\$704,237)
Total -Public Fund Reserves	(\$63,057)	(\$2,242,107)	(\$2,179,050)
SUBTOTAL - Public Funds	(\$432,194)	\$0	\$432,194
TOTAL - All Funds	\$0	\$753,678	\$753,678

FY 15 Fourth Quarter Capital Budget to Actual Comparison

	Capital Expenses		
	(12 Months) Budget	(12 Months) Actual	Variance
General Fund			
East Deer Park	\$81,000	\$120,428	(\$39,428)
Kensington Office	\$393,300	\$330,406	\$62,894
Information Technology	\$1,298,000	\$707,871	\$590,129
Opportunity Housing Fund	\$4,495,648	\$3,854,868	\$640,780
TOTAL - All Funds	\$6,267,948	\$5,013,573	\$1,254,375

FY 15 Fourth Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(12 Months)		Variance		(12 Months)	
	<u>Budget</u>	<u>Income</u>	<u>Expense</u>	<u>Actual</u>	<u>Variance</u>	
Properties with unrestricted cash flow for FY14 operating budget						
Alexander House	\$1,499,308	(\$282,157)	\$1,131,551	\$2,348,701	\$849,393	
The Barclay	\$167,243	(\$59,486)	(\$7,855)	\$99,901	(\$67,342)	
Chevy Chase Lake	\$202,093	(\$229,588)	\$69,366	\$41,871	(\$160,222)	
Glenmont Westerly	\$138,902	(\$2,101)	\$2,102	\$138,902	\$0	
Magruder's Discovery	\$563,980	(\$48,355)	\$82,621	\$598,246	\$34,266	
The Metropolitan	\$408,577	(\$26,335)	\$26,335	\$408,577	\$0	
Montgomery Arms	\$393,093	(\$57,913)	\$14,681	\$349,861	(\$43,232)	
TPM - 59 MPDUs	\$179,509	(\$26,809)	\$76,898	\$229,598	\$50,089	
Paddington Square	\$273,823	(\$46,787)	\$71,493	\$298,530	\$24,707	
TPM - Pomander Court	\$58,291	(\$18,340)	\$39,588	\$79,538	\$21,247	
Pooks Hill High-Rise	\$435,591	(\$31,972)	\$135,064	\$538,683	\$103,092	
Scattered Site One Dev. Corp.	\$310,070	(\$232,023)	\$69,308	\$147,355	(\$162,715)	
Scattered Site Two Dev. Corp.	\$3,522	(\$54,808)	\$5,821	(\$45,465)	(\$48,987)	
Sligo Development Corp.	\$71,384	(\$34,418)	\$14,288	\$51,254	(\$20,130)	
TPM - Timberlawn	\$227,204	(\$23,525)	\$244,599	\$448,278	\$221,074	
VPC One Dev. Corp.	\$893,063	(\$703,704)	\$703,705	\$893,063	\$0	
VPC Two Dev. Corp.	\$680,759	(\$739,765)	\$739,766	\$680,759	\$0	
Subtotal	\$6,506,412	(\$2,618,086)	\$3,419,331	\$7,307,652	\$801,240	
Properties with restricted cash flow (external and internal)						
Glenmont Crossing	\$150,984	\$25,343	\$62,441	\$238,768	\$87,784	
Glenmont Westerly	\$141,555	(\$2,142)	\$284	\$139,698	(\$1,857)	
Ken Gar	\$16,352	(\$62,956)	\$89,014	\$42,410	\$26,058	
MetroPointe	(\$173,225)	(\$19,583)	\$61,518	(\$131,290)	\$41,935	
The Metropolitan	\$1,634,309	(\$257,932)	\$105,341	\$1,481,718	(\$152,591)	
TPM - 59 MPDUs	\$59,836	(\$8,936)	\$25,633	\$76,533	\$16,697	
Oaks at Four Corners	\$9,218	(\$17,103)	\$32,310	\$24,426	\$15,208	
Paddington Square	\$273,823	(\$46,787)	\$71,493	\$298,530	\$24,707	
Parkway Woods	\$19,529	(\$73,455)	\$115,861	\$61,935	\$42,406	
TPM - Pomander Court	\$58,291	(\$18,340)	\$39,588	\$79,538	\$21,247	
Sandy Spring Meadow	\$28,403	(\$110,958)	\$194,222	\$111,667	\$83,264	
Scattered Site One Dev. Corp.	\$103,357	(\$77,341)	(\$26,016)	(\$1)	(\$103,358)	
Seneca Ridge	\$26,994	(\$206,236)	\$311,070	\$131,828	\$104,834	
TPM - Timberlawn	\$227,204	(\$23,525)	\$244,599	\$448,278	\$221,074	
Towne Centre Place	\$23,243	(\$75,823)	\$161,733	\$109,153	\$85,910	
VPC One Dev. Corp.	\$893,063	(\$703,704)	\$669,887	\$859,245	(\$33,818)	
VPC Two Dev. Corp.	\$680,759	(\$739,765)	\$348,552	\$289,545	(\$391,214)	
Washington Square	\$39,901	(\$307,054)	\$235,094	(\$32,059)	(\$71,960)	
Subtotal	\$4,213,596	(\$2,726,297)	\$2,742,624	\$4,229,922	\$16,326	
TOTAL ALL PROPERTIES	\$10,720,008	(\$5,344,383)	\$6,161,955	\$11,537,574	\$817,566	

FY 15 Fourth Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(12 Months) <u>Budget</u>	Variance		(12 Months) <u>Actual</u>	<u>Variance</u>
		<u>Income</u>	<u>Expense</u>		
Properties with unrestricted cash flow for FY14 operating budget					
64 MPDUs	\$164,304	(\$141,194)	(\$25,859)	(\$2,749)	(\$167,053)
Chelsea Towers	\$29,559	\$10,405	\$11,991	\$51,955	\$22,396
Fairfax Court	\$101,462	\$11,924	(\$6,844)	\$106,542	\$5,080
Holiday Park	\$64,005	(\$33,068)	\$5,655	\$36,592	(\$27,413)
Jubilee Falling Creek	\$9,156	\$591	(\$1,746)	\$8,001	(\$1,155)
Jubilee Hermitage	\$9,064	(\$222)	(\$2,877)	\$5,966	(\$3,098)
Jubilee Horizon Court	\$0	\$98	(\$10,929)	(\$10,831)	(\$10,831)
Jubilee Woodedge	\$9,834	(\$44)	\$3,758	\$13,548	\$3,714
McHome	\$121,084	(\$27,965)	\$6,421	\$99,541	(\$21,543)
McKendree	\$5,844	(\$16,732)	\$51,110	\$40,223	\$34,379
MHLP II	\$0	\$2	(\$1,063)	(\$1,061)	(\$1,061)
MHLP III	\$0	\$438	(\$13,198)	(\$12,760)	(\$12,760)
MHLP VII	\$196,937	(\$51,275)	(\$21,571)	\$124,091	(\$72,846)
MHLP VIII	\$286,153	(\$42,428)	\$21,048	\$264,773	(\$21,380)
MPDU 2007 Phase II	\$36,061	(\$2,889)	(\$1,761)	\$31,411	(\$4,650)
Pooks Hill Mid-Rise	\$165,880	(\$36,984)	\$37,645	\$166,541	\$661
Southbridge	\$189,035	\$30,823	(\$1,738)	\$218,120	\$29,085
Strathmore Court	\$707,743	(\$104,040)	\$54,610	\$658,313	(\$49,430)
Subtotal	\$2,096,121	(\$402,560)	\$104,652	\$1,798,216	(\$297,905)
Properties with restricted cash flow (external and internal)					
The Ambassador	(\$417,641)	\$182,841	\$237,922	\$3,122	\$420,763
Brooke Park	\$2,953	(\$4,686)	(\$27,643)	(\$29,376)	(\$32,329)
Brookside Glen (The Glen)	\$231,330	(\$74,465)	(\$35,678)	\$121,186	(\$110,144)
CDBG Units	\$0	\$2,694	\$3,782	\$6,475	\$6,475
Dale Drive	\$26,409	(\$274)	(\$7,211)	\$18,924	(\$7,485)
Diamond Square	\$115,856	(\$9,546)	\$77,836	\$184,146	\$68,290
Greenhills Apartments	\$294,120	(\$30,509)	\$30,815	\$294,426	\$306
NCI Units	\$0	(\$1,392)	\$1,038	(\$354)	(\$354)
NSP Units	\$0	\$7,188	(\$7,814)	(\$626)	(\$626)
Paint Branch	\$11,884	\$20,712	\$12,916	\$45,511	\$33,627
State Rental Combined	\$294,684	(\$158,526)	(\$52,703)	\$83,455	(\$211,229)
Westwood Tower	\$220,106	(\$95,006)	\$21,868	\$146,967	(\$73,139)
Subtotal	\$779,701	(\$160,969)	\$255,128	\$873,856	\$94,155
TOTAL ALL PROPERTIES	\$2,875,822	(\$563,529)	\$359,780	\$2,672,072	(\$203,750)

FY 15 Fourth Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(12 Months) <u>Budget</u>	(12 Months) <u>Actual</u>	<u>Variance</u>
Public Housing Rental			
Revenue	\$5,148,413	\$8,179,716	\$3,031,303
Expenses	\$5,085,356	\$7,301,379	(\$2,216,023)
Net Income	\$63,057	\$878,337	\$815,280

Housing Choice Voucher Program			
HAP revenue	\$86,403,254	\$80,788,048	(\$5,615,206)
HAP payments	\$86,403,254	\$80,128,515	\$6,274,739
Net HAP	\$0	\$659,533	\$659,533
Admin.fees & other inc.	\$6,291,316	\$6,549,905	\$258,589
Admin. Expense	\$6,723,510	\$5,845,668	\$877,842
Net Administrative	(\$432,194)	\$704,237	\$1,136,431
Net Income	(\$432,194)	\$1,363,770	\$1,795,964

FY 15 Fourth Quarter Operating Budget to Actual Comparison
For Public Housing Rental Programs - Net Cash Flow

	(12 Months)	Variance		(12 Months)	
	<u>Budget</u>	<u>Income</u>	<u>Expense</u>	<u>Actual</u>	<u>Variance</u>
Elizabeth House	\$34,004	(\$200,132)	\$106,696	(\$59,432)	(\$93,436)
Holly Hall	\$620	(\$28,066)	\$93,843	\$66,397	\$65,777
Arcola Towers	\$0	(\$40,212)	\$150,290	\$110,078	\$110,078
Waverly House	\$24,458	\$60,405	\$34,812	\$119,675	\$95,217
Seneca Ridge	\$890	\$400,764	(\$410,370)	(\$8,717)	(\$9,607)
Emory Grove / Washington Square	\$333	\$371,927	(\$436,514)	(\$64,254)	(\$64,587)
Towne Centre Place / Sandy Spring Meadow	\$2,141	\$321,995	(\$275,645)	\$48,491	\$46,350
Ken Gar / Parkway Woods	\$611	\$155,190	(\$156,699)	(\$898)	(\$1,509)
Scattered Sites Central	\$0	\$351,952	(\$278,970)	\$72,982	\$72,982
Scattered Sites East	\$0	\$295,641	(\$183,012)	\$112,629	\$112,629
Scattered Sites Gaithersburg	\$0	\$690,516	(\$304,706)	\$385,811	\$385,811
Scattered Sites North	\$0	\$435,844	(\$305,816)	\$130,028	\$130,028
Scattered Sites West	\$0	\$250,303	(\$277,674)	(\$27,372)	(\$27,372)
Resident Services	\$0	(\$56,967)	\$55,132	(\$1,836)	(\$1,836)
TOTAL ALL PROPERTIES	\$63,057	\$3,009,160	(\$2,188,633)	\$883,582	\$820,525

FY 15 Fourth Quarter Operating Budget to Actual Comparison
For Capital Improvements

	(12 Months) <u>Budget</u>	(12 Months) <u>Actual</u>	<u>Variance</u>
General Fund			
East Deer Park	\$81,000	\$120,428	(\$39,428)
Kensington Office	\$393,300	\$330,406	\$62,894
Information Technology	\$1,298,000	\$707,871	\$590,129
Subtotal	\$1,772,300	\$1,158,705	\$613,595
Opportunity Housing			
The Ambassador	\$12,636	\$92,685	(\$80,049)
Alexander House	\$232,440	\$243,180	(\$10,740)
The Barclay	\$28,412	\$11,732	\$16,680
Brooke Park	\$0	\$461	(\$461)
Brookside Glen (The Glen)	\$116,551	\$87,580	\$28,971
CDBG Units	\$0	\$496	(\$496)
Chelsea Towers	\$13,600	\$5,556	\$8,044
Chevy Chase Lake	\$64,250	\$1,737	\$62,513
Dale Drive	\$2,412	\$1,571	\$841
Diamond Square	\$157,670	\$82,125	\$75,545
Fairfax Court	\$25,650	\$10,573	\$15,077
Glenmont Crossing	\$62,536	\$104,066	(\$41,530)
Glenmont Westerly	\$48,285	\$85,181	(\$36,896)
Greenhills Apartments	\$70,000	\$59,684	\$10,316
Holiday Park	\$40,200	\$16,171	\$24,029
Jubilee Falling Creek	\$500	\$1,269	(\$769)
Jubilee Hermitage	\$2,900	\$2,611	\$289
Jubilee Woodedge	\$2,625	\$264	\$2,361
Ken Gar	\$0	\$2,850	(\$2,850)
Magruder's Discovery	\$66,100	\$25,906	\$40,194
McHome	\$80,201	\$76,840	\$3,361
McKendree	\$15,424	\$14,372	\$1,052
MetroPointe	\$33,700	\$41,184	(\$7,484)
The Metropolitan	\$266,048	\$257,940	\$8,108
Montgomery Arms	\$186,771	\$64,569	\$122,202
MHLP VII	\$18,635	\$32,910	(\$14,275)
MHLP VIII	\$27,897	\$57,117	(\$29,220)
MPDU 2007 Phase II	\$11,000	\$20	\$10,980
64 MPDUs	\$158,841	\$161,513	(\$2,672)
TPM - 59 MPDUs	\$77,398	\$76,376	\$1,022
Oaks at Four Corners	\$416,829	\$294,674	\$122,155
NCI Units	\$0	\$5,255	(\$5,255)
NSP Units	\$0	\$3,285	(\$3,285)
Paddington Square	\$79,693	\$77,193	\$2,500
Paint Branch	\$24,240	\$13,756	\$10,484
Parkway Woods	\$0	\$0	\$0
TPM - Pomander Court	\$28,160	\$12,106	\$16,054
Pooks Hill High-Rise	\$1,005,800	\$473,219	\$532,581
Pooks Hill Mid-Rise	\$107,500	\$65,985	\$41,515
Sandy Spring Meadow	\$0	\$1,100	(\$1,100)
Scattered Site One Dev. Corp. ..	\$122,991	\$272,504	(\$149,513)
Scattered Site Two Dev. Corp. ..	\$67,063	\$95,420	(\$28,357)
Seneca Ridge	\$0	\$0	\$0
Southbridge	\$3,448	\$3,947	(\$499)
Sligo Development Corp.	\$80,710	\$35,730	\$44,980
State Rental Combined	\$97,666	\$219,674	(\$122,008)
Strathmore Court	\$381,806	\$273,737	\$108,069
Towne Centre Place	\$0	\$152	(\$152)
TPM - Timberlawn	\$27,640	\$49,559	(\$21,919)
VPC One Dev. Corp.	\$0	\$81,776	(\$81,776)
VPC Two Dev. Corp.	\$0	\$34,481	(\$34,481)
Washington Square	\$0	\$8,539	(\$8,539)
Westwood Tower	\$229,420	\$214,237	\$15,183
Subtotal	\$4,495,648	\$3,854,868	\$640,780
TOTAL	\$6,267,948	\$5,013,573	\$1,254,375

APPROVAL OF CY'15 SECOND QUARTER BUDGET AMENDMENT

October 7, 2015

- **The CY'15 Tax Credit Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP, and The Willows of Gaithersburg Association LP were adopted on October 14, 2014 and later ratified at the November 5, 2014 Commission meeting.**

- **The CY'15 Second Quarter Budget Amendment increases the Capital Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP, and The Willows of Gaithersburg Association LP as follows:**
 - **Georgian Court Silver Spring LP - \$70,754**
 - **MV Affordable Housing Association (Stewartown) LP - \$48,068**
 - **Shady Grove Apartments LP - \$57,350**
 - **Spring Garden One Association LP - \$35,197**
 - **The Willows of Gaithersburg Association LP - \$63,990.**

BUDGET IMPACT:

The CY'15 Second Quarter Budget Amendment reflects the amendment of the capital budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP.

TIME FRAME:

The CY'15 Second Quarter Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the September 22, 2015 meeting. Action is requested at the October 7, 2015 Commission meeting.

COMMISSION ACTION REQUESTED:

Staff requests that the Budget, Finance and Audit Committee recommend to the full Commission approval of the proposed amendment to the CY'15 Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP.

WHEREAS, the Housing Opportunities Commission ratified the CY'15 Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP on November 5, 2014; and

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

WHEREAS, the Commission has reviewed the proposed budget amendments to the CY'15 Capital Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the CY'15 Capital Budgets for Georgian Court Silver Spring LP, MV Affordable Housing Association (Stewartown) LP, Shady Grove Apartments LP, Spring Garden One Association LP and The Willows of Gaithersburg Association LP by increasing revenues and expenses for the partnerships as follows:

- Georgian Court Silver Spring LP - \$70,754
- MV Affordable Housing Association (Stewartown) LP - \$48,068
- Shady Grove Apartments LP - \$57,350
- Spring Garden One Association LP - \$35,197
- The Willows of Gaithersburg Association LP - \$63,990.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 7, 2015.

Patrice Birdsong
Special Assistant to the Commission

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**CY 15 Second Quarter Operating Budget to Actual Comparison
For All Properties - Net Cash Flow**

	(6 Months) Budget	Variance Income	Expense	(6 Months) Actual	Variance
HOC Managed Properties					
MHLP IX	98,386	(77,417)	(50,556)	(29,587)	(127,973)
MHLP X	47,498	(40,259)	11,827	19,066	(28,432)
Hampden Lane, LP (Lasko Manor)	(34,322)	(5,647)	23,431	(16,539)	17,783
Subtotal	111,562	(123,323)	(15,298)	(27,060)	(138,622)
Contract Managed Properties					
MetroPointe LP	26,241	3,500	9	29,750	3,509
Manchester Manor Apts. LP	(6,147)	4,279	(17,934)	(19,802)	(13,655)
Shady Grove Apts. LP	92,556	(8,476)	53,655	137,735	45,179
The Willows of Gaithersburg Assoc. LP	(7,374)	(1,667)	39,318	30,277	37,651
MV Affordable Housing Assoc. LP (Stewartown)	26,865	2,875	32,422	62,162	35,297
Georgian Court Silver Spring LP	(19,239)	58	45,344	26,162	45,401
Barclay One Assoc. LP	48,414	(70)	(8,524)	39,820	(8,594)
Spring Garden One Assoc. LP	21,490	1,214	13,495	36,198	14,708
Forest Oak Towers LP	142,643	12,978	(21,301)	134,320	(8,323)
Tanglewood / Sligo Hills LP	104,959	65,221	129,892	300,073	195,114
Subtotal	430,408	79,912	266,376	776,695	346,287
Combined Properties					
Strathmore Court LP	(132,096)	(15,982)	8,978	(139,100)	(7,004)
Metropolitan LP	(308,134)	5,466	10,817	(291,851)	16,283
Subtotal	(440,230)	(10,516)	19,795	(430,951)	9,279
TOTAL ALL PROPERTIES	101,740	(53,927)	270,873	318,684	216,944

**CY 15 Second Quarter Operating Budget to Actual Comparison
For Capital Improvements**

	(12 Months) <u>Budget</u>	(6 Months) <u>Actual</u>	<u>Variance</u>
HOC Managed Properties			
MHLP IX	140,418	75,673	64,745
MHLP X	94,576	51,306	43,270
Hampden Lane, LP (Lasko Manor)	850	0	850
Subtotal	235,844	126,979	108,865
Contract Managed Properties			
MetroPointe LP	15,982	10,161	5,821
Manchester Manor Apts. LP	143,632	3,999	139,633
Shady Grove Apts. LP	378,116	76,365	301,751
The Willows of Gaithersburg Assoc. LP	354,275	54,914	299,361
MV Affordable Housing Assoc. LP (Stewartown)	144,170	17,383	126,787
Georgian Court Silver Spring LP	148,521	21,184	127,337
Barclay One Assoc. LP	29,255	8,286	20,969
Spring Garden One Assoc. LP	88,000	18,181	69,819
Forest Oak Towers LP	128,303	43,366	84,937
Tanglewood / Sligo Hills LP	33,042	3,480	29,562
Subtotal	1,463,296	257,319	1,205,977
Combined Properties			
Strathmore Court LP	72,690	11,869	60,821
Metropolitan LP	94,703	56,339	38,364
Subtotal	167,393	68,208	99,185
TOTAL	1,866,533	452,506	1,414,027

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

October 7, 2015

- In May 2012, the Commission obligated \$10 million from the \$60 million PNC Bank, N.A. Line of Credit for use by the Single Family Mortgage Purchase MBS Program.
- The Agency purchases pooled mortgage-backed securities on a monthly basis. These transactions generally require a draw of \$1 million to \$3.6 million from the \$60 million Line of Credit. The securities are sold within two to five business days and the Line of Credit draw is repaid.
- Caine Mitter, advises that a \$5 million allocation from the \$60 million Line of Credit would be sufficient to continue HOC's Single Family Mortgage Purchase MBS Program.
- In March 2008, the Commission obligated \$2.5 million from the \$60 million PNC Bank, N.A. Line of Credit for use by the HOC/HOP Program.
- Currently the Agency uses the County Revolving Fund for HOC/HOP purchases; there have been no draws for HOC/HOP purchases on the Line of Credit since fiscal year 2011.
- Staff requests approval to reduce the obligation for the Single Family Mortgage Purchase MBS Program from \$10 million to \$5 million and to release the \$2.5 million obligation for the HOC/HOP Program against the \$60 million PNC Bank, N.A. Line of Credit.
- After reducing the obligation for the Single Family Mortgage Purchase MBS Program to \$5 million and releasing the \$2.5 million obligation for the HOC/HOP Program, the unobligated balance of the PNC Bank \$60 million Line of Credit will be \$8,461,334.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
Kayrine Brown Division: Real Estate and Mortgage Finance Ext. 9589

RE: Approval to Release Obligations Against the PNC Bank \$60 Million Line of Credit

DATE: October 7, 2015

STATUS: Committee Report: Deliberation [X]

OVERALL GOAL & OBJECTIVE:

Approval to release \$7.5 million of obligations against the PNC Bank \$60 million Line of Credit.

BACKGROUND:

In May 2012, the Commission obligated \$10 million from the \$60 million PNC Bank, N.A. Line of Credit for use by the Single Family Mortgage Purchase MBS Program. The Agency purchases pooled mortgage-backed securities on a monthly basis. These transactions generally require a draw of \$1 million to \$3.6 million from the \$60 million Line of Credit. The securities are sold within two to five business days and the Line of Credit draw is repaid. Caine Mitter, advises that a \$5 million allocation from the \$60 million Line of Credit would be sufficient to continue HOC's Single Family Mortgage Purchase MBS Program.

In March 2008, the Commission obligated \$2.5 million from the \$60 million PNC Bank, N.A. Line of Credit for use by the HOC/HOP Program. Currently the Agency uses the County Revolving Fund for HOC/HOP purchases; there have been no draws for HOC/HOP purchases on the Line of Credit since fiscal year 2011.

Staff requests approval to reduce the obligation for the Single Family Mortgage Purchase MBS Program from \$10 million to \$5 million and to release the \$2.5 million obligation for the HOC/HOP Program against the \$60 million PNC Bank, N.A. Line of Credit. After reducing the obligation for the Single Family Mortgage Purchase MBS Program to \$5 million and releasing the \$2.5 million obligation for the HOC/HOP Program, the unobligated balance of the PNC Bank \$60 million Line of Credit will be \$8,461,334.

See attached schedule of PNC \$60 million Line of Credit obligations.

ISSUES FOR CONSIDERATION:

Does the Commission wish to reduce the obligation against the \$60 million PNC Bank Line of Credit for the Single Family Mortgage Purchase MBS Program from \$10 million to \$5 million?

Does the Commission wish to release the \$2.5 million obligation against the \$60 million PNC Bank Line of Credit for the HOC/HOP Program?

BUDGET IMPACT:

There is no budget impact on the FY'16 Adopted Budget.

TIME FRAME:

Action is requested at the October 7, 2015 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget Finance and Audit Committee recommend to the Commission approval of the reduction of the \$10 million obligation for the Single Family Mortgage Purchase MBS Program to \$5 million and the release of the \$2.5 million obligation for the HOC/HOP Program.

RESOLUTION: 15-78

RE: Approval to Release Obligations
Against the PNC Bank \$60 Million
Line of Credit

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

WHEREAS, the Commission has obligated \$10 million of the PNC Bank \$60 million Line of Credit to use for the Single Family Mortgage Purchase MBS Program; and

WHEREAS, the Commission has also obligated \$2.5 million of the PNC Bank \$60 million Line of Credit to use for the HOC/HOP Program; and

WHEREAS, the Commission has been advised by Caine Mitter, Bond Counsel, that an obligation of \$5 million is sufficient to fund the Single Family Mortgage Purchase MBS Program; and

WHEREAS, the Commission utilizes the County Revolving Fund for the HOC/HOP Program; and

WHEREAS, the Commission wishes to reduce the obligation against the PNC Bank \$60 million Line of Credit for the Single Family Mortgage Purchase MBS Program from \$10 million to \$5 million; and

WHEREAS, the Commission wishes to release the \$2.5 million obligation against the PNC Bank \$60 million Line of Credit for the HOC/HOP Program; and

WHEREAS, upon the reduction of the obligation for the Single Family Mortgage Purchase MBS Program to \$5 million and the release of the \$2.5 million obligation for the HOC/HOP Program, the unobligated balance of the PNC Bank \$60 million Line of Credit will be \$8,461,334.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission authorizes staff to reduce the obligation against the PNC Bank \$60 million Line of Credit for the Single Family Mortgage Purchase MBS Program from \$10 million to \$5 million and to release the \$2.5 million obligation against the PNC Bank \$60 million Line of Credit.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on October 7, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

**Housing Opportunities Commission
PNC Bank Line of Credit
Outstanding as of June 30, 2015**

PNC Bank Line of Credit - Authorized Amount beginning of the year		\$ 60,000,000
 (1) Line of Credit - Outstanding Balance Beginning of Year		
MHLP VII	(531,546.00)	
Paddington Square Apartments	(6,409,539.00)	
Paddington Square Apartments	(5,698,800.00)	
Fairfax Court Apartments	(745,898.84)	
GBRF	(630,068.00)	
CFFP	<u>(1,389,931.00)</u>	
Sub-total		(15,405,783)
 (2) Retired this year:		
Paddington Square Apartments	6,409,539.00	
Paddington Square Apartments	5,698,800.00	
CFFP	1,389,931.00	
GBRF	<u>630,068.00</u>	
Sub-total		14,128,338
<i>Represents Retired Loans and Principal Payments for the Fiscal Year Related to the Mortgage Loans.</i>		
 (3) Issued this year:		
VPC One & Two 669 Scattered Sites FY'15 /R14-96A,B,C	<u>(18,851,368.00)</u>	
Sub-total		<u>(18,851,368)</u>
		(20,128,813)
 (4) Encumbered Amount:		
Single Family Mortgage Backed Security Program	(10,000,000.00)	
HOC/HOP Program	(2,500,000.00)	
Remaining Budget for VPC One & Two Renovations	(19,648,632.00)	
* Proposed Reduction of Single Family MBS Program Obligation	5,000,000.00	
* Proposed Release of HOC/HOP Program Obligation	<u>2,500,000.00</u>	
Sub-total		(24,648,632.00)
 PNC Bank Line of Credit - Outstanding Ending Balance		 <u>(44,777,445)</u>
Amount Available for future Needs		15,222,555
* Chevy Chase Lakes Mortgage Pay-off		<u>(6,761,221.02)</u>
Unobligated Line of Credit Balance		<u>\$ 8,461,334</u>
 * Pending Commission Approval		

Development and Finance Committee

**APPROVAL TO ACCEPT DISTRIBUTION OF DUFFIE
CONTRIBUTION FROM HILLANDALE GATEWAY, LLC AND TO
LOAN HILLANDALE GATEWAY, LLC \$546,000 IN
PREDEVELOPMENT FUNDING**



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE BROWN
ZACHARY MARKS

October 7, 2015

Executive Summary

On July 8, 2015, the Commission authorized the Executive Director to execute all documents related to the formation of a joint venture with the Duffie Companies (“Duffie”) to redevelop Holly Hall Apartments as a new mixed-use, mixed-income property. The initial contributions to the venture are the former Capital One Bank site purchased by HOC last summer (purchased at \$1.70 million; valued as a contribution at \$1.82 million) and \$546,000 in cash from Duffie creating a 70%-to-30% ownership split.

Included in the venture document is an initial predevelopment budget beginning with conceptual design and continuing through the end of 2016. As entitlement and permitting will likely take between two to three years, budgets will be provided annually thereafter to the Commission. Staff recommends that the Commission approve each budget in halves, with reporting on the first half to be provided prior to approval of each second half.

Design & Development Budget	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
TOTAL	\$23,900	\$35,850	\$59,750	\$59,750	\$89,625	\$119,500	\$149,375	\$149,375	\$119,500	\$119,500	\$89,625	\$59,750	\$59,750	\$35,850	\$23,900
							\$537,750								\$657,250

As the first steps for feasibility and predevelopment work, HOC and Duffie will look to establish the extent of development (including any additional aggregation opportunities), political support for the partnership and the redevelopment, a conceptual development plan for the partnership’s holdings, and a preliminary construction financing model. The development team projects required spending of \$537,750 over the first seven months. Staff recommends distributing the Duffie contribution to HOC and funding the initial seven months of spending (the distributed funds effectively offsetting a loan from the OHRF to the venture).

Key Inquiries

Aggregation

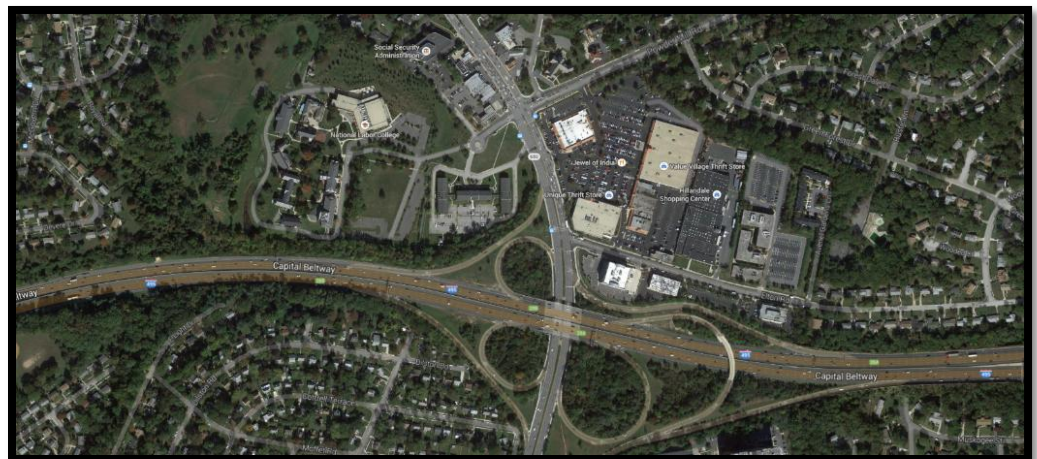
- Possible additional land
- Possible additional access points

Density

- Cost-effective maximization of development
- Residential-commercial balance

Traffic

- Road improvement options.
- BRT engagement.



Feasibility and Pre-development

The HOC-Duffie team is currently using conceptual design services to engage with neighboring land holders. Before comprehensive land planning can begin in earnest, the total scope of land holdings must be determined. More than 3,000,000 square feet of density was awarded to the Hillandale node. Nearly all of it is controlled by Duffie, HOC, and the Amalgamated Transit Union's property located immediately to the west of Holly Hall. Opportunities to acquire land, transfer density, and reduce redundancy in infrastructure are significant.

Other consultants that have begun work include: 1) the surveyor, who in addition to typical boundary identification is also locating underground utilities; and 2) political and community outreach with the help of Gus Bauman who has long-time ties throughout the County and is a former Chair of the Maryland-National Capital Park

and Planning Commission. Mr. Bauman will be coordinating meetings with all Montgomery County Councilmembers throughout the end of September and early October. At these meetings, the HOC-Duffie team will inform the Councilmembers of the new venture and discuss the initial goals for redevelopment.

Once the possibilities for further land aggregation are established, full feasibility design and development will begin with an aim to have a conceptual plan ready for presentation to the Commission in March or April of 2016. In addition to the conceptual plan, the HOC-Duffie team will also provide core due diligence results to the Commission, including initial financial pro forma analysis, environmental analysis, a survey, and entitlement obstacles and timing projections.

Per the venture operating agreement, at any time, should spending be projected to exceed 110% of the Commission-approved amount, the HOC-Duffie team must come back to the Commission for a budget amendment before any additional funding will be authorized. Also per the venture operating agreement, HOC and Duffie will split a \$20,000-per-month development fee 20% to 80% during the entitlement and permitting period. So, HOC will receive \$68,000 in development fee through the end of 2016.

Design & Development Budget	Consultant	Total
Site Design	Rodgers/Torti Gallas	\$100,000
LEED Design	[TBD]	\$15,000
Survey Work	CPJ	\$75,000
Civil Engineering	Rodgers	\$250,000
Environmental Engineering	[TBD]	\$25,000
Traffic Engineering	[TBD]	\$50,000
Accoustical Engineering	[TBD]	\$15,000
Soils Testing	[TBD]	\$20,000
Legal - Entitlement	Lerch Early	\$150,000
Legal - Corporate	[For add'l aggregation]	\$75,000
Legal - Strategy	Gus Bauman	\$20,000
Collaboration Software	Procore	\$10,000
Misc. Design Fees		\$50,000
Development Fee	Duffie (80%)/HOC(20%)	\$340,000
TOTAL		\$1,195,000

Summary and Recommendations

ISSUES FOR CONSIDERATION

1. Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve a predevelopment budget for the redevelopment of Holly Hall in the amount of \$1,195,000 in effect through the end of calendar year 2016?
2. Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve to distribute the \$546,000 cash contribution made by Duffie and depositing it in the Opportunity Housing Reserve Fund (“OHRF”)?
3. Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve funding for the predevelopment budget in the amount of \$546,000 in the form of a loan from the OHRF, and authorize its application to repay predevelopment expenses incurred to date?

BUDGET IMPACT

There is no adverse change to the current Agency operating budget.

TIME FRAME

Action at the open Commission meeting on October 7, 2015.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and approve the predevelopment budget through the end of calendar year 2016, distribute to HOC the \$546,000 cash contribution made by Duffie, deposit it into the OHRF, and fund half of the total budget in the form of a loan from the OHRF, which will be used to repay predevelopment costs incurred to date.

RESOLUTION No. 15-79:

RE: Approval of a Predevelopment Budget in the Amount of \$1,195,000 for the Redevelopment of Holly Hall Through the End of Calendar Year 2016; Approval to Accept a Distribution of the Duffie Contribution from Hillandale Gateway, LLC and to Loan Hillandale Gateway, LLC \$546,000 in Predevelopment Funding; and Approval for Hillandale Gateway, LLC to Accept the Predevelopment Loan

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 (“HOC’s JV Member”), which is a member of Hillandale Gateway, LLC the entity that will redevelop the Holly Hall site; and

WHEREAS, HOC recently contributed a 43,671-square foot parcel of land at the southwest corner of Powder Mill Road and New Hampshire Avenue, which HOC purchased from Capital One Bank, N.A. on July 11, 2014 (“CONA Site”), and was wholly owned by HOC, to Hillandale Gateway, LLC through HOC’s JV Member; and

WHEREAS, the location of Holly Hall and the CONA Site (together, the “Redevelopment Properties”) is at the corner of New Hampshire Avenue and Interstate 495 providing high visibility and access; and

WHEREAS, the Redevelopment Properties were recently approved for an increase in development density via a Sectional Map Amendment, which presents a unique opportunity for HOC to expand its housing presence in the East County, which has seen decades of disinvestment in housing; and

WHEREAS, the Duffie Companies and HOC wish to form a venture to redevelop Holly Hall and the CONA Site where HOC would contribute the Redevelopment Properties and the Duffie Companies would contribute cash, purchasing an ownership interest in Hillandale Gateway, LLC; and

WHEREAS, on July 8, 2015, the Commission authorized the Executive Director to execute all documents associated with the creation of a venture between the Duffie Companies and HOC provided the terms in a letter agreement between the parties would be substantially the same as those originally presented to the Commission on October 22, 2014, and as revised and presented to the Commission on July 8, 2015; and

WHEREAS, on July 31, 2015, a letter agreement was signed by HOC and countersigned by The Duffie Companies with terms substantially the same as those originally presented to the Commission on October 22, 2014, and as revised and presented to the Commission on July 8, 2015; and

WHEREAS, the letter agreement committed HOC to the an initial contribution of the CONA site to Hillandale Gateway, LLC through HOC's JV Member and committed the Duffie Companies to an initial contribution of \$546,000 ("Duffie Contribution"); and

WHEREAS, the parties contemplate that through HOC's JV Member, HOC will take a distribution of the Duffie Contribution and subsequently loan such funds to Hillandale Gateway, LLC to cover predevelopment expenses ("Predevelopment Loan"); and

WHEREAS, the Predevelopment Loan must first repay the predevelopment costs incurred to date, estimated to be approximately \$60,000.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillandale Gateway, LLC acting for itself and for and on behalf of Hillandale Gateway, LLC that it approves a predevelopment budget for the redevelopment of the Redevelopment Properties for up to \$1,195,000 through the end of calendar year 2016.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillandale Gateway, LLC that it accepts the distribution of the Duffie Contribution for deposit into the Opportunity Housing Reserve Fund ("OHRF").

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillandale Gateway, LLC acting for itself and for and on behalf of Hillandale Gateway, LLC that it authorizes a loan to Hillandale Gateway, LLC from HOC's OHRF in the amount of \$546,000 and an acceptance by Hillandale Gateway, LLC of such loan, bearing interest at the Applicable Federal Rate and to be repaid from the proceeds of Hillandale Gateway, LLC's redevelopment construction-period financing.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillandale Gateway, LLC acting for itself and for and on behalf of Hillandale Gateway, LLC, that Hillandale Gateway, LLC is authorized to use Predevelopment Loan proceeds to repay predevelopment expenses incurred to date, estimated to be approximately \$60,000.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC at Hillandale Gateway, LLC acting for itself and for and on behalf of Hillandale Gateway, LLC that the Executive Director of the Commission is hereby authorized, without any further action on their respective parts, 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, acting for itself and for and on behalf of HOC at Hillandale Gateway, LLC acting for itself and for and on behalf of Hillandale Gateway, LLC at an open meeting conducted on October 7, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

**DISCUSSION OF THE DEVELOPMENT PLAN FOR THE REDEVELOPMENT OF CHEVY
CHASE LAKE APARTMENTS, AUTHORIZATION FOR ADDITIONAL DEVELOPMENT
FUNDING, PREPAYMENT OF THE EXISTING MORTGAGE, AND THE RETIREMENT OF THE
ASSOCIATED BONDS USING FUNDS FROM THE \$60 MILLION PNC LINE OF CREDIT**



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
RICHARD D. HANKS

October 7, 2015

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The proposed multifamily building is a new mixed-income community located on the western third of the site of HOC's Chevy Chase Lake Apartments ("CCLA"). The Lakes at Chevy Chase is proposed as a 200-unit, high-quality, amenity-rich development adjacent to the future Metro Purple Line Station. The project is part of the larger redevelopment of the CCLA site as approved by the Commission on August 7, 2013.

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Executive Summary

In securing full entitlements from the Montgomery County Planning Department, HOC's redevelopment of its Chevy Chase Lake Apartments is fully ahead in realizing its new development potential of all other properties rezoned by the revision of the Chevy Chase Lake Master Plan. Remaining drawing, in pursuit of full permits, can be completed in approximately four months and the permits themselves can be obtained approximately three months thereafter. Not only does HOC now have a clear path to the development of what will be its flagship property, it has an opportunity to deliver it well in advance of any competition and in the early phases of any interest rate increases.

To maintain this timing, staff projects a total funding need of \$2,237,191. This amount should be sufficient to get to full permits and construction closing. Thus far, the Commission has approved predevelopment funding of \$600,000 on August 6, 2014, as well as the use of EYA's \$750,000 initial deposit as additional predevelopment funding. All \$3,587,191 can be reimbursed from the construction financing for the project, should the Commission wish. Alternatively, the Commission could leave some or all of this amount in as part of its required equity contribution. Staff will return with the development plan for formal approval next month and the financing plan for the project in the coming months.

EYA is preparing to start construction on the townhome portion of the redevelopment along the same timeline. To do so, demolition of the existing improvements will begin in December. As of the October 1, 2015, the permanent relocation of all existing residents should be complete. The final 13 occupied households were slated to move in September. Throughout the permanent relocation, HOC has complied with all County requirements and provided supplies, movers, and relocation assistance to residents wherever needed.

As a result of vacating the property and as a precondition of EYA's closing on the townhome portion of the site, HOC must also prepay the existing \$6.8MM mortgage and retire the associated bonds.



Executive Summary

To prepay the existing mortgage, staff recommends using the \$60MM PNC Line of Credit (“LOC”), which has a current outstanding balance of \$21.55MM, as it does not have a debt coverage ratio covenant as does the \$90MM PNC Real Estate Line of Credit (“RELOC”). The LOC also has obligated an additional \$23.23MM*, leaving an unobligated balance of \$15.22MM*.

While the use of the LOC to prepay the \$6.80MM in existing debt on Chevy Chase Lake Apartments temporarily leaves the LOC with \$8.42MM unobligated, much of the LOC outstanding and obligated will be released both through the financing of the renovated 669 scattered-site, former-Public Housing units as well as the reimbursement at financial closing in May 2016 of \$2.10MM of the \$6.80MM prepaid.

Development Budget

Chevy Chase Lake Apartments Redevelopment												
Predevelopment Budget (HOC Totals)												
Expenditure Category	Total	End of FY15	July	August	September	October	November	December	January	February	March	April
Land Design	\$454,505	\$181,356	\$20,486	\$20,486	\$34,144	\$34,144	\$27,315	\$27,315	\$27,315	\$27,315	\$27,315	\$27,315
Entitlement/Permitting Fees	\$443,447	\$63,806	\$37,964	\$0	\$0	\$18,982	\$37,964	\$208,803	\$18,982	\$18,982	\$18,982	\$18,982
Legal (Land Use)	\$147,096	\$67,096	\$8,000	\$8,000	\$8,000	\$8,000	\$16,000	\$16,000	\$16,000	\$0	\$0	\$0
Legal (Transactional)	\$85,000	\$50,000	\$10,000	\$10,000	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0
Architecture	\$1,244,875	\$264,875	\$98,000	\$98,000	\$98,000	\$166,600	\$225,400	\$98,000	\$147,000	\$19,600	\$19,600	\$9,800
Miscellaneous	\$30,201	\$15,201	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Land Development	\$872,070	\$0	\$0	\$0	\$8,721	\$17,441	\$43,603	\$174,414	\$156,973	\$156,973	\$156,973	\$156,973
Tenant Relocation	\$235,000	\$90,000	\$50,000	\$50,000	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$75,000	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	\$3,587,194	\$732,334	\$225,950	\$187,986	\$200,364	\$251,667	\$356,782	\$541,032	\$382,769	\$239,369	\$239,369	\$229,569

Staff recommends using the Opportunity Housing Reserve Fund (“OHRF”) as the source for the \$2,237,191 in development spending required to get to closing. The current balance of the OHRF is \$14.06MM. Staff is requesting \$250,000 of the required budget to close. The request for the balance of the funding will be made next month along with a request for approval of the Development Plan.

As part of the settlement of the townhome parcel, a fourth deposit of \$1,250,000 is expected from EYA in December 2015. However, EYA has the contractual right to extend the settlement date by up to 180 days. Once EYA makes the fourth deposit, the Commission may elect to use the funds in lieu of the full request.

*Inclusive of obligation releases before the Commission for approval on October 7, 2015.

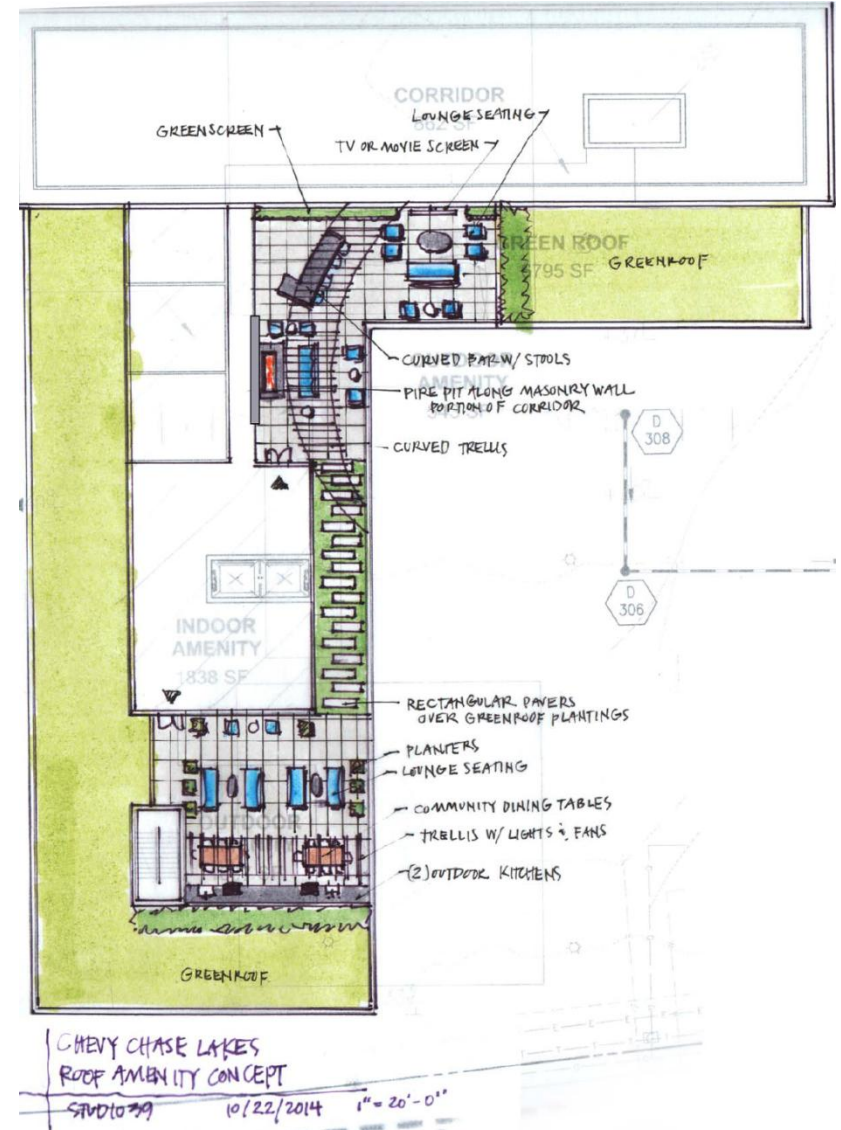
Development Plan – Transaction Rationale

HOC Benefits: Mission & Margin

- 200 newly constructed high quality, well designed, amenity rich, energy efficient homes
- Replaces 21 restricted units with 90 units (including 10 MPDU townhomes)
- Increased cash flows provides the Agency with flexibility in programming for and investment in its residents

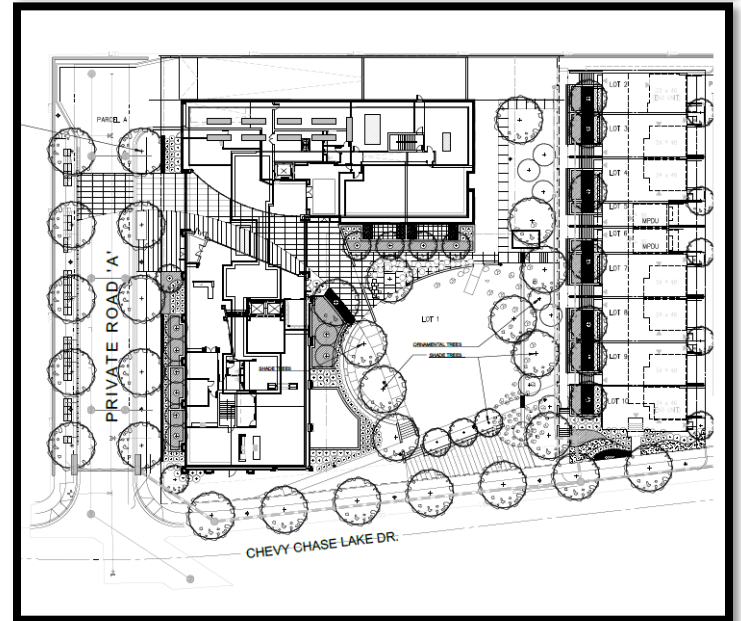
Resident Benefits: Location & Quality of Life

- Provides residents with high quality housing featuring better amenities and increased security
- Creates affordable living by placing housing near transit and proximate to employment and public resources
- Increases the affordable housing stock in one of the wealthiest communities in the country with some of the best schools in the country



Development Plan – Public Purpose

- ✓ Replace 21 restricted units (under 90% AMI) with 90 restricted units:
 - ✓ 40 rental units at 60% of AMI
 - ✓ 40 rental units at 100% of AMI
 - ✓ ~10 for-sale MPDU townhomes at 70% AMI
- ✓ Family-size units in Chevy Chase
 - ✓ Inclusion three-bedroom units
 - ✓ Over-representation of affordable units in two- and three-bedroom units.
- ✓ Public Amenities
 - ✓ New park with active and passive play areas
 - ✓ Private access road connecting to the Land Company's site
 - ✓ Access to future Metro stop



Development Events to Date

Entitlement

- On July 31, 2013, the Montgomery County Council adopted the Chevy Chase Sectional Map Amendment that approved a redevelopment Concept Plan for Chevy Chase Lake Apartments.
- On July 23, 2015, the Montgomery County Planning Board approved the development's Preliminary and Site Plans. This moved the development into the permitting phase. The team has applied for demolition permits and continues to refine the building design and interiors with the goal of submitting for building plans in the first quarter of 2016.

Partnership

- On August 7, 2013, the Commission authorized the Executive Director to enter into exclusive negotiations with Eakin, Youngentob, and Associates (EYA) to purchase a portion of the site for the development of for-sale townhomes.
- On January 23, 2014, the Commission authorized the Executive Director to execute a Purchase and Sale Agreement ("PSA") for the disposition of the land related to the development of for-sale townhomes. The PSA was subsequently executed on April 4, 2014.
- On June 13, 2014, the Commission authorized the Executive Director to enter into exclusive negotiations with EYA and Federal Capital Partners ("FCP") to provide development management services and investment capital respectively for the development of the multifamily building that would provide HOC's replacement housing.
- On May 15, 2015, the Commission approved the Executive Director's entering into a development partnership with EYA, including equity investment, for the multifamily building.
- Working with EYA, staff selected several project team members during the entitlement process. Based on the current schedule, the multifamily building would begin construction in April-May 2016. Currently the General Contractor and Project Management firms are working under pre-development agreements. The full architectural contract is being finalized for signature presently.

The Lakes @ Chevy Chase – Project Update

The design for the multifamily building is an 11-story, concrete structure with 2.5 levels of underground parking. The exterior of the building will combine glass, brick, and metal elements that marry the traditional brick structures of the neighborhood with a more contemporary design. On the ground floor, there will be a walkway that connects the neighborhood park with the future access to the Purple Line Metro station and amenities of Chevy Chase Town Center – both existing and part of the future redevelopment – across the Georgetown Branch Trail.



The site includes a half-acre park, which will offer natural play elements as well as open fields for active and passive enjoyment. The park will be placed between the multifamily building and the first row of townhomes.

The completion of the Manor Road extension to connect with Chevy Chase Lake Drive will further improve circulation and site interaction within the Master Plan.

To one side of this breezeway will be the concierge desk, management offices, and resident lounge. On the other will be community space and the fitness center. On the rooftop will be additional community spaces with both a reading area as well as a skyline dining lounge.



The Lakes @ Chevy Chase – Project Update

As approved, the multifamily building will have 200 units. This may change as the unit sizes and layouts are refined. As required per the County approval 20% (40) of the units will be affordable and 20% (40) will be workforce. The proposed unit mix includes junior one-, one-, two-, and three-bedroom units. As a part of the permanent relocation agreement negotiated with the County, existing households have full right of return to the site upon the delivery of the new building. However, a balanced allocation of affordable units over the proposed mix will be able to account for any existing households that choose to return.



The result is 19 additional 50% AMI units (and the current units are actually capped at 90% of AMI) and 40 additional workforce units (and this assumes the current market rate units are all in essence work force units).



Current & Proposed Unit Mix				
Unit Type	Square Footage	Rent Type	Current Count	Proposed Count
1-Jr. (A)	517	Market	0	0
1-Jr. (B)	567	Market	0	16
1	741	Market	0	60
2 (A)	979	Market	0	0
2 (B)	1061	Market	39	44
3	1213	Market	8	0
1-Jr. (A)	517	100% AMI	0	0
1-Jr. (B)	567	100% AMI	0	12
1	741	100% AMI	0	0
2 (A)	979	100% AMI	0	0
2 (B)	1061	100% AMI	0	19
3	1213	100% AMI	0	9
1-Jr. (A)	517	50% AMI	0	10
1-Jr. (B)	567	50% AMI	0	0
1	741	50% AMI	0	0
2 (A)	979	50% AMI	17	20
2 (B)	1061	50% AMI	0	0
3	1213	50% AMI	4	10

Perhaps the greatest deficiency in HOC’s portfolio is in one-bedroom units. Certainly, there is value to family-sized units in neighborhoods such as Chevy Chase; however, HOC still has some residents living in “over-housed” situations because no HOC-owned one-bedroom relocation unit exists.

Development Plan – Timeline(s)

Design and Renovation

- **Team Assembly:** September 2015
- **Design Documents:** September 2015
- **Permit Documents:** January 2016
- **Relocations Completed:** October 2015
- **Land Transfer** December 2015
- **Demolition Start:** December 2015
- **Townhome Construction Starts:** March 2016
- **Construction Completion:** December 2017

As part of the land transfer, EYA is responsible for managing the demolition of the entire site. Based on current projections, they will start construction on the townhomes slightly ahead of HOC starting the multifamily building.

Wet utilities and site work will start in December 2015.

Financing

- **Due Diligence:** August – December 2015
- **Financing Plan:** January 2016
- **Financing Commitment:** February 2016
- **Estimate Closing:** May 2016

Development Plan – Sources and Uses

Sources and Uses Summary

Sources	Amount	Per Unit
Debt Financing ⁽¹⁾	\$51,987,934	\$259,940
Equity ⁽²⁾	\$16,662,803	\$83,314
Total Sources	\$68,650,737	\$343,254
Uses	Amount	Per Unit
Acquisition Costs ⁽³⁾	\$2,100,000	\$10,500
Development Fee ⁽⁴⁾	\$1,997,736	\$9,989
Construction Costs (incl. Overhead and GC Fees)	\$54,449,365	\$272,247
Financing Expenses ⁽⁵⁾	\$2,299,271	\$11,496
Soft Costs ⁽⁶⁾	\$7,604,365	\$38,022
Reserves ⁽⁷⁾	\$200,000	\$1,000
Total Uses	\$68,650,737	\$343,254

Notes:

- (1) The type and nature of the financing has not been determined. Staff has underwritten the development to market assumptions for debt and equity.
- (2) Up to \$2MM of this will be funded by EYA; HOC's proceeds from the sale of the townhouse land to EYA will not be received in time to act as a source for the construction of the project; so, HOC will need bridge equity.
- (3) Reimbursement of the LOC for the payoff of the outstanding debt associated with the MF portion of the land (30% of \$6.95 million); the other 70% of the debt associated with the townhouse land disposition paid off by the LOC will be reimbursed from HOC townhome sales proceeds as well.
- (4) Assumes development partnership agreement.
- (5) Includes 2% of mortgage amount as origination fee plus other related financing expenses.
- (6) Due Diligence Consultant(s) Fees, Architectural Design, Construction Period Interest, Negative Arbitrage, Settlement Costs and Soft Cost Contingency.
- (7) Initial Reserves for Replacement at \$1,000/unit.

Development Plan – Stabilized Operations

All of the projections herein proposed are based on 75%-complete design documents and construction assumptions made by the general contracting firm Lend Lease. Market rate rents are less than 1) HOC is achieving at the Metropolitan in Bethesda, southwest of the site; 2) Federal Realty is achieving at its new rental property in White Flint to the north, a similar type of building; and 3) only 15% higher than Class A rents in Downtown Silver Spring.

Stabilized Proforma	Year 1	Per Unit
Rental Income	\$5,510,517	\$27,553
Parking Income	\$138,766	\$694
Other Income	\$122,628	\$613
Operating Expenses ⁽¹⁾	(\$1,501,537)	(\$7,508)
Vacancy / Credit Loss	(\$288,596)	(\$1,443)
NOI (Net Operating Income)	\$3,981,778	\$21,788
Reserves	\$60,000	\$300
Operating Cash Flow	\$3,921,778	\$19,608
Debt Service	\$3,268,148	\$16,340
Cash Flow	\$653,629	\$3,268
Debt Service Coverage Ratio	1.20x	

(1) Assumes full PILOT on all of the units.

Projected FHA Mortgage Amount at Closing	\$51,987,935
Term (in years)	40
Interest Rate	5.00%
Debt Service Constant	5.79%
MIP (Mortgage Insurance Premium)	0.50%
"All-In" Rate	6.29%
Debt Service Coverage Ratio Target	1.20x
NOI (less reserves)	\$3,921,778
Debt Service	\$3,268,148

Current debt proceeds are sized assuming a typical FHA Risk-share mortgage. The 20% of units planned for the new multifamily building as MPDUs are already priced at 50% of AMI such that the project can satisfy the Section 42 requirements associated with the use of tax-exempt financing.

Development Plan – Townhome Proceeds

Projected Cash Proceeds from Townhome Sales			
<i>Sales Price</i>	\$1,280,000	\$1,500,000	\$1,600,000
<i>HOC Share</i>	\$320,000	\$375,000	\$400,000
<i>less: Commission (3%)</i>	(\$9,600)	(\$11,250)	(\$12,000)
<i>Total Units</i>	52	52	52
<i>Total HOC Cash Proceeds</i>	\$16,140,800	\$18,915,000	\$20,176,000
<i>less: TH LOC Reimbursement</i>	(\$4,650,000)	(\$4,650,000)	(\$4,650,000)
<i>HOC Cash Proceeds Available for MF Equity</i>	\$11,490,800	\$14,265,000	\$15,526,000

As part of the Purchase and Sale Agreement for the townhome parcel, HOC has a profit participation of 25% in the sale of the finished market rate town homes. Additionally, HOC's share can be no less than \$320,000 per market rate town home. Regardless of the performance of sales, EYA is required to pay HOC the minimum price on any unsold town homes after seven years.

The table above gives a likely range of HOC's proceeds from sales. After sales commissions and the reimbursement of the PNC \$60MM Line of Credit, HOC should see between \$11.5MM and \$15.5MM.

Total equity required to fund the new multifamily building on HOC's Chevy Chase Lake Apartments is \$16,662,803. At that amount, EYA will contribute in some form its maximum required amount of \$2,000,000. This will leave HOC's required equity amount at \$14,662,803. In the event that HOC receives the contractual minimum per-unit share of \$320,000, HOC would only have \$3.172MM in required equity unaccounted for.

Staff anticipates bringing the Commission a method of bridging the timing in which HOC receives these proceeds in the coming months.

Development Plan – Team Assembly

Developer

- Eakin, Youngentob & Associates (EYA)

General Contractors

- Lend Lease
 - Currently engaged for preconstruction services.
 - Becomes General Contractor if current estimate holds true to full bid.
 - Right to re-compete if pricing changes from estimates.

Architects

- Design Collective, Inc. (DCI)
 - Selected from five firms that competed for this project and has performed preliminary design work required to submit the site plan.
 - Contract for full project design being finalized.

Property Management

- Greystar
 - EYA vetted three firms: Bozzuto, Greystar and Vantage.
 - Bozzuto's partnership with Chevy Chase Land Company on neighboring parcel creates a conflict of interest.
 - Staff and EYA interviewed Vantage and Greystar.

Mortgage Prepayment and Bond Redemption

- On November 23, 2004, the Commission issued \$6,975,000 of 2004 Series C non-AMT bonds in the Multifamily Housing Development Bond Indenture (the “1996 Indenture”) to finance a mortgage for the rehabilitation of Chevy Chase Lakes Apartments. The transaction is insured by FHA pursuant to its Risk Sharing Agreement with HOC.
- The current outstanding bond amount is \$6,875,000 as of July 1, 2015 and the current outstanding mortgage amount is \$6,810,553 as of September 1, 2015.
- The bonds were issued as floating rate variable rate demand obligation (VRDO) bonds hedged by an interest rate swap with Merrill Lynch Capital Services (MLCS). The swap contract was optionally terminated by HOC on January 1, 2015 in anticipation of the proposed mortgage prepayment and site redevelopment.
- Staff proposes to draw \$6,875,000 on the original PNC Bank, N.A. line of credit to prepay the mortgage and redeem the bonds.
- The draw will pay interest at the contractual line of credit rate of LIBOR plus 90 basis points and is expected to be outstanding for approximately 12 months. The loan will be repaid from permanent financing proceeds.
- The projected unobligated balance for the line of credit will be \$15.22 million with the Commission’s approval to release certain obligations on October 7, 2015.

SOURCES AND USES OF FUNDS

SOURCES

Description		Amount
Unpaid 10/1 principal balance	10/7/2015	6,794,170
Accrued interest payment	10/7/2015	5,039
2004 Series C Revenue/Reserves Fund	N/A	86,840
Total		\$ 6,886,050

USES

Description		Amount
Redemption of 2004 C CCL Portion	11/2/2015	6,875,000
Estimated Interest on 2004 C CCL	11/2/2015	1,050
Expenses	11/2/2015	10,000
Total		\$ 6,886,050

Summary and Recommendations

Issues for Consideration

What changes to the proposed Development Plan would the Commission wish to see?

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve:

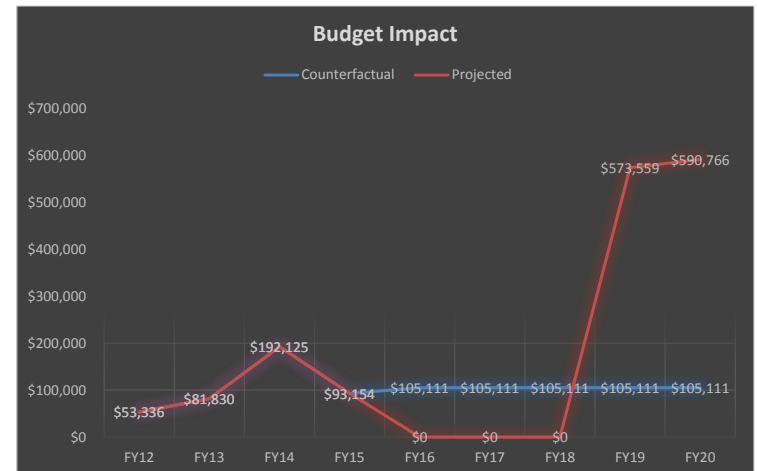
1. A development budget through closing of \$2,237,191 along with funding one-month's development activities with a \$250,000 loan from the OHRF to the project to be repaid either with construction financing proceeds or proceeds from HOC's share of townhome sales proceeds?
2. Prepayment of the existing mortgage on Chevy Chase Lake Apartments in an amount not to exceed \$7MM using the PNC \$60MM Line of Credit?
3. Retirement of the multifamily bonds associated with the senior mortgage for Chevy Chase Lake Apartments?

Fiscal / Budget Impact

The permanent relocation of all existing residents from Chevy Chase Lake Apartments will temporarily cease net cash flow from the property to HOC. Over the past four HOC Fiscal Years, the property has produced an average of \$105,000 annually to HOC.

However, the new property's first stabilized year will make up for the approximately \$315,000 in cumulative cash flow over the preceding three HOC Fiscal Years. In successive years, the new property will produce nearly six times the cash flow to HOC than that produced under prior operations.

In building the Fiscal Year 2016 budget, the cessation of cash flow from the property was anticipated. Future budgets will integrate the current projected timing of delivery for the new building.



Summary and Recommendations (Continued)

Time Frame

Action at the October 7, 2015 meeting of the Commission.

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accepts the recommendation of the Development and Finance Committee and approve the following:

1. A development budget through closing of \$2,237,191 along with a \$250,000 loan from the OHRF to the project to be repaid either with construction financing proceeds or proceeds from HOC's share of townhome sales proceeds.
2. Prepayment of the existing mortgage on Chevy Chase Lake Apartments in an amount not to exceed \$7MM using the PNC \$60MM Line of Credit.
3. Retirement of the multifamily bonds associated with the senior mortgage for Chevy Chase Lake Apartments.

RESOLUTION No. 15-80A:

RE: Approval of a Tax-Exempt Draw of up to \$6,875,000 by the Commission from the Original PNC Bank, N.A. Line of Credit (\$60 Million) and the Commission's Advance of Such Funds to Chevy Chase Lake Development Corporation to Prepay the First Mortgage Loan

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

WHEREAS, Chevy Chase Lake Development Corporation (the "Corporation"), an entity wholly controlled by the Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission"), is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the "CCL Site"); and

WHEREAS, on July 30, 2013, the Montgomery County Council approved the redevelopment plan for the CCL Site based on a proposed joint development for mixed-use housing providing between 20-40 affordable rental units and 30-40 workforce units in a 150-200 mixed income mid-rise building to be retained by the Corporation (the "Multifamily Building") in addition to 50-60 for-sale townhomes (the "Townhouses"), of which 15% are slated to be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (MPDUs); and

WHEREAS, on January 23, 2014, the Commission and the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates ("EYA") to sell a portion of the land for the development of the Townhouses (the "Townhouse Site"), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the "Multifamily Site"); and

WHEREAS, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the "MF Preliminary Plan Application"), so that it may be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and

WHEREAS, the Commission has authorized the permanent relocation of all existing residents and such relocation is expected to be completed by October 31, 2015, thereby availing the development for demolition in preparation for redevelopment; and

WHEREAS, as a result of vacating the property and as a precondition of EYA's closing on the acquisition of the townhome portion of the site, HOC must also prepay the existing first mortgage and redeem the outstanding bonds; and

WHEREAS, the Commission may make draws on the original \$60 million PNC Bank, N.A. line of credit at a taxable rate of the London Interbank Offered Rate (LIBOR) plus 90 basis points or tax-exempt at 68.5% of the LIBOR plus 38 basis points.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves a tax-exempt draw on the original PNC Bank, N.A. line of credit for an amount up to \$6,875,000 (the "Loan") and the subsequent advance of such Loan funds to the Corporation for the purpose of prepaying the existing first mortgage loan and redemption of the portion of the 2004 Series C Multifamily Housing Development Bonds attributable to Chevy Chase Lakes Development Corporation for a maximum term of 24 months.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it affirms 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 thereof, the same are hereby 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.

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 October 7, 2015.

Patrice M. Birdsong
Special Assistant to the Commission

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RESOLUTION No. 15-80B:

RE: Approval to Make a Predevelopment Loan of up to \$250,000 from the Opportunity Housing Reserve Fund to the Chevy Chase Lake Development Corporation to Fund Predevelopment Costs for the Proposed Multifamily Building

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

WHEREAS, Chevy Chase Lake Development Corporation (the “Corporation”), an instrumentality of HOC, is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the “CCL Site”); and

WHEREAS, on July 30, 2013, the Montgomery County Council approved the redevelopment plan for the CCL Site based on a proposed joint development for mixed-use housing providing between 20-40 affordable rental units and 30-40 workforce units in a 150-200 mixed income mid-rise building (the “Multifamily Building”) in addition to 50-60 for-sale townhomes (the “Townhouses”) of which 15% are slated to be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (MPDUs); and

WHEREAS, on January 23, 2014, the Commission and the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates (“EYA”) to sell a portion of the land for the development of the Townhouses (the “Townhouse Site”), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the “Multifamily Site”); and

WHEREAS, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the “MF Preliminary Plan Application”), so that it could be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and

WHEREAS, the Commission previously authorized predevelopment funding of \$1,350,000 which was funded from deposits received from EYA (\$750,000) and from the Opportunity Housing Reserve Fund (OHRF) (\$600,000) but, in order to cover the completion of the remaining design work, pre-closing site work, permit fees, and legal fees and costs through the date the Multifamily Site is acquired by the to-be-formed Commission-controlled entity with acquisition and construction financing; and

WHEREAS, it is estimated that additional predevelopment funding of approximately \$2.2 million is needed to complete the predevelopment expenditures of the Multifamily Building and that all such cost are attributable only to the Multifamily Building; and

WHEREAS, the Commission's OHRF has an unobligated balance of \$14.06 million and such funds may be appropriated with Commission approval for among other things, the funding of predevelopment costs.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves a predevelopment loan of up to \$250,000 from the OHRF to the Chevy Chase Lake Development Corporation for predevelopment expenses for the Multifamily Building, reserving the right to approve any additional amount of the \$2.2 million that is anticipated to be needed to complete the predevelopment work when the final development plan and the request for funding are presented to the Commission for approval.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director, without any further action on its part, is hereby authorized 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 duly adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on October 7, 2015.

Patrice M. Birdsong
Special Assistant to the Commission

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**APPROVAL OF REVISED DEVELOPMENT PLAN AND AUTHORIZATION TO
EXPEND ADDITIONAL PREDEVELOPMENT SPENDING OF UP TO \$750,000 OF
OPPORTUNITY HOUSING RESERVE FUNDS FOR THE SUBMISSION OF THE
DETAIL SITE PLAN FOR ELIZABETH SQUARE TO M-NCPPC AND
MONTGOMERY COUNTY
SILVER SPRING, MD**



Stacy L. Spann, Executive Director

Kayrine Brown
Zachary Marks
Brian Kim

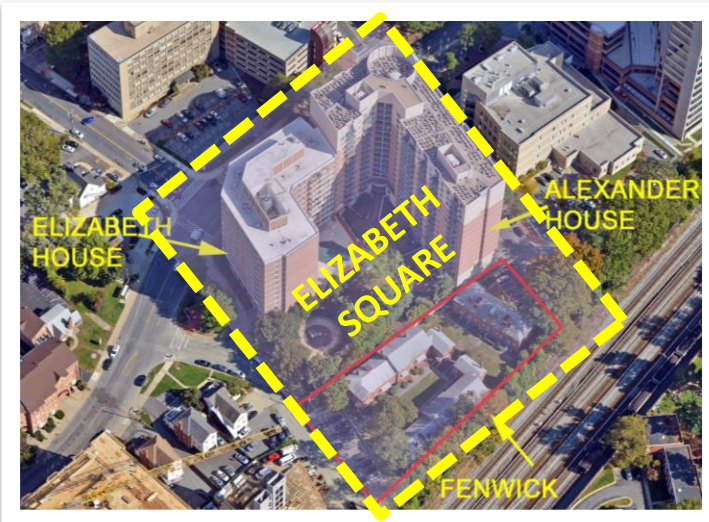
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Elizabeth Square: Executive Summary

- The Planning Board unanimously approved the Project and Preliminary plans on July 23, 2015.
- The Project Plan approved up to 766,046 square feet of residential development with up to 907 dwelling units, up to 6,032 square feet of non-residential uses, up to 63,896 square feet of public use facilities.
- The Site Plan process is underway, and staff anticipates the initial submission for both EH III and EH IV to be completed by 1st quarter of calendar year 2016. Obtaining Site Plan approval for both buildings simultaneously allows for quicker approvals from Planning.
- Public purpose units on Elizabeth Square after redevelopment will total 279 units, nearly equal to the existing number.
- The actual construction of the buildings will be phased, as existing residents of Elizabeth House will be waiting on relocation options to come available.

- 1 EH III**
 - 235 Units
 - 15 Stories
 - Senior Housing
- 2 EH IV**
 - 274 Units
 - 19 Stories
 - Family Housing
- 3 Alexander House**
 - 300 Units
 - 16 Stories
 - Family Housing



Elizabeth Square: Development Plan

Proposed Changes to the Development Plan

Elizabeth House III	Initial Plan	Proposed Plan
Unit Mix		
Studio	47 Units (425 SF)	52 Units (509 SF)
Jr. 1BR	0 Unit	13 Units (581 SF)
1BR	217 Units (615 SF)	146 Units (730 SF)
1BR + Den	0 Unit	16 Units (806 SF)
2BR	13 Units (800 SF)	8 Units (960 SF)
TOTAL	277 Units	235 Units
Public Purpose		
40% AMI	110 Units	70 Units
60% AMI	0 Unit	24 Units
80% AMI	28 Units	12 Units
TOTAL	138 Units	106 Units
Market Rate Units	139 Units	129 Units
Rent Projections		
WFHU	\$1,300 - \$1,960	\$1,300 - \$1,960
Market	\$1,550 - \$2,750	\$1,400 - \$2,350
GAP		
Commercial (\$15psf Rent)	(\$7,933,815)	(\$7,933,815)
Affordable Units	(\$16,294,713)	(\$15,711,123)
Market Units	(\$9,491,916)	(\$9,849,497)
TOTAL	(\$33,720,444)	(\$33,494,435)

Potential GAP Funding Sources

- 1) Public source for public use and purpose.
- 2) Equity proceeds from Alexander House - approximately \$20MM.
- 3) Proceeds from Arcola Towers and Waverly House.

October 7, 2015



Elizabeth House IV	Initial Plan	Proposed Plan
Unit Mix		
Studio	118 Units (425 SF)	16 Units (507 SF)
Jr. 1BR	0 Unit	88 Units (573 SF)
1BR	125 Units (615 SF)	112 Units (730 SF)
2BR	61 Units (800 SF)	44 Units (960 SF)
3BR	26 Units (950 SF)	14 Units (1,150 SF)
TOTAL	330 Units	274 Units
Public Purpose		
30% AMI	12 units	0 Unit
40% AMI	9 units	0 Unit
50% AMI	11 units	55 Units
60% AMI	13 units	0 Unit
WFHU	33 units	28 Units
TOTAL	78 Units	83 Units
Market Rate Units	252 Units	191 Units
Rent Projections		
WFHU	\$1,300 - \$2,457	\$1,300 - \$2,457
Market	\$1,550 - \$2,720	\$1,550 - \$2,720
GAP	(\$10,678,774)	(\$15,979,300)

Potential GAP Funding Sources

- 1) To be determined

Elizabeth Square: Development Plan

Sensitivity Analysis to Proposed Changes to the Development Plan for EH IV

Elizabeth House IV	Proposed Plan	Increase 3BR Units	Deeper Public Purpose
Unit Mix			
<i>Studio</i>	16 Units (507 SF)	16 Units (507 SF)	16 Units (507 SF)
<i>Jr. 1BR</i>	88 Units (573 SF)	88 Units (573 SF)	88 Units (573 SF)
<i>1BR</i>	112 Units (730 SF)	88 Units (730 SF)	112 Units (730 SF)
<i>2BR</i>	44 Units (960 SF)	44 Units (960 SF)	44 Units (960 SF)
<i>3BR</i>	14 Units (1,150 SF)	26 Units (1,150 SF)	14 Units (1,150 SF)
TOTAL	274 Units	262 Units	274 Units
Public Purpose			
<i>30% AMI</i>	0 Unit	0 Unit	5 Unit
<i>40% AMI</i>	0 Unit	0 Unit	5 Unit
<i>50% AMI</i>	55 Units	55 Units	45 Units
<i>60% AMI</i>	0 Unit	0 Unit	0 Unit
<i>WFHU</i>	28 Units	28 Units	28 Units
TOTAL	83 Units	83 Units	83 Units
Market Rate Units	191 Units	179 Units	191 Units
Rent Projections			
<i>WFHU</i>	\$1,300 - \$2,457	\$1,300 - \$2,457	\$1,300 - \$2,457
<i>Market</i>	\$1,550 - \$2,720	\$1,550 - \$2,720	\$1,550 - \$2,720
GAP	(\$15,979,300)	(\$17,375,493)	(\$16,554,337)

Elizabeth Square: Funding and Next Steps

- Previous Funding Requests.

Approval Date	Amount	Funds Remaining	Use of Funds
March 6, 2014	\$730,000	\$0	Project & Preliminary Plan Preparation
September 3, 2014	\$910,949	\$0	Start of Site Plan-Phase Design (EH III Only)
August 5, 2015	\$600,000	\$140,000	Completion of Site Plan-Phase Design (EH III Only)
TOTAL	\$2,240,949	\$140,000	

- Estimated total funding required for approval of Site Plan, Permits, and Closing Loan - \$4.5MM.
 - **\$750,000** - first tranche of pre-development funding needed **October 2015** to begin Site Plan application process for the revised plan (including EH IV).
 - **\$750,000** – second tranche of pre-development funding needed by **January 2016** to submit Site Plan for the revised plan (including EH IV).
 - **\$1,500,000** – third tranche of pre-development funding needed by **April 2016** to prepare Construction Document Bid Sets.
 - **\$1,500,000** – fourth tranche of pre-development funding needed by **December 2016** to close on construction loan.
- Site Plan Submittal – First Quarter 2016

Elizabeth Square: Funding and Next Steps

- Alexander House is an important element of the redevelopment of Elizabeth Square. The preliminary and project plan which was approved on July 23, 2015 also includes amendments to the property. Further, minor site plan amendment approval was achieved for the property, incorporating it seamlessly into the overall square. The following modifications were approved;
 - New windows and balconies on the exterior of the building;
 - Reducing the number of dwelling units from 311 to 300 (the 11 units will be relocated to future Elizabeth House IV)
 - Reprogramming the interior levels 1 and 2 (replacing the 11 relocated units) to incorporate public use space such as digital media lab, digital medical technical lab, senior technical lab, dance studio, ancillary lounge, administrative offices, lobby for interior public space, and reprogramming includes the recapture of the tunnel through the building for use as part of this new interior space.
 - Reducing the number of parking spaces to reflect the relocation and reduction of dwelling units.
- Further, the equity in may now be extracted and used to contribute to the funding of the affordable housing component of Elizabeth House III.
 - Staff is currently engaged in the procurement process to select a development team for Alexander House and will also present a plan for the refinance and renovation of Alexander House as a component of the larger redevelopment.
 - Alexander House provides critical density to build EH III and EH IV.
 - The redevelopment process was a natural time to address the long-term physical needs of Alexander House.

Summary and Recommendations

Issues for Consideration

- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve the proposed development plan to revise the unit mix and public purpose for Elizabeth House III and Elizabeth House IV?
- Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve \$750K in additional funding toward expanded Site Plan design work for both Elizabeth House III and Elizabeth House IV?

Budget Impact

Expending funding from the OHRF will not have a direct impact on the current fiscal year operating budget.

Time Frame

Action at the meeting of the Commission on October 7, 2015.

Staff Recommendation and Commission Action Needed

- Staff recommends the Commission accept the recommendation of the Development and Finance Committee and approve the proposed development plan to revise the unit mix and public purpose for Elizabeth House III and Elizabeth House IV.
- Staff recommends the Commission accept the recommendation of the Development and Finance Committee and approve the \$750K in additional funding toward expanded Site Plan design work for both Elizabeth House III and Elizabeth House IV.

RESOLUTION No. 15-81:

RE: Approval of Revised Development Plan and Authorization to Expend Additional Predevelopment Spending of up to \$750,000 of Opportunity Housing Reserve Funds for the Submission of the Detail Site Plan for Elizabeth Square to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County

WHEREAS, Elizabeth Square is a 136,032 sq. ft. parcel located in downtown Silver Spring, bounded by Fenwick Street to the North, Second Avenue to the East, WMATA Rail Lines to the West and Apple Street to the South, consisting of three discrete properties, Alexander House owned by Alexander House Development Corporation, Elizabeth House owned by the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) and Fenwick Professional Park owned by Lee Development Group (“LDG”); and

WHEREAS, on February 18, 2014, HOC entered into a pre-development agreement and preliminary plan submittal phase with LDG, Inc., an affiliate of LDG, as authorized by Resolution 14-13, adopted on February 18, 2014 and ratified by Resolution 14-13-R, adopted on March 5, 2014; and

WHEREAS, on May 28, 2014, the Commission passed Resolution 14-34 approving the essential business terms of the ground lease and land development agreement and authorizing the Executive Director to negotiate and execute the land development agreement (“Agreement”), which Resolution 14-34 was ratified by the Commission on June 4, 2014 by Resolution 14-34-R; and

WHEREAS, HOC and LDG entered into the Agreement as of July 31, 2014; and

WHEREAS, on July 23, 2015, the preliminary and project plans for Elizabeth Square were unanimously approved by the County Planning Department; and

WHEREAS, preliminary and project plans approved up to 766,046 square feet of residential development with up to 907 dwelling units, up to 6,032 square feet of non-residential uses, and up to 63,896 square feet of public use facilities; and

WHEREAS, HOC has now completed the feasibility phase of Elizabeth Square and is prepared to develop the detail site plan for the increased building height on Alexander House and the construction of both Elizabeth House III, which will be constructed on the Fenwick Professional Park site, and Elizabeth House IV, which will be constructed on the existing Elizabeth House site; and

WHEREAS, as part of the detail site plan phase, the development consultants are prepared to initiate the site plan process by submitting an application to M-NCPPC and the County Planning Department; and

WHEREAS, the Commission previously approved predevelopment funding totaling \$2,240,949; and

WHEREAS, staff seeks approval for additional predevelopment funding estimated to cost \$4,500,000 to carry the development through the completion of design and engineering documents for both Elizabeth House III and Elizabeth House IV, issuance of permits for Elizabeth House III, and the closing on the construction financing for Elizabeth House III, with the additional funding request to be divided into four installments, each requiring Commission approval; and

WHEREAS, the first installment of \$750,000 can be funded out of the Opportunity Housing Reserve Fund from monies yielded by the sale of certain scattered site units and reserved for investment in multifamily development opportunities.

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

1. HOC is authorized to incur up to SEVEN HUNDRED FIFTY THOUSAND DOLLARS (\$750,000) in costs for the detail site plan, which shall be funded from the Opportunity Housing Reserve Fund; and
2. The Executive Director is authorized to execute all applications and submissions necessary for the approval of a detail site plan for the development of Elizabeth House III and Elizabeth House IV, and to file such applications and submissions with all of the required regulatory agencies, including the Maryland-National Capital Park and Planning Commission and the County Planning Department.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and 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 October 7, 2015.

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Patrice M. Birdsong
Special Assistant to the Commission

Deliberation and/or Action

Future Action

Information Exchange

New Business

Executive Session Findings

Adjourn

Development Corporation Meetings

Chevy Chase Lake Apartments

APPROVAL TO ACCEPT A TAX-EXEMPT LOAN OF UP TO \$6,875,000 FROM HOC FUNDED THROUGH A DRAW BY HOC ON THE ORIGINAL PNC BANK, N.A. LINE OF CREDIT (\$60 MILLION), TO PREPAY THE FIRST MORTGAGE LOAN AND REDEEM THE PORTION OF THE 2004 SERIES C MHDB ALLOCABLE TO CHEVY CHASE LAKE DEVELOPMENT CORPORATION AND APPROVAL TO EXPEND UP TO \$250,00 IN PREDEVELOPMENT FUNDING ADVANCED BY HOC FROM THE OHRF



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
RICHARD D. HANKS

October 7, 2015

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The proposed multifamily building is a new mixed-income community located on the western third of the site of HOC's Chevy Chase Lake Apartments ("CCLA"). The Lakes at Chevy Chase is proposed as a 200-unit, high-quality, amenity-rich development adjacent to the future Metro Purple Line Station. The project is part of the larger redevelopment of the CCLA site as approved by the Commission on August 7, 2013.

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- Development Plan
 - Transaction Rationale.....5
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 - Development Events to Date.....7
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Executive Summary

In securing full entitlements from the Montgomery County Planning Department, HOC's redevelopment of its Chevy Chase Lake Apartments is fully ahead in realizing its new development potential of all other properties rezoned by the revision of the Chevy Chase Lake Master Plan. Remaining drawing, in pursuit of full permits, can be completed in approximately four months; and the permits themselves can be obtained approximately three months thereafter. Not only does HOC now have a clear path to the development of what will be its flagship property, it has an opportunity to deliver it well in advance of any competition and in the early phases of any interest rate increases.

To maintain this timing, staff projects a total funding need of \$2,237,191. This amount should be sufficient to get to full permits and construction closing. Thus far, the Commission has approved predevelopment funding of \$600,000 on August 6, 2014, as well as the use of EYA's \$750,000 initial deposit as additional predevelopment funding. All \$3,587,191 can be reimbursed from the construction financing for the project, should the Commission wish it. Alternatively, the Commission could leave some or all of this amount in as part of its required equity contribution. Staff will return with the development plan for formal approval next month and the financing plan for the project in the coming months.

EYA is preparing to start construction on the townhome portion of the redevelopment along the same timeline. To do so, demolition of the existing improvements will begin in December. As of the October 1, 2015, the permanent relocation of all existing residents should be complete. The final 13 occupied households were slated to move in September. Throughout the permanent relocation, HOC has complied with all County requirements and provided supplies, movers, and relocation assistance to residents wherever needed.

As a result of vacating the property, and as a precondition of EYA's closing on the townhome portion of the site, HOC must also prepay the existing \$6.8MM mortgage and retire the associated bonds.



Executive Summary

To prepay the existing mortgage, staff recommends using the \$60MM PNC Line of Credit (“LOC”), which has a current outstanding balance of \$21.55MM, as it does not have a debt coverage ratio covenant as does the \$90MM PNC Real Estate Line of Credit (“RELOC”). The LOC also has obligated an additional \$23.23MM*, leaving an unobligated balance of \$15.22MM*.

While the use of the LOC to prepay the \$6.80MM in existing debt on Chevy Chase Lake Apartments temporarily leaves the LOC with \$8.42MM unobligated, much of the LOC outstanding and obligated will be released both through the financing of the renovated 669 scattered-site, former-Public Housing units as well as the reimbursement at financial closing in May 2016 of \$2.10MM of the \$6.80MM prepaid.

Development Budget

Chevy Chase Lake Apartments Redevelopment												
Predevelopment Budget (HOC Totals)												
Expenditure Category	Total	End of FY15	July	August	September	October	November	December	January	February	March	April
Land Design	\$454,505	\$181,356	\$20,486	\$20,486	\$34,144	\$34,144	\$27,315	\$27,315	\$27,315	\$27,315	\$27,315	\$27,315
Entitlement/Permitting Fees	\$443,447	\$63,806	\$37,964	\$0	\$0	\$18,982	\$37,964	\$208,803	\$18,982	\$18,982	\$18,982	\$18,982
Legal (Land Use)	\$147,096	\$67,096	\$8,000	\$8,000	\$8,000	\$8,000	\$16,000	\$16,000	\$16,000	\$0	\$0	\$0
Legal (Transactional)	\$85,000	\$50,000	\$10,000	\$10,000	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0
Architecture	\$1,244,875	\$264,875	\$98,000	\$98,000	\$98,000	\$166,600	\$225,400	\$98,000	\$147,000	\$19,600	\$19,600	\$9,800
Miscellaneous	\$30,201	\$15,201	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Land Development	\$872,070	\$0	\$0	\$0	\$8,721	\$17,441	\$43,603	\$174,414	\$156,973	\$156,973	\$156,973	\$156,973
Tenant Relocation	\$235,000	\$90,000	\$50,000	\$50,000	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$75,000	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	\$3,587,194	\$732,334	\$225,950	\$187,986	\$200,364	\$251,667	\$356,782	\$541,032	\$382,769	\$239,369	\$239,369	\$229,569

Staff recommends using the Opportunity Housing Reserve Fund (“OHRF”) as the source for the \$2,237,191 in development spending required to get to closing. The current balance of the OHRF is \$14.06MM. Staff is requesting \$250,000 of the required budget to close. The request for the balance of the funding will be made next month along with a request for approval of the Development Plan.

As part of the settlement of the townhome parcel, a fourth deposit of \$1,250,000 is expected from EYA in December 2015. However, EYA has the contractual right to extend the settlement date by up to 180 days. Once EYA makes the fourth deposit, the Commission may elect to use the funds in lieu of the full request.

*Inclusive of obligation releases before the Commission for approval on October 7, 2015.

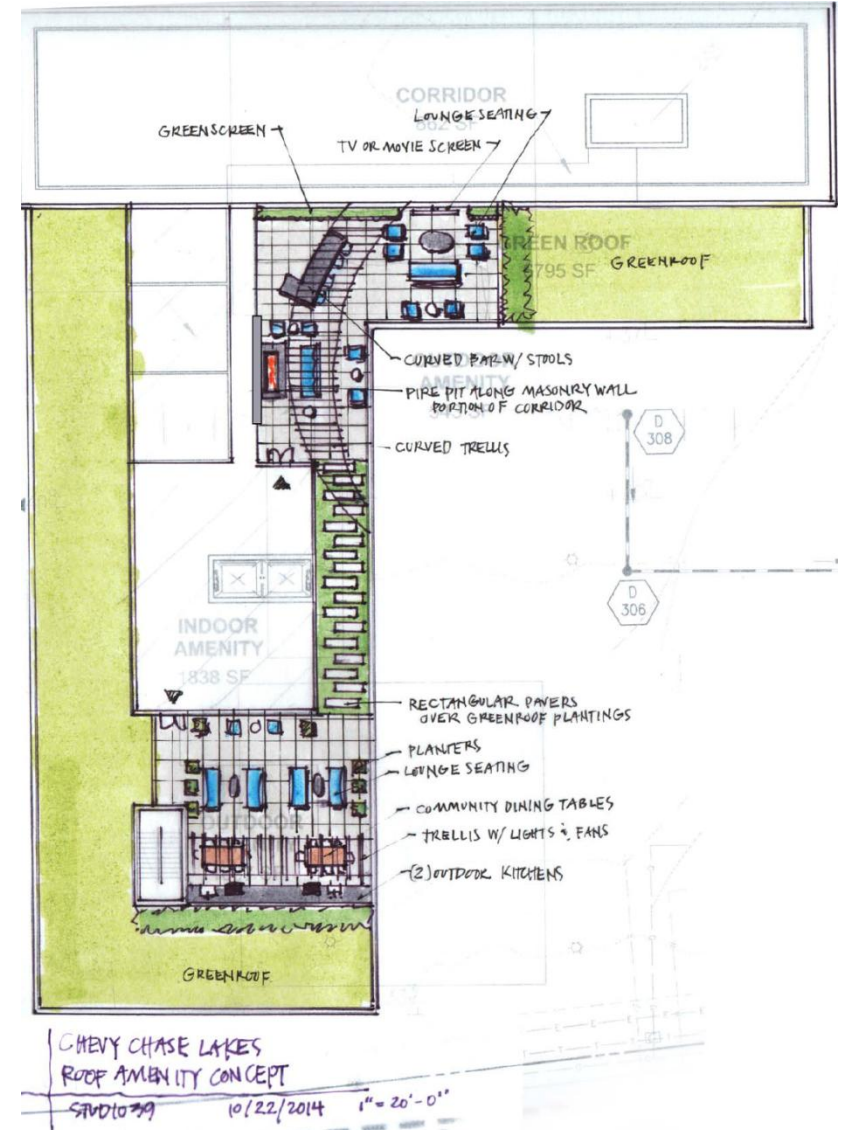
Development Plan – Transaction Rationale

HOC Benefits: Mission & Margin

- 200 newly constructed high quality, well designed, amenity rich, energy efficient homes
- Replaces 21 restricted units with 90 units (including 10 MPDU townhomes)
- Increased cash flows provides the Agency with flexibility in programming for and investment in its residents

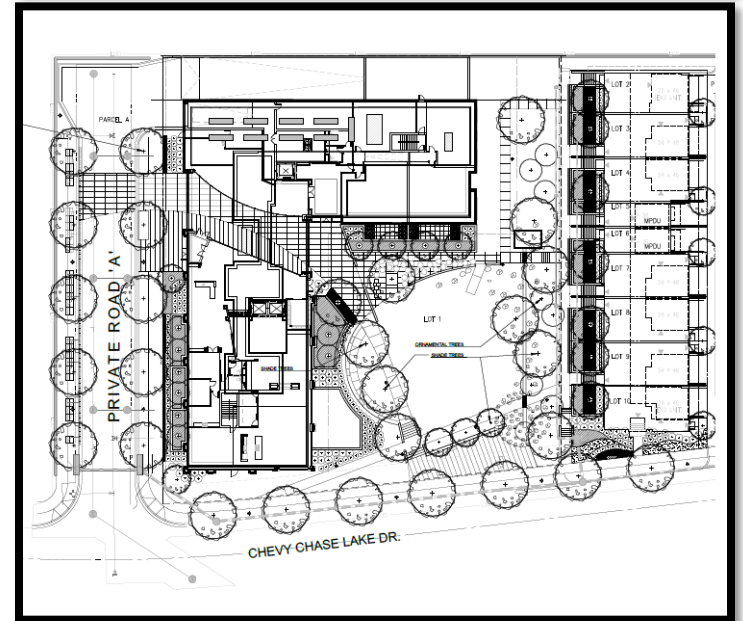
Resident Benefits: Location & Quality of Life

- Provides residents with high quality housing featuring better amenities and increased security
- Creates affordable living by placing housing near transit and proximate to employment and public resources
- Increases the affordable housing stock in one of the wealthiest communities in the country with some of the best schools in the country



Development Plan – Public Purpose

- ✓ Replace 21 restricted units (under 90% AMI) with 90 restricted units:
 - ✓ 40 rental units at 60% of AMI
 - ✓ 40 rental units at 100% of AMI
 - ✓ ~10 for-sale MPDU townhomes at 70% AMI
- ✓ Family-size units in Chevy Chase
 - ✓ Inclusion three-bedroom units
 - ✓ Over-representation of affordable units in two- and three-bedroom units.
- ✓ Public Amenities
 - ✓ New park with active and passive play areas
 - ✓ Private access road connecting to the Land Company's site
 - ✓ Access to future Metro stop



Development Events to Date

Entitlement

- On July 31, 2013, the Montgomery County Council adopted the Chevy Chase Sectional Map Amendment that approved a redevelopment Concept Plan for Chevy Chase Lake Apartments.
- On July 23, 2015, the Montgomery County Planning Board approved the development's Preliminary and Site Plans. This moved the development into the permitting phase. The team has applied for demolition permits and continue to refine the building design and interiors with the goal of submitting for building plans in the first quarter of 2016.

Partnership

- On August 7, 2013, the Commission authorized the Executive Director to enter into exclusive negotiations with Eakin, Youngentob, and Associates (EYA) to purchase a portion of the site for the development of for-sale townhomes.
- On January 23, 2014, the Commission authorized the Executive Director to execute a Purchase and Sale Agreement ("PSA") for the disposition of the land related to the development of for-sale townhomes. The PSA was subsequently executed on April 4, 2014.
- On June 13, 2014, the Commission authorized the Executive Director to enter into exclusive negotiations with EYA and Federal Capital Partners ("FCP") to provide development management services and investment capital respectively for the development of the multifamily building that would provide HOC's replacement housing.
- On May 15, 2015, the Commission approved the Executive Director's entering into a development partnership with EYA, including equity investment, for the multifamily building.
- Working with EYA, staff selected several project team members during the entitlement process. Based on the current schedule, the multifamily building would begin construction in April-May 2016. Currently the General Contractor and Project Management firms are working under pre-development agreements. The full architectural contract is being finalized for signature presently.

Development Plan – Timeline(s)

Design and Renovation

- **Team Assembly:** September 2015
- **Design Documents:** September 2015
- **Permit Documents:** January 2016
- **Relocations Completed:** October 2015
- **Land Transfer** December 2015
- **Demolition Start:** December 2015
- **Townhome Construction Starts:** March 2016
- **Construction Completion:** December 2017

As part of the land transfer, EYA is responsible for managing the demolition of the entire site. Based on current projections, they will start construction on the townhomes slightly ahead of HOC starting the multifamily building.

Wet utilities and site work will start in December 2015.

Financing

- **Due Diligence:** August – December 2015
- **Financing Plan:** January 2016
- **Financing Commitment:** February 2016
- **Estimate Closing:** May 2016

Development Plan – Sources and Uses

Sources and Uses Summary

Sources	Amount	Per Unit
Debt Financing ⁽¹⁾	\$51,987,934	\$259,940
Equity ⁽²⁾	\$16,662,803	\$83,314
Total Sources	\$68,650,737	\$343,254
Uses	Amount	Per Unit
Acquisition Costs ⁽³⁾	\$2,100,000	\$10,500
Development Fee ⁽⁴⁾	\$1,997,736	\$9,989
Construction Costs (incl. Overhead and GC Fees)	\$54,449,365	\$272,247
Financing Expenses ⁽⁵⁾	\$2,299,271	\$11,496
Soft Costs ⁽⁶⁾	\$7,604,365	\$38,022
Reserves ⁽⁷⁾	\$200,000	\$1,000
Total Uses	\$68,650,737	\$343,254

Notes:

- (1) The type and nature of the financing has not been determined. Staff has underwritten the development to market assumptions for debt and equity.
- (2) Up to \$2MM of this will be funded by EYA; HOC's proceeds from the sale of the townhouse land to EYA will not be received in time to act as a source for the construction of the project; so, HOC will need bridge equity.
- (3) Reimbursement of the LOC for the payoff of the outstanding debt associated with the MF portion of the land (30% of \$6.95 million); the other 70% of the debt associated with the townhouse land disposition paid off by the LOC will be reimbursed from HOC townhome sales proceeds as well.
- (4) Assumes development partnership agreement.
- (5) Includes 2% of mortgage amount as origination fee plus other related financing expenses.
- (6) Due Diligence Consultant(s) Fees, Architectural Design, Construction Period Interest, Negative Arbitrage, Settlement Costs and Soft Cost Contingency.
- (7) Initial Reserves for Replacement at \$1,000/unit.

Development Plan – Team Assembly

Developer

- Eakin, Youngentob & Associates (EYA)

General Contractors

- Lend Lease
 - Currently engaged for preconstruction services.
 - Becomes General Contractor if current estimate holds true to full bid.
 - Right to re-compete if pricing changes from estimates.

Architects

- Design Collective, Inc. (DCI)
 - Selected from five firms that competed for this project and has performed preliminary design work required to submit the site plan.
 - Contract for full project design being finalized.

Property Management

- Greystar
 - EYA vetted three firms: Bozzuto, Greystar and Vantage.
 - Bozzuto's partnership with Chevy Chase Land Company on neighboring parcel creates a conflict of interest.
 - Staff and EYA interviewed Vantage and Greystar.

Mortgage Prepayment and Bond Redemption

- On November 23, 2004, the Commission issues \$6,975,000 of 2004 Series C non-AMT bonds in the Multifamily Housing Development Bond Indenture (the “1996 Indenture”) to finance a mortgage for the rehabilitation of Chevy Chase Lakes Apartments. The transaction is insured by FHA pursuant to its Risk Sharing Agreement with HOC.
- The current outstanding bond amount is \$6,875,000 as of July 1, 2015 and the current outstanding mortgage amount is \$6,810,553 as of September 1, 2015.
- The bonds were issued as floating rate variable rate demand obligation (VRDO) bonds hedged by an interest rate swap with Merrill Lynch Capital Services (MLCS). The swap contract was optionally terminated by HOC on January 1, 2015 in anticipation of the proposed mortgage prepayment and site redevelopment.
- Staff proposes to draw \$6,875,000 on the original PNC Bank, N.A. line of credit to prepay the mortgage and redeem the bonds.
- The draw will pay interest at the contractual line of credit rate of LIBOR plus 90 basis points and is expected to be outstanding for approximately 12 months. The loan will be repaid from permanent financing proceeds.
- The projected unobligated balance for the line of credit will be \$15.22 million with the Commission’s approval to release certain obligations on October 7, 2015.

SOURCES AND USES OF FUNDS

SOURCES

Description		Amount
Unpaid 10/1 principal balance	10/7/2015	6,794,170
Accrued interest payment	10/7/2015	5,039
2004 Series C Revenue/Reserves Fund	N/A	86,840
Total		\$ 6,886,050

USES

Description		Amount
Redemption of 2004 C CCL Portion	11/2/2015	6,875,000
Estimated Interest on 2004 C CCL	11/2/2015	1,050
Expenses	11/2/2015	10,000
Total		\$ 6,886,050

Summary and Recommendations

Issues for Consideration

Does the Chevy Chase Lake Development Corporation wish to accept a loan of up to \$6,875,000 funded from a tax-exempt draw on the original \$60MM PNC Bank, N.A. Line of Credit to prepay the existing mortgage on Chevy Chase Lake Apartments, the proceeds of which would be used to retire the outstanding 2004 Series C Multifamily Housing Development Bonds?

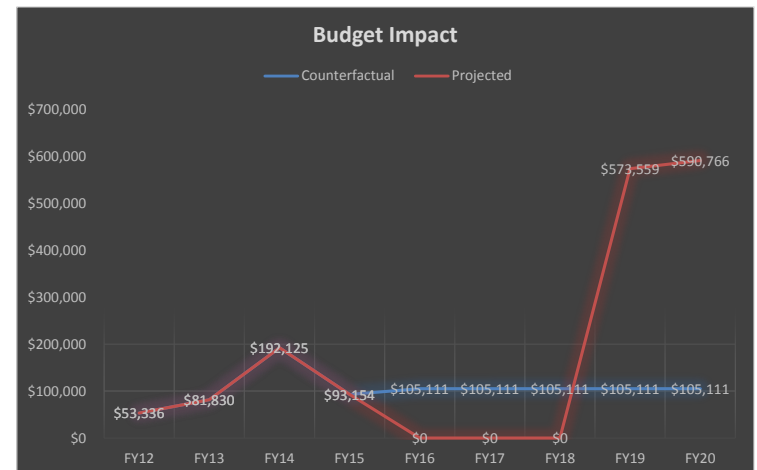
Does the Chevy Chase Development Corporation wish to approve a predevelopment budget through closing of \$2,237,191 along with funding one-month's development activities with a \$250,000 loan from the OHRF to the project to be repaid either with construction financing proceeds or proceeds from HOC's share of townhome sales proceeds?

Fiscal / Budget Impact

The permanent relocation of all existing residents from Chevy Chase Lake Apartments will temporarily cease net cash flow from the property to HOC. Over the past four HOC Fiscal Years, the property has produced an average of \$105,000 annually to HOC.

However, the new property's first stabilized year will make up for the approximately \$315,000 in cumulative cash flow over the preceding three HOC Fiscal Years. In successive years, the new property will produce nearly six times the cash flow to HOC than that produced under prior operations.

In building the Fiscal Year 2016 budget, the cessation of cash flow from the property was anticipated. Future budgets will integrate the current projected timing of delivery for the new building.



Summary and Recommendations (Continued)

Time Frame

Action at the October 7, 2015 meeting of the Chevy Chase Development Corporation .

Staff Recommendation and Commission Action Needed

Staff recommends that:

1. Chevy Chase Lake Development Corporation accept a loan of up to \$6,875,000 funded from a tax-exempt draw on the original \$60MM PNC Bank, N.A. Line of Credit to prepay the existing mortgage on Chevy Chase Lake Apartments, the proceeds of which would be used to retire the outstanding 2004 Series C Multifamily Housing Development Bonds.
2. Chevy Chase Development Corporation approve a predevelopment budget through closing of \$2,237,191 and accept funding of one-month's development activities with a \$250,000 loan from the OHRF to the project to be repaid either with construction financing proceeds or proceeds from HOC's share of townhome sales proceeds.

CHEVY CHASE LAKE DEVELOPMENT CORPORATION

RESOLUTION No. 15-02:

RE: Approval to accept a Tax-Exempt Loan of up to \$6,875,000 from the Housing Opportunities Commission of Montgomery County (HOC), funded through a Draw by HOC on the Original PNC Bank, N.A. Line of Credit (\$60 Million), to Prepay the First Mortgage Loan and Redeem the Portion of the 2004 Series C Multifamily Housing Development Bonds Allocable to Chevy Chase Lake Development Corporation and Approval to Expend up to \$250,000 in Predevelopment Funding Advanced by HOC from its Opportunity Housing Reserve Fund

WHEREAS, Chevy Chase Lake Development Corporation (the “Corporation”), an entity wholly controlled by the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”), is the owner of a 68-unit development in Chevy Chase known as Chevy Chase Lake Apartments located on approximately 205,300 square feet of land at 3719 Chevy Chase Lake Drive, Chevy Chase, MD 20815 (the “CCL Site”); and

WHEREAS, on July 30, 2013, the Montgomery County Council approved the redevelopment plan for the CCL Site based on a proposed joint development for mixed-use housing providing between 20-40 affordable rental units and 30-40 workforce units in a 150-200 mixed income mid-rise building (the “Multifamily Building”) in addition to 50-60 for-sale townhomes (the “Townhouses”), of which 15% are slated to be Moderately Priced Dwelling Units pursuant to Article 25A of the Montgomery County Code (MPDUs); and

WHEREAS, on January 23, 2014, the Corporation approved entering into a Purchase and Sale Agreement with Eakin Youngentob and Associates (“EYA”) to sell a portion of the land for the development of the Townhouses (the “Townhouse Site”), consisting of approximately 142,278 square feet, with the remainder of the CCL Site to be owned by the Corporation or another Commission-controlled entity for the development of the Multifamily Building (the “Multifamily Site”); and

WHEREAS, on July 24, 2014, the Montgomery County Department of Park and Planning approved the Sketch Plan application for the redevelopment of the CCL Site, increasing the urgency to accelerate the design of the Multifamily Building and produce materials necessary to complete a preliminary and site plan application for the Multifamily Site (the “MF Preliminary Plan Application”), so that it could be submitted in conjunction with the site plan for the Townhouse Site, which is significantly closer to completion; and

WHEREAS, the Corporation and the Commission have entered into an Agreement Not to Convert with the Montgomery County Department of Housing and Community Affairs pursuant to Article 53A of the Montgomery County Code; and

WHEREAS, the Commission and Corporation have authorized the permanent relocation of all existing residents and such relocation is expected to be completed by October 31, 2015, thereby availing the development for demolition in preparation for redevelopment; and

WHEREAS, as a result of vacating the property and as a precondition of EYA's closing on the acquisition of the townhome portion of the site, the Corporation must also prepay the existing first mortgage and redeem the outstanding bonds; and

WHEREAS, simultaneously herewith, the Commission has authorized a draw of up to \$6,875,000 on the original \$60 Million PNC Bank, N.A. line of credit at a tax-exempt rate equivalent to 68.5% of the London Interbank Offered Rate (LIBOR) plus 38 basis points and approved an advance of those funds to the Corporation; and

WHEREAS, in order to continue with predevelopment work uninterrupted and meet the development and permitting timeline, which is expected to cost approximately \$2.2 million over and above predevelopment funds already approved and expended, the Commission wishes to appropriate additional predevelopment funding to cover completion of the remaining design work, demolition and other pre-closing site work, permit fees, and legal fees and costs; and

WHEREAS, simultaneously herewith, the Commission has authorized a draw of up to \$250,000 from its Opportunity Housing Reserve Fund to be advanced to the Corporation for predevelopment expenses.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Chevy Chase Lake Development Corporation that it approves acceptance of a tax-exempt loan from HOC for an amount up to \$6,875,000 (the "Loan") for a maximum term of 24 months and the use of those funds to prepay the existing first mortgage loan and redeem the portion of the 2004 Series C Multifamily Housing Development Bonds attributable to Chevy Chase Lakes Development Corporation.

BE IT FURTHER RESOLVED by the Board of Directors of Chevy Chase Lake Development Corporation that it approves the acceptance of a predevelopment loan of \$250,000 from HOC, funded from HOC's Opportunity Housing Reserve Fund, toward completion of the remaining design work, demolition and other pre-closing site work, permit fees, and legal fees and costs which will be repaid from capital proceeds at the time the Corporation transfers the Multifamily Building site.

BE IT FURTHER RESOLVED by the Board of Directors of Chevy Chase Lake Development Corporation that it affirms 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 thereof, the same are hereby in all respects ratified, approved and confirmed.

BE IT FURTHER RESOLVED by the Board of Directors of Chevy Chase Lake Development Corporation that the Executive Director of the Commission, as Secretary to Chevy Chase Lake Development Corporation, is hereby authorized, without any further action on its part, to take any and all actions necessary and proper to consummate the transactions and actions contemplated herein, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Directors of Chevy Chase Lake Development Corporation at its meeting conducted on October 7, 2015.

Secretary
Chevy Chase Lake Development Corporation

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Alexander House Development Corporation

**APPROVAL OF REVISED DEVELOPMENT PLAN AFFECTING ALEXANDER HOUSE
AND AUTHORIZATION FOR THE SUBMISSION OF THE DETAIL SITE PLAN FOR
ELIZABETH SQUARE TO M-NCPPC AND MONTGOMERY COUNTY
SILVER SPRING, MD**



Stacy L. Spann, Executive Director

Kayrine Brown
Zachary Marks
Brian Kim

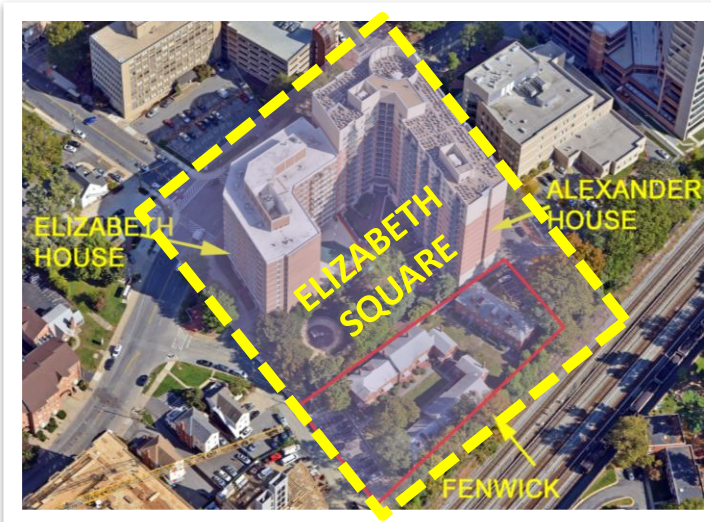
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Elizabeth Square: Executive Summary

- The Planning Board unanimously approved the Project and Preliminary plans on July 23, 2015.
- The Project Plan approved up to 766,046 square feet of residential development with up to 907 dwelling units, up to 6,032 square feet of non-residential uses, up to 63,896 square feet of public use facilities.
- The Site Plan process is underway, and staff anticipates the initial submission for both EH III and EH IV to be completed by 1st quarter of calendar year 2016. Obtaining Site Plan approval for both buildings simultaneously allows for quicker approvals from Planning.
- Public purpose units on Elizabeth Square after redevelopment will total 279 units, nearly equal to the existing number.
- The actual construction of the buildings will be phased, as existing residents of Elizabeth House will be waiting on relocation options to come available.

- 1 EH III**
 - 235 Units
 - 15 Stories
 - Senior Housing
- 2 EH IV**
 - 274 Units
 - 19 Stories
 - Family Housing
- 3 Alexander House**
 - 300 Units
 - 16 Stories
 - Family Housing



Elizabeth Square: Funding and Next Steps

- Previous Funding Requests.

Approval Date	Amount	Funds Remaining	Use of Funds
March 6, 2014	\$730,000	\$0	Project & Preliminary Plan Preparation
September 3, 2014	\$910,949	\$0	Start of Site Plan-Phase Design (EH III Only)
August 5, 2015	\$600,000	\$140,000	Completion of Site Plan-Phase Design (EH III Only)
TOTAL	\$2,240,949	\$140,000	

- Estimated total funding required for approval of Site Plan, Permits, and Closing Loan - \$4.5MM.
 - **\$750,000** - first tranche of pre-development funding needed **October 2015** to begin Site Plan application process for the revised plan (including EH IV).
 - **\$750,000** – second tranche of pre-development funding needed by **January 2016** to submit Site Plan for the revised plan (including EH IV).
 - **\$1,500,000** – third tranche of pre-development funding needed by **April 2016** to prepare Construction Document Bid Sets.
 - **\$1,500,000** – fourth tranche of pre-development funding needed by **December 2016** to close on construction loan.
- Site Plan Submittal – First Quarter 2016

Alexander House and Elizabeth Square Development

- Alexander House is an important element of the redevelopment of Elizabeth Square. The preliminary and project plan which was approved on July 23, 2015 also includes amendments to the property. Further, minor site plan amendment approval was achieved for the property, incorporating it seamlessly into the overall square. The following modifications were approved:
 - New windows and balconies on the exterior of the building;
 - Reducing the number of dwelling units from 311 to 300 (the 11 units will be relocated to future Elizabeth House IV)
 - Reprogramming the interior levels 1 and 2 (replacing the 11 relocated units) to incorporate public use space such as digital media lab, digital medical technical lab, senior technical lab, dance studio, ancillary lounge, administrative offices, lobby for interior public space, and reprogramming includes the recapture of the tunnel through the building for use as part of this new interior space.
 - Reducing the number of parking spaces to reflect the relocation and reduction of dwelling units.
- Further, the equity in may now be extracted and used to contribute to the funding of the affordable housing component of Elizabeth House III.
 - Staff is currently engaged in the procurement process to select a development team for Alexander House and will also present a plan for the refinance and renovation of Alexander House as a component of the larger redevelopment.
 - Alexander House provides critical density to build EH III and EH IV.
 - The redevelopment process was a natural time to address the long-term physical needs of Alexander House.

Summary and Recommendations

Issues for Consideration

- Does the Alexander House Development Corporation wish to authorize the Commission's Executive Director, as Secretary of Alexander House Development Corporation, to execute all applications and submissions necessary for the approval of a detailed site plan for the redevelopment of Elizabeth Square and to file such applications and submissions with all of the required regulatory agencies, including the M-NCPPC and the County Planning Department?

Budget Impact

None.

Time Frame

Action at the meeting of the Alexander House Development Corporation on October 7, 2015.

Staff Recommendation and Commission Action Needed

- Staff recommends the Alexander House Development Corporation authorize the Commission's Executive Director, as Secretary of Alexander House Development Corporation, to execute all applications and submissions necessary for the approval of a detailed site plan for the redevelopment of Elizabeth Square and to file such applications and submissions with all of the required regulatory agencies, including the M-NCPPC and the County Planning Department?

ALEXANDER HOUSE DEVELOPMENT CORPORATION

RESOLUTION No.15-03:

RE: Approval of Revised Development Plan Affecting Alexander House and Authorization for the Submission of the Detail Site Plan for Elizabeth Square to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County

WHEREAS, Elizabeth Square is a 136,032 sq. ft. parcel located in downtown Silver Spring, bounded by Fenwick Street to the North, Second Avenue to the East, WMATA Rail Lines to the West and Apple Street to the South, consisting of three discrete properties, Alexander House owned by Alexander House Development Corporation, Elizabeth House owned by the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) and Fenwick Professional Park owned by Lee Development Group (“LDG”); and

WHEREAS, on July 23, 2015, the preliminary and project plans for Elizabeth Square were unanimously approved by the County Planning Department; and

WHEREAS, preliminary and project plans approved up to 766,046 square feet of residential development with up to 907 dwelling units, up to 6,032 square feet of non-residential uses, and up to 63,896 square feet of public use facilities; and

WHEREAS, HOC has now completed the feasibility phase of Elizabeth Square and is prepared to develop the detail site plan for the increased building height on Alexander House and the construction of both Elizabeth House III, which will be constructed on the Fenwick Professional Park site, and Elizabeth House IV, which will be constructed on the existing Elizabeth House site; and

WHEREAS, as part of the detail site plan phase, the development consultants are prepared to initiate the site plan process by submitting an application to M-NCPPC and the County Planning Department; and

WHEREAS, staff seeks approval for the revised Development Plan for Elizabeth Square, which will include an increased building height for Alexander House.

NOW, THEREFORE, BE IT RESOLVED by the Alexander House Development Corporation that the Commission's Executive Director, as Secretary of Alexander House Development Corporation, is authorized to execute all applications and submissions necessary for the approval of a detail site plan for the redevelopment of Elizabeth Square and to file such applications and submissions with all of the required regulatory agencies, including the Maryland-National Capital Park and Planning Commission and the County Planning Department.

BE IT FURTHER RESOLVED by the Alexander House Development Corporation that the Commission's Executive Director, as Secretary of Alexander House Development Corporation, is authorized, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was approved by the Alexander House Development Corporation at a regular meeting on October 7, 2015.

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