

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Special Session Minutes

September 15, 2017

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted on Friday, September 15, 2017 at 10400 Detrick Avenue, Kensington, Maryland beginning at 11:41 a.m. Those in attendance were:

Present

Jackie Simon, Chair
Christopher Hatcher, Vice Chair
Richard Y. Nelson, Jr., Chair Pro Tem
Margaret McFarland

Via Conference Call

Edgar Rodriguez

Absent

Pamela Byrd
Linda Croom

Also Attending

Stacy Spann, Executive Director
Kayrine Brown
Gail Willison
Jim Atwell

Nowelle Ghahhari, Acting General Counsel
Zachary Marks
Shauna Sorrells
Hyunsuk Choi

Commission Support

Patrice Birdsong

- 1. Approval of a Financing Plan for the Construction of 900 Thayer and Approval to Fund up to \$35 million from Various HOC Sources (Revolving Fund \$5million)**

Kayrine Brown, Chief Investment and Real Estate Officer, and Zachary Marks, Assistant Director of New Development, were presenters.

The following resolution was approved upon a motion by Chair Pro Tem Nelson and seconded by Commissioner McFarland. Affirmative votes were cast by Commissioners Simon, Hatcher, Nelson, McFarland, and Rodriguez. Commissioners Byrd and Croom were necessarily absent and did not participate in the vote.

RESOLUTION No.: 17-62

RE: Approval of a Financing Plan for the Construction of 900 Thayer and Approval to Fund up to \$35 million from Various HOC Sources (Revolving Fund-\$5 million, PNC Bank RELOC- \$25 million, OH Bond Fund-\$5 million)

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, on March 16, 2016, the Commission acquired 900 Thayer, located on approximately 0.65 acres (28,526 square feet) of land at 8240 Fenton Street, Silver Spring, MD (“900 Thayer”); and

WHEREAS, on August 9, 2017, the Commission approved 900 Thayer as a 124-unit, mixed-income, new construction, family community containing 73 one-bedroom and 51 two-bedroom units (“Final Development Plan”); and

WHEREAS, also as part of the Final Development Plan, 900 Thayer will contain 84 Project Based Rental Assistance (“PBRA”) units – 42 one-bedroom units and 42 two-bedroom units – through conversion and transfer of assistance of 84 Public Housing units at Holly Hall via the Rental Assistance Demonstration (“RAD”) program and 40 market rate units; and

WHEREAS, the Commission authorized, in conjunction with its approval of the Development Plan, a predevelopment loan of \$2,182,500; and, in conjunction with its approval of the Final Development Plan, an additional predevelopment loan of \$700,000 to begin work to place existing utilities underground; and

WHEREAS, the total costs to construct 900 Thayer are \$30,600,575 – including the not-to-exceed amount of \$26,000,000 for the construction contract, as approved by the Commission on August 9, 2017; a 10% construction contingency; other construction-related costs; and some operating reserves (“Construction Period Plan”); and

WHEREAS, HOC wishes to pursue a 9% Low Income Housing Tax Credit (“LIHTC”) allocation to fund the construction of 900 Thayer; however, the next 9% LIHTC application round is expected to occur in February 2018; and

WHEREAS, HOC has an urgent need to begin the construction of 900 Thayer to be able to complete its conversion via the RAD program of both HOC’s Holly Hall Public Housing property and HOC’s full Public Housing portfolio; and

WHEREAS, any secured capital used to fund construction work as part of a RAD conversion must have a term of no less than 18 years; and

WHEREAS, the Opportunity Housing Bond Fund, Moderately Priced Dwelling Unit and Property Acquisition Fund, and Real Estate Line of Credit are unsecured sources of capital in sufficient availability to fund the construction of 900 Thayer; and

WHEREAS, the Commission wishes to deliver new housing for the existing residents of Holly Hall, which is obsolescent, in a timely fashion; and

WHEREAS, the Commission will have an opportunity to increase the County’s inventory of newly constructed affordable housing by redeveloping the Holly Hall property; however, to do so, all existing residents must first be permanently relocated; and

WHEREAS, staff will present a plan for permanent financing at the July 2018 meeting of the Commission.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the construction financing plan for the construction of 900 Thayer as outlined to the Commission on the date hereof.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes draws of \$5,000,000 from the Opportunity Housing Bond Fund, \$5,000,000 from the Moderately Priced Dwelling Unit and Property Acquisition Fund, and \$20,600,575 from the PNC Real Estate Line of Credit (\$90MM) to fund the construction of 900 Thayer.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes a loan of \$10,000,000 to 900 Thayer for no interest and a loan of \$20,600,575 to 900 Thayer at 2% interest for the construction of 900 Thayer, all to be repaid from permanent financing expected to include Low Income Housing Tax Credit equity, a permanent senior mortgage, and a draw on the Opportunity Housing Reserve Fund.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director, without any further action on its part, to take

any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it presently intends and reasonably expects to finance certain property improvements to 900 Thayer (the "Project") with moneys currently contained in its Opportunity Housing Bond Fund, certain revolving funds, and a line of credit, as described and set forth to the Commission on the date hereof in the Commission's approval of construction period financing of the Project.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that all of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related to the Projects as defined in Treasury Regulation Section 1.150-2(f) (2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds in an amount not to exceed \$20,000,000 will be applied to reimburse the Commission for its expenditures in connection with the Project.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that all prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Project, shall be and the same hereby are in all respects ratified, approved and confirmed.

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

The following resolution was approved, as amended, upon a motion by Chair Pro Tem Nelson and seconded by Vice Chair Hatcher. Affirmative votes were cast by Commissioners Simon, Hatcher, Nelson, and Rodriguez. Commissioner McFarland temporarily stepped away and did not participate in the vote. Commissioners Byrd and Croom were necessarily absent and did not participate in the vote.

RESOLUTION No.: 17-62a

RE: Approval to Draw up to \$25,000,000 from the PNC Bank, N.A. Real Estate Line of Credit to Fund a Loan for the Construction of 900 Thayer in Accordance with the Approved Development and Construction Financing Plans

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, on March 16, 2016, the Commission acquired 900 Thayer, located on approximately 0.65 acres (28,526 square feet) of land at 8240 Fenton Street, Silver Spring, MD (“900 Thayer”); and

WHEREAS, on August 9, 2017, the Commission approved 900 Thayer as a 124-unit, mixed-income, new construction, family community containing 73 one-bedroom and 51 two-bedroom units (“Final Development Plan”); and

WHEREAS, also as part of the Final Development Plan, 900 Thayer will contain 84 Project Based Rental Assistance (“PBRA”) units – 42 one-bedroom units and 42 two-bedroom units – through conversion and transfer of assistance of 84 Public Housing units at Holly Hall via the Rental Assistance Demonstration (“RAD”) program and 40 market rate units; and

WHEREAS, the Commission authorized, in conjunction with its approval of the Development Plan, a predevelopment loan of \$2,182,500; and, in conjunction with its approval of the Final Development Plan, an additional predevelopment loan of \$700,000 to begin work to place existing utilities underground; and

WHEREAS, the total costs to construct 900 Thayer are \$30,600,575 – including the not-to-exceed amount of \$26,000,000 for the construction contract, as approved by the Commission on August 9, 2017; a 10% construction contingency; other construction-related costs; and some operating reserves (“Construction Period Plan”); and

WHEREAS, HOC wishes to pursue a 9% Low Income Housing Tax Credit (“LIHTC”) allocation to fund the construction of 900 Thayer; however, the next 9% LIHTC application round is expected to occur in February 2018; and

WHEREAS, HOC has an urgent need to begin the construction of 900 Thayer to be able to complete its conversion via the RAD program of both HOC's Holly Hall Public Housing property and HOC's full Public Housing portfolio; and

WHEREAS, any secured capital used to fund construction work as part of a RAD conversion must have a term of no less than 18 years; and

WHEREAS, the Commission has approved funding of \$5,000,000 from its own cash resources, Opportunity Housing Bond Fund, and the use of \$5,000,000 from the County Revolving Moderately Priced Dwelling Unit and Property Acquisition Fund (together, "Local Funds"), to fund the construction of 900 Thayer; and

WHEREAS, in addition to the approved Local Funds, the Commission wishes to make a loan to 900 Thayer by a draw on the \$90 million PNC Bank, N.A. Real Estate Line of Credit "(RELOC to complete the capital stack needed to complete the funding of the construction for 900 Thayer until the permanent financing projected for 2018, is in place; and

WHEREAS, the Commission may make draws on the RELOC at a taxable rate equal to an interest rate at an optional London Interbank Offered Rate (LIBOR) (1-month, 3-month, 6-month, or 12-month) plus 58 basis points.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes taxable draw on the RELOC totaling up to \$25,000,000 to complete the construction funding for 900 Thayer and that draws on the RELOC may only be made after all Local Funds have been expended.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the funds be loaned to 900 Thayer and the interest will accrue and be paid at a rate sufficient to pay the interest cost of the RELOC, herein estimated to be 2% annually and shall remain outstanding for a term of 12 months.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

Based upon this report and there being no further business to come before this Special Session of the Commission, the meeting adjourned at 12:23 p.m.

Respectfully submitted,

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Stacy L. Spann
Secretary-Treasurer

/pmb

Approved: October 4, 2017