



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

**EXPANDED AGENDA**

YouTube Link: <https://youtu.be/XYxNpbIUQc>

**September 13, 2023**

**The public is invited to attend HOC’s September 13, 2023 Monthly Commission meeting in-person. HOC’s Board of Commissioners and staff will continue to participate through a hybrid model (a combination of in-person online participation).**

		Res #
4:00pm pg.5	<b>I. <u>INFORMATION EXCHANGE</u></b> A. Community Forum B. Report of the Executive Director C. Commissioner Exchange	
pg.16 pg.26 pg.30	<b>II. <u>APPROVAL OF MINUTES</u></b> A. Approval of Minutes of July 12, 2023 B. Approval of Minutes of July 12, 2023 Closed Session C. Approval of Minutes of August 14, 2023 Strategic Planning	
	<b>III. <u>COMMITTEE REPORTS AND RECOMMENDATIONS FOR ACTION</u></b>	
pg.35	<b>A. Administrative &amp; Regulatory Committee- Com. Kelleher, Chair</b>  1. Authorization to Adopt a New Policy for the Administration of 25 Housing Stability Vouchers in Response to HUD PIH Notice 2022-24	23-48 (pg.40)
pg.63	<b>B. Budget, Finance and Audit Committee- Com. Nelson, Chair</b>  1. <b>County FY’25-30 Capital Improvements Program Budget:</b> Authorization to Submit the County FY’25-30 Capital Improvements Program Budget	23-49 (pg.70)

pg.72	2. <b>Inspection Services:</b> Approval of the Selection of Gilson Housing Partners as the Independent Contractor to Conduct Housing Quality Standards (“HQS”) Inspections for the Housing Choice Voucher Program and Other Residential Inspections	23-50 (pg.77)
pg.79	<b>C. Development &amp; Finance Committee, Com. Merkowitz, Chair</b> 1. <b>8800 Brookville:</b> Approval to Execute a Letter of Intent (“LOI”), Negotiate and Execute a Purchase and Sale Agreement with the Donohoe Companies, Inc. for the Sale of 8800 Brookville Road	23-51 (pg.86)
pg.87	2. <b>Hillandale Gateway:</b> Approval of the Final Development Plan, including Approval to Negotiate and Execute a Guaranteed Maximum Price Amendment with CBG Building Company; Approval of the Transaction Structure, including Authorization to Create a Condominium Regime; Approval to Create New Tax Credit Entities; Approval to Negotiate and Execute Letters of Intent and Operating Agreements with Wells Fargo as the Tax Credit Investor in the Tax Credit Entities; and Approval to Accept Construction Financing Sources	23-52a (pg.104) 23-52b (pg.109)
Pg.110	3. <b>The Leggett:</b> Approval to Increase the Bridge Loan by a Draw on the PNC Bank, N.A. Line of Credit to Replenish the Contingency for the South County Regional Recreation and Aquatic Center and to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Replenish the Contingency for the Leggett	23-53a (pg.115) 23-53b (pg.116) 23-53c (pg.117)
	<b>CLOSING STATEMENT</b> Vote to close meeting	
	<b>ADJOURN</b>	
6:00 p.m.	<b>IV. <u>CLOSED SESSSION</u></b>	

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) 627-9421 or email Jocelyn.Koon@hocmc.org.**



# Information Exchange

# Report of the Executive Director

Chelsea J. Andrews

## HOC AT-A-GLANCE: August 2023

During the month of August, HOC continued to engage in its core activities providing support and enrichment programming to our clients, fulfilling our HUD required obligations, and enhancing our clients' experience. We also ended the summer with multiple fun summer activities for our residents. This month we spotlight the successful close of the stakeholder engagement phase for HOC's strategic plan, with additional details and approvals going before the Board this Fall. This month we also landed one of the largest news stories in HOC's history, a New York Times feature highlighting HOC as a model agency and our Housing Production Fund.

In addition to these accomplishments, we continue to highlight services provided by our Office of Resident Services, updates from our Housing Resources, Property Management/Maintenance and Mortgage Finance divisions, as well as our key Real Estate Development activities.

## HOC FEATURED IN NEW YORK TIMES

For nearly one year, New York Times reporter Conor Dougherty has been developing a story about HOC and its use of the Housing Production Fund ("HPF") to address the housing crisis in Montgomery County. That period of exploration included several in-depth interviews with HOC's Executive and Deputy Directors, Chief Real Estate Officer, HOC Commissioners, development partners and residents. After an extensive period of working to understand HOC's business model, our portfolio and our production fund, Dougherty published a well-written and noteworthy story on August 25th that garnered local, national and international attention. That story, additional details on the production fund (and more news coverage), can be found on HOC's [HPF page](#).

HOC staff are working to extend the mileage of this coverage over the coming months with an HPF round table discussion, a convening designed to further explain the model and explore implications for other housing authorities across the country.

## HOC STRATEGIC PLAN UPDATE

In August, HOC closed the stakeholder engagement phase of our strategic plan. During this phase, we heard from over 2,500 individuals including Commissioners, residents, customers, wait list applicants, staff, elected officials, and partner agencies/organizations through interviews, surveys, town halls, focus groups and meetings. Stakeholders county-wide weighed in on priorities that will shape HOC's five year strategic plan. We also received direction from the Commission on August 14th and are now completing research and drafting documents for Commission review in the Fall.

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## RESIDENT SERVICES UPDATE

### *Service Coordination and Programming*

The Service Coordination and Programming Units provide assessment, counseling, information, referrals and program services to HOC customers. During the month of August 2023, staff continued to provide services virtually and in person. Resident Counselors continued to engage with HOC customers to determine their needs. Customers were referred to our partners to receive food and other assistance. Resident Counselors continued to perform wellness checks with customers to ensure their safety and assess their needs. Customers with delinquent rent were referred/connected to the COVID Rental Assistance Program, the Emergency Rental Assistance Program, and the Housing Stabilization Program.

HOC's customers also continued to receive referrals to unemployment assistance, Temporary Cash Assistance, Supplemental Nutrition Assistance Program, Maryland Energy Assistance Program, and other benefit programs. The Housing Stabilization staff continued to process applications for rental assistance. Resident Counselors have also attended the Housing Resources Division's virtual briefings for new voucher recipients to provide information on the services that Resident Services offer. Additionally, the Resource Services team continues to provide services to persons with disabilities to meet their service needs.

Highlights for August activities of Resident Counselors include the following:

1. **Workshops**

- Facilitated Resource Sharing workshop on **August 15, 2023**.
- Facilitated the Fundamentals of Housing workshop on **August 16, 2023**.

2. **Resident Well Being**

Activities for Youth

- **After-School/Out-of-School Programs:** The Montgomery County Department of Health and Human Services' Street Outreach Network ("SON") continued to facilitate the Safe Zones program at Cider Mill in August. Safe Zones is an out of school initiative that provides safe places and programming for youth. This month Resident Services staff provided support and resources at the Summer of Peace Event hosted at Plum Gard Recreation Center on **August 4**. The event featured several community vendors including HOC's Resident Services and Fatherhood Initiative programs, food, music, networking, resource sharing and giveaways. Resident Services raffled four backpacks with supplies and a Target gift card.
- **Community Pop-Up/Resource Events:** The Resident Services Division hosted a range of pop-up/resource events this month. These events included backpack and supply distributions; assistance with applying for discounted internet service, along with laptop distributions; and a range of activities and resources provided by third-party vendors (i.e, Montgomery County Police and Fire Rescue Teams, 3DaerialTec (Drone Obstacle Course), Pearl of the Sea (Face Painting), etc.). The following events were held across our community in August:

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- **August 1** - Tanglewood Apartments and Washington Square
- **August 19** - HOC Academy's Annual Back to School STEM Festival
- **August 20** - Stewarttown Homes
- **August 23** - Towne Centre Place
- **August 24** - Fenton Silver Spring

## Activities for Youth and Families

- **Recreation:** Resident Counselors engaged in several recreational activities for youth and families including:
  - **Movie Night:** Staff held a movie night at Washington Square on **August 9** featuring the popular kid's movie "Spiderman: Into the Spiderverse."
  - **Field Trip:** Staff also hosted a field trip to the Montgomery County Agricultural Fair for Fenton Silver Spring residents on **August 15**.

## Activities for Seniors

- **Arts for the Aging:** Arts for the Aging ("AFTA") hosted a "Cooperation" event at Waverly House on **August 2**. The event included activities and an ice cream social for participating residents. AFTA also hosted a poetry event on **August 22** at Waverly House, and a movement activity on **August 24** at Arcola Towers.
- **Health and Wellness Activities:** Resident Services hosted the following health and wellness activities for seniors including:
  - **Senior Fitness:** Senior Fitness was hosted at Forest Oak Towers on **August 17**.
  - **Community Bingo:** Forest Oak Towers hosted two Community Bingo activities on **August 10** and **August 17** designed to promote community and socialization amongst senior residents.
  - **Medicare/Medicaid Information Session:** Jewish Counsel on Aging hosted a Medicare/Medicaid Information session at Forest Oak Towers on **August 15**.
  - **Musical/Recital:** The Tacy Foundation hosted a musical at Waverly House on **August 16**. Youth coordinated a recital for the enjoyment of older adults and included the instruments they are currently learning and teaching others.
  - **Crafts and Chess:** Waverly House residents hosted an arts and crafts and chess gathering on **August 1 and 3**.

### **3. Relocation and Re-Certification Assistance**

- Assisted customers on an ongoing basis with relocations and other needs for RAD and renovation projects at Residences on the Lane, Stewarttown Homes, Shady Grove Apartments, Willow Manor Apartments, Bauer Park, Town Center Olney, Sandy Spring, Willow Manor and Georgian Court.
- Resident Counselors conducted outreach to **83** residents who had not completed their re-certifications. Outreach was conducted via phone calls and emails.



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#### 4. Rental Assistance

- Provided face-to-face and electronic outreach and assistance to customers with applications for rental assistance programs.

The Resident Services Division develops and implements programs that provide meals, educational, recreational and enrichment opportunities for HOC's customers. Listed below are highlights of programming activities for August.

- **Food Assistance:** The Resident Services Division continued to provide food resources and other support with the help of Manna Food Center, Nourish Bethesda, CKC Farm, Emmanuel Brinklow Seventh Day Adventist Church, Montgomery County Senior Nutrition Lunch Program, Capital Area Food Bank's Senior Brown Bag and My Groceries To Go Programs, and the Maryland Emergency Food Program. In August, approximately **400** HOC customers were provided with food. The Resident Services staff also continued to facilitate the Senior Nutrition Program at Arcola Towers, Bauer Park, and Forest Oak Towers. This program provides meals and opportunities for seniors to socialize.

In addition to food resources, the Resident Services division coordinates program opportunities with third parties to ensure our customers across the portfolio are fulfilling their greatest potential. For example, The University of Maryland School of Nursing program will start their academic semester in September at Arcola Towers, Forest Oak Towers, and Residences on The Lane. This affords health and wellness programming for older adults at no cost while nursing students receive clinical and community nursing experience. Resident Services is currently negotiating terms to bring Chamberlain University nursing students to another location to be determined in November. Also, Senior Connection provides the Excursion Program for Forest Oak Towers residents, with hopes of expanding this program to other communities this Fall. Lastly, as the academic year begins, Resident Services will continue to make referrals to First Generation College Bound to prepare high school juniors and seniors for their post-secondary educational plans, as well as to provide after-school activities for elementary and middle school youth.

#### ***HOC Academy***

The HOC Academy is an HOC initiative developed to help its customers reach their fullest potential by providing educational, enrichment, job training and job placement opportunities to youth and adults. The program specifically focuses on education and enrichment for youth education and workforce development for adults. Listed below are highlights for the month of August 2023.

#### *Youth Education/Enrichment*

**Summer Camps:** HOC Academy hosted a fun-filled STEM summer camp at Seneca Ridge from **August 7-11**. Activities included:

- **Top Golf Field Trip (Gaithersburg):** Students learned how forces like friction and gravity affect the sport of golf.
- **Tesla Field Trip (Rockville):** Campers were taken on a guided-tour of the facility and participated in a hands-on STEM activity to observe how a battery causes motion. Two students, who



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successfully completed the activity, won a coupon giving their parent(s) an opportunity to borrow a Tesla overnight.

- **University of Maryland Chemistry Department Campus Tour (College Park):** Led by Professor Mercedes Taylor and her team of colleagues and students, the young scholars attended a campus tour and experienced a real college lecture on different applications of chemistry including astro chemistry and chemistry as applied to criminal justice, English, fashion/makeup and earth sciences. The lecture culminated with a chemistry experiment in which a camper assisted a student chemist with placing an egg inside of a beaker by using temperature to manipulate the number of gas molecules.
- **The Kitchen Music Studio Field Trip (Silver Spring):** Students learned how creative sound is used to make music and sound for film, video games and podcasts. The highlight of the day was several rap songs students created while working with a sound engineer.
- **iFLY Field Trip (Germantown):** Students were able to spread their wings as they experienced how velocity inside of a wind tunnel affects flight. They also designed, engineered and tested parachutes. The activity was so engaging that several students expressed a desire to continue exploring the field of parachute designing.

HOC Academy also hosted a fun-filled STEM summer program at Tanglewood Apartments from **August 14-18** facilitated by Mad Science of Washington D.C. As with this week-long program at Magruder's Discovery, participants completed a different activity each day from 10:00 a.m. to 2:00 p.m. to include:

- **Funky Forensics:** Exploring the science of forensics through a hands-on look at crime scenes.
- **FUN-damental Forces:** An interactive set of activities designed to teach children about gravity, inertia and centripetal force.
- **"Current" Events:** An electronic game that teaches youth about conductors, insulators, transistors and other elements in the world of circuit electricity.
- **Chem in a Flash:** Youth perform instantaneous experiments in this fast-paced class on split-second reactions that go like mad!
- **Moving Motion:** An activity that explores the science behind movement of planes, trains and automobiles.
- **Science of Magic:** Exploring the secrets of Houdini via exposing youth to the science behind famous magic tricks they can recreate for themselves and their families.

On **August 19**, HOC and the East County Recreation Center joined forces to host the first-ever Back-to-School STEM festival in the community. Approximately 300 HOC customers and/or low-income county residents traveled from near and far to take part in this family-friendly event. The event included food distribution, computer giveaways from Montgomery Connects, 24 hands-on STEM stations provided by Patriots TTC, a "Drone Soccer" demonstration by T. Navarro, live music by the Strathmore's amazing Artists in Residence AYO, a DJ, face-painting, a community chalk mural station, a food truck, book bag and school supplies distributions and several community partners who shared resources and information with the crowd. It was a picture-perfect day, filled with the sweet smell of funnel-cakes, the sounds of music and laughter and smiles of youth and families.

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## Adult Education and Workforce Development

Small Business Strategy Course (“SBSC”) alumni continue to report their progress and new business ventures. This month we are excited to report that one of our students, Cornelia Nguete, legalized her business “Pods and Patios, LLC” and is moving forward with her business plan.

This month, HOC Academy also sponsored a 10-Week *Small Business Strategy Course* designed to teach students how to properly start and operate a new business from conception to operation. This course guides students throughout the entire process, *step-by-step*, and offers additional assistance to ensure success.

## **Financial Literacy**

The Financial Literacy Coach continued to work with HOC’s customers and individuals on the Housing Path waitlist on creating a financial foundation. During August, the Financial Literacy Coach provided one-on-one financial literacy coaching to 21 HOC customers and 12 individuals from the HousingPath waitlist. The coaching sessions continued to cover topics including: creating a working budget, identifying disposable income, reading one’s credit report, and creating and accomplishing monthly financial goals. During August, the Financial Literacy Coach also facilitated financial literacy workshops. Two (2) HOC customers attended the workshops.

## **Supportive Housing**

The Supportive Housing Program provides housing assistance and case management services to participants who are formerly homeless with disabilities. The program services some of the most vulnerable residents of the county. In August, the program served 358 participants in 229 units. Throughout the month program staff continued to conduct home visits with program participants, provide case management services, and pay rent and utilities. Additionally, program staff also continued to help Emergency Voucher recipients secure housing by providing housing location services, as well as financial assistance for application fees, security deposits, moving expenses and household items.

Program staff also continued to implement the Rent Supplement Program (“RSP”), which provides a shallow rental subsidy (up to \$600 monthly) to county residents who struggle to pay their full rent with their current income. The program serves a large number of seniors on fixed incomes. Program turnover has created a challenge in achieving full program utilization; however, staff increased program participation to 288 this month, only 12 persons shy of the 300 target for the program. Staff will continue to monitor program expenditures to determine if additional participants can be served.

## **Fatherhood Initiative**

HOC’s Fatherhood Initiative Program has been selected to participate in a research project that will test important elements of program success. From a pool of 100+ fatherhood programs nationwide, HOC is one of four agencies selected to participate in the Testing Identified Elements for Success in Fatherhood Programs (“Fatherhood TIES”). This 18-month study, beginning in January 2024, will identify and test the

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essential functions, principles, elements, and components that are judged as being necessary to produce positive outcomes. The project will use this information to figure out which core components are most effective at improving the lives of fathers who participate in fatherhood programs and their children.

The Fatherhood TIES project is being carried out under contract with the HHS Office of Planning, Research, and Evaluation with funds from the Office of Family Assistance, both within the Administration for Children and Families. The Fatherhood TIES team includes researchers from MDRC, Abt Associates, and MEF Associates.

### Enrollment Update

On August 18, the program graduated 35 fathers from the August cohort. For the month of August, 44 fathers were enrolled. Annually, the program enrolled 359 fathers, exceeding its goal a full month before the close of the grant year at the end of September. We are looking forward to hearing more great news from the Fatherhood team as the program is about to begin another annual grant cycle in October.

## HOUSING RESOURCES UPDATE

### ***Housing Choice Voucher (“HCV”) Program***

Monthly, HOC selects applicants from the Housing Path Waitlist to achieve a 95% program utilization rate. The utilization rate has increased to 97%. Currently, 111 families with issued vouchers are searching for suitable units to rent; and 155 contracts are pending execution. Two hundred (200) families were selected from the HCV waitlist last month.

During August, the Housing Resources Division received ten requests for voucher extensions beyond the initial 90-day period. The requests included a search record reflecting the efforts made to secure housing during the voucher term and the landlords who were contacted. The extension requests warranted two referrals to the Human Rights Commission and the Commission on Civil Rights for possible discrimination.

### ***Emergency Housing Vouchers (“EHVs”)***

HOC has an allocation of 118 Emergency Housing Vouchers. Currently 103 families have successfully leased units. Seven (7) families with issued vouchers are searching for suitable units to rent. Staff are reviewing three certification packets to determine program eligibility. HOC requested five additional referrals from HHS for the EHV Program.

### ***Family Self Sufficiency (“FSS”) Update***

This month FSS staff continued their recruitment efforts with current enrollment consisting of 354 families. There are 20 new applicants assigned to the case management team. The applications are being processed to enroll in the FSS Program. With the addition of two staff members to the FSS team,

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recruitment efforts have increased significantly. There were four graduates this month. Amongst the four graduates, earned income increased significantly, ranging from \$22,000 to \$63,668. The average earned income increased by \$38,750. The graduates obtained careers in substitute teaching, retail food service, nursing and Community Services Aide.

The FSS team successfully conducted a multi-week financial literacy program in conjunction with PNC bank. There were three virtual sessions culminating with an in-person capstone session, each concluding with a gift card raffle for two attendees. The virtual sessions included topics such as banking, credit and home ownership. The capstone session included a synthesis of the topics presented, along with a course on entrepreneurship. The online sessions were all well attended with an average of 20 participants. Sixteen (16) individuals participated in the in-person session followed by a dinner at Olive Garden restaurant. Executive Director Chelsea Andrews joined the in-person session to meet and greet the PNC Community partners and the participants.

FSS participants remain committed to the alliances formed with the FSS Case Managers. FSS Case Managers continue to work with customers on their long- and short-term self-sufficiency goals. During monthly meetings, Case Managers offer integrated strategies for self-care, personal goal fulfillment and emotional support. Community partnerships continue to be a capstone of the program. In conjunction with person-centered planning efforts, Case Managers solicit feedback from customers to determine the effectiveness of previously provided resources. Maintaining continuous feedback ensures that referrals to external partners continue to meet individual goals and exceed expectations.

## REAL ESTATE DEVELOPMENT UPDATE

### *The Metropolitan Green Roof Repair*

The contractor has begun the final phases in connection with the green roof repair. CSI completed repairing the concrete in phase four and will be installing the waterproofing this week. Once all waterproofing is installed, CSI will perform the waterproof test to ensure we will have zero leaks.

### *Summer Spotlight: HOC and County Council Fellows Dive into Elizabeth Square Tour*

On July 14, our Real Estate Development team represented HOC in a joint tour of the South County Regional Recreational Aquatic Center (“SCRRAC”) and The Leggett with the Department of General Services and the Montgomery County Council’s Summer Fellows. The event was part of a broader program aimed at educating and engaging the Summer Fellows through excursions around the county. The tour covered the Elizabeth Square site, including the SCRRAC, and provided insights into the development process, the importance of public-private partnerships, and affordable housing development and production.



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## ***Elizabeth House Demolition***

Berg Demolition began pre-abatement activities in August. A right-of-way meeting is scheduled between Berg and the County for Tuesday, September 12. Protective fencing is scheduled to be erected shortly thereafter on Thursday, September 14. The oak tree adjacent to Elizabeth House at Kramer Urban park will simultaneously be taken down during this period. The duration of abatement and demolition is 16 weeks and is expected to be completed by January 2024.

## ***Hillandale Gateway Early Start Work Commences***

On July 24, CBG Building Group, the general contractor for Hillandale Gateway, was given notice to begin Early Start Work. The Early Start Work is limited to the widening of Powder Mill Road and preparation of the Hillandale Gateway site for the planned vertical construction commencing in the spring of 2024. Critical path for the Early Start Work is being driven by the establishment of erosion and sediment controls, site clearing and demolition, site grading, installation of critical utility infrastructure, and site backfill operations.

## ***HOC's Stewartown Homes Project Awarded "Platinum Excellence" Award***

Stewartown Homes project has been awarded a Platinum Excellence award by ABC Greater Baltimore's Excellence in Construction Program ("EIC"), which is a yearly award. The EIC program is the premier competition within the region that recognizes outstanding projects ABC members have built. Each year, members nominate projects describing the unique characteristics and quality of their craftsmanship.

Projects and project teams are judged based on the highest standards of integrity and craftsmanship and applications judged by impartial members of the construction industry, including engineers and architects, according to the criteria for each award.

The awards ceremony will take place at Baltimore Live Casino on October 12, 2023.

## **PROPERTY MANAGEMENT/MAINTENANCE UPDATE**

### ***Maintenance Assessments, Training and Recruitment***

During the month of August, the Maintenance Division toured Montgomery College Gudelsky Institute for Technical Education and discussed the training needs of the department. An arrangement was made with the Gudelsky Institute for assessing Maintenance Trades Workers seeking to advance to the position of Maintenance Trades Worker III. An HVAC training program tailored to the needs of HOC Maintenance personnel was also discussed. This program is being developed to better train our Maintenance technicians, which will in turn reduce the need for outside contractors.

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An arrangement to post HOC Maintenance positions on the college employment services was also discussed. Montgomery College Employer Services will post these positions daily. The positions will also be sent to the appropriate faculty/program coordinators who will share with students and colleagues. This privilege will also entitle HOC access to Montgomery County-sponsored job fairs.

## MORTGAGE FINANCE UPDATE

### ***Scattered Sites – HOC MP 2023AB Bond Issuance and Permanent Loan Closings***

The 2023 Scattered Sites Refinancing of VPC 1 and VPC 2 (679 units), Scattered Site II (54 units), and Montgomery Homes Limited Partnership X (“MHLP X”; 75 units), totaling 808 units dispersed throughout Montgomery County, closed on Wednesday August 23, 2023.

The majority of the properties are townhomes that serve families earning between 30% and 80% of the Area Median Income.

HOC’s Mortgage Finance staff, supported by the Finance and Legal teams, successfully completed the issuance of the 2023 Series A&B Multiple Purpose Bonds (Series A - \$57,355,000 Non-AMT; Series B - \$3,645,000 Taxable) under a Supplemental Indenture of the 2002 Multiple Purpose Indenture of Trust, totaling \$61,000,000. The Bonds were issued as long-term, fixed rate Governmental bonds, with a blended rate of 4.879%, backed by the General Obligation HOC.

The Bonds will fund four permanent mortgage loans - VPC 1 - \$28.9 million; VPC 2 - \$25.2 million; Scattered Site II - \$1.97 million; and MHLP X - \$4.9 million, which will close on August 24, 2023. The interest rate for each mortgage is 5.02%, which includes the Bond Yield, Negative Arbitrage, Trustee Fee and Loan Management Fees. The bond issuance yielded net proceeds of \$3.5 million, which may be allocated for Commission or property needs.

### ***Moody’s Annual Housing Finance Agency Management Meeting***

On September 6, the Mortgage Finance division, along with select Executive staff, met with Moody's Investor Service for our Annual Housing Finance Agency (“HFA”) Management Meeting. Moody’s provides the Agency's credit rating. Topics of discussion included overall HFA management and governance, future financing plans, performance of HOC's Single Family and Multifamily Bond Programs, and trends and challenges in the single family and multifamily markets within Montgomery County. The meeting was a success, and we look forward to a follow-up meeting with the Moody's team to discuss the methodologies that Moody's uses to rate HFAs and their programs.

### ***GCAAR Profession Sessions: HOC's First-Time Homebuyer Lending Program***

Also on September 6, Mortgage Finance’s Single Family Office presented a webinar, hosted by the Greater Capital Area Association of Realtors (“GCAAR”), on the Commission’s Mortgage Purchase Program. This was our second presentation to GCAAR, which once again received rave reviews on the highly instructive and informative content provided. Approximately 50 participants were in attendance.



# Minutes

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Minutes**

July 12, 2023

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted via a hybrid platform (with some participating in-person and some participating online/via teleconference) on Wednesday, July 12, 2023 with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 3:04 p.m. Those in attendance were:

**Present**

Roy Priest, Chair  
Francis Kelleher, Vice Chair  
Pamela Byrd  
Linda Croom  
Robin Salomon

**Via Zoom**

Richard Y. Nelson

**Absent**

Jeffrey Merkowitz, Chair Pro Tem

**Also Attending**

Chelsea Andrews, Executive Director	Tia Blount
Paige Gentry, Deputy General Counsel	Elaine Cole
Ken Silverman	Elliot Rule
Zachary Marks	John Wilhoit
Lynn Hayes	Monte Stanford
Tim Goetzinger	Patrick Mattingly
Bonnie Hodge	Jay Shepherd
Marcus Ervin	David Brody

**Also attending Via Zoom**

Destinee Hair	Matt Husman
Sean Asberry	Terri Fowler
Sewavi Prince Agbodjan	

**IT Support**

Aries Cruz, IT Support:

**Commission Support**

Jocelyn Koon, Senior Executive Assistant

Chair Priest opened the meeting with the introduction of the Commission. He welcomed the new Commissioner, Commissioner Salomon and congratulated Commissioner Croom and Commissioner Merkowitz on another five-year appointment. Chair Pro Tem Merkowitz was necessarily absent and did not attend the meeting.

## **I. Information Exchange**

### **Community Forum**

- Destinee Hair addressed the Board in regards to her relocation and termination. Ms. Hair expressed frustrations regarding the application process at Watercress Drive. Chair Priest thanked her for her comments. No formal action was taken.

### **Executive Director's Report**

- Chelsea Andrews, Executive Director, provided a presentation of the written report. Ms. Andrews also shared updates regarding HOC activities and spotlights for the month of June 2023.

### **Commissioners' Exchange**

- Chair Priest explained the reason for Commissioner Merkowitz's absence.

## **II. Approval of Minutes**

The minutes were approved as submitted with a motion by Commissioner Croom and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Priest, Kelleher, Croom, Nelson and Byrd. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

### **A. Approval of Minutes of June 14, 2023**

### **B. Approval of Minutes of June 14, 2023 Closed Session**

## **III. Consent**

### **A. CY 2022 Audit: Acceptance of Calendar Year ("CY") 2022 900 Thayer Limited Partnership Audit**

Chair Priest introduced the item and asked for a motion to approve Resolution 23-42. The following resolution was adopted upon a motion by Commissioner Kelleher and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

**RESOLUTION No.: 23-42**

**RE: Acceptance of Calendar  
Year 2022 Audit for 900 Thayer  
Limited Partnership**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (Commission”), or its wholly-owned and controlled affiliate, is the managing general partner in 900 Thayer Limited Partnership;

**WHEREAS**, the calendar year annual audit for 900 Thayer Limited Partnership has been completed; and

**WHEREAS**, a standard unqualified audit opinion was received from the independent certified public accounting firm who performed the audit.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County accepts the Calendar Year 2022 audit for 900 Thayer Limited Partnership.

**I HEREBY CERTIFY** that the forgoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 12, 2023.

**B. Recognition of Jackie Simon’s tenure as an HOC Commissioner**

Chair Priest introduced the item and asked for a motion to approve Resolution 23-43. The following resolution was adopted upon a motion by Commissioner Kelleher and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

**RESOLUTION: 23-43**

**RE: Recognition of Jackie Simon’s  
Tenure as an HOC Commissioner**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) wishes to acknowledge, honor, and express its heartfelt gratitude to Jackie Simon (“Ms. Simon”) for her invaluable contribution to the agency and the community;

**WHEREAS**, Ms. Simon has been a stalwart supporter of affordable housing throughout her life and career, and has fiercely advocated for rights and opportunities for people with disabilities;

**WHEREAS**, over the years, Ms. Simon has had an immeasurable impact on HOC and its Customers, with a special focus on the Tony S. Davis Memorial Scholarship, the Fatherhood Initiative Program, and ensuring that HOC’s developments go above and beyond to provide accessibility for seniors and the disabled; and

**WHEREAS**, Ms. Simon has been a fixture at HOC long before she became a Commissioner and her influence will continue to be felt for years to come.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County extends its sincere appreciation to Ms. Simon for her untold impact on HOC and the community.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on July 12, 2023.

#### **IV. Committee Reports and Recommendations for Action**

##### **A. Administrative and Regulatory Committee-Com. Kelleher, Chair**

- 1. Annual SEMAP Submission:** Authorization to Submit HOC’s Fiscal Year 2023 Section Eight Management Assessment Program (“SEMAP”) Certification to the U.S. Department of Housing and Urban Development (“HUD”)

Commissioner Kelleher provided an overview of the SEMAP program and introduced Chelsea Andrews, Executive Director, who introduced Elliot Rule, Compliance Analyst, who provided the presentation. Chair Priest asked for a motion to approve Resolution 23-44. The following resolution was adopted upon a motion by Commissioner Kelleher and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom. Commissioner Salomon abstained from the vote. Commissioner Merkowicz was necessarily absent and did not participate in the vote.

**RESOLUTION NO.: 23-44**

**RE: Authorization to Submit HOC’s Fiscal Year 2023 Section Eight Management Assessment Program Certification to HUD**

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

**WHEREAS**, the fiscal year (“FY”) 2023 SEMAP certification, which measures the status of HOC’s administration of the Section Eight Program for FY 2023, must be submitted to HUD within 60 days of the end of the FY; and

**WHEREAS**, staff has completed the FY 2023 SEMAP certification and recommends that it be submitted to HUD.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or her designee, is hereby authorized to submit the FY 2023 SEMAP Certification to HUD.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or her designee, is hereby authorized and directed, without any further action on

its part, to take all other actions necessary and proper to submit the FY 2023 SEMAP certification to HUD.

I **HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 12, 2023.

**V. Items Requiring Deliberation and/or Action**

- 1. Headquarters:** Approval of a Revision to the Ground Lease Agreement and the Final Development Plan for the Headquarters Building.

Commissioner Priest introduced Chelsea Andrews, Executive Director, who introduced Marcus Ervin, Director of Development, and Jay Shepherd, Housing Acquisition Manager, who provided the presentation. Chair Priest asked for a motion to approve Resolution 23-45. The following resolution was adopted upon a motion by Commissioner Byrd and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

**RESOLUTION NO.: 23-45**

**RE: Approval of a Revision to the Ground Lease Agreement and the Final Development Plan for the HOC Headquarters Building**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”), is in the process of building a new headquarters building, projected to be approximately 83,000 gross square feet or the maximum allowed by the current zoning regulations (the “New HQ”) on three lots located at 1324 and 1328 Fenwick Lane, Silver Spring, MD 20910 (the “Property”); and

**WHEREAS**, pursuant to Resolution 19-45AS1 dated April 3, 2019, the Commission approved entering into a Ground Lease with Fenwick Silver Spring, LLC (the “Landlord”) for the Property; and

**WHEREAS**, on August 2, 2019, HOC entered into that certain Ground Lease with the Landlord, as amended by that certain First Amendment to Ground Lease dated July 7, 2022 (collectively, the “Ground Lease”); and

**WHEREAS**, the Ground Lease has an initial term of 60 years, plus two fifteen (15)-year extensions; and

**WHEREAS**, in order for the site to qualify for real property tax exemption under Maryland State Code Tax-Prop. Article 6-102(d), the ground lease must be in ownership by HOC (and not a special purpose entity) and be for an initial term of 99 years; therefore, the Commission wishes to amend the Ground Lease and related Memorandum of Ground Lease to revise the term to 99 years; and



**WHEREAS**, on May 6, 2020, the Commission approved a predevelopment plan and budget for the New HQ, and the Commission approved amendments thereto February 3, 2021, May 4, 2022, and April 21, 2023; and

**WHEREAS**, HOC staff have prepared the Final Development Plan for the New HQ identifying a total development cost of approximately \$74 million to be funded with proposed tax-exempt governmental bonds, under the 2002 Multiple Purpose Indenture (the “Final Development Plan”); and

**WHEREAS**, the Commission desires to (1) authorize the Executive Director to execute an amendment to the Ground Lease and the Memorandum of Ground Lease that changes the initial base term from 60 years to 99 years to ensure the property qualifies for the real property tax exemption under Maryland State Code Tax-Prop. Article 6-102(d) and (2) approve the final development plan for the Transaction, as presented at the July 12, 2023 meeting of the Commission (“Final Development Plan”).

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to execute an amendment to the Ground Lease and the Memorandum of Ground Lease that changes the initial base term from 60 years to 99 years to ensure the property qualifies for the real property tax exemption under Maryland State Code Tax-Prop. Article 6-102(d);

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County approves and authorizes the Final Development Plan for the New HQ.

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

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County in a regular open meeting conducted on July 12, 2023.

**2. The Metropolitan:** Approval to Select and Negotiate a Guaranteed Maximum Price (“GMP”) contract with Southway Builders, LLC for the Metropolitan Apartments

Commissioner Priest introduced Chelsea Andrews, Executive Director, who introduced Marcus Ervin, Director of Development, who provided the presentation. Staff answered the Commissioners questions. Chair Priest asked for a motion to approve Resolution 23-46. The following resolution was adopted upon a motion by Commissioner Croom and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

**RESOLUTION No. 23-46**

**RE: Approval to Select and Negotiate a  
Guaranteed Maximum Price (“GMP”)  
contract with Southway Builders, LLC  
for the Metropolitan Apartments**

**WHEREAS**, The Metropolitan (the “Property”) was constructed in 1997 as a 14-story, 308- unit high-rise apartment building located at 7620 Old Georgetown Road, Bethesda and currently consists of 216 market rate units and 92 affordable units; and

**WHEREAS**, The Metropolitan of Bethesda Limited Partnership (the “Metropolitan LP”), which is wholly owned by the Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”) owns 92 units at the Property, and The Metropolitan Development Corporation (the “Metropolitan Corporation”), a wholly owned corporate instrumentality of HOC, owns 216 units at the Property; and

**WHEREAS**, the Commission desires to select a general contractor to renovate the Property and therefore issued request for proposals for general contracting services (“RFP#2357”); and

**WHEREAS**, Southway Builders, LLC (“Southway”) received the highest score among respondents to RFP #2357; and

**WHEREAS**, the Commission desires to select Southway as the general contractor for the Property and authorize the Executive Director to negotiate a guaranteed maximum price (“GMP”) contract with Southway; and

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself on behalf of the Metropolitan LP, as its general partner approves the selection of Southway as the general contractor for the Property and authorizes the Executive Director to negotiate a contract with Southway.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself on behalf of the Metropolitan LP, as its general partner, authorizes and directs the Executive Director, or her designee, without further action on their respective parts, 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 documents related thereto.

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 12, 2023.

**3. HOC Rental Assistance: Authorization to Write-Off Certain Tenant Arrearages**

Commissioner Priest introduced Chelsea Andrews, Executive Director, who introduced Timothy Goetzinger, Chief Development Officer, who provided the presentation. Staff answered the

Commissioner’s questions. Chair Priest asked for a motion to approve Resolution 23-47. The following resolution was adopted upon a motion by Commissioner Kelleher and seconded by Commissioner Byrd. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, Byrd, Croom. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

**RESOLUTION NO. 23-47**

**RE: Authorization to Write-Off Certain  
Tenant Arrearages**

**WHEREAS**, the current policy of the Housing Opportunities Commission of Montgomery County (“HOC”) is (i) to provide for an allowance for tenant accounts receivable balances that are delinquent for more than ninety (90) days; and (ii) to propose the write-off of former tenant balances; and

**WHEREAS**, staff periodically proposes the write-off of uncollected former tenant balances, which updates the financial records to accurately reflect the receivables and the potential for collection;

**WHEREAS**, due to the economic hardships caused by the COVID-19 emergency, HOC has experienced non-payment of rents leading to significant revenue shortfalls;

**WHEREAS**, HOC has worked diligently to take advantage of the different emergency rental assistance programs offered by the State and County. This funding has enabled us to work with families, keep them stably housed, and put them on a path to start over; however, despite the different emergency rental assistance programs, HOC still has significant arrearages;

**WHEREAS**, in 2022, the County provided HOC with \$3 million to help with arrearages and HOC recently applied this funding to residents with arrearages between \$2,000 and \$10,000;

**WHEREAS**, staff proposes that all additional available funding be applied to arrearages under \$2,000; and

**WHEREAS**, for equity purposes for households with less than \$2,000 in arrearages, staff recommends that any amount of arrearages that cannot be covered with current resources be written-off and the proposed write-off of certain tenant arrearages is in an amount not to exceed \$1,218,635.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County authorizes and directs the Executive Director, or her designee, without further action on its part, to take and all actions necessary to write-off an amount not to exceed \$1,218,635 in certain tenant arrearages related to tenant balances that are delinquent in amounts not greater than \$2,000.

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on July 12, 2023.

The meeting went into recess at 4:38 p.m. and reconvened at 4:45 p.m.

Chair Priest read the Written Closing Statement and made a motion to adopt the statement and close the meeting. Commissioner Byrd seconded the motion, with Commissioners Priest, Kelleher, Nelson, Byrd, and Croom voting in approval. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote.

Based upon this report and there being no further business to come before this session of the Commission, the Commission adjourned the open session at 4:48 p.m., and reconvened in closed session at 5:00 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on July 12, 2023 at approximately 5:00 p.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Sections 3-305(b)(3), 3-305(b)(7), 3-305(b)(8), 3-305(b)(9) and 3-305(b)(13) to discuss four topics: (1) the status of ongoing negotiations with the union (pursuant to Section 3-305(b)(9)); (2) the potential acquisition of property in Silver Spring and Bethesda, Maryland (pursuant to Sections 3-305(b)(3) and 3-305(b)(13)); (3) the potential acquisition of property located in Rockville, Maryland (pursuant to Section 3-305(b)(3)); and (4) the ongoing litigation impacting Westwood Tower Apartments (pursuant to Sections 3-305(b)(7), 3-305(b)(8), and 3-305(b)(13)).

The meeting was closed and the closing statement dated July 12, 2023 was adopted on a motion made by Chair Priest, seconded by Commissioner Byrd, with Commissioners Priest, Kelleher, Nelson, Byrd, and Croom voting in approval of the motion. Commissioner Salomon abstained from the vote. Commissioner Merkowitz was necessarily absent and did not participate in the vote. The following persons were present: Roy Priest, Frances Kelleher, Richard Nelson, Pamela Byrd, Linda Croom, Robin Salomon, Chelsea Andrews, Paulette Campbell, Elaine Cole, Patrick Mattingly, Paige Gentry, Zachary Marks, Marcus Ervin, and Jocelyn Koon.

In closed session, the Commission discussed the below topics and took the following actions:

1. **Topic:** Discussion of staff wages in consideration of the impact to wage negotiations with the union (MCGEO) (pursuant to Section 3-305(b)(9)).
  - a. **Action Taken:** The Commission received information from staff and a third-party consultant about wages. No formal action was taken.
2. **Topic:** The potential acquisition of/purchase of improved real property located in Silver Spring and Bethesda, Maryland (pursuant to Sections 3-305(b)(3) and 3-305(b)(13)).
  - a. **Action Taken:** The Commission was informed about the potential acquisition/transaction. Staff committed to providing further updates as the potential project progresses. No formal action taken.
3. **Topic:** The potential acquisition/purchase of real property (i.e., land) located in Rockville, Maryland (pursuant to Section 3-305(b)(3)).

- a. **Action Taken:** With a quorum present, Commissioners Kelleher, Byrd, Priest, and Croom voted to approved Resolution No. 23-48AS, which authorized the execution of a non-binding letter of intent outlining various business terms, including acquisition terms. Commissioner Salomon abstained and Commissioners Merkowitz and Nelson were necessarily absent and did not participate in the vote.
4. **Topic:** Ongoing litigation impacting Westwood Towers Apartments (pursuant to Sections 3-305(b)(7), 3-305(b)(8), and 3-305(b)(13)).
  - a. **Action Taken:** The Commission received an update about the litigation impacting the property. No formal action was taken.

The closed session was adjourned at 7:30 p.m.

Respectfully submitted,

Chelsea Andrews  
Secretary-Treasurer

/jlk











**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Special Session Minutes**

**August 14, 2023**

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted via hybrid platform (with some participating in-person and some participating online/via teleconference) on Monday, August 14, 2023, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:34 am. Those in attendance were:

**Present**

Roy Priest, Chair  
Frances Kelleher, Vice Chair  
Jeffrey Merkowitz, Chair Pro Tem  
Richard Y. Nelson, Commissioner  
Pamela Byrd, Commissioner  
Robin Salomon, Commissioner

**Absent**

Linda Croom, Commissioner

**Also Attending**

Chelsea Andrews, Executive Director	Bonnie Hodge
Kayrine Brown, Deputy Executive Director	Sean Asberry
Aisha Memon, General Counsel	Ali Ozair
Paige Gentry, Deputy General Counsel	Lynn Hayes
Elaine Cole	Monte Stanford
Tia Blount	John Broullire
Ken Silverman	Marcus Ervin
John Willhoit	Gio Kaviladze
Paige Gentry	Zachary Marks
Patrick Mattingly	Richard Congo

**Attending Via Zoom**

Darcel Cox	Timothy Goetzinger
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**IT Support**

Aries Cruz  
Genio Etienne

**Commission Support**

Jocelyn Koon, Senior Executive Assistant

Chair Priest opened the meeting with welcome remarks and an introduction to HOC's Strategic Planning Special Session. Chair Priest provided an overview of the Strategic Planning process and thanked staff and the consultants for their time spent thus far. Chair Priest introduced HOC's Executive Director, Chelsea Andrews, who further elaborated on the strategic planning process and introduced Public Works, the strategic planning consultants. Ms. Andrews introduced the President of Public Works, Eric Schruner, who opened the floor to Public Work's team, Kristi Guillory, Linda Rhodes, and Johnny Mack for introductions.

Mr. Schruner provided a broad overview of Public Work's Strategic Planning project, and discussed the following concepts: a) identifying the proper area of focus such as providing more housing; b) acquisition, rehabilitation, and construction of housing by HOC; c) private market of housing to make it more affordable and accessible to customers; and d) increasing self-sufficiency in general and in specific populations. Mr. Schruner expressed the interest amongst the Commissioners in regards to resident services and the desire for more resident involvement in the work that HOC performs.

Mr. Schruner introduced Dr. Linda Rhodes who provided feedback from the community, which was made up of 2,600 voices whom influenced the Strategic Planning report through: 1) interviews, 2) focus groups, 3) town halls, and 4) electronic surveys. The major messages received through stakeholder engagement were that those surveyed are interested in HOC and housing issues in the community. Dr. Rhodes highlighted that HOC customers highlighted wanting safe and affordable housing. Dr. Rhodes noted there were a few notable challenges amongst HOC customers such as: 1) the available jobs pay very low wages, 2) the Wait list is challenging, 3) unable to afford rent prices in Montgomery County and keep up with the cost of living, and 4) others living with disabilities and health issues have difficult times finding housing.

Mr. Schruner introduced Kristi Guillory of Public Works who provided the presentation on HOC's values. Kristi Guillory discussed what Public Works has done to think about developing organizational value. Ms. Guillory opened the floor to the Commission to provide feedback on the core values of HOC. Chair Pro Tem Merkowitz resonated with the terms such as innovative, empathetic, people first, sustainable and equitable. Chair Priest commented customer-centric, remaining tech savvy, connectivity and agility is very important. Vice Chair Kelleher noted quality, safe and affordable housing are critical to have as well as highlighted key values such as: integrity, competence, customer focus, commitment to prioritize those most in need, accountability for results, collaboration in HOC and with partners outside of HOC as well as diversity and transparency.

Mr. Schruner introduced Dr. Johnny Mack who provided a presentation on HOC's Vision and Mission. Dr. Mack defined Mission as where we are going and why are we are here. He defined Vision as what will be found as we get there in the future. Dr. Mack inquired with the Commission if HOC's current Vision and Mission statements remain relevant and responsive to the opportunities seen today at HOC. Chair Priest and Chair Pro Tem liked the current Vision and Mission statements and agreed they can both be simplified to capture the essence of HOC. Vice Chair Kelleher commented that advocacy should be included in our vision statement as well as removing the amenity rich wording and replacing it with "quality housing." Chair Pro Tem Merkowitz suggested the Commission statement should be an aspirational statement. Chair Priest noted the vision statement can be shortened to one line and the mission statement can define the mechanics on how to proceed.

After additional deliberation amongst the Commission and Public Works regarding the Mission and Vision of HOC, the meeting went into recess at 12:30 p.m. and reconvened at 1:34 p.m.

Chair Priest introduced Executive Director, Chelsea Andrews, who reintroduced Public Works to provide the remainder of their Strategic Planning presentation. Mr. Schruner provided an overview on the strategies and policies of the Strategic Plan. The topics discussed were customer services, resident services, internal operations, staffing, and resource constraints. Public Works discussed a high level overview on opportunities and ideas that have been gathered from stakeholder input, Commission feedback and secondary research on what peer entities are doing.

Mr. Schruner reintroduced Dr. Rhodes who provided the presentation on HOC's Customer Service and Residential Service. Dr. Rhodes highlighted ways to improve customer service by developing more relationships with nonprofit partners and community organizations as well as increasing accessibility for residents. Dr. Rhodes also highlighted the importance of streamlining the housing path waitlist and investing in technology. The Commission and Public Works LLC deliberated on the specifics of customer service as it relates to the improving the Strategic Plan. Chair Priest inquired about the main five main goals pertaining to the Strategic Plan and did not agree with the presentation and asked for high level strategic direction. Executive Director, Chelsea Andrews, commented that improving customer service is a short term strategy. Commissioner Nelson asked that a strategic goal is the "provision of good quality customer service and communication".

Mr. Schruner reintroduced Ms. Guillory who provided the presentation on Data, Staffing and Capacity. Ms. Guillory highlighted that HOC is under staffed due to various reasons which results in large workloads and effects customer service. Ms. Guillory mentioned changing Human Resources' strategies as a potential focus in the strategic plan. Ms. Guillory also noted the importance of diversity and inclusion, investing in staff training, mounting real DEI efforts and investing in data systems. Chair Pro Tem Merkowitz agreed the presented items should be considered once the high level strategic goals are implemented.

Mr. Schruner transitioned to the final topic of the presentation, Housing Development, Real Estate and Finance. The main focus of the strategic plan should be to 1) set and authorize annual targets for acquisition, rehab and construction; 2) plan to obtain funding and/or revenue wherever available; and 3) develop and agree to policy and priorities. Mr. Schruner asked the Commission what would they set as HOC's priorities. Chair Pro Tem Merkowitz mentioned he would have appreciated a deeper dive on data within Montgomery County. Vice Chair Kelleher mentioned the importance of the strategic decision is to find more affordable housing for low and moderate income people as well as mixed income housing as a matter of philosophy. Chair Pro Tem Merkowitz mentioned the strategic plan will be the framework in bringing the Commission and staff together in making decisions.

Chair Priest asked for the next step to explain the five high level strategic directions during the next meeting with Public Works. Executive Director, Chelsea Andrews, provided closing remarks and discussed the undertone of addressing the poverty in Montgomery County as well as changing the trajectory of families. Ms. Andrews also highlighted improving the outcomes of our residents.

Chair Pro Tem Merkowitz thanked Public Works for the work presented and asked for a deeper dive on information provided. There was no formal action taken.

With no further items for discussion, Chair Priest adjourned the meeting at 3:41 p.m.

Respectfully submitted,

Chelsea Andrews  
Secretary- Treasurer



# Committee Reports and Recommendations for Action

# Administrative & Regulatory Committee

**AUTHORIZATION TO ADOPT A NEW POLICY FOR THE  
ADMINISTRATION OF 25 STABILITY VOUCHERS IN RESPONSE TO  
HUD PIH NOTICE 2022-24**

**September 13, 2023**

- The Consolidated Appropriations Act, 2021 makes \$43,439,000 available for new Stability Vouchers (“SVs”).
- HOC was awarded 25 SVs.
- HOC must adopt mandatory alternative requirements for the administration of the SV Program.
- HOC may adopt permissive requirements for the administration of the SV Program.
- The Administrative and Regulatory Committee (“A&RC”) considered this request at its meeting on September 7, 2023 and staff recommends that the Commission accept the recommendation, which is supported by the A&RC and authorize the adoption of the SV Policy as outlined in the following memo and resolution.



HOC must enter into a Memorandum of Understanding (“MOU”) with the CoC or VSP to establish a partnership for the administration of the SVs. The CoC or VSP is responsible for verifying that the referred applicant meets one of the four aforementioned eligibility categories.

To facilitate SV leasing, HUD has modified the traditional voucher program requirements and established alternative requirements that apply only to the administration of the SVs. The following mandatory alternative requirements apply only to the SV Program:

- HOC must accept direct referrals from the CoC and/or VSP,
- HOC must maintain a separate waitlist for SV referrals at initial leasing and turnover,
- The residency preference is waived,
- Income targeting requirements are not applicable; HOC can serve a variety of income levels including low-income families (80% AMI),
- The initial voucher term must be 120 days,
- The initial lease term may be less than 12 months regardless of whether the shorter term is a prevailing market practice, and
- SV families may exercise their portability right immediately; the 12-month stay period is waived for families who do not have the legal domicile at the time of the SV application.

HOC cannot deny admission to the SV Program for any of the following reasons:

- If any member of the family has been evicted or terminated from federally assisted housing,
- The family owes rent or other amounts owed to a Public Housing Authority (“PHA”) in connection with Section 8 or Public Housing assistance,
- The family has not reimbursed any PHA for amounts paid to an owner under a Housing Assistance Payment (“HAP”) Contract for rent, damages to the unit or other amounts owed by the family under the lease,
- The family breached an agreement with the PHA to pay amounts owed to a PHA, or amounts paid to an owner by a PHA,
- The family would otherwise be prohibited admission under alcohol abuse standards established by the PHA, and
- The PHA determines that any household member is currently engaged in or has engaged in drug-related criminal activity, during a reasonable time before the admission.

Additionally, HOC may elect to adopt discretionary policies in the administration of the SV program. These policies must be documented in the HOC Administrative Plan and are listed below:

1. Establish permissive prohibitions of admission for SV applicants as outlined in the attached Administrative Plan,
2. Use SV's to facilitate an emergency transfer in accordance with the Violence Against Women Act ("VAWA") Emergency Transfer Plan,
3. Pre-inspect available units to create a pool of eligible units the SV families may be interested in leasing,
4. Waive the initial certification exam and accept income calculations and verifications from third-party providers or from an examination that HOC conducted for another subsidized housing program within the last six months if the family does not have a change of income,
5. Waive third-party income verifications and accept self-certification as the highest form of income verification at program admission,
6. Accept third-party income verifications that are not dated within 60 days of HOC's request,
7. Waive the requirement to obtain verification of a Social Security Number and verification of eligible immigration status prior to program admission and accept the required documentation within 180 days of admission,
8. Waive the requirement to obtain verification of date of birth and disability status prior to program admission and accept self-certification. Verification must be obtained within 90 days of program admission.
9. Establish separate, higher SV payment standards to increase the potential pool of available units (90% - 120% FMR), and
10. Apply the increased voucher payment standard at an interim exam, instead of the next re-exam date subsequent to the increased rate.

As part of the process for making revisions to a PHA's Administrative Plan, public comment is required. Notice of the 30 day comment period and public hearing was published in the Washington Post and Washington Hispanic on August 2, 2023. During the comment period, HOC made a draft of the proposed revisions to the Administrative Plan available on the Agency's website. A public hearing was held on September 5, 2023, on the Administrative Plan revisions. Additionally, HOC staff received endorsement from the Resident Advisory Board ("RAB"), regarding the proposed policy and changes to the HOC Administrative Plan.

Staff proposes that HOC adopt the first eight (8) discretionary policies listed above and defined

in the attached HOC Administrative Plan. Additionally, staff recommends that the ARC endorse the proposed SV policy to promote the communitywide commitment of ending homelessness in Montgomery County, Maryland.

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**ISSUES FOR CONSIDERATION:**

Does the Housing Opportunities Commission of Montgomery County wish to accept staff's recommendation, which is supported by the Administrative and Regulatory Committee, to adopt a new policy to administer 25 Stability Vouchers and authorize the Executive Director, or designee, to implement revisions to the Administrative Plan for the Housing Choice Voucher Program?

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**PRINCIPALS:**

Housing Resources Division

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**BUDGET IMPACT:**

HOC will receive a special fee of \$500 for each Stability Voucher and \$375,890 for Housing Assistance Payments ("HAP"). The administrative fees and HAP payments will be renewed annually, based on the actual number of leased households. The special fees are allocated only at the initial program start.

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**TIME FRAME:**

For formal action at the September 13, 2023 meeting of the Commission.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommend that the Housing Opportunities Commission of Montgomery County accept staff's recommendation to adopt a new Stability Voucher ("SV") Policy in accordance with HUD PIH Notice 2022-24 and authorize the Executive Director or her designee, to implement the revisions to HOC's Administrative Plan for the Housing Choice Voucher Program.

**RESOLUTION NO.: 23-48**

**RE: Authorization to Adopt a New Policy for the Administration of 25 Stability Vouchers in Response to HUD PIH Notice 2022-24**

**WHEREAS**, the U.S. Department of Housing and Urban Development issued Notice PIH 2022-24 (the “Notice”) on August 16, 2022, that appropriated \$43,439,000 Dollars for new Stability Vouchers (“SVs”); and

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) was awarded 25 SVs to facilitate leasing to families referred from the Continuum of Care (“CoC”) who are homeless, at risk of homelessness, fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, human trafficking and veteran families that meet one of the proceeding criteria; and

**WHEREAS**, pursuant to the Notice, HOC must enter into a Memorandum of Understanding (“MOU”) with CoC by September 4, 2023; and

**WHEREAS**, also pursuant to the Notice, HOC desires to formally revise its Administrative Plan for the Housing Choice Voucher Program (the “Plan”) to add the Stability Voucher policy; and

**WHEREAS**, the recommended revisions to the Plan are outlined in the attached Exhibit A.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, or her designee, to negotiate and enter into a MOU with CoC

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County that it approves revising the Plan to add the Stability Voucher Policy as identified in the attached Exhibit A.

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

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on September 13, 2023.

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Chelsea J. Andrews  
Executive Director



## Chapter 4

### ESTABLISHING PREFERENCES AND MAINTAINING THE WAIT LIST

[24 CFR Part 5, Subpart D; 982.54(d)(1); 982.204, 982.205, 982.206]

#### INTRODUCTION

It is HOC's objective to ensure that families are placed in the proper order on the wait list and selected from the wait list for admission in accordance with the policies in this Administrative Plan.

This chapter explains how HOC will administer its consolidated wait list for all of its housing programs, including the tenant-based and project-based voucher wait lists, hereinafter referred to as the consolidated list or master list. The tenant-based wait list has six local preferences that HOC adopted to meet local housing needs, define the eligibility criteria for the preferences, and explain HOC's system of applying them. The wait list for housing subsidized with project-based vouchers is maintained as a sub list within the consolidated list. Any family selected to be housed utilizing a project-based voucher is only eligible for a specific bedroom sized unit based on their family size.

By maintaining an accurate wait list, HOC is able to perform the activities which ensure that an adequate pool of qualified applicants is available, so that program funds are used in a timely manner. Each family on the tenant-based wait list may also have its name on the project-based wait list.

#### A. MANAGING THE WAIT LIST

##### Opening and Maintaining the Wait List

Opening of the wait list will be announced with a public notice stating that applications for public housing, Housing Choice Voucher and all other wait lists maintained by the Housing Opportunities Commission of Montgomery County (HOC) will again be accepted. The public notice will state where, when, and how to apply. The notice will be published in a local newspaper of general circulation and also by any available minority media, including social media. The public notice will state any limitations on who may apply. Wait lists for all sub-jurisdictions and Countywide will be opened and closed at the same time.

The notice will state that applicants already on wait lists for other housing programs must apply separately for this program and such applicants will not lose their place on other wait lists when they apply for public housing. The notice will include the Fair Housing logo and slogan, and will be in compliance with Fair Housing requirements.

HOC intends for the wait list to remain open indefinitely; however, if the Executive Director decides to close the list, the closing of the wait list will also be announced with a public notice. This public notice will state the date the wait list will be closed, and it will be published in a local newspaper of general circulation and by any available minority media, including social media.

##### Organization of the Wait List

In July 2015, HOC merged its existing sub-jurisdictional wait lists for the Housing Choice Voucher program and all other housing programs into one combined wait list, referred to herein interchangeably as merged list, master list, merged master list, or wait list, except as specifically noted.

In conjunction with the merge of all of HOC's wait lists, HOC opened its merged master wait list for all programs, and left the merged list open indefinitely or until such time as a determination is made by the Executive Director that there is cause to close the wait list, at which time proper notice will be posted in a local newspaper of general circulation and by any available minority media, including social media.

Only one application may be submitted and it must be submitted by the head of household or his/her designee. The wait list is maintained in accordance with the following guidelines:

1. The application will be a permanent file. Any contact between HOC and the applicant will be documented in the electronic applicant file.
2. All applications will be maintained in order of date and time of application, and applicable preference(s).
3. Under the merged wait list, one master list is maintained electronically through a proprietary program. All applications and updates to an application are submitted electronically through a proprietary on-line web portal. Paper and telephone submissions are not permitted. To the extent an applicant requires assistance, upon request, staff from HOC is available to assist with electronic submissions.
4. All applicants must give notice of any changes to their application within two weeks of a change. Changes include: change of mailing address, change of email address, change of phone number, change in family composition, change in income, or changes in factors affecting preference points. As noted in paragraph 3, all changes must be done electronically because paper and telephone submissions are not accepted. To the extent an applicant requires assistance, upon request, staff from HOC is available to assist with electronic update submissions.
5. The master wait list is updated daily and applicants' wait list profiles are accessible via the internet on a 24-hour basis.
6. For the Housing Choice Voucher program, HOC maintains one merged master list in order of date-time stamp and any applicable preference(s). However, within the master list there are sub-sorted separate lists for certain programs and properties. This includes the Choice Mobility wait list for those customers eligible for project-based to tenant-based subsidy conversion. See Chapter 22 of this Administrative Plan for more information.
7. HOC entered into Housing Assistance Payments (HAP) contracts to subsidize units at several properties that are operated by third-party managers and/or owners. The individual, property-specific wait lists for these properties are included within the master list but are sorted separately to only reflect applicants who satisfy the various property and programmatic eligibility criteria. More specifically, the details regarding these property-specific wait lists are as follows:

- i. HOC maintains separate wait lists for Arcola Towers, Elizabeth House, Holly Hall, and Waverly House, which are housing facilities operated for the benefit of senior and/or disabled customers.
- ii. HOC entered into a HAP contract to subsidize units at Emory Grove, Ken- Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Town Centre Place, and Washington Square as required as part of the Rental Assistance Demonstration (RAD) program, and required Housing Choice Vouchers. The individual wait lists created for these RAD properties are included in the merged master list but are sorted separately to reflect only those applicants who are eligible for these properties.
- iii. HOC entered into HAP contracts to subsidize units at several properties that are managed by third-party managers and/or owners. These properties provide supportive services to at-risk populations in the form of Housing Choice Vouchers. Applicants for these programs must meet stringent requirements and are ranked by date and time of application only. The individual wait lists created for these properties are included in the merged master list but are sorted separately to reflect only those applicants who are eligible for these properties.

8. Contact between HOC and wait list applicants for the purposes of selection from the list is documented in the participant's wait list file.

### **Implementation of RAD Wait List Provisions**

Former public housing (PH) applicants and residents receive priority consideration on the site-based wait lists created within *HOC Housing Path*, HOC's electronic wait list. Prior to the opening of the HOC Housing Path wait list, HOC mailed to all former PH wait list applicants a post card notifying them of the new wait list and instructed them to submit an application. The following policies describe how former PH applicants and residents receive priority consideration for housing at all of HOC's RAD-converted properties and at properties with Project-Based Voucher (PBV) assistance provided using the non-competitive selection process created by the Housing Opportunities Through Modernization Act (HOTMA), and described in Chapter 22, Section G of this Administrative Plan.

In order to provide former PH applicants with the best opportunity to be housed at one of the RAD properties, HOC adopted and follows the procedures listed below:

- Analyze HOC Housing Path to identify former PH wait list applicants and residents that have submitted a new application.
- Issue notices to former PH wait list applicants and residents informing them that they are eligible to receive priority consideration for housing at RAD properties, and instruct them to respond to the notice if they would like to be considered.
- Former PH applicants and residents who respond, but have not submitted a new HOC Housing Path application will be instructed to do so.

- For those families who respond to the notice and/or have submitted a new HOC Housing Path application, HOC will create a separate pool of applications that will receive priority consideration for vacancies at HOC’s RAD properties.
- As vacancies become available at RAD properties, applicants will be selected from the priority pool based on their date and time of application to Housing Path.

**B. WAIT LIST CUSTOMERS (FAMILIES)**

All wait list applicants are required to maintain an e-mail address. To the extent an applicant chooses to use the e-mail address of another person, the applicant is solely responsible for receiving information sent to the listed email address and lack of access to that account is not considered a valid excuse for missing notices. To the extent a family does not have an e-mail address, HOC can assist the family in obtaining a free email account. The applicant is responsible for notifying HOC of any change in their e-mail address. HOC maintains public use computers at all of its HUB locations. Public use computers are also widely available at other public locations such as local libraries. To the extent an applicant requires assistance, upon request, staff from HOC is available to assist with electronic submissions.

All wait list applicants are required to list an address in their Housing Path application. If the applicant is homeless or does not have a permanent address, the applicant can choose to list the address of another person, so long as it is not the address of a current voucher holder. This address is used to send any paper correspondence to the applicant, including required paperwork as part of the selection process. The applicant is solely responsible for receiving information sent to the listed address and lack of access to mail at that address is not considered a valid excuse for missing notices or paperwork. The applicant is responsible for notifying HOC of any change in address.

**Treatment of Single Applicants**

Single applicants are treated as any other eligible family on the wait list for the tenant-based and project-based voucher wait lists.

**C. WAIT LIST [24 CFR 982.204]**

**Tenant-Based Voucher**

HOC uses a consolidated wait list for the admission of all of its housing programs. The consolidated list included a sub list for admissions to the tenant-based voucher assistance program.

Except for Special Admissions, applicants are selected from the consolidated wait list in accordance with the policies, preferences, and income targeting requirements defined in this Administrative Plan.

HOC will maintain information that permits proper selection from the wait list. The wait list contains the following information for reach applicant listed:

- Applicant Name
- Family Unit Size (number of bedrooms family qualifies for under HOC's subsidy standards)
- Date of application
- Qualification for any local preference(s)
- Racial or ethnic designation of the head of household
- Targeted program qualifications

#### Project-Based Voucher

HOC maintains separate sub lists for admissions to the project-based voucher (PBV) assistance program. Any applicant that submits an application to the master wait list is also considered for inclusion on the PBV wait list.

Except for Special Admissions, applicants are selected from HOC's wait list in accordance with the policies, preferences, and income targeting requirements defined in this Administrative Plan.

Families are selected from the PBV wait list based on the bedroom size of the unit available at time of selection.

HOC must maintain information that permits proper selection from the wait list. The wait list contains the following information for each PBV applicant listed:

- Applicant Name
- Family Unit Size (number of bedrooms family qualifies for under HOC's subsidy standards)
- Date of application
- Qualification for any local preference(s)
- Racial or ethnic designation of the head of household
- Targeted program qualifications

#### **D. SPECIAL ADMISSIONS [24 CFR 982.54(d)(e), 982.203]**

If HUD awards HOC program funding that is targeted for specifically named families, HOC must admit these families under a Special Admission procedure.

Special admissions families are admitted outside of the regular wait list process. They may not have to qualify for any preferences, nor are they required to be on the program wait list. HOC administers two Special Programs and maintains separate records of these admissions.

**The Family Unification Program (FUP):**

The Family Unification Program (FUP) qualifies for special admissions as long as the individuals referred to HOC meet the program definition.

Family Unification Program-Eligible Family (A family that the Public Child Welfare Agency (PCWA) has certified as a family for whom a lack of adequate housing is a primary factor in the imminent placement of the family’s child, or children, in out-of-home care, or in the delay of discharge of a child, or children, to the family from out-of-home care, and that the HOC has determined is eligible for a Housing Choice Voucher.)

Family Unification Program-Eligible Youth (A youth that the Public Child Welfare Agency (PCWA)

has certified to be at least 18 years old and not more than 24 years old (has not reached his/her 25<sup>th</sup> birthday) who left foster care at age 16 or older and who does not have adequate housing, and that HOC has determined is eligible for a Housing Choice Voucher.)

**Emergency Housing Vouchers (EHV):**

HOC administers 118 Emergency Housing Vouchers (EHVs). Eligible EHV applicants are referred to HOC from the Continuum of Care (CoC) via the Department of Health and Human Services (HHS). HOC can accept direct referrals outside of HHS to facilitate an emergency transfer in accordance with the Violence Against Women Act (VAWA) as outlined in HOC’s Emergency Transfer Plan, or if HHS lacks a sufficient number of eligible families to refer. HOC must enter into Memorandum of Understanding (MOU) with a Victims Service Provider (VSP) to accept EHV referrals from HHS.

HOC must maintain a separate waitlist for EHV referrals at initial leasing and for any turnover vouchers. HOC cannot issue an EHV subsequent to September 30, 2023. Provided that the re-issuance date is prior to September 30, 2023 the term of the EHV may extend beyond September 30, 2023.

**EHV Eligibility Criteria:**

Eligible applicants must meet one of the four eligibility categories:

- Homeless,
- At risk of homelessness,
- Fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking or human trafficking, or
- Recently homeless and for whom providing rental assistance will prevent the family’s homelessness or having high risk of housing instability

EHV customers are not required to meet the local residency preference to live or work in Montgomery County. Additionally, income targeting requirements are not applicable for EHV families. EHV households can range from extremely low incomes (30% AMI) to low incomes (80% AMI).

HOC cannot deny program admission for the following reasons, pursuant to Title 24 part 982.552 and 982.55 of the Code of Federal Regulations (CFR):

- If any member of the family has been evicted or terminated from federally assisted housing
- The family owes rent or other amounts owed to a Public Housing Authority (“PHA”) in connection with Section 8 or Public Housing assistance
- The family has not reimbursed any PHA for amounts paid to an owner under a Housing Assistance Payment (“HAP”) Contract for rent, damages to the unit or other amounts owed by the family under the lease
- The family breached an agreement with the PHA to pay amounts owed to a PHA, or amounts paid to an owner by a PHA
- The family would otherwise be prohibited admission under alcohol abuse standards established by the PHA
- The PHA determines that any household member is currently engaged in or has engaged in drug-related criminal activity, during a reasonable time before the admission

HOC will deny program admission for the following reasons pursuant to Title 24 part 982.553 of the CFR:

- If any member of the household has been convicted of drug-related criminal activity for the manufacture or production of methamphetamine on the premises of federally assisted housing
- If any member of the household is subject to a lifetime registration requirement under a State Sex offender registration program
- If any household member is currently engaged in, has engaged in violent criminal activity within the last 12 months
- If any household member has committed fraud, bribery, or any other corrupt or criminal act in connection with any Federal housing program within the previous 12 months.
- If any household member engaged in or threatened abusive or violent behavior toward HOC personnel within the previous 12 months

### **Voucher Issuance/Lease Term**

HOC will issue the EHV voucher for a term of 120 days. The initial lease term for EHV households can be for a period less than 12 months, regardless of whether the shorter term is the prevailing market practice.

### **Services**

HOC will assist EHV households by providing the following services based on documented need based and funding availability:

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Of Montgomery County

- Housing Location - EHV applicants will receive housing location assistance from HOC and/or the CoC. This includes helping the family identify and visit available units, providing transportation assistance and directions, assisting with the completion of rental applications and HOC forms and helping to find an accessible unit that meets the needs of a disabled household.
- Transportation Assistance – HOC will provide transportation assistance to EHV households to help them view and select housing units. HOC will provide up to \$150 in transportation assistance per EHV household based on documented need and funding availability.
- Security Deposit - HOC will provide security deposit assistance to EHV households to help them secure housing. HOC will provide up to \$2,500 in security deposit assistance per EHV household based on documented need and funding availability. If refundable, the security deposit will be refunded to HOC for future use of eligible EHV households.
- Application Fee/Holding Fee - HOC will provide application and/or holding fee assistance to EHV households to help them secure housing. HOC will provide up to \$200 in application and/or holding fee assistance per EHV household based on documented need and funding availability.
- Moving Expenses - HOC will provide moving assistance to EHV households. HOC will provide up to \$1,800 moving expenses per EHV household based on documented need and funding availability.
- Essential Household Items - HOC will provide EHV households with assistance to secure essential household items. HOC will provide up to \$200 in assistance for essential household items per EHV household based on documented need and funding availability.
- Renters Insurance - HOC will provide EHV households with assistance to secure renter’s insurance. HOC will provide up to \$175 in assistance for renter’s insurance per EHV household based on documented need and funding availability.
- Furniture - HOC will provide EHV households with assistance to secure furniture. HOC will provide up to \$1,000 in assistance for furniture per EHV household based on documented need and funding availability.

**Portability**

EHV applicants can immediately port to another jurisdiction of their choice. The requirement to have a legal domicile in Montgomery County at the time of the application submission is waived. HOC cannot restrict an EHV family from exercising portability options because they are a non-resident applicant.

If the EHV family moves to another jurisdiction that does not administer an EHV Program, the receiving PHA may absorb the family into its regular HCV program or bill the initial PHA.

If the EHV family moves to another jurisdiction that administers an EHV program, the receiving PHA may only absorb the EHV family with an available EHV allocated voucher. If the PHA does not have an EHV available to absorb the family, it must bill the initial PHA.

The EHV administration of the voucher is in accordance with the receiving PHA’s EHV policies



### **Initial Certification Exam**

HOC can accept income calculations and verifications from third party providers or an examination that HOC conducted on behalf of the family for another subsidized housing program in lieu of conducting an initial examination of income as long as the income was calculated in accordance with the rules outlined at Title 24 CFR Part 5 within the last six months, and the family certifies there has been no change in income or the family composition in the interim. At the time of the family's annual reexamination, HOC must conduct the annual reexamination of income as outlined in 24 CFR 982.516.

EHV applicants may provide third-party documentation which represents the applicant's income within the 60-day period prior to admission or voucher issuance but is not dated within 60 days of HOC's request.

### **HQS Inspections**

HOC can pre-inspect available units that EHV Families may be interested in leasing. If an EHV family selects a unit that passed a HQS inspection within 45 days of the date of the Request for Tenancy Approval (RFTA) Form, the unit may be approved as long as it meets all other conditions under Title 24 part 982.305 of the CFR.

### **Interim Examinations**

When adding a family member after the EHV family has been placed under a Housing Assistance Payment (HAP) Contract, the regulations at 24 CFR 982.551(h)(2) apply. Other than the birth, adoption or court-awarded custody of a child, the HOC must approve additional family members and may apply its regular screening criteria in doing so.

EHV applicants may provide third-party documentation which represents the applicant's income within the 60-day period prior to admission or voucher issuance but is not dated within 60 days of HOC's request.

### **Stability Vouchers (SV):**

HOC administers 25 Stability Vouchers (SVs). Eligible SV applicants are referred to HOC from the Continuum of Care (CoC) via the Department of Health and Human Services (HHS). HOC can accept direct referrals outside of HHS to facilitate an emergency transfer in accordance with the Violence Against Women Act (VAWA) as outlined in HOC's Emergency Transfer Plan, or if HHS lacks a sufficient number of eligible families to refer. HOC must enter into Memorandum of Understanding (MOU) with a Victims Service Provider (VSP) to accept SV referrals apart from HHS.

## SV Eligibility Criteria:

Eligible applicants must meet one of the four eligibility categories:

- Homeless,
- At risk of homelessness,
- Fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking or human trafficking, and
- Veterans and families that include a veteran family member that meet one of the proceeding criteria.

SV customers are not required to meet the local residency preference to live or work in Montgomery County. Additionally, income targeting requirements are not applicable for SV families. SV households can range from extremely low incomes (30% AMI) to low incomes (80% AMI).

HOC cannot deny program admission for the following reasons, pursuant to Title 24 part 982.552 and 982.553 of the Code of Federal Regulations (CFR):

- If any member of the family has been evicted from federally assisted housing in the last five years,
- If the PHA has ever terminated assistance under the program for any member of the family,
- If the family currently owes rent or other amounts to the PHA or to another PHA in connection with Section 8 or public housing assistance under the 1937 Act,
- The family has not reimbursed any PHA for amounts paid to an owner under a Housing Assistance Payment (HAP) Contract for rent, damages to the unit or other amounts owed by the family under the lease,
- The family breached an agreement with the PHA to pay amounts owed to a PHA, or amounts paid to an owner by a PHA.

Before denying a SV applicant admission because of a criminal record, HOC will offer the individual the opportunity to provide evidence of mitigating circumstances or that the record is inaccurate. HOC will deny program admission for the following reasons pursuant to Title 24 part 982.553 of the CFR:

- If any member of the household has been convicted of drug-related criminal activity for the manufacture or production of methamphetamine on the premises of federally assisted housing,
- If any member of the household is subject to a lifetime registration requirement under a State sex offender registration program,
- If any household member is currently engaged in, has engaged in violent criminal activity within the last 12 months,
- If any household member has engaged in other criminal activity, which may threaten the health, safety, or right to peaceful enjoyment of the premises by other residents or person residing in the immediate vicinity within the last 12 months,
- If any household member has committed fraud, bribery, or any other corrupt or criminal act in connection with any Federal housing program within the previous 12 months,
- If any household member engaged in or threatened abusive or violent behavior toward HOC personnel within the previous 12 month,

### **Income Verification at Admission**

HOC will accept self-certification of income at program admission. Applicants must submit an affidavit attesting to the reported income, assets, expenses and other factors which would affect an income eligibility determination. Additionally, applicants may provide third-party documentation which represents the applicant's income within the sixty day period prior to admission or voucher issuance but is not dated within 60 days of the PHAs request.

HOC may accept income calculations and verifications from third-party providers or from an examination that the PHA conducted on behalf of the family for another subsidized housing program in lieu of conducting an initial examination of income as long as the income was (1) calculated in accordance with rules outlined at 24 CFR Part 5 and within the last six months and (2) the family certifies there has been no change in income of family composition in the interim.

HOC will take necessary enforcement actions if the SV applicant was never eligible for assistance due to their income.

### **Verification of Social Security Number, Citizenship Status, Date of Birth and Disability**

HOC will admit SV applicants who are unable to provide the required documentation of their Social Security Number or citizenship status during the initial eligibility determination. SV applicants must furnish the required documents to HOC within 180 days of admission to be eligible for continued assistance.

HOC will accept self-certification of date of birth and disability status if a higher level of verification is not immediately available. HOC must obtain a higher level of verification within 90 days of admission or verify the information in EIV.

### **Voucher Issuance/Lease Term**

HOC will issue the SV voucher for a term of 120 days. The initial lease term for SV households can be for a period less than 12 months, regardless of whether the shorter term is the prevailing market practice.

### **Portability**

SV applicants can immediately port to another jurisdiction of their choice. The requirement to have a legal domicile in Montgomery County at the time of the application submission is waived. HOC cannot restrict a SV family from exercising portability options because they are a non-resident applicant. If the SV family moves to another jurisdiction that does not administer a SV Program, the receiving PHA may absorb the family into its regular HCV program or bill the initial PHA. If the SV family moves to another jurisdiction that administers a SV program, the receiving PHA may only absorb the SV family with an available SV allocated voucher. If the PHA does not have an SV available to absorb the family, it must bill the initial PHA. The SV administration of the voucher is in accordance with the receiving PHA's SV policies.

The following are examples of types of program funding that may be designated by HUD for families living in a specified unit.

1. A family displaced because of demolition or disposition of a public or Indian housing project;
2. A family residing in a multifamily rental housing project when HUD sells, forecloses or demolishes the project;
3. For housing covered by the Low Income Housing Preservation and Resident Homeownership Act of 1990;
4. A family residing in a project covered by a project-based Section 8 HAP contract at or near the end of the HAP contract term; and
5. A non-purchasing family residing in a HOPE 1 or HOPE 2 project.

Applicants who are admitted under Special Admissions, rather than from the wait list, are identified in HOC's database with special codes.

At turnover:

If a voucher issued to an FUP-eligible family or FUP-eligible youth under the FUP program is terminated, the voucher is reissued to the extent practicable, to another FUP-eligible family or FUP-eligible youth. If the award on turnover is not practicable, FUP vouchers may be used by HOC for such families based upon local needs.

If a customer served through Special Admissions in the FUP program is on an HOC Program Admissions Wait List (Tenant Based Voucher or Project Based Voucher), the client remains eligible on the wait list for the period of time the list is active. If a client is selected from the Program Wait List and utilizes the voucher, the FUP voucher is reissued, to the extent practicable, to another FUP-eligible family or FUP-eligible youth.

#### **E. WAIT LIST PREFERENCES [24 CFR 982.207]**

When a family is selected from the wait list, the family is invited to an interview and the verification process begins. It is at this point in time that the family's wait list preference(s) are verified. To qualify for a preference, an applicant must provide verification that shows he or she qualified either at the time of the initial application or at the time of selection from the wait list. However, placement based upon preference is dependent on the family still qualifying for the preference at the time of selection.

If the family no longer qualifies to be near the top of the list, because the family does not qualify for a preference, then the family's preference status is removed. Importantly, however, the family will remain on the wait list based upon their original date and time of application. HOC must notify the family in writing of this determination and give the family the opportunity for an informal hearing to appeal the decision.

Once a preference is verified, the family completes a full application, presents Social Security number information, citizenship/eligible immigrant information, and signs the Consent for Release of Information forms.

An applicant is not granted any local preference for the tenant-based and project-based voucher wait lists if any member of the family was evicted from housing assisted under a HUD 1937 Housing Act program during the past three years because of drug-related criminal activity or felonious charged criminal activity.

HOC will grant an exception to such a family if:

- The responsible member has successfully completed a rehabilitation program;
- The evicted person clearly did not participate in or know about the drug-related activity; and/or
- The evicted person no longer participates in any drug related criminal activity.

If an applicant makes a false statement in order to qualify for a local preference, HOC will deny the local preference.

#### F. LOCAL PREFERENCES [24 CFR 5.410]

HOC offers public notice when changing its preference system and the notices are publicized using the same guidelines as those for opening and closing the wait list.

HOC uses the following local preference system:

**First Local Preference – Displacement:** Families who are displaced as a result of a fire, flood, natural disaster, State or County redevelopment project, or a change in the nature of a project that is part of the County plan for maintaining affordable housing, and who are referred by the County Executive’s Office. A signed certification from the County Executive’s office is required for the family to qualify for this preference. [Two Points]

**Second Local Preference – Residency preference** for families who live, work, or have a bona fide offer to work in Montgomery County. To qualify for this preference, evidence is required either at the time of application or at the time of selection from the wait list. HOC will treat graduates of, or active participants in, education or training programs in Montgomery County as residents of Montgomery County if the education or training program is designed to prepare individuals for the job market. To qualify and satisfy this preference, graduates must have graduated after the initial application for housing. [One Point]

**Third Local Preference – HUD funded 2006 Main Stream Disabled (MSD) program;** 15 units. [Two Points]

**Fourth Local Preference – Veterans:** Preference is given for ten (10) veterans and their families. The applicant must be at least 18 years old and a veteran.

HOC verifies the preference with a list of homeless veterans and their families provided by the Montgomery County Department of Health and Human Services (DHHS). [Three Points]

**Fifth Local Preference – Families with Histories of Homelessness:** Preference is given for ten (10) families with histories of homelessness who are currently housed within the Montgomery

County Homeless Continuum of Care. The applicant must be at least 18 years old and have at least one minor child (under the age of 18) within the household.

HOC verifies the preference by receiving direct referrals from the Montgomery County Department of Health and Human Services (DHHS). [Three Points]

**Sixth Local Preference** – HUD funded 2017/2018 Mainstream Disabled (MSD) Grant program: Preference is given for Non-Elderly Disabled (NED) families who meet at least one of the following criteria:

1. Transitioning out of institutional or other segregated settings;
2. At serious risk of institutionalization;
3. Homeless; or
4. At risk of becoming homeless.

NED is defined as disabled persons aged 18-62 and can include any member of a household. Eligibility for this preference is initially indicated based on responses to questions on HOC’s wait list, which are designed to capture these criteria. Once a NED family is called up for a subsidy based on this preference, HOC staff conducts comprehensive verification of the preference qualifications, as explained in Section M of this Chapter. [Three Points]

### **Treatment of Single Applicants**

Single applicants are treated as any other eligible family on the wait list for the tenant-based and project-based voucher wait lists.

### **G. INCOME TARGETTING**

In accordance with the Quality Housing and Work Responsibility Act of 1998, each fiscal year HOC reserves a minimum of seventy-five (75) percent of its Section 8 new admissions for families whose incomes do not exceed thirty (30) percent of the area median income (AMI). HUD refers to these families as “extremely low-income families.” HOC must admit families who qualify under the extremely Low-Income limit to meet the income targeting requirement, regardless of preference. This policy applies to the tenant-based and project-based voucher waitlists.

Extremely Low-Income limit to meet the income targeting requirement, regardless of preference. This policy applies to the tenant-based and project-based voucher waitlists.

HOC’s income targeting requirement does not apply to low-income families continuously assisted, as provided for under the 1937 Housing Act.

HOC is also exempted from this requirement when HOC provides assistance to low income or moderate-income families entitled to preservation assistance under the tenant-based voucher program as a result of a mortgage prepayment or opt-out.

### **H. INITIAL DETERMINATION OF LOCAL PREFERENCE QUALIFICATION**

At the time of application, an applicant's entitlement to a local preference may be made on the following basis:

An applicant's certification that they qualify for a preference is accepted without verification at the pre-application. When the family is selected from the wait list for the final determination of eligibility, the preference is verified. To Qualify for the preference, an applicant must provide verification that shows he or she qualified either at the time of the pre-application or at the time of certification.

If the preference verification indicates that an applicant does not qualify for the preference, the applicant is returned to the wait list (tenant-based or project-based) without the local preference, and given an opportunity for an office meeting.

**I. TARGETED FUNDING [24 CFR 982.203]**

When HUD awards special funding for certain family types, families who qualify are placed on the regular wait list. When a specific type of funding becomes available, the tenant-based and project-based voucher wait lists are searched for the first available family meeting the targeted funding criteria. HOC reserves the right to use this assistance under the “Interim Use” policy. [See Glossary under “Interim Use” for definition].

Applicants who are admitted under targeted funding which are not identified as a Special Admission are identified by codes in the automated system. HOC has the following "Targeted" Programs:

- . Veterans Affairs Supportive Housing (VASH)
- . Mainstream Allocation Plan for Persons with Disabilities
- . Voucher allocation for Non-Elderly Persons with Disabilities in Support of Designated Housing Plans

For any voucher allocation for Non-Elderly Persons with Disabilities (NED) in Support of Designated Housing Plans, HOC identifies a non-elderly disabled family, as defined by HUD, on HOC’s wait list that will not be housed due to an approved or submitted Designated Housing Plan.

At turnover:

Re-issuance upon turnover of vouchers in the Non-Elderly Persons with Disabilities in Support of Designated Housing Plans 2008 allocation will be to Non-Elderly Persons with Disabilities on the wait list.

**5.410] Change in Circumstances**

Changes in an applicant's circumstances while on the wait list may affect the family's entitlement to a preference. Applicants are required to update their on-line application when their circumstances of change.

**Cross-Listing of Different Housing Programs and Section 8 [24 CFR 982.205(a)]**

HOC maintains a consolidated master wait list for all of its housing programs. An applicant is considered for admission to any program for which they are eligible until such time that documentation is presented  
Housing Opportunities Commission

which establishes a customer as ineligible for a given housing program(s). If a customer is determined ineligible for the voucher program, their application is maintained on the consolidated wait list so that they may continue to be considered for other housing opportunities.

**Other Housing Assistance** [24 CFR 982.205(b)]

Other housing assistance means a federal, State, or local housing subsidy, as determined by HUD, including public housing.

HOC may not take any of the following actions because an applicant has applied for, received, or refused other housing: [24 CFR 982.205(b)]

- . Refuse to list the applicant on the wait list for tenant-based voucher assistance;

**J. PREFERENCE AND INCOME TARGETING ELIGIBILITY** [24 CFR

- . Deny any admission preference for which the applicant is currently qualified;
- . Change the applicant's place on the wait list based on a preference, date of application, or other factors affecting selection under HOC's selection policy; or
- . Remove the applicant from the wait list.

However, HOC may remove the applicant from the wait list for tenant-based assistance if HOC has offered the applicant assistance under the Project-Based Voucher program.

**K. ORDER OF SELECTION** [24 CFR 982.207(e)]

HOC's method for selecting applicants from a preference category leaves a clear audit trail which can be used to verify that each applicant was selected in accordance with the method specified in the Administrative Plan. **Tenant-Based Voucher Wait List**

**Local Preferences**

HOC provides the following system to apply local preferences:

Each preference receives an allocation of points. The more preference points an applicant receives, the higher the applicant's position on the wait list.

**Among Applicants with Equal Preference Status**

Among applicants with equal preference status, the tenant-based voucher wait list was organized by the lottery selection process for the first 365 days after the wait list was opened in the summer of 2015. Thereafter, applicants with equal preference status on the tenant-based voucher wait list are organized by date and time stamp.



**Project-Based List**

HOC provides the following system to apply local preferences:

Each preference receives an allocation of points. The more preference points an applicant receives, the higher the applicant’s position on the wait list.

The PBV sub list is organized by family size and the corresponding bedroom size as follows:

- . One and two person families are eligible for a one-bedroom unit.
- . Three and four person families are eligible for a two- bedroom unit.
- . Five and six person families are eligible for a three- bedroom unit.
- . Seven and eight person families are eligible for a four- bedroom unit.

Exceptions to this policy are made in accordance with HOC’s policies of reasonable accommodation for persons with disabilities.

The number of persons per bedroom is subject to compliance with the Montgomery County Code, Chapter 26-5, Space, Use, and Location. Paragraph (b) of Chapter 26-5 is shown below:

b) *Floor area, sleeping.* In every dwelling unit of two or more rooms, every room occupied for sleeping purposes by one occupant must contain at least 70 square feet of habitable space, and every room occupied for sleeping purposes by more than one occupant must contain at least 50 square feet of habitable space for each occupant. However, in a mobile home every room occupied for sleeping purposes by one occupant must contain at least 50 square feet of habitable space; by 2 occupants, at least 70 square feet of habitable space; and by more than 2 occupants, at least an additional 50 square feet of habitable space for each additional occupant.

Among Applicants with equal preference status, the PBV wait list is organized by the regular date-time selection process for each bedroom size.

**L.1 PROJECT-BASED VOUCHER REFERRALS**

Applicants referred to HOC for housing subsidy through PBVs by way of Offender Reentry programs sponsored by the Silver Spring Interfaith Housing Coalition and Threshold Services, Inc. are granted an eligibility criminal background exception. The participant does not have rights to the HOC Grievance Procedures.

The eligibility exception is not extended to the following individuals:

1. Persons convicted of manufacturing or producing methamphetamine;

2. Any person evicted from federally assisted housing for a serious violation of the lease (and for three years following the eviction);
3. Any person who fails to sign and submit consent forms to obtain information in accordance with the Administrative Plan Part 5, subparts B and F;
4. Any person required under HUD regulation to establish citizenship or eligible immigration status;
5. Any person subject to a life time registration requirement under a state sex offender registration program; and
6. Any persons convicted for violent felonies.

**L.2 PROJECT-BASED VOUCHER REFERRALS**

In an effort to minimize displacement of families, if a unit that is to be included in the PBV contract is occupied by an eligible family, the in-place family must be placed on the program wait list. When eligibility is determined, the family must be given an absolute selection preference and referred to the project owner for an appropriately size PBV contract.

A preference will be extended through the PBV program (only) for services offered. In selecting families, HOC may give a preference to disabled families who need services offered at a particular project. This preference (more specifically a referral) is limited to the population of families with disabilities that significantly interfere with their ability to obtain and maintain themselves in housing who, without appropriate supportive services, are not able to maintain themselves in housing.

Selection of applicants in the targeted funding Family Unification Program (FUP) 2008 allocation are completed in conjunction with referrals from the Montgomery County Department of Health and Human Services (MCHHS). HOC will accept families certified by the MCHHS as eligible applicants for FUP. HOC will accept families certified by the MCHHS as eligible applicants for FUP. HOC will compare the names provided with the names on the current HOC wait list. Any referred family on the HOC wait list is served first. Those families referred and not on the HOC wait list will be added to the wait list and served based on date of referral or on a first come first served basis.

**M. FINAL VERIFICATION OF PREFERENCES [24 CFR 5.415]**

Preference information on pre-applications is updated as applicants are selected from the wait list. At that time, HOC will obtain necessary verifications of preference(s) at the interview and by third party verification.

**Subsection A – Secondary Review/Credit Checks**

Before issuing vouchers to applicant families, HOC requests a credit report of all new applicant families, all adults (persons 18 years of age and older) who will reside in the assisted household. The Housing Opportunities Commission

credit report is reviewed by HOC. Applicant households claiming they have zero income automatically undergo a credit check review. The information contained in the credit check is used to confirm the information provided to HOC by the family. Specially, the credit report is used to confirm:

- 1. Employment:** A credit report will list any employers the applicant has listed in any recent credit applications. If the credit report reveals employment for any adult household member within the last 12 months that was not disclosed, the family will be asked to provide additional documentation to resolve the discrepancy. Failure to disclose current employment may result in denial of participation in the Housing Choice Voucher and Section 8 programs.
- 2. Aliases:** A credit report can provide information on other names that have been used for the purposes of obtaining credit. Common reasons for use of other names include a recent marriage or a divorce. If an alias has not been disclosed to HOC, the family will be asked to provide additional evidence of the legal identity of all adult family members.
- 3. Current and previous addresses:** A credit report can provide a history of where the family has lived. This is particularly important because HOC provides a residency preference. If the family has provided one address to HOC and the credit report indicates a different address, the family will be asked to provide additional proof of residency. This may include a history of utility bills, bank statements, school enrollment records for children, credit card statements, and/or other relevant documentation. Failure to provide adequate proof could result in denial of the residency preference.
- 4. Credit card and loan payments:** A credit report will usually include a list of the family's financial obligations. Examples of the items that may show up include car loans, mortgage loans, student loans, and credit cards payments. HOC will review this information to confirm the income and asset information provided by the family. If the family's current financial obligations (total amount of current monthly the applicant fails to respond to an electronic or written request for information.
- 5. Multiple Social Security Numbers:** A credit report may list multiple Social Security numbers if an adult family member has used different Social Security numbers to obtain credit. If the credit report information does not match the information provided by an adult family member, the family member or head of household will be required to obtain written confirmation of the Social Security number that was issued to him/her from the Social Security Administration.

Applicant families are not issued vouchers until all discrepancies between the information provided by the applicant family and the information contained in the credit report have been cleared by the applicant family and approved by HOC.

When discrepancies are found, the family will be contacted by HOC. In most cases, the family will be allowed a maximum of ten (10) business days to provide the additional information. On a case- by-case basis, as a reasonable accommodation, the family may be granted additional time. If additional time is granted, the family receives written notification of the new deadline. No second or additional extensions

will be granted. Failure to provide the required information to HOC could result in denial of participation in the Housing Choice Voucher and Section 8 Programs.

When the credit report reveals multiple discrepancies which require interview appointments, HOC will schedule up to two interview appointments. An additional appointment may be scheduled as a reasonable accommodation. Failure to appear at the interview session could result in denial of participation in the Housing Choice Voucher and Section 8 Programs.

**N. PREFERENCE DENIAL** [24 CFR 5.415]

If HOC denies a preference, HOC notifies the applicant in writing of the reasons why the preference was denied and offer the applicant an opportunity for an informal review to appeal the decision. If the preference denial is upheld as a result of the review, or the applicant does not request a review, the preference is removed from the applicant's entry on the wait list, returning the applicant to their regular date-time positioning. Applicants may exercise other rights if they believe they are a victim of discrimination.

If the applicant falsifies documents or makes false statements in order to qualify for any preference, they will be removed from the wait list.

**O. REMOVAL FROM THE WAIT LIST AND PURGING** [24 CFR 982.204(c)]

HOC will not remove an applicant's name from the wait list unless:

1. The applicant requests in writing that their name be removed; a request to declare their continued interest in the program; or
2. The applicant does not meet either the eligibility or suitability criteria  
For the program
3. The applicant refuses two housing units without good cause

**Obligation to Annually Confirm Application Information**

Each year, or at such time as HOC determines reasonable, HOC will issue notice to all applicants on the wait list requesting that each applicant confirm their continued interest in remaining on the wait list. Failure to renew the information in a timely manner will result in removal from the wait list.

HOC will provide notice to wait list applicants to confirm their continued interest and set a date by which their renewal must be completed. HOC will send notices thirty days, fifteen days, five days, and one day prior to the date when that renewal or confirmation is due.

All notices under this Section are sent by HOC electronically to the last known e-mail address listed on the application. Wait list applicants may also request text message notifications. If a family does not have an email address, HOC can assist the family in obtaining a free email account. It will be the applicant's sole responsibility to check that email account from time to time and to respond to any email and/or SMS text from HOC. To the extent an applicant requires assistance, upon request, staff from HOC is available to assist with electronic submissions.

**Should an applicant not respond to the request to confirm their continued interest in remaining on the wait list by renewing their application or to their notification of selection for a program for any reason, prior to the established deadline, the applicant is removed from the wait list. Reasons for non-**

Housing Opportunities Commission

**response, resulting in removal from the list, include (but are not limited to) negligence in completing the electronic update/application in a timely manner and relocation resulting in a return of the e-notice to HOC with no forwarding email address provided. Applicants removed from the wait list will receive a notification identifying their removal from Housing Path.**

### **Missed Appointments**

All applicants who fail to keep a scheduled appointment with HOC are sent a written notice of termination of the process for eligibility. That written notification of termination may be sent as an attachment to an email.

HOC will allow the family to reschedule an appointment for good cause. Generally, no more than one opportunity is given to reschedule without good cause, and no more than two opportunities are given for good cause. When good cause exists for missing an appointment, HOC will work closely with the family to find a more suitable time. Applicants are advised of their right to an informal review before being removed from the wait list.

### **Notification of Negative Actions**

Any applicant whose name is being removed from the wait list will be notified by HOC, in writing, that they have ten (10) calendar days from the date of the written correspondence to present mitigating circumstances or request an informal review. The letter will also indicate that their name will be removed from the wait list if they fail to respond within the timeframe specified. HOC's system of removing applicant names from the wait list will not violate the rights of persons with disabilities. If an applicant claims that their failure to respond to a request for information or updates was caused by a disability, HOC will verify that there is in fact a disability, that the disability is what caused the failure to respond, and then provide a reasonable accommodation. An example of a reasonable accommodation would be to reinstate the applicant on the wait list based on the date and time of their original application.

### **Purging the Wait List**

HOC will update and purge its wait list as needed to ensure that the pool of applicants reasonably represents the interested families for whom HOC has current information, i.e. applicant's address, family composition, income category, and preference.

# Budget, Finance & Audit Committee

**COUNTY FY'25-30 CAPITAL IMPROVEMENTS PROGRAM BUDGET:  
AUTHORIZATION TO SUBMIT THE COUNTY FY'25-30 CAPITAL  
IMPROVEMENTS PROGRAM BUDGET**

**September 13, 2023**

- The County Capital Improvements Program (“CIP”) Budget is prepared biennially.
- HOC was required to submit requests for its County FY’25-30 Capital Improvements Program (“CIP”) Budget by September 7, 2023. Staff has requested and received approval to submit after the deadline to allow for Commission approval at the September 13, 2024 meeting.
- The FY’25-30 CIP submission totaling \$88,127,000 asks the County to:
  - Continue funding our current projects in the amount of \$85,627,000 which include:
    - Renewing the current level of *revolving* funds available through the MPDU/Property Acquisition Fund (“MPDU/PAF”), Opportunity Housing Development Fund (“OHDF”), and County Guaranteed Bond Projects,
    - Continuing *annual* support of \$1,250,000 for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements through FY’28, and
    - Maintaining funds for two (2) projects that are expected to close in FY’24:
      - Washington Suburban Sanitary Commission (“WSSC”) Sewer and Storm Line Improvements at Elizabeth Square (“ES”), and
      - Elizabeth House Demolition, and to
  - Add \$1,250,000 annually for FY’29 and FY’30 for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements.
- The Budget, Finance and Audit Committee reviewed this request at its meeting on September 6, 2023 and joins staff’s recommendation that the Commission authorize the submission of the County FY’25-30 Capital Improvements Program Budget of \$88,127,000.



## MEMORANDUM

**TO:** Housing Opportunities Commission of Montgomery County

**VIA:** Chelsea Andrews, Executive Director

**FROM:** Staff: Timothy Goetzinger, Acting Chief Financial Officer  
Terri Fowler, Budget Officer

**RE:** **County FY'25-30 Capital Improvements Program Budget:** Authorization to submit the County FY'25-30 Capital Improvements Program Budget

**DATE:** September 13, 2023

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### OVERALL GOAL & OBJECTIVE:

To obtain Commission Authorization to submit the County FY'25-30 Capital Improvements Program Budget.

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### BACKGROUND:

This year, the Montgomery County Office of Management and Budget ("OMB") will prepare the biennial Capital Improvements Program ("CIP") Budget for presentation to the County Executive and County Council. HOC must submit requests for capital funding for the next six years to OMB by September 7, 2023. Staff has requested and received an extension to September 14, 2023 in order to obtain Commission approval on September 13, 2023.

The County operates its capital program with a six-year CIP, which is reviewed annually, but subject to significant modification on a biennial basis. If HOC wishes to continue to receive CIP funding for its ongoing CIP projects, it must submit requests at this time.

### EXISTING CAPITAL PROJECTS

As in prior years, HOC must provide a CIP submission to renew its current level of funding in the two revolving loan funds and the bond guarantee projects. HOC's current County CIP includes six projects:

1. **MPDU/Property Acquisition Fund ("MPDU/PAF"):** a *revolving* loan fund of \$12.5 million available to HOC or its designees for interim financing for the acquisition of MPDUs, existing buildings and land;
2. **Opportunity Housing Development Fund ("OHDF"):** a *revolving* loan fund of \$4.5 million available to HOC or its designees for interim financing for certain housing development costs;
3. **County Guaranteed Bond Projects:** General Obligation Bond guarantee *authority* in the amount of \$50 million;

It is also prudent to remind the County of the importance of maintaining the current allocations in the following projects.

**4. Continued *annual* support of \$1,250,000 for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements**

- Historically, this project was used to supplement the funds received from the U.S. Department of Housing and Urban Development (“HUD”) for improvements to the Public Housing stock. In 2014, HOC requested that the original project title, “Supplemental Funds for Public Housing Improvements”, be expanded to allow these funds to be used for “Deeply Subsidized HOC Owned Unit Improvements” to allow the funds to be used on the Public Housing units both pre- and post-conversion.
- The project was expanded to allow the funds to be used on HOC and Affiliate Owned income-restricted scattered site units.
- The Commission’s portfolio includes hundreds of income-restricted scattered site units throughout the County most of which are approximately 30 years of age. Many of these units were acquired into a Low Income Housing Tax Credit (“LIHTC”) limited partnership more than 15 years ago and are subject to continued affordability restrictions under the LIHTC program. In addition, other units are simply older Moderately Priced Dwelling Units (“MPDUs”) that continue to be restricted to low- and moderate-income households.
- These units are in need of renovation in order to continue to serve eligible households. With significant debt remaining on some of these units, the net operating income from the affordably priced units cannot support both the repayment of that debt and the additional proceeds needed to complete a comprehensive scope of renovation, which includes new windows, roof replacement, installation of energy-efficient heating and air conditioning systems, electrical and plumbing repairs, new flooring, new lighting, new cabinetry, installation of energy-efficient appliances, and new bathrooms.
- The FY’21 annual funding of \$1.25 million was reduced by \$125,000 in the FY’21 County Revised Spending Plan resulting in funding of \$1.125 million. In FY’22 funding was restored to \$1.25 million annually and maintained at that level for FY’23 and FY’24.
- CIP funds are being used to focus on repairs and renovation of those units where renovations are required and the properties cannot support additional debt. The final scope for the renovation of approximately 40 units is in process with HOC’s Procurement Office for solicitation of a contractor to complete the work. The renovation scope includes full interior upgrades, critical system updates, and exterior enhancements such as windows, doors, and roofing. The average

estimated cost per unit for renovations has increased to approximately \$120,000. The renovations will be executed in four (4) phases:

- Phase I: 11 units
  - Phase II: 10 units
  - Phase III: 10 units
  - Phase IV: 9 units
- In addition to full unit renovations, we are utilizing the funding to address capital improvements on the exteriors of individual units such as roofs, gutters, windows, etc. Staff anticipates utilizing all available scattered site funding by the end of FY'24.
  - Based on the new average cost for units requiring full interior and exterior renovations of \$120,000, the annual funding of \$1.25 million would allow for full renovations of approximately 10 units; however, more units may be addressed if full renovations are not required. Continued funding at the \$1.25 million level will support the ongoing repairs and renovations of the severely distressed scattered site units.
  - This project is directly related to accomplishing the following County Executive priority outcomes:
    - An Affordable, Welcoming County for a Lifetime
    - Thriving Youth and Families
    - A Greener County
    - Effective, Sustainable Government
    - Safe Neighborhoods
    - A Growing Economy

**5. Washington Suburban Sanitary Commission (“WSSC”) Sewer and Storm Line Improvements at Elizabeth Square (“ES”) - \$1,225,000**

- The original FY’23-28 County CIP budget funding of \$705,000 was increased to \$1,225,000 to accommodate several modifications to the original sewer and storm line improvements required by the county to support the two parts to the improvements:
  - Increase WSSC sewer line capacity to a minimum of 15 inches, and
  - Install a new temporary 15-inch storm line.
- HOC’s original 2017 Sewer and Storm Line improvement plans were approved by WSSC for Elizabeth Square and included the replacement of the 10-inch sewer line with 12-inch line. The sewer line to be replaced was on the west portion of the Washington Metropolitan Area Transit Authority (“WMATA”) and CSX tracks and did not go under the tracks. The current proposed Purple Line Development sewer

line replacement conflicted with the approved HOC sewer plan from 2017. The Purple Line was required to design an alternate route under the tracks. The Purple Line Plan (“PLP”) was approved by WSSC for this alternative route, and is a 10-inch line replacement. WSSC no longer accepted the HOC 2017 plans and required HOC to install at **minimum** a 15-inch sewer line along the alternate route to meet the capacity of the Elizabeth Square and the proposed HOC Headquarters building at Fenwick Lane and Second Avenue. They instructed HOC to work with the PLP to ensure the revised plans were in effect before The Leggett, formerly known as Elizabeth House III, and the South County Regional Recreation and Aquatic Center (“SCRRAC”) building obtained **final** occupancy permit.

- **Project Timeline:**

- The original target was to finalize the sewer upgrades by March 2023, ensuring alignment with The Leggett's final occupancy certification.
- Delays encountered by WMATA caused a shift in this timeline, affecting both The Leggett and the SCRRAC's final occupancy permits.
- As a result, a provisional occupancy agreement was established, restricting occupancy for The Leggett and the original Elizabeth House to only 166 units until the Purple Line Project finished its sewer upgrades.

- **Recent Developments:**

- **Sewer Line Upgrades Completion**

- On May 8, 2023, HOC was informed by WSSC about the successful installation and testing of the necessary sewer line upgrades for The Leggett.
- This marked a significant milestone, lifting the prior occupancy restriction on The Leggett's remaining 166 units.

- **Full Occupancy Approval:**

- After this crucial upgrade, HOC collaborated with the Department of Permitting Services (“DPS”) to seek full occupancy authorization for The Leggett.
- Leasing activities and the first resident move-ins commenced following substantial completion on March 7, 2023.

- **MTA and HOC Settlement:**

- On April 5, 2023, MTA presented an offer of \$995,000, a reduction from the earlier \$1.157MM, as a settlement for the HOC's incremental expenses concerning the sewer line enhancements.
- This agreement came across as reasonable, especially considering unforeseen field issues, challenges with contractors, alterations by WSSC, and the prevailing market conditions.
- The final pricing will result in a savings of \$230,000 in current revenue released from the County obligation.

- This project is directly related to accomplishing the following County Executive priority outcomes and signature initiatives:
  - A More Affordable, Welcoming County for a Lifetime
  - Thriving Youth and Families
  - Effective, Sustainable Government
  - Safe Neighborhoods
  - A Growing Economy
  - Advancing Racial Equity & Social Justice
  - Improving Economic and Community Development
  - Fighting Climate change
  - Increasing & Preserving Affordable Housing

**6. Elizabeth House Demolition - \$1,500,000**

- The Amendment to the FY'23-28 CIP Budget partially funded the Elizabeth House Demolition for \$1,500,000. The project programmed \$1.5M of County funding through Current Revenue. The total estimated cost of the project was \$3M (of which HOC will contribute the remaining \$1.5M, including \$1M through the Department of Housing and Community Affairs (“DHCA”) housing loan).
- **Latest Developments:**
  - **Contractor Selection:** At the Commission Meeting held on April 5, 2023, HOC selected the Berg Corporation with a bid of \$2.29MM for the demolition.
  - **Current Status:** As of August 2023, Elizabeth House's existing tenants have all been relocated. The Berg Corporation has commenced pre-demolition activities.
  - **Projected Completion:** The entire demolition process is expected to conclude by Spring/Summer CY2024.
- This project is directly related to accomplishing the following County Executive priority outcomes and signature initiatives:
  - A More Affordable, Welcoming County for a Lifetime
  - Thriving Youth and Families
  - A Greener County
  - Effective, Sustainable Government
  - Safe Neighborhoods
  - A Growing Economy
  - Advancing Racial Equity & Social Justice
  - Improving Economic and Community Development
  - Fighting Climate change

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to accept staff's recommendation which is supported by the Budget Finance and Audit Committee and authorize the submission of the County FY25-30 Capital Improvements Program Budget of \$88,127,000, which asks the County to:

- Continue funding our current projects in the amount of \$85,627,000, which include:
  - Renewing the current level of *revolving* funds available through the MPDU/Property Acquisition Fund ("MPDU/PAF"), Opportunity Housing Development Fund ("OHDF"), and County Guaranteed Bond Projects,
  - Continuing Support of \$1,250,000 *annually* for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements through FY'28, and
  - Maintaining funds for two (2) projects that are expected to close in FY'24:
    - Washington Suburban Sanitary Commission ("WSSC") Sewer and Storm Line Improvements at Elizabeth Square ("ES"), and
    - Elizabeth House Demolition, and to
- Add \$1,250,000 *annually* for FY'29 and FY'30 for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements?

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**BUDGET IMPACT:**

There is no budget impact on the FY'24 Adopted Budget. Funds that are appropriated by the County Council will be included in the FY'25 Adopted Budget.

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**TIME FRAME:**

For formal action at the September 13, 2023 meeting of the Commission.

The Budget, Finance and Audit Committee informally discussed the County FY'25-30 Capital Improvements Program Budget submission at the September 6, 2023 meeting and supports staff's recommendation.

Once approved by the Commission, the County FY'25-30 Capital Improvements Program Budget will be submitted to the County on September 14, 2023.

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**RECOMMENDATION:**

Staff recommends that the full Commission authorize the submission of the County FY'25-30 Capital Improvements Program Budget, totaling \$88,127,000.

**RESOLUTION NO.: 23-49**

**Re:** Authorization to Submit County  
FY'25-30 Capital Improvements  
Program Budget

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

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

**WHEREAS** the County FY’25-30 CIP Budget submission was due to the Office of Management and Budget (“OMB”) by September 7, 2023; and

**WHEREAS**, staff requested and received an extension to September 14, 2023 in order to obtain Commission approval on September 13, 2023; and

**WHEREAS**, the Commission wishes to request \$88,127,000, which includes continued funding for current projects in the amount of \$85,627,000 and the addition of \$1,250,000 annually for FY’29 and FY’30 for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County authorizes the submission to the County of the CIP Budget for FY’25-30 totaling \$88,127,000, which includes continued funding for current projects in the amount of \$85,627,000 and the addition of \$1,250,000 annually for FY’29 and FY’30 for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements.

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on Wednesday, September 13, 2023.

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Chelsea J. Andrews  
Executive Director

## Attachment

### Summary Proposed FY'25-30 CIP Request (\$000)

Project	Total	Through FY'23	Remaining FY'24	6 year Total	FY'25	FY'26	FY'27	FY'28	FY'29	FY'30
MPDU/PAF Fund	\$12,507	\$12,507	\$12,507	\$12,507	\$0	\$0	\$0	\$0	\$0	\$0
Opportunity Housing Development Fund	\$4,500	\$4,500	\$4,500	\$4,500	\$0	\$0	\$0	\$0	\$0	\$0
G.O. Bonds	\$50,000	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0
Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements	\$16,125	\$7,062	\$4,063	\$5,000	\$1,250	\$1,250	\$1,250	\$1,250	\$0	\$0
<b>Current Ongoing CIP Project Funding</b>	<b>\$83,132</b>	<b>\$74,069</b>	<b>\$71,070</b>	<b>\$72,007</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$0</b>	<b>\$0</b>
WSSC Infrastructure Project for Sewer and Storm Line Improvements for ES	\$995	\$0	\$995	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Demolition Fund for Elizabeth House	\$1,500	\$0	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Projects Expected to Close-Out in FY'24</b>	<b>\$2,495</b>	<b>\$0</b>	<b>\$2,495</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal for CIP Project Funding for Current Projects</b>	<b>\$85,627</b>	<b>\$74,069</b>	<b>\$73,565</b>	<b>\$72,007</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$0</b>	<b>\$0</b>
Extension for Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements	\$2,500	\$0	\$0	\$2,500	\$0	\$0	\$0	\$0	\$1,250	\$1,250
<b>Extension of Existing Projects through FY'30</b>	<b>\$2,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,250</b>	<b>\$1,250</b>
<b>TOTAL FY'25-30 REQUEST</b>	<b>\$88,127</b>	<b>\$74,069</b>	<b>\$73,565</b>	<b>\$74,507</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>	<b>\$1,250</b>



# **APPROVAL OF THE SELECTION OF GILSON HOUSING PARTNERS AS THE INDEPENDENT CONTRACTOR TO CONDUCT HOUSING QUALITY STANDARDS INSPECTIONS FOR THE HOUSING CHOICE VOUCHER PROGRAM AND OTHER RESIDENTIAL INSPECTIONS**

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**CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR**

KAYRINE V. BROWN, DEPUTY EXECUTIVE DIRECTOR  
LYNN HAYES, DIRECTOR OF HOUSING RESOURCES

**SEPTEMBER 13, 2023**

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# EXECUTIVE SUMMARY

- HOC is required to conduct initial Housing Quality Standard (“HQS”) inspections for all Housing Choice Voucher (“HCV”) families prior to executing the Housing Assistance Payment (“HAP”) Contract and annually throughout the term of the assisted tenancy.
- HOC currently contracts with an independent company to perform the HQS inspections for all HCV families.
- The current contract expires on September 30, 2023.
- Program Regulations at 24 CFR Part 982 set forth basic HQS requirements.
- HQS define standard housing and establish the minimum criteria for the health and safety of program participants.
- Current HQS regulations consist of 13 key aspects of housing quality, performance requirements, and acceptability criteria to meet each performance requirement.
- HQS includes requirements for all housing types, including single and multi-family dwelling units, as well as specific requirements for special housing types such as manufactured homes, congregate housing, single room occupancy, shared housing and group residences.
- Approximately 18,000 inspections are conducted annually.
- Staff conducted a Request for Proposal (“RFP”) process, and HOC solicited qualified firms to perform various residential inspections consisting of HQS, NSPIRE, Lead Based Paint and Radon inspections.
- Lead Based Paint and Radon inspections may be conducted in HOC owned properties.
- HQS will be replaced by the National Standards for the Physical Inspection of Real Estate (“NSPIRE”) effective October 1, 2023. PHA’s have 1 year to implement the new inspection standards.
- The NSPIRE model prioritizes health, safety, and functional defects over safety. It implements inspections that better reflect the true physical conditions of the property.
- Staff recommend that the Commission authorize the Executive Director to negotiate and execute a contract with Gilson Housing Partners to conduct HQS inspections for the HCV Program and residential inspections for HOC owned properties. Staff further requests approval for an initial contract term of two years with two one-year contract terms and a contract amount of \$865,500 annually.

# Summary and Recommendations

Respondents earned scores between 23 and 94 points, with Gilson Partners receiving the highest score. Scoring was highly competitive for four of the six firms who demonstrated the experience and capacity to perform the work requested in the RFP. The biggest factor in the difference in scoring was in the price category. Three of the six firms are MFD firms.

Gilson has worked with over 100 Public Housing Authorities (“PHAs”) and has conducted inspections for PHAs ranging in size from 600 to 15,000 units. They have conducted over 1,000 inspections per month, with 5-6 inspectors. Its methodology for executing the inspections engagement includes the hiring a Resident Liaison (Section 3 tenant), utilizing an iHQS Inspection app, which allows landlords and tenants to view the location of the inspector, in real time, scheduling inspections within a one (1) hour window of time, and sending automated inspection reminders via email and text messaging. Additionally, they have mobile printing, electronic signatures, and a bilingual call center (English/Spanish) that operates 24/7.

The staffing and management plan proposed by Gilson will dedicate twelve staff to the engagement with the flexibility to add more staff as needed. In addition, the managers for this contract have worked in the industry for over 30 years and are HUD REAC Inspection Certified. The principal Manager/Trainer worked with the HUD team when developing the NSPIRE standards.

A distinguishing factor in Gilson’s proposal is its pricing, providing the most competitive pricing and was the lowest bidder. The second lowest bid was from IEI (current contractor), which is 38.6% higher than Gilson Partners. Additionally, within 72 hours and again within 48 hours of the inspection, the HQS Inspection Scheduling System will automatically perform a live or interactive voice call reminder of the inspection. The reminder is sent again on the morning of the inspection in an effort to reduce the number of No-Show inspections. This protocol has resulted in a significant cost savings (12%) for some PHAs.

## Committee Feedback and Follow Up

Notwithstanding staff’s recommendation, the BF&A provided comments to staff concerning the new HUD required inspections protocol, NSPIRE, which will replace HQS inspections. In response, staff

- Has confirmed that NSPIRE becomes effective on October 2023; however, the date by which HOC must fully implement NSPIRE, is by October 2024.
- Will provide sufficient notice to landlords for when NSPIRE will be triggered for them and work with Gilson Partners to ensure that they understand the new inspection requirement and process.
- Will review and evaluate how NSPIRE aligns with Chapter 26 of the Montgomery County Code for inspections. Historically, there is a disconnect between HQS and Chapter 26 inspections and efforts to minimize disruption to residents from multiple inspections have not been successful.
- Ensure smooth transition between the current and new inspection companies while completing inspections timely and remaining compliant.

# ISSUES FOR CONSIDERATION

Does the Commission wish to accept staff's recommendation, which is supported by the Budget, Finance, and Audit Committee and:

1. Approve the selection of Gilson Housing Partners as the independent contractor to conduct Housing Quality Standards inspections, Radon, and Lead Based Paint Inspections, as well as residential housing inspection for the Housing Opportunities Commission of Montgomery County; and
2. Authorize the Executive Director to negotiate and execute a contract for \$865,500 with Gilson for an initial term of two years, renewable for up to two additional one year periods?

# BUDGET/FISCAL IMPACT

There is no impact on the Commission's FY2024 Operating Budget. The adopted budget includes adequate funding for the HCV program inspections as well as for HOC residential property inspections. No additional funding is required from the Commission at this time.

# TIME FRAME

For formal action by the Commission at its open meeting September 13, 2023.

# STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommending that the that the Commission:

1. Approve the selection of Gilson Housing Partners as the independent contractor to conduct Housing Quality Standards inspections, Radon, and Lead Based Paint inspections, as well as residential housing inspections for the Housing Opportunities Commission of Montgomery County; and
2. Authorize the Executive Director to negotiate and execute a contract for \$865,500 with Gilson for an initial term of two years, renewable for up to two additional one year periods.

**RESOLUTION NO.: 23-50**

**RE: Approval of the Selection of Gilson Housing Partners as The Independent Contractor To Conduct Housing Quality Standards Inspections For The Housing Choice Voucher Program And Other Residential Inspections**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC”) is required to perform annual Housing Quality Standards (“HQS”) inspections on all units that participate in the federal Housing Choice Voucher Program (“HCVP”) and all new units, prior to entering into a Housing Assistance Payment (“HAP”) contract, must undergo and pass HQS inspections; and

**WHEREAS**, HOC is also required to periodically perform radon and lead based paint inspections as well as other residential housing inspections; and

**WHEREAS**, HOC solicited bids from qualified firms in accordance with requirements and procedures outlined in the HOC Procurement Policy via a Request for Proposal (“RFP”) published on May 19, 2023 and distributed to 244 vendors, to which six firms submitted proposals; and

**WHEREAS**, based on a review of the six responses and in accordance with the selection criteria, which were outlined in the RFP, staff determined that Gilson Housing Partners was the most responsive and responsible bidder.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County approves the selection of Gilson Housing Partners as the contractor to conduct HQS Inspections, radon and lead based paint inspections, and other residential housing inspections.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director, or her designee, is hereby authorized to execute a contract for the term of two years, renewable for up to two additional one-year periods, with Gilson Housing Partners for \$865,500 and in accordance with all other terms outlined in its proposal.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on September 13, 2023.

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**Chelsea J. Andrews**  
**Executive Director**

# Development & Finance Committee

**8800 BROOKVILLE ROAD: APPROVAL TO EXECUTE A LETTER OF INTENT (“LOI”), NEGOTIATE AND EXECUTE A PURCHASE AND SALE AGREEMENT WITH THE DONOHOE COMPANIES, INC. FOR THE SALE OF 8800 BROOKVILLE ROAD**

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**DISPOSITION OF AN HOC ASSET**



**CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR**

**Zachary Marks, Chief Real Estate Officer  
Marcus Ervin, Director of Development  
Gio Kaviladze, Senior Financial Analyst**

**September 13, 2023**



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# Executive Summary

## DETAILS OF THE POTENTIAL TRANSACTION

This potential transaction involves the acquisition by The Donohoe Companies, of fee simple interest in the approximately 10-acre industrial parcel that is owned by the Housing Opportunities Commission of Montgomery County (“HOC”), known as 8744-8800 Brookville Road (“8800 Brookville”), and situated Silver Spring, MD. This property is also identified by tax accounts 00952366 and 03858123. **The property’s proposed purchase price, including all improvements on-site and associated density rights, is \$14.5 million.**

## UNSOLICITED LETTER OF INTENT FROM THE DONOHOE COMPANIES

HOC has received an unsolicited Letter of Intent from a reputable Montgomery County-based developer and contractor, The Donohoe Companies (“Donohoe”), expressing its interest in purchasing 8800 Brookville.

## EXPERTISE OF THE DONOHOE COMPANIES

As the oldest full-service real estate company in the Washington area, Donohoe, headquartered in Montgomery County, specializes in various aspects of real estate, including the development, construction, leasing, management, and maintenance of properties across different sectors such as multifamily, retail, hotel, office, and industrial properties. **Their extensive experience also encompasses projects like the WWDC Industrial Park – 8810 Brookville Rd, which abuts the subject property on three (3) sides.**

## COMPREHENSIVE OFFER BASED ON SITE UNDERSTANDING

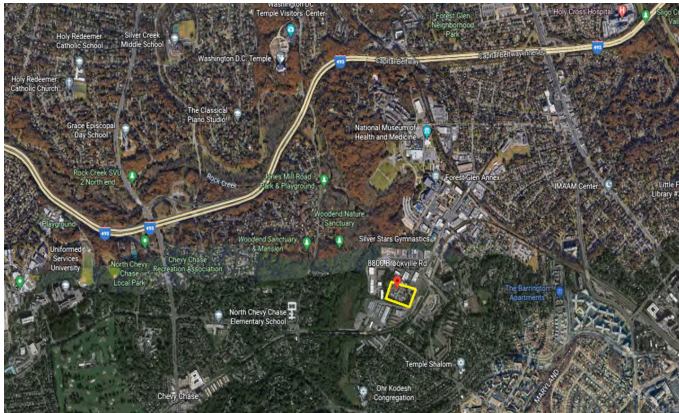
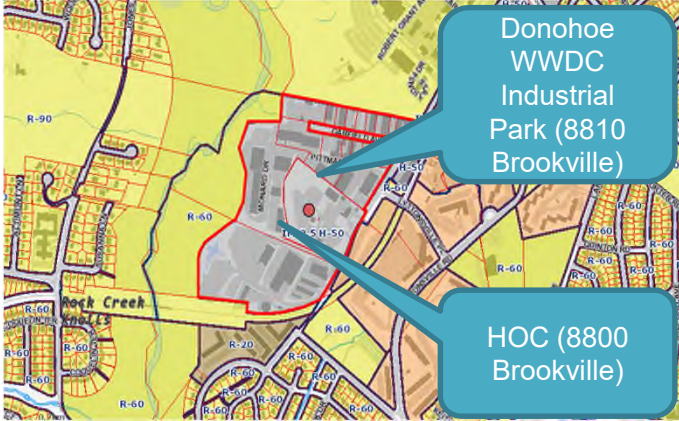
**The letter of intent presents an offer backed by a comprehensive understanding of the site and is a premium price over its original offer.** Donohoe has diligently reviewed the due diligence materials provided by HOC, including those on broadcast tower easements, other easements, environmental considerations, geotechnical assessments, title issues, existing tenancies, and zoning concerns. Following this thorough evaluation, it has established its confidence in the property’s viability as an investment for its portfolio with a contract-to-close period of nine (9) months from execution of the Purchase and Sale Agreement (“PSA”).

## REDEVELOPMENT PROPOSAL BY DONOHOE

In the event of a successful transaction, Donohoe proposes to redevelop 8800 Brookville to incorporate additional industrial uses similar to its adjacent holdings, which align with the industrial-zoned properties existing within Lyttonsville. With an established track record of successful development projects within Montgomery County, Donohoe has previously achieved preliminary and site plans, contributing to its standing as a reliable and capable developer.

## RECOMMENDATION

Staff recommends authorization for the Executive Director to execute a Letter of Intent with the Donohoe Companies, Inc. and proceed with negotiating and executing a Purchase and Sale Agreement.



# Executive Summary

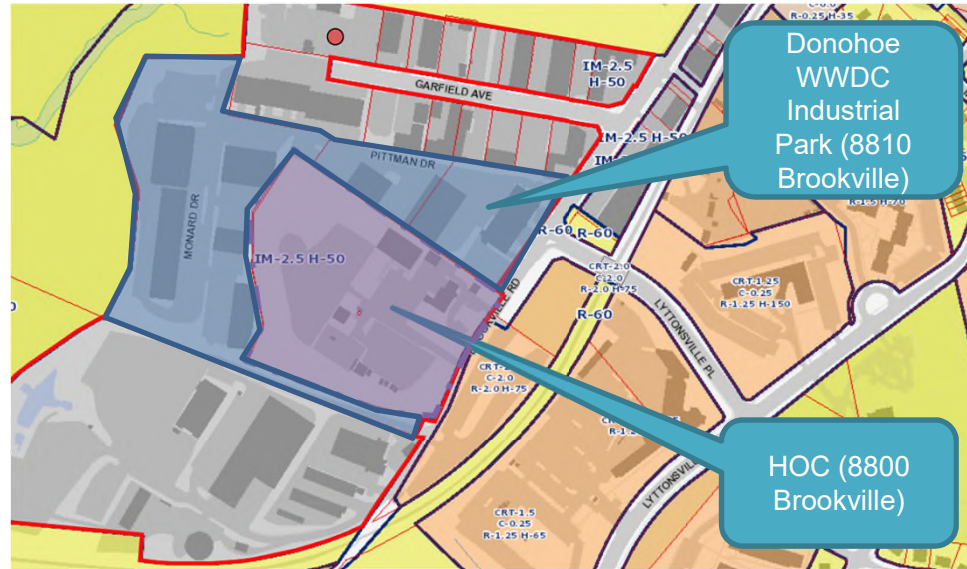
## Property Considerations and Financial Analysis

### 1) Site's History

- **Acquisition and Intent:** The parcel was initially acquired in December 2018 for \$10MM with future redevelopment in mind to align with the Lyttonsville Sector Plan objectives.
- **Exploration of Land Swap:** In 2021, staff explored a land swap with WSSC for the larger redevelopment project, but plans did not materialize.
- **Disposition Consideration:** Given the unique by-right industrial use and zoning, Donohoe's adjacent holdings, rising interest rates, reduced sales activity, and current property values, an opportunity exists to capitalize by selling the parcel to an experienced owner/developer.

### 2) Financial | Operating Deficit | Advantages of Selling Now

- **Current Status:** The PNC Bank N.A. Line of Credit (\$60M) now generates a \$400K annual deficit (interest cost > tenant lease revenue, a result of recent rate hikes by the U.S. Treasury).
- **Cash Balance:** Current \$800K cash balance from higher lease revenues and low interest cost in the early years can cover two years of interest cost deficits.
- **Value of Selling Quickly:** An early sale preserves \$800K cash for other uses, avoids future interest expense drain, negates broker commission costs of nearly 4% or ~\$600k, and provides estimated net proceeds of ~\$3.8M that can be set aside for future HOC uses and programs.
- **Unsolicited Offer:** Donohoe's interest in purchasing for \$14.5M is a competitive offer with a 9-month contract to close duration.
- **Market Activity:** Rising interest rates and reduced sales activities further support the disposition price, the median value among the last two appraisals.
- **Advantageous Terms:** Donohoe offers a \$14.5M premium with no commissions reducing the marketing timeframe, mitigates price variance, and realizes the property's value in a shorter duration.
- **Timelines & Opportunity Cost:** Donohoe proposes a 90-day LOI to the Purchase and Sale Agreement, and closing in nine (9) months or sooner from execution of the PSA. The brokerage process could take longer, missing out on Donohoe's proposed terms. As discussed, Donohoe plans to develop the site into future industrial uses with its adjacent holdings.



Aerial Map – HOC's site adjacent to Donohoe's WWDC Industrial Park



Donohoe's WWDC Industrial Park

# Letter of Intent (“LOI”) Summary

TERMS	DESCRIPTION
<b>Price</b>	\$14,500,000
<b>Deposit</b>	\$100,000 The Deposit would become non-refundable or “go hard” 120 days after execution of the PSA.
<b>Closing</b>	A mutually agreeable date within 9 months of execution of the Purchase and Sale Agreement (“PSA”). Purchaser may opt to close earlier in its sole discretion. (Approximately June-2024)
<b>Due Diligence Period</b>	During the 30-day Due Diligence period, triggered by the mutual execution of the LOI, the Purchaser has the exclusive right to conduct feasibility studies at its expense. This involves on-site assessments subject to access agreements and collaboration with planning staff to refine redevelopment plans. The Seller commits to providing acceptable tenant estoppels and affirming pre-existing approvals for disposition. The Purchaser can withdraw based on their due diligence findings within this period.
<b>Negotiation of PSA</b>	90 days from LOI execution to negotiate a mutually acceptable Purchase and Sale Agreement.
<b>Seller Cooperation</b>	Seller cooperates in approvals and assignments; no new leases or modifications without Purchaser concurrence.
<b>Brokerage Commission</b>	No involvement of brokers in the transaction.
<b>Exclusivity During Negotiation period</b>	Parties agree to negotiate in good faith for 90 days, on a mutually acceptable PSA, after the execution of the LOI, during which time the seller will not solicit or negotiate proposals or enter into any other agreements for sale.
<b>Confidentiality</b>	Confidential and shall not be disclosed other than 1) as to Seller, HOC Commissioners, staff and consultants, 2) as to Purchaser employees, consultants and others assisting with the due diligence review or equity investment.
<b>Non-binding</b>	Except with respect to exclusivity and confidentiality

**Note: Staff’s request to the Commission authorizes the Executive Director to execute a non-binding Letter of Intent (“LOI”) with Donohoe. This action is in accordance with the guidelines and directions during discussion with the Development and Finance Committee at its meeting on September 1, 2023, related to the prospective purchase of the Property. The Commission is further requested to authorize staff to engage in subsequent negotiations that will lead to the execution of a Purchase and Sale Agreement by the Executive Director.**



# Prior Commission Actions

## **8800 Brookville Road (Formerly known as the Vertical Bridge Site):**

**RESOLUTION No. 18-94AS<sup>1</sup>**– On November 7, 2018, the Commission approved to Accept Assignment of Purchase Contract for the Acquisition of the Vertical Bridge Site; Approval to Acquire the Vertical Bridge Site by Drawing up to \$10.2 million on the PNC Bank, N.A. Line of Credit (“\$60 million LOC”); and Approval of a Predevelopment Loan from the Opportunity Housing Reserve Fund.

**RESOLUTION No. 18-94AS<sup>2</sup>**– On November 7, 2018, the Commission authorized to Draw up to \$10.85MM from \$60MM PNC Bank, N.A. Line of Credit to Complete the Acquisition of Vertical Bridge Site.

# Summary and Recommendations

## ISSUES FOR CONSIDERATION

Will the Commission accept staff's recommendation, which is supported by the Development and Finance Committee and authorize the Executive Director to execute a Letter of Intent with the Donohoe Companies, Inc. and proceed with negotiating and executing a Purchase and Sale Agreement on materially the same terms of the LOI for the sale of the 8800 Brookville Road site?

- The Development and Finance Committee at its meeting on September 1, 2023, gave specific guidance that the Executive Director is authorized to negotiate terms pursuant to which a Purchase and Sale Agreement would be executed to consummate the sale of the property such that the timeframe for the closing of the transaction would be shortened, to the extent possible.

## BUDGET FISCAL/IMPACT

Selling the Property frees up \$10M in General Obligation capacity for HOC. The FY24 Commission budget is unaffected as it already accounted for the Property and debt coverage until June 2024.

## TIME FRAME

For formal action of the Commission at its monthly meeting on September 13, 2023.

## STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that Commission approve staff's recommendation to the Commission that authorize the Executive Director to execute a Letter of Intent with the Donohoe Companies, Inc. and proceed with negotiating and executing a Purchase and Sale Agreement the sale of the 8800 Brookville Road site that reflects the guidance and authorization given by the Development and Finance Committee on September 1, 2023, that reduces the length of time to the closing of the transaction.

**RESOLUTION No.: 23-51**

**RE: Authorization for the Executive Director to Execute a Non-Binding Letter of Intent and Negotiate and Execute a Purchase and Sale Agreement with The Donohoe Companies, Inc. for the Disposition of 8800 Brookville Road**

**WHEREAS**, in December 2018, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) acquired a 10-acre parcel located at 8744-8800 Brookville Road, Silver Spring, MD 20910 (the “Property”) for \$10 million as a future redevelopment opportunity to broadly address the goals set forth in the Lyttonsville Sector Plan; and

**WHEREAS**, in 2021, plans did not materialize for redevelopment of the Property; and

**WHEREAS**, the Commission received an unsolicited Letter of Intent (“LOI”) from The Donohoe Companies, Inc. (“Donohoe”), a Montgomery County-based developer and contractor, to purchase the Property; and

**WHEREAS**, Donohoe’s offer for the Property is supported and in line with present market conditions; and

**WHEREAS**, staff recommends that the Commission authorizes the Executive Director to execute a non-binding LOI with Donohoe, following the guidelines and conditions discussed during the Development and Finance Committee Meeting held on September 1, 2023, pertaining to Donohoe’s purchase of the Property; and furthermore for staff to proceed with negotiating toward the execution of a Purchase and Sale Agreement.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County hereby authorizes the Executive Director, or her designee, to execute a non-binding LOI with Donohoe, following the guidelines and conditions discussed during the Development and Finance Committee Meeting held on September 1, 2023, pertaining to Donohoe’s purchase of the Property.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County hereby authorizes the Executive Director, or her designee, to negotiate and execute Purchase and Sale Agreement with Donohoe in accordance with guidelines and conditions provided by the Development and Finance Committee on September 1, 2023 for the sale of the property to Donohoe.

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

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on September 13, 2023.

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Chelsea J. Andrews  
Executive Director

**HILLANDALE GATEWAY: APPROVAL OF THE FINAL DEVELOPMENT PLAN, INCLUDING APPROVAL TO NEGOTIATE AND EXECUTE A GUARANTEED MAXIMUM PRICE AMENDMENT WITH CBG BUILDING COMPANY, AND APPROVAL OF AN INTERIOR DESIGNER AND FF&E BUDGET; AND APPROVAL OF THE TRANSACTION STRUCTURE, INCLUDING AUTHORIZATION TO CREATE A CONDOMINIUM REGIME, APPROVAL TO CREATE NEW TAX CREDIT ENTITIES, APPROVAL TO NEGOTIATE AND EXECUTE LETTERS OF INTENT AND OPERATING AGREEMENTS WITH WELLS FARGO AS THE TAX CREDIT INVESTOR IN THE TAX CREDIT ENTITIES, AND APPROVAL TO ACCEPT CONSTRUCTION FINANCING SOURCES.**

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**SILVER SPRING, MD**



**CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR**

**Zachary Marks, Chief Real Estate Officer  
Marcus Ervin, Director of Real Estate  
Kathryn Hollister, Housing Acquisition Manager**

**September 13<sup>37</sup>, 2023**



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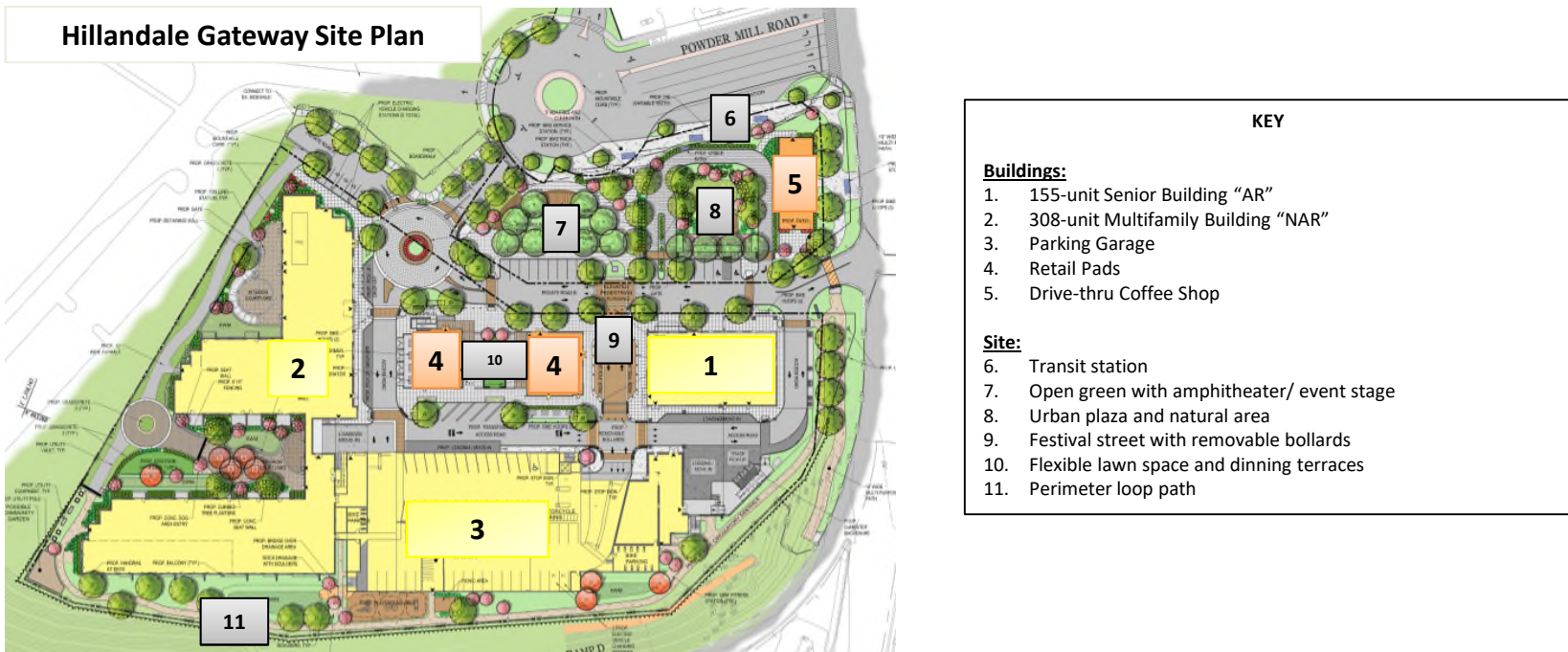
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# Executive Summary

Hillandale Gateway will be a **visionary mixed-use, mixed-income, multigenerational community** located at 10100, 10110, 10120 and 10140 New Hampshire Avenue in Silver Spring, MD, on the site of Holly Hall Apartments, a former 96-unit Public Housing community. Hillandale Gateway **will be the first major multifamily investment in the East County** in decades and will create its first destination mixed-use community. Hillandale Gateway will also set the bar for innovation and energy efficiency in residential development in the mid-Atlantic.

Hillandale Gateway **will include a total of 463 residential units**. The development will comprise **two residential buildings – one, a 155-unit Net Zero Energy, age-restricted (age 62+) senior building (“AR Building”); the other, a 308-unit Passive House, non-age restricted general occupancy multifamily building (“NAR Building”)**. In addition to residential units, the site will have a drive-thru coffee shop, above-ground parking garage, commercial/retail/restaurant space, and public and private green space.

As the development team prepares for a full construction closing in December 2023 or Q1 2024, staff is recommending approval of the final development plan for Hillandale Gateway and approval of the transaction structure. The final development plan includes the approval to negotiate and execute a Guaranteed Maximum Price amendment (“GMP Amendment”) with CBG Building Company, the general contractor for Hillandale Gateway, and approval of an interior designer and FF&E budget. Approval of the transaction structure includes authorization to create a condominium regime, approval to create new tax credit entities that will own portions of the condominium regime, approval to negotiate and execute letters of intent and operating agreements with Wells Fargo Community Lending and Investment as the tax credit investor in the tax credit entities, and approval to accept construction financing sources, among other items.



# Development Plan | Development Highlights

- **Affordability:** Hillandale Gateway will be a contemporary, amenity-rich mixed-income development in a location with convenient access to major arterials, services, recreational activities and amenities. Hillandale Gateway will provide a full spectrum of affordability, not only site-wide, but in the AR and NAR Buildings individually.
- **Economic Development:** Hillandale Gateway will bring worthy new amenities and improvements to the Hillandale neighborhood and eastern Montgomery County, and is intended to be the catalyst for achieving broader transformations in Hillandale, attracting the new restaurants, new shops, new residents, new businesses, and new jobs that the White Oak Science Gateway Master Plan specifically seeks to encourage.
- **Sustainability:** Hillandale Gateway will incorporate a variety of methodologies in an effort to set new benchmarks for sustainability and high-performance development in Montgomery County. By using Passive House construction methodologies, the energy consumption of the buildings will be significantly reduced. At the same time, the site will include a renewable energy system (in the form of rooftop solar on both the senior and multifamily building and on the parking garage), which the Development Team anticipates will be sufficient to allow the AR building to become a Zero-Net Energy (“ZNE”) building – producing as much energy as it consumes. The NAR Building will be ZNE-Ready.
- **Resiliency:** During periods of grid outage, Hillandale Gateway will be used to provide a resiliency center for residents and the surrounding neighborhood. Resiliency hubs are designed to provide emergency heating and cooling capability; refrigeration of temperature sensitive medications; plug power for charging of cell phones, computer batteries, and certain durable medical equipment; and emergency lighting.
- **Public Open Space:** At the entrance of Hillandale Gateway will be a centralized green space (“Central Green”), usable by the public as well as residents, consisting of approximately 17,000 square feet of contiguous open space. This public open space will include an amphitheater and will be a centerpiece and foreground for the development, establishing a focal point for the multi-building project. The site will provide additional open space, walkable sidewalks, a "loop path", streetscaping, a programmable “Festival Street”, landscaping and other site improvements, all of which will be dispersed throughout the entirety of the site.
- **Transportation:** The Development Team intends to design and construct more than \$1.5 million in Local Area Transportation Improvement Program (“LATIP”) improvements along the frontage of the site on Powder Mill Road. The Development Team has worked closely with MCDOT to design a new bus transit center featuring a pedestrian-friendly drop-off area, bus shelters, restroom facilities for bus drivers, and other related infrastructure improvements. Another transportation feature is that the site will provide 75 electric vehicle (“EV”) charging stations within the structured parking garage, with the ability to electrify the entire garage in the future.
- **Digital Equity:** HOC is partnering with the County to provide MoCoNet (free internet service) to residents in the AR Building.



# Development Plan | Team Assembly





# Development Plan | By the Numbers

## Project Numbers

463 Residential Units

308 General Occupancy Units

155 Senior Units

248 Affordable Units

215 Market Units

~10,000 SF of Retail

634-Space Parking Garage

## Affordability

SITEWIDE AFFORDABILITY		
30%	25	5.40%
40%	25	5.40%
50%	67	14.47%
60%	50	10.80%
70%	25	5.40%
80%	56	12.10%
Market	215	46.44%
<b>TOTAL</b>	<b>463</b>	<b>100.0%</b>

NAR Building		
30%	10	3.2%
40%	10	3.2%
50%	42	13.6%
60%	0	0.0%
70%	0	0.0%
80%	31	10.1%
Market	215	69.8%
<b>TOTAL</b>	<b>308</b>	<b>100.0%</b>
AR Building		
30%	15	9.7%
40%	15	9.7%
50%	25	16.1%
60%	50	32.3%
70%	25	16.1%
80%	25	16.1%
Market	0	0.0%
<b>TOTAL</b>	<b>155</b>	<b>100.0%</b>

## Sustainability/Resiliency

1.2MW Solar Facility

1 Resiliency Hub

1 Zero Net Energy Building

75 Electric Vehicle Charging Stations

2 Passive House Buildings

# Development Plan | Construction Budget

At the January 11, 2023 meeting of the Commission, staff recommended a two-phase contract with Hillandale Gateway’s general contractor (“GC”), CBG Building Group (“CBG”), for the construction of Hillandale Gateway. The first phase (the “Early Start” phase) would allow for a limited scope of construction to proceed prior to the full construction closing, and the second phase (the “Vertical Construction” phase) would establish the Guaranteed Maximum Price (“GMP”) of the GC contract (through a “GMP Amendment”) and authorize a notice to proceed for the remainder of the project’s construction. At that meeting, the Commission authorized the execution of a contract with CBG for an amount not to exceed \$11.5MM and to provide a limited notice to proceed for the Early Start phase. The Early Start construction phase is underway currently, and is anticipated to be completed on or under budget.

The GMP Amendment reflects the total construction contract cost of the project, including the Early Start and Vertical phases of construction. Specifically, it includes all hard costs to construct the residential buildings, parking garage, site improvements, and transportation improvements. Retail construction costs are carried under “Additional Construction Costs” on the table on slide 13 of this presentation. The GMP Amendment budget, as of August 14, 2023 (“August 2023 GMP Budget”), totals \$180M, or \$388K per unit.

The August 2023 GMP Budget represents \$650K in savings from the GMP budget in September 2022 (“September 2022 GMP Budget”), when the Commission approved changing Hillandale Gateway’s structural system from Prescient, a proprietary light-gauge steel structural system, to a generic concrete structure. This switch to concrete resulted in approximately a \$5MM savings in the structural systems of the buildings, well beyond the \$3.5MM staff anticipated. However, due to continued inflation in a number of keys trades (notably, electrical, mechanical and exterior siding), the overall GMP savings were reduced to \$650K. Had Hillandale’s structural system remained Prescient, staff believes the August 2023 GMP Budget would have been significantly higher than the September 2022 GMP Budget.

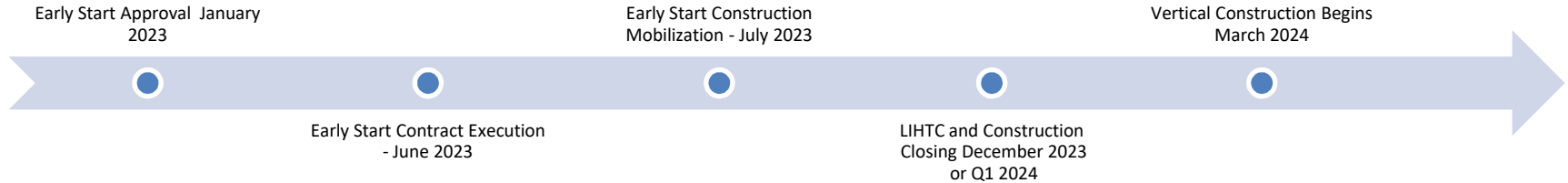
**Staff recommends that the Commission authorize the Executive Director to negotiate and execute a GMP Amendment in an amount not to exceed \$189M, which provides a 5% contingency over the 2023 August GMP Budget amount of \$180M, in the event cost increases or scope changes occur between now and full construction closing.**

GMP Amendment Budget	Total	Per Unit Cost
General Conditions	\$9,002,291	\$19,443
Excavation / Demolition	\$2,323,001	\$5,017
Site Utilities	\$3,110,000	\$6,717
Dry Utilities	\$1,451,176	\$3,134
Site Paving and Concrete	\$2,413,116	\$5,212
Hardscape / Pavers	\$123,989	\$268
Landscaping / Site Improvements	\$2,207,742	\$4,768
Concrete	\$35,198,200	\$76,022
Precast Structure	\$691,500	\$1,494
Masonry	\$892,000	\$1,927
Struct Steel / Misc Metals	\$7,482,812	\$16,162
Rough Carpentry / Framing	\$330,000	\$713
Finish Carpentry / Millwork	\$2,652,942	\$5,730
Waterproofing / Fireproofing	\$613,000	\$1,324
Roofing	\$3,981,950	\$8,600
Siding & EIFS	\$8,144,821	\$17,591
Doors, Frames & HW	\$2,672,670	\$5,773
Glass & Glazing	\$6,915,077	\$14,935
Drywall / Metal Stds	\$12,818,333	\$27,685
Tile	\$1,253,699	\$2,708
Flooring	\$1,791,328	\$3,869
Hardware, T&B	\$1,242,641	\$2,684
Painting	\$2,344,000	\$5,063
Specialties	\$175,000	\$378
Special Equipment / Owner Allowances	\$585,000	\$1,263
Residential Casework / Countertops	\$2,567,144	\$5,545
Appliances	\$2,463,694	\$5,321
Special Construction	\$550,216	\$1,188
Elevators	\$2,174,560	\$4,697
Fire Protection	\$2,017,896	\$4,358
Plumbing	\$7,666,900	\$16,559
Mechanical	\$9,987,910	\$21,572
Electrical	\$23,211,001	\$50,132
Solar Panel and roof racking	\$2,765,800	\$5,974
General Requirements	\$3,332,475	\$7,198
General & Excess Liability	\$2,173,001	\$4,693
Fee	\$7,331,915	\$15,836
Subcontractor Default Insurance	\$1,642,445	\$3,547
Payment and Performance Bond	\$1,253,581	\$2,708
Contractor + Design Contingency	\$209,128	\$452
GC Bond	\$83,651	\$181
<b>GRAND TOTAL</b>	<b>\$179,847,605</b>	<b>\$388,440</b>

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# Development Plan | Construction Schedule

## Early Start Development Milestones



## Construction Timeline

- Building Permits Approved – August 2023
- Execution of GMP Amendment – Dec 2023/Q1 2024
- Vertical Construction Start – March 2024
- Substantial Completion – August, 2026
- Final Completion – November 2026

Activity ID	Activity Name	Orig Dur	Rem Dur	Start	Finish
<b>HILLANDALE GATEWAY - EARLY START &amp; VERTICAL SCHEDULE_WC</b>		936	879	01-Sep-22 A	06-Nov-26
<b>MILESTONES</b>		865	865	09-Jun-23	06-Nov-26
<b>EARLY START PACKAGE MILESTONES (ESA)</b>		323	323	09-Jun-23	16-Sep-24
MILE-ES1100	Early Start Limited Notice To Proceed Issued (To Allow Procurement Activities)	0	0	09-Jun-23	
MILE-ES1200	Full Early Start Notice To Proceed Issued (To Begin Onsite Work Activities)	0	0	14-Jul-23	
MILE-ES1250	Mobilize on Site for E/S Installations (ESA)	0	0	14-Jul-23	
MILE-ES1400	Powder Mill Road Commenced	0	0	06-Oct-23	
MILE-ES1800	Powder Mill Road Base Paving Completion	0	0		01-Mar-24
MILE-ES1700	Powder Mill Road Completion	0	0		21-Mar-24
MILE-ES1600	Early Start Utility Completion	0	0		30-May-24
MILE-ES2000	PEPCO Poles Removed	0	0		30-May-24
MILE-ES1900	Early Start Substantial Completion	0	0		16-Sep-24*
<b>VERTICAL CONSTRUCTION PACKAGE MILESTONES</b>		817	817	17-Aug-23	06-Nov-26
MILE-V1000	Building Permit Approval	0	0	17-Aug-23	
MILE-V1500	IFC Drawings Issued	0	0		03-Oct-23
MILE-V1600	Vertical Work Package GMP Amendment Notice To Proceed (Procurement)	0	0	15-Dec-23	
MILE-V1100	Vertical Work Package GMP Amendment Notice To Proceed (Work On Site)	0	0	21-Mar-24	
MILE-V1400	Base Paving Complete	0	0		22-Nov-24
MILE-V1200	Project-Wide Substantial Completion	0	0		13-Aug-26
MILE-V1300	Project-Wide Final Completion	0	0		06-Nov-26

# Development Plan | Interior Designer

HOC’s Procurement Office issued a Request for Proposal (RFP #2382) for interior design and furniture, fixture and equipment acquisition (“FF&E”) services for Hillandale Gateway in accordance with HOC’s Procurement Policy. RFP #2382 was released on June 7, 2023 with a due date of July 10, 2023. The RFP was posted to HOC’s website and distributed to more than 180 vendors registered in the Montgomery County Central Vendor Registration System (“CVRS”). The applicable vendors receive a notification via the system that there is a solicitation for their review and potential response. A pre-proposal meeting and conference was held virtually on June 14, 2023. HOC received responsive proposals from three (3) firms (“Respondents”): Market 9 Design (“Market 9”), KGD Architecture (“KGD”), and MOYA Design Partners (“Moya”).

The scope of work outlined in RFP #2382 included 1) interior design services (e.g. finalization of interior design construction drawings, specifications and selections), 2) construction administration services (e.g. oversight of the construction of interior design elements), and 3) FF&E acquisition services (e.g. selecting, storing and installation of FF&E within the approved owner’s hard cost FF&E budget). A scoring team consisting of Real Estate and Risk Management staff held virtual interviews with each Respondent and scored their proposals on the following: five (5) evaluation criteria. The maximum points a proposal could receive is 100.

Background and Related Experience (Maximum 40 Points)	Management Plan and Methodology (Maximum 20 Points)	Price (Maximum 30 Points)	Excess MFD Participation (Maximum 10 Points)
Respondent’s demonstrated experience and background in performing interior design and FF&E services for properties similar in scope and size including working with Housing Authorities in the Baltimore – Washington Metropolitan area with a preference for Montgomery County.	Respondent’s plan for staffing assignments, roles and responsibilities to complete the work outlined in the RFP.	Price and Fees for performing the services described in the RFP.	Respondent’s commitment to Minority, Female and Disabled (“MFD”) participation through direct and indirect MFD associated efforts.

Respondents earned scores between 60 and 81 points, with Market 9 receiving the highest score. Scoring was highly competitive in 3 out of the 4 scoring categories. All three firms are MFD firms and have demonstrated significant experience performing interior design and FF&E services for projects of similar size and scope. The biggest factor in the difference in scoring was in the price category. The two highest bidders were approximately 46% and 80% higher than Market 9 Design. Market 9 also provided a detailed and attentive management plan that aligned with the overall project schedule.

Staff recommends selecting Market 9 to provide interior design and FF&E services for Hillandale Gateway and to authorize the Executive Director to negotiate a contract with Market 9 in an amount up to \$253,000, which includes an HOC-held contingency in the event additional services are required. HOC will award the contract in the amount of the Market 9’s bid; however, Commission approval of an interior design budget of \$253,000 allows the contract to increase up to \$253,000 in the event there are necessary change orders.

Staff additionally recommends approving a hard cost FF&E budget for Hillandale Gateway in the total amount of \$2.5M (“Hard Cost FF&E Budget”), which is the hard cost of the furniture, fixtures and equipment that will be installed within all residential amenity spaces (indoor and outdoor) within the AR and NAR Buildings. This budget establishes the not-to-exceed amount that the interior designer must work within as it is recommends, and ultimately acquires, furniture, fixtures and equipment for the entire project. These costs are included in the “Additional Construction Costs” line item on the table on Slide 13.



# Transaction Structure | Ownership Structure

Given the mixed-use, mixed-income, multi-generational nature of the development, and to optimize financing strategies, staff recommends the creation of a condominium regime for the Hillandale Gateway development. This is a common ownership and financing strategy that HOC utilizes in many of its developments (for example, Alexander House, Fenton Silver Spring, and The Leggett).

Currently, HOC controls the Hillandale Gateway development site through a 99-year ground lease (“Ground Lease”) between a Duffie-affiliated LLC (“Landowner”) and Hillandale Gateway, LLC (“Tenant”), a venture between HOC, Duffie and PS Ventures, which is majority owned and controlled by HOC. The Ground Lease contemplates that the Landowner, on behalf of Tenant, will create separate land condominium units for the property. Furthermore, the AR Building and NAR Building would be subject to vertical condos distinguishing the AR LIHTC units from the AR ground floor retail space, and the NAR LIHTC Units from the NAR Market Units. Under the Ground Lease, each individual condo unit can be subleased to the ultimate owner/operator of each unit. Staff recommends that three (3) Maryland limited liability companies (“LLCs”) lease (or sublease), own and operate the following condo units.

1. A to-be-created LLC (“HOC at Hillandale AR, LLC”), which will sublease and own a condo consisting of 155 age-restricted LIHTC units within the AR Building;
2. A to-be-created LLC (“HOC at Hillandale NAR, LLC”), which will sublease and own a condo consisting of 93 LIHTC units within the NAR Building; and
3. Hillandale Gateway, LLC, which will own the remaining condos in the development, including: a condo consisting of 215 market-rate units within the NAR Building and four (4) retail condos (“AR Retail Condo”, “Retail 1”, “Retail 2” and “Retail 3”)

## Proposed Condo Regime

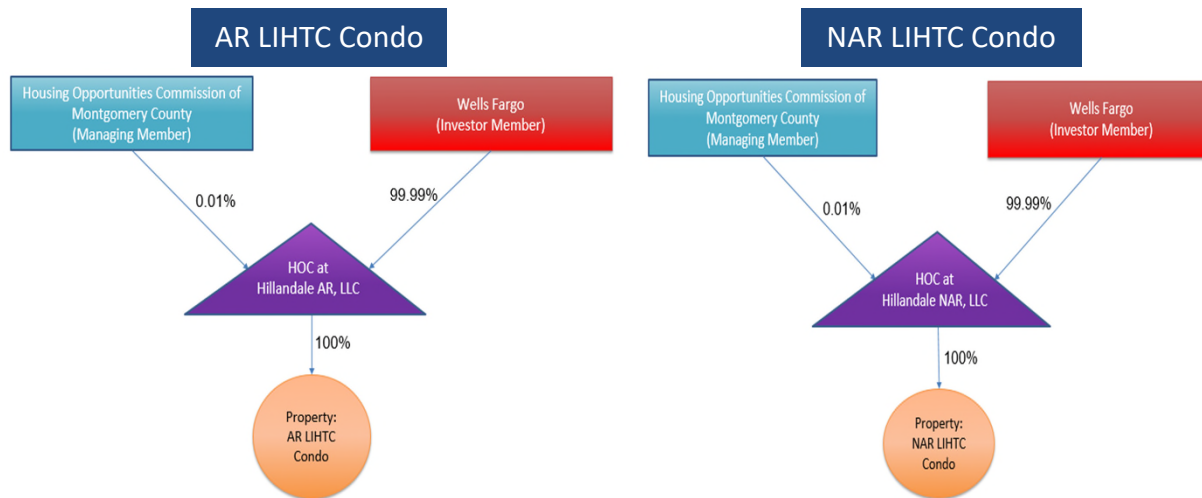


# Transaction Structure | Tax Credit Investor

Perhaps the most important benefit of the proposed condo regime is that it enables the development to utilize Low Income Housing Tax Credits (“LIHTC”) and Investment Tax Credits (“ITC”, together with LIHTC, “Tax Credits”) for the construction and permanent financing of the affordable units in the AR and NAR Building. Staff solicited proposals from Tax Credit investors in May 2023, and recommends the selection of Wells Fargo Community Lending and Investment (“Wells Fargo”) as the Tax Credit investor for both the AR and NAR LIHTC Condos. Not only did Wells Fargo provide the highest Tax Credit equity pricing of \$0.93, it provided LOIs for both the AR LIHTC and NAR LIHTC condos. Having the same investor on both LIHTC transactions is hugely beneficial to streamlining this complex transaction and reducing transactional costs. Wells Fargo has been the investor on a number of previous HOC developments, including Residences on the Lane, Fenton Silver Spring and MetroPointe. A summary of Wells Fargo’s LOI terms is included in the chart to the right.

To facilitate the Tax Credit transactions, staff proposes that the Commission authorize 1) the creation of two LIHTC LLCs (“HOC at Hillandale AR, LLC” and “HOC at Hillandale NAR, LLC”); 2) the Executive Director to negotiate and execute letters of intent (LOIs) and operating agreements with Wells Fargo regarding the two LIHTC LLCs; and 3) the admission of Wells Fargo into the two LIHTC LLCs to facilitate the contribution of tax credit equity. Staff proposes the following ownership structure for the LIHTC LLCs, which is HOC’s standard ownership structure for LIHTC transactions.

Furthermore, staff proposes that the Commission authorize the assignment and assumption of agreements, contracts and portions of contracts, as necessary, between Hillandale Gateway, LLC, HOC at Hillandale Gateway AR, LLC and HOC at Hillandale Gateway NAR, LLC in order to carry out the construction and financing of the development. These contracts include but are not limited to the GC Contract and Architect Contract.



Terms	Wells Fargo LOI*
Pricing	\$0.93
Operating Deficit Guarantee	Managing Member (“MM”) to fully fund operating deficits until stabilization; operating deficit loans capped at 6 months of stabilized operating expenses, debt service and replacement reserves for 48 months after stabilization.
Replacement Reserves	\$350 per unit per year upon construction completion
Operating Reserves	Three (3) months of underwritten operating expenses, replacement reserves and debt service
Asset Management Fee	MM to received asset management fee in an amount equal to, and immediately after, investor asset management fee in cash flow waterfall.
Transfers	Prohibition on transfers of the investor member interest to certain specified “bad actors” (e.g., investors who have litigated against nonprofit or government ROFR rights).

\*Note that the LOI terms are in the process of being negotiated. The terms above reflect the latest status and are subject to change.

# Transaction Structure | Operating Proforma

<b>RENTAL INCOME</b>		<b>PUPM</b>	<b>Baseline</b>	<b>Year 1 Stabilized Operations</b>
Rental Potential		\$2,124	\$11,798,600	\$14,300,870
Less: Stabilized Vacancy and Concessions		(\$106)	(\$670,401)	(\$817,642)
Other Res Income Potential		\$189	\$1,048,008	\$1,276,332
Retail and Parking Income		N/A	\$437,676	\$494,251
<b>NET RENTAL INCOME</b>			<b>\$12,613,884</b>	<b>\$15,253,811</b>
<b>OPERATING EXPENSES</b>				
	<b>% of NRI</b>	<b>Per Unit</b>	<b>Baseline</b>	<b>Year 1 Stabilized Operations</b>
Rental, Salary and Administrative Expenses	10.22%	(\$2,785)	(\$1,289,621)	(\$1,547,469)
Maintenance Expense	3.78%	(\$1,029)	(\$476,402)	(\$571,654)
Utilities	1.47%	(\$400)	(\$185,200)	(\$216,837)
Insurance, Taxes and Governmental Fees	1.96%	(\$464)	(\$247,238)	(\$291,643)
CAM and Parking Expenses	4.90%	(\$1,133)	(\$618,162)	(\$741,758)
Management Fee	3.09%	(\$843)	(\$390,302)	(\$471,036)
Replacement Reserve	1.28%	(\$350)	(\$162,050)	(\$194,450)
<b>TOTAL EXPENSES</b>	<b>26.71%</b>	<b>(\$7,276)</b>	<b>(\$3,368,975)</b>	<b>(\$4,034,847)</b>
<b>NET OPERATING INCOME 1</b>				
			<b>\$9,244,909</b>	<b>\$11,218,964</b>

The table above represents the combined stabilized operations for the overall transaction. Income is generated from residential rent, other residential income (e.g. application and pet fees), parking revenue, and retail rent. Expenses include salary expenses, administrative expenses, maintenance, utilities, management fees, and insurance, taxes and other governmental fees. Maintenance expenses related to shared site elements (such as snow removal, parking garage maintenance, grounds keeping, etc.) are included under the Common Area Maintenance (“CAM”) and Parking expense line item. Total operating expenses are in line with CDA’s LIHTC underwriting guidelines. The proforma also assumes a \$350 annual per unit replacement reserve contribution as part of operating expenses. This is standard for HOC new construction projects; however, staff will evaluate establishing an upfront replacement reserve in lieu of an annual contribution in order to maximize debt proceeds as part of Hillandale Gateway’s Final Financing Plan. Affordable and Market residential rents are trended at 2% and 4%, respectively, from baseline assumptions with all other income trended at 2%. Expenses are trended at 3% annually.

# Transaction Structure | Sources and Uses

The table to the right details sources and uses for the construction of the overall development. Uses for the transaction includes all hard costs, soft costs and financing fees related to the development. Sources for the transaction include senior financing from Citi, HOC equity, tax credit equity, County HIF, HPF, and Montgomery County Green Bank financing.

Staff solicited proposals from lenders in May 2023, and received multiple LOIs. Citi Community Capital “Citi” provided the most beneficial terms for the overall transaction resulting in the lowest overall construction-period interest costs. Citi was also the only lender to provide LOIs for all components of the transaction. Having the same lender across the entire transaction has the added benefit of streamlining this complex structure and reducing transactional costs. Staff is finalizing details on the optimal loan structure with Citi and will present those details as part of Hillandale Gateway’s Final Financing Plan, which will be presented to the Commission in October 2023.

## Summary of Proposed Financing Sources:

- 1) Senior loans from Citi Community Capital to HOC at Hillandale Gateway AR, LLC, HOC at Hillandale Gateway NAR, LLC, and Hillandale Gateway, LLC (together, the “Owner Entities”) in an amount up to 80% loan-to-cost. Currently staff projects a senior construction loan need of ~\$194M.
- 2) At this time, the projected total HOC equity to balance the construction period sources and uses is \$10,950,100. To date, the Commission has loaned approximately \$14.2M in predevelopment funding for Hillandale Gateway, which will be repaid at construction closing. Staff recommends recycling \$10,950,100 of this \$14.2M repayment for the construction and permanent financing of Hillandale Gateway. Staff proposes the OHRF as the source for this equity.
- 3) Subordinate Montgomery County Housing Initiative Fund (“HIF”) loans in the total amount of \$16M, which has been approved by DHCA’s loan committee. Currently staff projects a need of ~\$6M during construction.
- 4) Subordinate Housing Production Fund (“HPF”) loan in the total amount of \$35M. The Commission previously authorized \$14.5M in HPF for Early Start work at the January 2023 Commission meeting; the increase to \$35M represents the additional \$20.5M in HPF funding needed for the vertical phase of construction.
- 5) Subordinate financing from Montgomery County Green Bank in an amount up to \$7.5M.
- 6) A bridge loan in an amount not to exceed \$43M, which represents the anticipated bridge loan need of \$38M plus a \$5M contingency. Bridge loans are typical in a LIHTC transaction in order to bridge construction costs in between LIHTC equity installments, as the majority of the LIHTC equity is not contributed until construction completion and/or stabilization. Staff proposes using the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) as the source for the bridge.

USES OF FUNDS - DEVELOPMENT	AMOUNT	PER UNIT	% OF TOTAL
Construction Contract (Inc. 5% Contingency)	\$189,000,000	\$408,207	62.54%
Additional Construction Costs	\$14,179,874	\$30,626	4.69%
Additional Construction Contingency	\$2,763,249	\$5,968	0.91%
Design & Engineering	\$9,222,504	\$19,919	3.05%
Developers Costs	\$10,823,113	\$23,376	3.58%
Financing Fees, Charges and Issuance Costs	\$13,540,118	\$29,244	4.48%
Construction Period Interest: Senior Loan	\$28,733,871	\$62,060	9.51%
Construction Period Interest: Other Loans	\$9,568,091	\$20,665	3.17%
Capitalized Operating Costs	\$1,779,177	\$3,843	0.59%
Guarantees & Reserves	\$1,500,000	\$3,240	0.50%
Developer Fee	\$21,116,240	\$45,607	6.99%
<b>TOTAL USES OF FUNDS</b>	<b>\$302,226,237</b>	<b>\$652,756</b>	<b>100%</b>

SOURCES OF FUNDS - DEVELOPMENT	AMOUNT	PER UNIT	% OF TOTAL
(1) Senior Construction Loan	\$194,051,924	\$419,119	64.21%
(2) HOC Equity	\$10,950,100	\$23,650	3.62%
Tax Credit Equity	\$49,003,427	\$105,839	16.21%
(3) Construction: HIF Loan	\$5,720,786	\$12,356	1.89%
(4) Construction: HPF Loan	\$35,000,000	\$75,594	11.58%
(5) Construction: MC Green Bank Loan	\$7,500,000	\$16,199	2.48%
<b>Funding Gap / (Surplus)</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$302,226,237</b>	<b>\$652,756</b>	<b>100%</b>

# Transaction Structure | Retail and Site Work Costs

USES OF FUNDS - DEVELOPMENT	TOTAL USES	RESIDENTIAL COSTS	RESIDENTIAL COSTS PER UNIT	RETAIL & SITEWORK COSTS	RETAIL & SITEWORK COSTS PER UNIT
Construction Contract (Inc. 5% Contingency)	\$189,000,000	\$171,420,944	\$370,239.62	\$17,579,056	\$37,967.72
Additional Construction Costs	\$14,179,874	\$11,661,377	\$25,186.56	\$2,518,497	\$5,439.52
Additional Construction Contingency	\$2,763,249	\$2,564,343	\$5,538.54	\$198,906	\$429.60
Design & Engineering	\$9,222,504	\$8,197,409	\$17,704.99	\$1,025,095	\$2,214.03
Developers Costs	\$10,823,113	\$10,338,747	\$22,329.91	\$484,366	\$1,046.15
Financing Fees, Charges and Issuance Costs	\$13,540,118	\$13,101,480	\$28,296.93	\$438,638	\$947.38
Construction Period Interest: Senior Loan	\$28,733,871	\$27,907,005	\$60,274.31	\$826,866	\$1,785.89
Construction Period Interest: Other Loans	\$9,568,091	\$9,292,753	\$20,070.74	\$275,338	\$594.68
Capitalized Operating Costs	\$1,779,177	\$1,727,978	\$3,732.13	\$51,199	\$110.58
Guarantees & Reserves	\$1,500,000	\$1,500,000	\$3,239.74	\$0	\$0.00
Developer Fee	\$21,116,240	\$19,946,342	\$43,080.65	\$1,169,898	\$2,526.78
<b>TOTAL USES OF FUNDS</b>	<b>\$302,226,237</b>	<b>\$277,658,379</b>	<b>\$599,694</b>	<b>\$24,567,858</b>	<b>\$53,062</b>

As discussed on the previous slide, the total uses for Hillandale Gateway include all development costs; specifically, all of the hard and soft costs to construct all elements within the condo regime (the residential, retail and garage improvements) as well as all sitework and transportation improvements related to the development. Delivering a vibrant, mixed-use development in a single phase has a number of benefits. Notably, it creates a destination community where residents will want to live, work and play. It also allows for efficiencies in construction, in terms of logistics, staging and cost. Finally, the transportation improvements will proactively mitigate increased traffic in the area due to the increased density on the site.

The table above illustrates the estimated residential costs of the development versus retail and site work costs (including transportation improvements). Retail and site work hard costs are based on estimated hard costs directly attributed to retail and site work elements. For costs not directly attributable (such as certain soft costs and financing fees), they are estimated on a proportional GSF cost. Site work soft costs are proportionally split between residential and retail elements based on GSF.

When broken out, the residential cost for Hillandale Gateway is approximately \$600K per unit, with the retail and site work elements costing approximately \$53K per unit.



# Transaction Structure | Cost Comparison

USES OF FUNDS	HILLANDALE			LEGGETT			LAUREATE		
	RESIDENTIAL USES	RESIDENTIAL COSTS PER UNIT	% OF TOTAL	RESIDENTIAL USES	RESIDENTIAL COSTS PER UNIT	% OF TOTAL	RESIDENTIAL USES	RESIDENTIAL COSTS PER UNIT	% OF TOTAL
Construction Costs (GC Contract and Other Construction Related Costs)	\$185,646,664	\$400,965	67%	\$80,554,133	\$301,701	65%	\$72,713,490	\$271,319	71%
Design and Engineering	\$8,197,409	\$17,705	3%	\$5,353,536	\$20,051	4%	\$4,438,728	\$16,562	4%
Developers Costs	\$10,338,747	\$22,330	4%	\$8,640,773	\$32,362	7%	\$4,436,131	\$16,553	4%
Financing Fees, Charges and Issuance Costs	\$13,101,480	\$28,297	5%	\$9,857,952	\$36,921	8%	\$7,136,985	\$26,631	7%
Construction Interest and Negative Arbitrage	\$37,199,758	\$80,345	13%	\$8,027,370	\$30,065	7%	\$6,609,441	\$24,662	6%
Acquisition Costs and/or Capitalized Operating Costs	\$1,727,978	\$3,732	1%	\$3,351,667	\$12,553	3%	\$2,430,370	\$9,069	2%
Guarantees & Reserves	\$1,500,000	\$3,240	1%	\$2,874,748	\$10,767	2%	\$500,000	\$1,866	0%
Developer Fee	\$19,946,342	\$43,081	7%	\$4,500,000	\$16,854	4%	\$4,799,158	\$17,907	5%
<b>TOTAL USES OF FUNDS</b>	<b>\$277,658,378</b>	<b>\$599,694</b>	<b>100%</b>	<b>\$123,160,178</b>	<b>\$461,274</b>	<b>100%</b>	<b>\$103,064,303</b>	<b>\$384,568</b>	<b>100%</b>

**Comparison of Residential Uses** – The chart above compares Hillandale Gateway’s residential uses with HOC’s two most recent new construction projects: the Leggett and the Laureate. Uses highlighted in orange are uses where Hillandale is higher than the other two developments; uses in green indicate where Hillandale is lower than the other two developments; non-highlighted uses represent uses in line with the Laureate and Leggett.

- **Takeway:** Hillandale's costs are on par with the Leggett and Laureate on a per unit basis, except for construction costs (explained by the chart to the right), construction period interest (due to current interest rate environment and development duration) and developer fee. There are two main reasons why the developer fees are so high: 1) developer fees are based on total development costs--when construction costs and construction-period interest costs are higher, developer fee will also be higher. 2) As a percentage of total residential development costs, Hillandale's developer fee is 7%, versus 5% at Laureate and 4% at Leggett. This higher developer fee percentage is also due to extra developer fee HOC is able to earn on the two LIHTC components of the transaction beyond the standard 5% developer fee.

**Residential Construction Cost Escalation** – The chart to the right trends: 1) the residential construction GC contract amounts for the three deals and 2) total residential construction costs for the three deals (residential GC contract plus other construction costs carried outside of GC budget).

- **Takeway:** When construction costs are trended for the Leggett and the Laureate, Hillandale falls in the middle of the two other developments in terms of per unit costs.

	2019	2020	2021	2022	2023
Construction Cost Escalation					
Inflation Assumption		5%	5%	30%	5%

RESIDENTIAL CONSTRUCTION CONTRACT	2019	2020	2021	2022	2023
LEGGETT	\$288,080	\$302,484	\$317,609	\$412,891	\$433,536
LAUREATE			\$230,392	\$299,510	\$314,486
HILLANDALE RFP BID			\$306,794	\$398,832	\$418,773
HILLANDALE GMP BUDGET					\$370,240

RESIDENTIAL CONSTRUCTION CONTRACT AND OTHER RESIDENTIAL CONSTRUCTION RELATED COSTS	2019	2020	2021	2022	2023
LEGGETT	\$301,701	\$316,786	\$332,625	\$432,413	\$454,033
LAUREATE			\$271,319	\$352,715	\$370,350
HILLANDALE RFP BID			\$343,787	\$446,923	\$469,269
HILLANDALE GMP BUDGET					\$400,965

# Summary & Recommendations

## ISSUES FOR CONSIDERATION

Does the Commission wish to accept staff's recommendation, which is supported by the Development & Finance Committee, to:

1. Authorize the Executive Director to negotiate and execute a GMP Amendment with CBG in an amount not to exceed \$189M?
2. Authorize the Executive Director to negotiate and execute a contract with Market 9 Design in an amount not to exceed \$253,000 for interior design and FF&E services?
3. Approve a Hard Cost FF&E Budget for Hillandale Gateway in the total amount of \$2.5M, and authorize Market 9 Design to acquire FF&E in an amount not to exceed the Hard Cost FF&E Budget?
4. Authorize the creation of HOC at Hillandale AR, LLC to sublease and own a condo consisting of 155 age-restricted LIHTC units within the AR Building?
5. Authorize the creation of HOC at Hillandale NAR, LLC to sublease and own a condo consisting of 93 LIHTC units within the NAR Building?
6. Authorize Hillandale Gateway, LLC to own the remaining condos in the development, including: a condo consisting of 215 market-rate units within the NAR Building and four (4) retail condos (AR Retail Condo, Retail 1, Retail 2 and Retail 3)?
7. Authorize the Executive Director to negotiate and execute letters of intent and operating agreements with Wells Fargo Community Lending and Investment regarding the provision of tax credit equity for the HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC transactions, and to admit Wells Fargo Community Lending and Investment, or its affiliate(s), as the investor member into HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC to facilitate the contribution of tax credit equity?
8. Authorize the assignment and assumption of agreements, contracts and portions of contracts, as necessary, between Hillandale Gateway, LLC, HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC to carry out the construction and financing of the overall development?
9. Authorize HOC at Hillandale AR, LLC, HOC at Hillandale NAR, LLC, and Hillandale Gateway, LLC (together, the "Owner Entities") to accept senior loans from Citi Community Capital in an amount up to 80% loan-to-cost?
10. Approve the contribution of HOC equity in the total amount of \$10,950,100 from the OHRF to the overall transaction?
11. Authorize the Owner Entities to accept subordinate HIF loans from Montgomery County in an amount up to \$16M?
12. Authorize the Owner Entities to accept subordinate financing from Montgomery County Green Bank in an amount up to \$7.5M?
13. Authorize an increase to the HPF loan amount for the overall transaction from \$14.5M to \$35M and to subordinate the HPF Loan?
14. Approve a bridge loan in an amount not to exceed \$43M, which represents the anticipated bridge loan amount of \$38M plus a \$5M contingency?

# Summary & Recommendations

## BUDGET/FISCAL IMPACT

Approval of the final development plan would have a positive fiscal impact to the agency. Predevelopment funding previously loaned to the development would be repaid at construction closing, plus accrued interest in an amount of approximately \$1M. HOC would also earn a developer fee in an amount of approximately \$8.5M, a portion of which could be used as a permanent financing source (deferred fee) for the transaction.

## TIME FRAME

For formal action of the Commission at its monthly meeting on September 13, 2023.

## STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission accepts staff's recommendation to:

1. Authorize the Executive Director to negotiate and execute a GMP Amendment with CBG in an amount not to exceed \$189M.
2. Authorize the Executive Director to negotiate and execute a contract with Market 9 Design in an amount not to exceed \$253,000 for interior design and FF&E services.
3. Approve a Hard Cost FF&E Budget for Hillandale Gateway in the total amount of \$2.5M, and authorize for Market 9 Design to acquire FF&E in an amount not to exceed the Hard Cost FF&E Budget.
4. Authorize the creation of HOC at Hillandale AR, LLC to sublease and own a condo consisting of 155 age-restricted LIHTC units within the AR Building.
5. Authorize the creation of HOC at Hillandale NAR, LLC to sublease and own a condo consisting of 93 LIHTC units within the NAR Building.
6. Authorize Hillandale Gateway, LLC to own the remaining condos in the development, including: a condo consisting of 215 market-rate units within the NAR Building and four (4) retail condos (AR Retail Condo, Retail 1, Retail 2 and Retail 3).
7. Authorize the Executive Director to negotiate and execute letters of intent and operating agreements with Wells Fargo Community Lending and Investment regarding the provision of tax credit equity for the HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC transactions, and to admit Wells Fargo Community Lending and Investment, or its affiliate(s), as the investor member into HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC to facilitate the contribution of tax credit equity.
8. Authorize the assignment and assumption of agreements, contracts and portions of contracts, as necessary, between Hillandale Gateway, LLC, HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC to carry out the construction and financing of the overall development.
9. Authorize HOC at Hillandale AR, LLC, HOC at Hillandale NAR, LLC, and Hillandale Gateway, LLC (together, the "Owner Entities") to accept senior loans from Citi Community Capital in an amount up to 80% loan-to-cost. Currently staff projects a senior construction loan need of ~\$194M.
10. Approve the contribution of HOC equity in the total amount of \$10,950,100 from the OHRF to the overall transaction.
11. Authorize the Owner Entities to accept subordinate HIF loans from Montgomery County in an amount up to \$16M. Currently staff projects a need of ~\$6M during construction.
12. Authorize the Owner Entities to accept subordinate financing from Montgomery County Green Bank in an amount up to \$7.5M.
13. Authorize an increase to the HPF loan amount for the overall transaction from \$14.5M to \$35M and to subordinate the HPF Loan.
14. Approve a bridge loan in an amount not to exceed \$43M, which represents the anticipated bridge loan amount of \$38M plus a \$5M contingency.



**RESOLUTION No.: 23-52A**

**RE: Approval of the Final Development Plan, Including Approval to Negotiate and Execute a Guaranteed Maximum Price Amendment with CBG Building Company, and Approval of an Interior Designer and FF&E budget; and Approval of the Transaction Structure, including Authorization to Create a Condominium Regime, Approval to Create New Tax Credit Entities, Approval to Negotiate and Execute Letters of Intent and Operating Agreements with Wells Fargo as the Tax Credit Investor in the Tax Credit Entities, and Approval to Accept Construction Financing Sources.**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) is the sole member of HOC at Hillandale Gateway, LLC, which is a member of Hillandale Gateway, LLC, the entity that will redevelop approximately 5.15 acres of land at 10110 and 10140 New Hampshire Avenue, Silver Spring, MD 20903 (such site formerly known as “Holly Hall” and to be known during and after development as “Hillandale Gateway”); and

**WHEREAS**, Hillandale Gateway will be will be a visionary mixed-use, mixed-income, intergenerational community and include a total of 463 residential units within two residential buildings – a 155-unit age-restricted (age 62+) senior building (“AR Building”), and a 308-unit non-age restricted general occupancy multifamily building (“NAR Building”); and

**WHEREAS**, on March 2, 2022, the Commission approved the selection of CBG Building Company (“CBG”) as the general contractor (“GC”) for Hillandale Gateway and authorized negotiation of the contract (“GC Contract”); and

**WHEREAS**, on January 11, 2023, the Commission approved the execution of the GC Contract allowing the GC to perform a limited scope of construction work (“Early Start Work”) under a limited notice to proceed in an amount not to exceed \$11,500,000; and

**WHEREAS**, on January 11, 2023, the Commission approved a loan from the Housing Production Fund (“HPF Loan”) to Hillandale Gateway, LLC in the amount of \$14,500,000 to fund the Early Start Work and soft costs related to the Early Start Work; and

**WHEREAS**, the Commission desires to approve the “Final Development Plan” and transaction structure for Hillandale Gateway, as outlined herein, in order to facilitate construction closing; and

**WHEREAS**, the Commission desires to authorize the Executive Director to negotiate and execute a guaranteed maximum price amendment (“GMP Amendment”) to the GC Contract, which will establish the total construction contract cost for the project, including the Early Start Work and vertical phase of construction, in an amount not to exceed \$189M; and

**WHEREAS**, the Commission desires to authorize the Executive Director to negotiate and execute a contract with Market 9 Design in an amount not to exceed \$253,000 for interior design and furniture, fixture and equipment (“FF&E”) services; and

**WHEREAS**, the Commission desires to approve a hard cost FF&E budget (“Hard Cost FF&E Budget”) for Hillandale Gateway in the total amount of \$2.5M, and to authorize Market 9 Design to acquire FF&E in an amount not to exceed the Hard Cost FF&E Budget; and

**WHEREAS**, the Commission desires to authorize the creation of two Maryland limited liability companies – HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC; and

**WHEREAS**, the Commission desires to authorize the creation of a condominium regime for Hillandale Gateway, which will be structured as follows: HOC at Hillandale AR, LLC will sublease and own a condo consisting of 155 age-restricted Low Income Housing Tax Credit (“LIHTC”) units within the AR Building; HOC at Hillandale NAR, LLC will sublease and own a condo consisting of 93 LIHTC units within the NAR Building; and Hillandale Gateway, LLC will own the remaining condominium units in the development, including a condo consisting of 215 market-rate units within the NAR Building and four retail condos (AR Retail Condo, Retail 1, Retail 2, and Retail 3) (together, the “Condominium Regime”); and

**WHEREAS**, the Commission desires to authorize the Executive Director to negotiate and execute letters of intent and operating agreements with Wells Fargo Community Lending and Investment (“Wells Fargo”) regarding the provision of tax credit equity for the HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC transactions, and to admit Wells Fargo, or its affiliate(s), as the investor members into HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC to facilitate the contribution of tax credit equity; and

**WHEREAS**, the Commission desires to authorize the assignment and assumption of agreements, contracts, and portions of contracts, as necessary, between Hillandale Gateway, LLC, HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC (together, the “Owner Entities”) to carry out the construction and financing of the overall development; and

**WHEREAS**, the Commission desires to authorize the Owner Entities to accept senior construction loans from Citi Community Capital in an amount up to 80% loan-to-cost; and

**WHEREAS**, the Commission desires to authorize the contribution of equity in the total amount of \$10,950,100 from HOC’s Opportunity Housing Reserve Fund (“OHRF”) to the overall transaction; and

**WHEREAS**, the Commission desires to authorize the Owner Entities to negotiate and accept subordinate Housing Initiative Fund (“HIF”) loans from Montgomery County in an amount up to \$16M; and

**WHEREAS**, the Commission desires to authorize the Owner Entities to negotiate and accept subordinate Montgomery County Green Bank financing in an amount up to \$7.5M; and

**WHEREAS**, the Commission desires to increase the HPF Loan amount from \$14.5M to \$35M and subordinate the HPF Loan; and

**WHEREAS**, the Commission desires to provide, and for the Owner Entities to accept, bridge financing (“Bridge Financing”) in an amount not to exceed \$43M, which represents the anticipated Bridge Financing need of \$38M plus a \$5M contingency, funded by way of proceeds from HOC’s PNC Real Estate Line of Credit; and

**WHEREAS**, pursuant to Treasury Regulation §1.150-2, the Commission desires to declare its official intent to participate in future tax-exempt borrowings in an amount not to exceed \$350,000,000 to finance “original expenditures” (as defined in Treasury Regulation §1.150-2) for the new construction located at Hillandale Gateway; and

**WHEREAS**, all or a portion of such future tax-exempt borrowings may be allocated to reimburse the Commission for original expenditures paid or to be paid subsequent to the date which is 60 days prior to the date hereof, such reimbursement allocation to occur not later than 18 months after the later of the date of payment of such original expenditures or the date on which Hillandale Gateway is placed in service or abandoned (but in no event more than three (3) years after the date of payment of the related original expenditures); and

**WHEREAS**, this reimbursement resolution is being adopted with regard to the entire \$350,000,000 of anticipated capital expenditures to be incurred with regard to the Hillandale Gateway project that will be financed, in part, with proceeds of tax-exempt bonds, and this resolution is intended to qualify as a reimbursement resolution pursuant to Section 1.150-2 of the U.S. Treasury Department Income Tax Regulations (the “Regulations”).

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf HOC at Hillandale Gateway, LLC, acting for itself and on behalf of and Hillandale Gateway, LLC, authorizes the Final Development Plan, which includes the following:

- 1) the Executive Director to negotiate and execute a GMP Amendment with CBG in an amount not to exceed \$189M;
- 2) the Executive Director to negotiate and execute a contract with Market 9 Design in an amount not to exceed \$253,000 for interior design and FF&E services;
- 3) a Hard Cost FF&E Budget for Hillandale Gateway in the total amount of \$2.5M, and authorization for Market 9 Design to acquire FF&E in an amount not to exceed the Hard Cost FF&E Budget;
- 4) the creations of two Maryland limited liability companies – HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC;
- 5) the creation of the Condominium Regime;

- 6) the Executive Director to negotiate and execute letters of intent and operating agreements with Wells Fargo regarding the provision of tax credit equity for the HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC transactions, and to admit Wells Fargo, or its affiliate(s), as the investor members into HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC to facilitate the contribution of tax credit equity;
- 7) the assignment and assumption of agreements, contracts, and portions of contracts, as necessary, between the Owner Entities to carry out the construction and financing of the overall development;
- 8) the Owner Entities to accept senior construction loans from Citi Community Capital in an amount up to 80% loan-to-cost;
- 9) the contribution of equity in the total amount of \$10,950,100 from HOC's OHRF to the overall transaction;
- 10) the Owner Entities to negotiate and accept subordinate HIF loans from Montgomery County in an amount up to \$16M;
- 11) the Owner Entities to negotiate and accept subordinate Montgomery County Green Bank financing in an amount up to \$7.5M;
- 12) increasing the HPF Loan amount from \$14.5M to \$35M and subordination of the HPF Loan; and
- 13) the provision and acceptance of Bridge Financing in an amount not to exceed \$43M funded by way of proceeds from HOC's PNC Real Estate Line of Credit.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission Montgomery County, acting on behalf of itself and on behalf HOC at Hillandale Gateway, LLC, acting for itself and on behalf of and Hillandale Gateway, LLC, authorizes the Executive Director of HOC, or her designee, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including the execution of any documents related thereto.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that any original expenditures for Hillandale Gateway may be reimbursed with proceeds of tax-exempt borrowings if such original expenditures are paid or to be paid no earlier than 60 days prior to the date of this Resolution, except preliminary expenditures as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that it is the intention of the Commission that the resolutions contained herein qualify as a reimbursement resolution and a declaration of "official intent" within the meaning of Section 1.150-2 of the Regulations.

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on September 13, 2023.

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Chelsea Andrews  
Executive Director

**RESOLUTION No.: 23-52B**

**RE: Approval to Draw up to \$43,000,000 on the PNC Bank, N.A. Real Estate Line of Credit to Provide Bridge Financing for Hillandale Gateway**

**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 for the rehabilitation of rental housing properties which provide a public purpose; and

**WHEREAS**, HOC is preparing to construct Hillandale Gateway in Silver Spring, MD which will be a visionary mixed-use, mixed-income, intergenerational community and include a total of 463 residential units within two residential buildings – one, a 155-unit age-restricted (age 62+) senior building (“AR Building”); the other, a 308-unit non-age restricted general occupancy multifamily building (“NAR Building”); and

**WHEREAS**, HOC intends to finance the construction using equity proceeds from a Low Income Housing Tax Credit (“LIHTC”) and Investment Tax Credit (“ITC”, together with LIHTC, “Tax Credit”) investor in an anticipated amount of \$49,003,427;

**WHEREAS**, due to the timing of Tax Credit equity installments, HOC intends to provide bridge financing (“Bridge Financing”) to bridge construction costs until all Tax Credit equity is received, which will be funded by way of proceeds from a draw on its PNC Bank N.A. Real Estate Line of Credit (“RELOC”) of up to \$43,000,000.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it authorizes draws on the RELOC in an amount not to exceed \$43,000,000 for the construction of Hillandale Gateway for a term of up to 45 months.

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

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on September 13, 2023.

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Chelsea Andrews  
Executive Director

**APPROVAL TO DRAW ON THE PNC BANK, N.A. LINE OF CREDIT TO REPLENISH THE CONTINGENCY FOR THE SOUTH COUNTY REGIONAL RECREATIONAL AQUATIC CENTER AND TO DRAW ON THE PNC BANK, N.A. REAL ESTATE LINE OF CREDIT TO REPLENISH THE CONTINGENCY FOR THE LEGGETT**

**September 13, 2023**

- Staff seeks approval to draw up to \$3MM from the PNC Bank, N.A. Line of Credit (PNC LOC) for the South County Regional Recreational Aquatic Center (“SCRRAC”) and up to \$2MM from the PNC Bank, N.A. Real Estate Line of Credit (“PNC RELOC”) for the Leggett.
- The Leggett is a 267-unit age-restricted apartment community, serving as a relocation housing for seniors from Elizabeth House, which converted from Public Housing under the Rental Assistance Demonstration (“RAD”) program. The SCRRAC aims for completion by year-end 2023. Most areas, including the gymnasium, are nearly completed, but work continues on specific features like the aquatic pools, exterior panels, common areas, and related facilities.
- The project has experienced delays, primarily due to the pandemic, affecting both SCRRAC and the Leggett's completion timelines. The Leggett was completed in March 2023 and started occupancy in May 2023. The SCRRAC is expected to be completed approximately eight (8) months after the Leggett.
- The current request pertains to interim proceeds needed for additional costs and does not represent final permanent financing needs. Outstanding change orders are expected to raise the SCRRAC project cost by \$3.5MM and the Leggett's by up to \$2.0MM.
- The Development and Finance Committee considered this item at its meeting on September 1, 2023 and supports staff recommendation that the Commission approve drawing up to \$3MM from the PNC LOC for SCRRAC and up to \$2MM from the PNC RELOC for the Leggett to maintain construction progress and for cost reconciliation. Both will be taxable draws at the contractual rate specified in the financing documents.





## MEMORANDUM

**TO:** Housing Opportunities Commission

**VIA:** Chelsea J. Andrews, Executive Director

**FROM:** Division: Real Estate  
Staff: Zachary Marks, Chief Real Estate Officer  
Marcus Ervin, Director of Development  
Gio Kaviladze, Senior Financial Analyst

**RE:** Approval to Draw on the PNC Bank, N.A. Line of Credit to Replenish the Contingency for the South County Regional Recreation and Aquatic Center and to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Replenish the Contingency for the Leggett

**DATE:** September 13, 2023

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**STATUS:** Committee Report: Deliberation  X

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### OVERALL GOAL & OBJECTIVE:

To obtain approval from the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) to draw up to \$3MM on the PNC Bank, N.A. Line of Credit (“PNC LOC”) to replenish the contingency for the South County Regional Recreational Aquatic Center (“SCRRAC”) and to draw up to \$2MM on the PNC Bank, N.A. Real Estate Line of Credit (“PNC RELOC”) to bridge receipt of LIHTC funds for the Construction of The Leggett (formerly Elizabeth House III). If the Commission approves these requests, the draws on the PNC LOC and PNC RELOC will allow HOC staff, Montgomery County’s Department of General Services (“DGS”), and the project’s general contractor to close out the construction of the Leggett and complete the SCRRAC by year-end 2023.

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### BACKGROUND:

The Leggett (“EH III” or the “Property”) is a 267-unit, age-restricted apartment community located in downtown Silver Spring, Maryland and serves as a significant component of the Elizabeth Square Master Development Plan. HOC, through the Elizabeth House III Limited Partnership (the “Owner” or “Borrower”), holds ownership and operational responsibilities over the Leggett.

The Leggett will provide critical relocation housing for 106 senior households via the Rental Assistance Demonstration (“RAD”) program from the adjacent Elizabeth House Apartments. The Property was financed through with 4% Low-Income Housing Tax Credits (“LIHTC”) equity proceeds.

### THE PROJECT “Complex, Inclusive, and Vibrantly Mixed-Use”:

The Leggett was built concurrently with the SCRRAC – a vast 120,000 square foot facility alongside a 7,500 square foot Senior Resource Center/Primary Care Facility, to be operated by Holy Cross Hospital (“SRC/PCF”). Collectively, these components constitute the “Master Development”. HOC, in its capacity as the “Master Developer”, oversees the site’s construction, with support from its consultants. This site is under the ownership of Acorn Storage No.1, LLC, a subsidiary of Lee Development Group (“Acorn”)

and is governed by a space lease (“Master Space Lease”). The SCRRAC and SRC/PCF will be owned under a condominium structure by the EH III Recreational Center, LLC. These facilities will be subsequently leased to the County and an affiliate of Holy Cross Hospital.

#### **PROJECT FINANCING: “Pioneering Investments and a Model for Mixed-Finance”**

The financing for the project totals \$124.35 million and includes the following funding sources approved by the Commission in June 2019:

- **Tax-exempt bonds** – both long-term and short-term – wherein proceeds are directed towards a loan (“Mortgage Loan”) designated to finance the acquisition, construction, and equipping operations (\$55 million).
- **A short-term taxable loan** (“Construction Loan”) from PNC Bank N.A. (“PNC”) amounting to \$55 million. This will be funneled into a Cash Collateral Account and upon the Mortgage Loan’s permanent conversion, the accumulated resources within the Cash Collateral Account will be mobilized to repay the short-term bonds and the Construction Loan.
- **Bridge funding** during the construction phase, facilitated by draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit (“PNC RELOC”) or “Bridge Loan” (\$24 million).
- **LIHTC equity**, facilitated by selecting R4 Capital as the LIHTC Syndicator (\$35.2 million).
- **Subordinate loans** from the County’s Housing Initiative Fund (“HIF”) (\$8 million).
- **A subordinate loan** extended by HOC (“HOC Loan”) (\$22.2 million).
- **Deferred Developer Fee** (\$2.1 million).
- **Interim operating income** (\$.66 million).

The transaction closed in October 2019. The Property's construction was projected to span 32 months, with completion in May 2022 and stabilization originally expected by May 2023. This would have paved the way for converting to the permanent mortgage by September 2023. Stabilization is currently projected for the first half of 2024.

#### **THE PROJECT: PRESENT DAY**

The Leggett achieved substantial completion in March of 2023. Tenants began occupying the property in May of 2023.

*The Leggett Lease-Up Status (August 21, 2023):*

- Total Units Leased: 143 (53.56% of total units)
- Current Occupancy: 85 units (31.84% of total units)

For the SCRRAC, the focus is on completing the project and opening to the public by year-end 2023. Noteworthy progress has been made in several segments of the center: the gymnasium and common areas now stand largely completed. However, construction efforts remain underway on the detailed features of the complex, including the various recreation and competition pools, the building's distinctive exterior metal panels, and the expansive courtyard plaza areas.

As with most construction projects that spanned the pandemic, The Leggett and the SCRRAC experienced completion delays. The Leggett's delivery date shifted from its initial projected date in March 2022 to March 2023. This marked the beginning of relocating fifty-two elderly households from the existing Elizabeth House. By August 2023, Elizabeth House was fully vacated. The SCRRAC's delivery timing saw even greater revision and will finish eight months after the Leggett.

With project completion nearing, the final change orders are under review and cost certification will commence. Most of the remaining change orders are for the SCRRAC. HOC and DGS are working toward a satisfactory split of responsibilities for these costs. Both parties recognize the importance of addressing and reconciling design intricacies for the benefit of the project.

Until the final costs are fully known, no representations around final permanent proceeds needs can be made. This current request involves only interim proceeds and more specifically the bridge loan amounts required for funding additional costs prior to the completion of all project components and a full cost reconciliation can be made.

Outstanding change orders are likely to raise the final project cost of the SCRRAC by approximately \$3.5MM and are likely to raise the final project cost for the Leggett not to exceed \$2.0MM. For the Leggett, there are several other areas such as line item savings, adjustments to the project's LIHTC equity amount, and actual lease-up rents that may add to the final project and offset the up-to-\$2.0MM increase, or add to available sources of funding to offset the up-to-\$2.0MM increase.

To keep construction work moving, to provide time for final cost reconciliation, and to allow time for the allocation of cost responsibilities to be determined; staff requests the Commission's authorization to draw up to \$3.0MM from the PNC LOC to replenish the contingency for the SCRRAC and to draw up to \$2.0MM from the PNC RELOC to replenish the contingency for the Leggett.

Staff will return by the end of 2023 with an update on progress toward final reconciliation and identification of additional permanent funding sources wherever necessary.

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**ISSUES FOR CONSIDERATION:**

Will the Commission accept staff's recommendation, which is supported by the Development & Finance Committee to draw up to \$3.0MM from the PNC LOC to replenish the contingency for the SCRRAC and to draw up to \$2.0MM from the PNC RELOC to replenish the contingency for the Leggett?

Draws on both the PNC LOC and the PNC RELOC will be taxable and at the contractual rate provided for in the financing documents.

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**BUDGET/FISCAL IMPACT:**

There is no impact to the HOC FY24 budget as interest associated with the increased draws on the PNC LOC and PNC RELOC will be reimbursed by permanent project funds.

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**TIME FRAME:**

For formal action at the September 13, 2023 open meeting of the Commission.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Commission authorize a draw of up to \$3.0MM from the PNC LOC to replenish the contingency for the SCRRAC and a draw of up to \$2.0MM from the PNC RELOC to replenish the contingency for the Leggett.

Staff further recommends approval to borrow funds at the taxable contractual rates for the PNC LOC and PNC RELOC facilities while outstanding and that repayment will be from permanent project funds.

**RESOLUTION No.: 23-53A**

**RE: Approval to Increase the \$24mm Bridge Loan on the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) to Replenish the Contingency for the Leggett**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), through Elizabeth House III Limited Partnership, oversees the Elizabeth Square Master Development Plan, which includes The Leggett, a 267-unit age-restricted apartment community; and

**WHEREAS**, the financing for the Elizabeth Square Master Development totals \$124.35 million and includes a mixture of tax-exempt bonds, a short-term taxable loan from PNC Bank, N.A. (“PNC”), bridge funding facilitated by the Commission’s PNC Real Estate Line of Credit (“PNC RELOC”), and other financial instruments; and

**WHEREAS**, the Commission initially anticipated project completion and stabilization for The Leggett by May 2023, but due to unforeseen challenges, the new estimated stabilization period is the first half of 2024, necessitating the need for additional funding for covering project change orders; and

**WHEREAS**, due to the timing of Low Income Housing Tax Credit (“LIHTC”) equity installments, staff recommends increasing Bridge Loan capacity by drawing up to \$2,000,000 from the PNC RELOC to replenish the project contingency and bridge the next installment of LIHTC equity.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby authorizes an increase to the \$24MM bridge loan by drawing up to \$2.0 million from the PNC RELOC to replenish the contingency and bridge the receipt of LIHTC equity for The Leggett.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission Montgomery County authorizes the Executive Director, or her designee, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including the execution of any related documents.

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on September 13, 2023.

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Chelsea J. Andrews  
Executive Director

**RESOLUTION No.: 23-53B**

**RE: Approval to Draw on the PNC Bank, N.A. Line of Credit to Replenish the Contingency for the South County Regional Recreation and Aquatic Center (“SCRRAC”)**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), through Elizabeth House III Limited Partnership, oversees the Elizabeth Square Master Development Plan, which includes the South County Regional Recreation and Aquatic Center (“SCRRAC”); and

**WHEREAS**, the SCRRAC is a 120,000 square-foot recreational facility alongside a 7,500 square-foot Senior Resource Center/Primary Care Facility, to be operated by Holy Cross Hospital, currently under construction and slated for completion by the end of year 2023; and

**WHEREAS**, the financing for the Elizabeth Square Master Development totals \$124.35 million and includes a mixture of tax-exempt bonds, a short-term taxable loan from PNC Bank, N.A. (“PNC”), bridge funding facilitated by the Commission’s PNC Real Estate Line of Credit (“PNC RELOC”), and other financial instruments; and

**WHEREAS**, the SCRRAC has experienced construction delays due to unforeseen circumstances, which have resulted in the need for additional funding to cover change orders and other associated costs to continue construction efforts without interruption and to provide time for final cost reconciliation; and

**WHEREAS**, HOC requests the Commission’s authorization to draw up to \$3,000,000 from the PNC LOC to replenish the contingency for the SCRRAC.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby authorizes a draw of up to \$3.0 million from the PNC LOC to replenish the contingency for the SCRRAC.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission Montgomery County authorizes the Executive Director, or her designee, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including the execution of any related documents.

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on September 13, 2023.

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Chelsea J. Andrews  
Executive Director

**RESOLUTION No.: 23-53C**

**RE: Approval to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Replenish the Contingency for The Leggett**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), through Elizabeth House III Limited Partnership, oversees the Elizabeth Square Master Development Plan, which includes The Leggett, a 267-unit age-restricted apartment community; and

**WHEREAS**, the financing for the Elizabeth Square Master Development totals \$124.35 million and includes a mixture of tax-exempt bonds, a short-term taxable loan from PNC Bank, N.A. (“PNC”), bridge funding facilitated by the Commission’s PNC Real Estate Line of Credit (“PNC RELOC”), and other financial instruments; and

**WHEREAS**, the Commission initially anticipated project completion and stabilization for The Leggett by May 2023, but due to unforeseen challenges, the new estimated stabilization period is the first half of 2024, necessitating the need for additional funding for covering project change orders; and

**WHEREAS**, due to the timing of Low-Income Housing Tax Credit (“LIHTC”) equity installments, staff recommends drawing up to \$2,000,000 from the PNC RELOC to replenish the project contingency and bridge the receipt of LIHTC equity.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby authorizes a draw of up to \$2.0 million from the PNC RELOC to replenish the contingency and bridge the receipt of LIHTC equity for The Leggett.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission Montgomery County authorizes the Executive Director, or her designee, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein, including the execution of any related documents.

**I HEREBY CERTIFY** that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on September 13, 2023.

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Chelsea J. Andrews  
Executive Director

# *Closing Statement*

Written Statement for Closing a Meeting (“Closing Statement”)

Date: September 13, 2023

A. Pursuant to Section 3-305(b) and (d) of the General Provisions Article of the Annotated Code of Maryland, I move to adjourn this open session to a closed session only:

3.  “To consider the acquisition of real property for a public purpose and matters directly related thereto”;
7.  “To consult with counsel to obtain legal advice”;
8.  “To consult with staff, consultants, or other individuals about pending or potential litigation”;
13.  “To comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.”



B. For each provision checked above, the topic to be discussed and the reason for discussing that topic in closed session is provided below.

Statutory Citation	Topic	Reason for closed-session discussion
§3-305(b)(3)	The potential acquisition/purchase of real property (i.e., land) located in Rockville, Maryland.	This must be a closed meeting in order to protect HOC's ability to purchase the property. Public discussion of this item could adversely affect HOC's ability to negotiate with third parties, which could result in HOC being unable to purchase property.
§3-305(b)(13)	The confidential commercial and financial terms of the above referenced potential acquisition.	Section 4-335 of the Maryland Public Information Act prevents disclosure of confidential commercial or financial information obtained from a third party. This must be a closed meeting in order to protect confidential commercial and financial information provided to HOC from a private party concerning developing the property. All such information is customarily and actually treated as private by the third party, and has been provided to HOC under an assurance of privacy.
§3-305(b)(7)	Obtaining legal advice from legal counsel about two matters that could result in potential litigation.	The meeting must be closed to the public in order to protect HOC's attorney-client privilege.
§3-305(b)(8)	Discussing with staff two matters that could result in potential litigation.	The meeting must be closed to protect HOC's interests in potential litigation.
§3-305(b)(13)	Discussing information about two matters that is subject to attorney-client privilege.	Section 4-301(a)(1) of the Maryland Public Information Act prevents disclosure of information if, by law, the information is privileged or confidential. The meeting must be closed to protect HOC's attorney-client privilege.

C. This statement is made by Roy Priest, Chair.

D. Recorded vote to close the meeting:

- Date: September 13, 2023                                  Time: \_\_\_\_\_
- Location: HOC's Kensington Office (10400 Detrick Avenue, Kensington, MD 20895), Zoom, & Livestream (YouTube).
- Motion to close meeting made by: \_\_\_\_\_
- Motion seconded by: \_\_\_\_\_
- Commissioners in favor: \_\_\_\_\_
- Commissioners opposed: \_\_\_\_\_
- Commissioners abstaining: \_\_\_\_\_
- Commissioners absent: \_\_\_\_\_

Officer's Signature: \_\_\_\_\_

*Adjourn*

# Closed Session