

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes of Vote by Mail Request

October 14, 2015

On October 13, 2015, Chair Roman approved a special meeting to convene via electronic communication due to the expediency to obtain a resolution to address a need regarding Chevy Chase Lake Taxable Draw.

Participant

Sally Roman, Chair
Richard Y. Nelson, Jr., Chair Pro Tem
Christopher Hatcher
Margaret McFarland
Roberto Piñero

Unavailable

Jackie Simon, Vice Chair

Also Participating

Stacy L. Spann, Executive Director
Kelly McLaughlin, General Counsel
Gail Willison, Chief Financial Officer
Kayrine Brown, Chief Investment and Real Estate Officer

Commission Support

Patrice Birdsong

Explanation for New Resolution

At its regular meeting on October 7, 2015, the Commission authorized staff to draw, on a tax-exempt basis, up to \$6,875,000 from the original PNC Bank, N.A. line of credit (\$60 million) to prepay the outstanding mortgage and redeem the related tax-exempt bonds (Resolution 15-80A). The interest rate on a tax-exempt draw is 68.5% of the London Interbank Offered Rate (LIBOR) plus 38 basis points.

While preparing to issue an opinion on the tax-exempt nature of the draw, HOC's bond counsel, Kutak Rock, LLP, advised that the draws on the PNC Bank, N.A. line of credit cannot be a tax-exempt draw because the sale of the portion of the site to EYA constitutes a change in use from a governmentally owned project to privately owned project under current IRS regulations.

Kutak Rock further outlined certain other conditions that would have to be met to qualify the draw for tax-exemption, but those conditions cannot be met, given the nature of the Chevy Chase Lake transaction with EYA—sale of the units to high income purchasers without price restrictions and the installment nature of the payments.

Staff agrees and therefore requests the Commission’s approval of Resolution 15-85SS to supersede Resolution 15-80A and to authorize the draw on a *taxable* basis, with interest payable at the contractual rate of LIBOR plus 90 basis points. No other change is requested; the loan is still projected to remain outstanding for 24 months and will be repaid from permanent financing proceeds of the multifamily building.

Commissioners were asked to vote via email by 2:00 p.m., Wednesday, October 14, 2015.

The resolution was adopted upon a motion by Chair Pro Tem Nelson and seconded by Commissioner Piñero. Affirmative votes were cast by Commissioners Roman, Nelson, Hatcher, McFarland and Piñero. Commissioner Simon was necessarily unavailable and did not participate in the vote.

RESOLUTION No.: 15-85SS

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

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

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

WHEREAS, on July 30, 2013, the Montgomery County Council approved the redevelopment plan for the CCL Site based on a proposed joint development for mixed-use housing providing between 20-40 affordable rental units and 30-40 workforce units in a 150200 mixed income mid-rise building to be retained by the Corporation (the “Multifamily

Building”) in addition to 50-60 for-sale townhomes (the “Townhouses”), of which 15% are slated to be Moderately Priced Dwelling Units pursuant to Article 25A of the County Code (MPDUs); and

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

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

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

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

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

WHEREAS, on October 7, 2015, the Commission approved Resolution 15-80a which authorized a tax-exempt draw on the LOC, but now wishes to authorize a taxable draw at the recommendation of bond counsel.

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

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that this Resolution supersedes Resolution 15-80a, but that all other prior acts and doings of the officials, agents and employees of the Commission which are in conformity with

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the purpose and intent of this Resolution, and in furtherance thereof, are in all respects hereby affirmed, ratified, approved and confirmed.

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

The meeting closed, Wednesday, October 14, 2015 at 2:00

p.m. Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb