

**EXPANDED AGENDA**

**January 13, 2016**

|                                 |  |  |
|---------------------------------|--|--|
| 3:30 p.m.                       | <b>I. Public Hearing</b>   |  |
| 4:00 p.m.                       | <b>II. <u>CONSENT ITEMS</u></b>  |  |
| Page 4<br>22<br>27<br>37<br>39  | <ul style="list-style-type: none"> <li>A. Approval of Minutes of December 2, 2015</li> <li>B. Approval of Minutes of Special Teleconference Meeting of December 18, 2015</li> <li>C. Authorization to Revise HOC's Administrative Plan and ACOP Regarding HUD's New Definition of the Term "Family" and HUD's Changes to the Flat Rent Policy</li> <li>D. Ratification of Approval of the FY'17 County Operating Budget MARC Reduction</li> <li>E. Correction of Technical Error and Ratification of Action Taken in Special Session on December 18, 2015: Authorization for Advanced Fire Protection Systems, LLC to Complete Sprinkler Installation at Arcola Towers on Behalf of Arcola Towers RAD Limited Partnership</li> </ul> |  |
| 4:05 p.m.                       | <b>III. <u>INFORMATION EXCHANGE</u></b>  |  |
| Page 42<br>45                   | <ul style="list-style-type: none"> <li>A. Report of the Executive Director</li> <li>B. Calendar and Follow-up Action</li> <li>C. Correspondence and Printed Matter</li> <li>D. Commissioner Exchange</li> <li>E. Resident Advisory Board</li> <li>F. Community Forum</li> <li>G. Status Report</li> </ul>  |  |
| 4:15 p.m.                       | <b>IV. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u></b>   |  |
| Page 50<br>65<br>72<br>76<br>80 | <ul style="list-style-type: none"> <li><b>A. Budget, Finance and Audit Committee – <i>Com. Roman, Acting</i></b> <ul style="list-style-type: none"> <li>1. Acceptance of First Quarter FY'16 Budget to Actual Statements</li> <li>2. Approval of FY'16 First Quarter Budget Amendment</li> <li>3. Approval to Amend and Extend the Term of the Management Agreement for Tanglewood and Sligo Limited Partnership</li> <li>4. Approval to Amend and Extend the Term of the Management Agreement for 527 Dale Drive and Southbridge Apartments</li> <li>5. Approval to Amend and Extend the Term of the Management Agreement for Manchester Manor</li> </ul> </li> </ul>   |  |
| 4:45 p.m.                       | <b>V. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u></b>  |  |
| Page 85                         | <ul style="list-style-type: none"> <li>A. Authorization to Issue up to \$2 Million of Additional Private Activity, Tax-Exempt Bonds and Loan Such Proceeds to Arcola Towers RAD Limited Partnership Transaction and Approval to Fund the Issuance by a Draw on the Original PNC Bank, N.A. Line of Credit (\$60 Million) or Such Other Qualified Tax-Exempt Obligation Subject to Volume CAP</li> </ul>  |  |
|                                 | <b>VI. <u>*FUTURE ACTION ITEMS</u></b>   |  |
|                                 | <b>VII. <u>INFORMATION EXCHANGE (continued)</u></b>  |  |
|                                 | <ul style="list-style-type: none"> <li>A. Community Forum</li> </ul>   |  |
|                                 | <b>VIII. <u>NEW BUSINESS</u></b>   |  |
|                                 | <b>IX. <u>EXECUTIVE SESSION FINDINGS</u></b>   |  |

|                      |  |  |
|----------------------|--|--|
| 5:15 p.m.            | <b><u>ADJOURN</u></b>  |  |
| 5:15 p.m.<br>Page 99 | <b><u>Development Corporation Meeting – Paddington Square</u></b> <ul style="list-style-type: none"> <li>• Approval to Amend and Extend the Term of the Management Agreement for Paddington Square Apartments</li> </ul> |  |
|                      |  |  |
| 5:20 p.m.            | <b><u>ADJOURN</u></b>  |  |
|                      |  |  |
|                      | <b><u>EXECUTIVE SESSION</u></b>  |  |

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NOTES:

1. This Agenda is subject to change without notice.
2. Public participation is permitted on Agenda items in the same manner as if the Commission was holding a legislative-type Public Hearing.
3. Times are approximate and may vary depending on length of discussion.
4. \*These items are listed "For Future Action" to give advance notice of coming Agenda topics and not for action at this meeting.
5. Commission briefing materials are available in the Commission offices the Monday prior to a Wednesday meeting.

If you require any aids or services to fully participate in this meeting, please call (240) 627-9425 or email [commissioners@hocmc.org](mailto:commissioners@hocmc.org).

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# Consent Items

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Minutes**

December 2, 2015  
15-12

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, December 2, 2015 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:18 p.m. Those in attendance were:

**Present**

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

**Not Present**

Margaret McFarland

**Also Attending**

Stacy Spann, Executive Director  
Ruth Jorge  
Kayrine Brown  
Pavel Orlov  
Jay Shepherd  
Ellen Goff  
Kathy Kramer  
Bobbie DaCosta  
Rita Harris  
Dean Tyree  
Susan Smith  
Kenneth Thomas  
Zachary Marks  
Mary Ellen Ewing  
Mei Li  
Lola Knights  
Sheryl Hammond  
Lynn Hayes  
Angela McIntosh-Davis  
Shannon Cloud-Wooten

Kelly McLaughlin, General Counsel  
Belle Seyoum  
Anita Inman  
Zachary Marks  
Teferi Gebremariam  
Wilson Choi  
Ugonna Ibebuchi  
Whitley Granberry  
Jim Atwell  
Fred Swan  
Stephanie Semones  
Jennifer Arrington  
Bill Anderson  
Saundra Boujai  
Patrick Mattingly

**Commission Support**

Patrice Birdsong, Spec. Asst. to Commission

**IT Support**

Irma Rodriguez  
Dominique Laws

Prior to the convening of the Commission meeting, Chair Roman opened the meeting acknowledging the 2015 Longevity Service Award recipients and introducing Patrick Mattingly, Human Resources Director, as Master of Ceremonies. Chair Roman and Executive Director Spann presented staff with their awards. The following employees were recognized for their years of service:

**35 Years of Service**

Helene Edwards

**30 Years of Service**

Saundra Young-Boujai

**25 Years of Service**

Diane Morrison  
Patrice Birdsong  
Paula Phillips  
Saliya Dangamuwa  
Sherrie Dillman

**20 Years of Service**

Jesse Hewell

**15 Years of Service**

Dean Tyree  
Dora Reyes  
Eugenia Pascual  
Karen Jefferies  
Liz Zadeng  
Louis Chaney  
Marilyn Tiklo-Fox  
Melissa Wesley  
Monroetta Howard  
Nancy Carlin  
Wanda Seymore

**10 Years of Service**

Anita Inman  
Antonia Whitfield  
Claudia Wilson  
Dwayne Vanderpool  
Karlos Taylor  
Katherine Duffy  
Michael Green  
Michael Stover  
Pradeep Kumar  
Samura Sesay

**5 Years of Service**

Anthony Harris  
Brent Jefferson  
Brian Marshall  
Charmaine Thompson  
Deborah Taylor  
Levison Ferrell  
Moustapha Diop  
Paul Vinciguerra  
Pavel Orlov  
Peter Atta  
Salvin Wallace

The Board went into a brief recess and reconvened at 4:25 p.m.

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

**I. CONSENT ITEMS**

**A. Approval of Minutes**

- **Approval of Minutes of Regular Meeting of November 3, 2015** – The minutes were approved as submitted.

**B. Approval of Special Session Minutes**

- **Approval of Minutes of Special Session Meeting of November 5, 2015** – The minutes were approved as submitted.

**C. Ratification of Acceptance of HOC FY'15 Audited Financial Statements Single Audit Report (A-133), and Management Letter**

**RESOLUTION: 15-98R**

**RE: Ratification of Acceptance of HOC  
FY'15 Audited Financial Statements  
Single Audit Report (A-133) and  
Management Letter**

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

**WHEREAS**, pursuant to a Special Session called on November 5, 2015, in which a quorum participated, the Commission conducted a vote by mail and duly adopted Resolution 15-98SS titled: “Acceptance of HOC FY'15 Audited Financial Statements Single Audit Report (A-133) and Management Letter”; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission on November 5, 2015 in adopting Resolution 15-98SS and any actions taken to effectuate the transaction authorized by Resolution 15-98SS.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 15-98SS and any actions taken to carry-out the matters authorized thereby are hereby ratified and affirmed.

**D. Ratification of Approval to Terminate Regulatory Agreement for the Crossings at Washington Center (formerly Oakwood Apartments)**

**RESOLUTION: 15-99R**

**RE: Ratification of Approval to Terminate Regulatory Agreement for the Crossings at Washington Center (formerly Oakwood Apartments)**

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

**WHEREAS**, pursuant to a Special Session called on November 5, 2015, in which a quorum participated, the Commission conducted a vote by mail and duly adopted Resolution 15-99SS titled: “Approval to Terminate the Regulatory Agreement for the Crossings at Washingtonian Center (formerly known as Oakwood-Gaithersburg Apartments)”; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commission on November 5, 2015 in adopting Resolution 15-99SS and any actions taken to effectuate the transaction authorized by Resolution 15-99SS.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 15-99SS and any actions taken to carry-out the transaction authorized thereby are hereby ratified and affirmed.

**E. Approval of New Participating Lender for the Single Family Mortgage Purchase Program (MPP)**

**RESOLUTION: 15-100**

**RE: Approval of New Participating Lender for the Single Family Mortgage Purchase Program (MPP)**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County approves lenders to participate in the Mortgage Purchase Program; and

**WHEREAS**, such participation is continuous and for multiple programs; and

**WHEREAS**, the Commission has approved an ongoing process for adding new lenders to the Mortgage Purchase Program; and

**WHEREAS**, Homeside Financial, LLC has applied for participation in the Mortgage Purchase Program; and

**WHEREAS**, Homeside Financial, LLC has satisfied the required criteria for admittance to the Mortgage Purchase Program.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Homeside Financial, LLC is approved for participation in the Mortgage Purchase Program, effective immediately.

**F. Approval to Act as a Financing Conduit for a Refinancing Loan from BB&T Bank in an Amount Not to Exceed \$21,000,000 for Alexander House Development Corporation**

**RESOLUTION: 15-107**

**RE: Approval to Act as a Financing Conduit for a Refinancing Loan from BB&T Bank in an Amount Not to Exceed \$21,000,000 for Alexander House Development Corporation**

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

**WHEREAS**, the Alexander House Development Corporation is a wholly controlled corporate instrumentality of the Commission which owns a 312 unit property known as Alexander House located at 8560 Second Avenue, Silver Spring, Maryland 20910 (“Property”); and

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

**WHEREAS**, on October 22, 2014, the Commission approved a tax-exempt draw on the RELOC and an advance to Alexander House Development Corporation (AHDC) in the amount of \$20,271,301.57 to retire the mortgage on the Property; and



**WHEREAS**, on September 2, 2015, the Board of Directors for AHDC approved a tax-exempt loan from BB&T in an amount not to exceed \$21,000,000 (the “Loan”) in order to repay the RELOC advance; and

**WHEREAS**, in order to obtain the fixed tax-exempt interest rate of approximately 1.89% for 24 months and a floating tax-exempt interest rate for up to an additional 12 months, the Loan must be made directly from BB&T Bank to the Commission and then re-loaned by the Commission to AHDC; and

**WHEREAS**, the Commission wishes to act as a conduit for the Loan and pass the same terms on to AHDC for the benefit of the Property.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County hereby approves acting as a financing conduit for the benefit of Alexander House and accepting a loan from BB&T Bank in an amount not to exceed \$21,000,000 and loaning such amount on the same terms to the Alexander Housing Development Corporation.

**BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery hereby authorizes and directs the Executive Director 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 loan documents related thereto.

## **II. INFORMATION EXCHANGE**

- A. Report of the Executive Director** – Mr. Spann reported that there was a successful closing on the Multi-Family 2015 Series A Bonds related to Waverly House and Arcola Towers. He thanked staff and the Commissioners who participated. Chair Roman also congratulated staff. Mr. Spann announced that there is a plan for a ground breaking event in January 2016.
- B. Commissioner Exchange** – Chair Roman congratulated Vice Chair Simon on her reappointment to the HOC Board. Ms. Roman also acknowledged the appointment of Linda Croom as the new Resident Commissioner to be joining the Board in January 2016.
- C. Resident Advisory Board** – None
- D. Community Forum** – None
- E. Status Report** – None

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

**A. Development and Finance Committee – Com. Simon, Chair**

- 1. Authorization for the Executive Director to Negotiate and Execute a Contract with Harkins Builders LLC for General Contractor Services for the Renovation of Arcola Towers and Waverly House; and Approval for the Executive Director to Execute all Documents Related to the Closing of the Arcola Towers RAD LP and Waverly House RAD LP Transactions**

Zachary Marks, Assistant Director of New Development, and Jay Shepherd, Senior Financial Analyst, were presenters.

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

**RESOLUTION: 15-101**

**RE: Approval for Executive Director to Execute Documents to Admit the Low-Income Housing Tax Credit Investor Limited Partner for Arcola Towers RAD Limited Partnership**

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

**WHEREAS**, the Commission approved the development of a project known as Arcola Towers, consisting of one hundred and forty-one (141) units of age-restricted public rental housing located in Silver Spring, Maryland, constructed as housing for low-income persons (the "Development"); and

**WHEREAS**, on January 14, 2015, the Commission approved a proposed transfer of the Property to Arcola Towers RAD Limited Partnership (the "Partnership") and tenant-in-place renovation financed through Commission-issued tax-exempt bonds and equity from the sale of 4% Low Income Housing Tax Credits (LIHTC); and

**WHEREAS**, on May 7, 2014, the Commission approved the formation of a limited partnership, the Partnership, in which Arcola Towers RAD GP LLC is the general partner, for the

purpose of carrying out the Development, as stated in the agreement between Arcola Towers RAD GP LLC and the limited partner (the "Partnership Agreement"); and

**WHEREAS**, on April 1, 2015, the Commission approved the selection of Boston Capital or its affiliate (the "Investor Limited Partner") as the LIHTC investor and its admission as a limited partner in the Partnership in exchange for its equity investment in the approximate amount of \$8 Million (the "Investment"); and

**WHEREAS**, the Investor Limited Partner's Investment is now projected to be approximately \$8,428,214; and

**WHEREAS**, as part of the Investment, Investor Limited Partner shall require that the Partnership Agreement be amended and restated in its entirety to reflect the terms of the Investment (the "Amended and Restated Agreement of Limited Partnership"); and

**WHEREAS**, as part of the Investment, Investor Limited Partner shall require that the Commission enter into various documents relating to the development and/or operation of the Development (the "Syndication Documents").

**NOW, THEREFORE, BE IT RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP, LLC, acting in its capacity and for and on behalf of Arcola Towers RAD Limited Partnership, is hereby authorized to take all actions to facilitate the Investment in the Partnership by Investor Limited Partner by entering into any and all agreements with Investor Limited Partner, and to take any and all further actions to facilitate the Investment in the Partnership by Investor Limited Partner.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP, LLC, acting in its capacity and for and on behalf of Arcola Towers RAD Limited Partnership, hereby authorizes and directs the Executive Director to enter into, execute and deliver the following listed Syndication Documents:

1. Amended and Restated Agreement of Limited Partnership;
2. Guaranty Agreement;
3. Right of First Refusal Agreement;
4. Development Agreement; and
5. Such other document reasonably and customarily required in connection with the admission of a LIHTC investor as a limited partner.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP, LLC, acting in its capacity and for and on behalf of Arcola Towers RAD Limited Partnership, hereby authorizes the Executive Director, without further action on their respective parts, to take any and all other

actions necessary and proper to admit the Investor Limited Partner to the Arcola Towers RAD Limited Partnership.

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

**RESOLUTION: 15-102**

**RE: Approval for Executive Director to Execute Documents to Admit the Low-Income Housing Tax Credit Investor Limited Partner for Waverly House RAD Limited Partnership**

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

**WHEREAS**, the Commission approved the development of a project known as Waverly House, consisting of one hundred and fifty-eight (158) units of age-restricted public rental housing located in Bethesda, Maryland, constructed as housing for low-income persons (the "Development"); and

**WHEREAS**, on January 14, 2015, the Commission approved a proposed transfer of the Property to Waverly House RAD Limited Partnership (the "Partnership") and tenant-in-place renovation financed through Commission-issued tax-exempt bonds and equity from the sale of 4% Low Income Housing Tax Credits (LIHTC); and

**WHEREAS**, on May 7, 2014, the Commission approved the formation of a limited partnership, the Partnership, in which Waverly House RAD GP LLC is the general partner, for the purpose of carrying out the Development, as stated in the agreement between Waverly House RAD GP LLC and the limited partner (the "Partnership Agreement"); and

**WHEREAS**, on April 1, 2015, the Commission approved the selection of R4 WP Acquisition LLC's (the "Investor Limited Partner") as the LIHTC investor and its admission as a limited partner in the Partnership in exchange for its equity investment in the approximate amount of \$ 14.5 Million (the "Investment"); and

**WHEREAS**, the Investor Limited Partner's Investment is now projected to be approximately \$14,680,916; and

**WHEREAS**, as part of the Investment, Investor Limited Partner shall require that the Partnership Agreement be amended and restated in its entirety to reflect the terms of the Investment (the “Amended and Restated Agreement of Limited Partnership”); and

**WHEREAS**, as part of the Investment, Investor Limited Partner shall require that the Commission enter into various documents relating to the Development and/or operation of the Development (the “Syndication Documents”).

**NOW, THEREFORE, BE IT RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Waverly House RAD GP, LLC, acting in its capacity and for and on behalf of Waverly House RAD Limited Partnership, is hereby authorized to take all actions to facilitate the Investment in the Partnership by Investor Limited Partner by entering into any and all agreements with Investor Limited Partner, and to take any and all further actions to facilitate the Investment in the Partnership by Investor Limited Partner.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Waverly House RAD GP, LLC, acting in its capacity and for and on behalf of Waverly House RAD Limited Partnership, hereby authorizes and directs the Executive Director to enter into, execute and deliver the following listed Syndication Documents:

6. Amended and Restated Agreement of Limited Partnership;
7. Guaranty Agreement;
8. Development Agreement; and
9. Such other document reasonably and customarily required in connection with the admission of a LIHTC investor as a limited partner.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Waverly House RAD GP, LLC, acting in its capacity and for and on behalf of Waverly House RAD Limited Partnership, authorizes the Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to admit the Investor Limited Partner to the Waverly House RAD Limited Partnership.

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

**RESOLUTION: 15-103**

**RE: Authorization for the Executive Director to Negotiate and Execute a Contract with Harkins Builders, Inc. for General Contractor Services for the Renovation of Waverly House;**

**and Approval for the Executive  
Director to Execute all Documents  
Related to the Closing of the Waverly  
House Rental Assistance  
Demonstration Conversion  
Transaction**

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

**WHEREAS**, the US Department of Housing and Urban Development’s (HUD’s) Rental Assistance Demonstration program (“RAD Program”) presents the Commission with an opportunity to convert its multifamily public housing assets to projects that will receive Project-based Section 8 rental subsidies, which will allow HOC to provide for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of these public housing developments; and

**WHEREAS**, on July 30, 2013, the Commission approved participation in the RAD Program and authorized evaluation of a portfolio disposition of its entire Public Housing program in multifamily and senior developments; and

**WHEREAS**, on December 18, 2013, HUD awarded a Commitments for a Housing Assistance Payment contract (the “CHAP”) for Waverly House (“Property”); and

**WHEREAS**, on May 7, 2014, the Commission approved a preliminary development plan for the Property, the formation of Waverly House RAD Limited Partnership (“Partnership”) and the transfer of the Property to the Partnership; and

**WHEREAS**, on August 6, 2014 the Commission approved the selection of either or both Harkins Builders, Inc. and Whiting-Turner as the general contractor(s) for the rehabilitation of Arcola Towers and/or Waverly House; and

**WHEREAS**, on January 14, 2015, the Commission approved a final development plan (“Development Plan”) for the tenant-in-place renovation and the disposition or transfer of rental assistance for the Property pursuant to the RAD program, which Development Plan anticipated engaging Whiting-Turner to rehabilitate Waverly House; and

**WHEREAS**, on August 5, 2015, the Commission approved a financing plan for the acquisition and rehabilitation of the Property (“Financing Plan”) and among things, authorized the execution of the related bond and loan documents; and

**WHEREAS**, on November 5, 2015, HUD awarded the Commission a RAD Conversion Commitment (RCC) for the conversion of the Property under the RAD program; and

**WHEREAS**, the RCC requires the execution of a release of the public housing Declaration of Trust currently recorded against the Property, the execution and recordation of a RAD Use Agreement against the Property, and the execution of a PBRA Housing Assistance Payments Contract among other documents (collectively, the “RAD Conversion Documents”); and

**WHEREAS**, the construction budget presented by Whiting-Turner for the rehabilitation of the Property was significantly higher than the construction budget presented by Harkins Builders, Inc. and the Commission now wishes to engage Harkins Builders, Inc. to perform the general contracting services for the Property; and

**WHEREAS**, the Commission is the sole member of Waverly House RAD GP LLC, the general partner of the Partnership.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Waverly House RAD GP LLC, acting in its own capacity and for and on behalf of Waverly House RAD Limited Partnership, hereby authorizes and directs the Executive Director to negotiate and execute a construction contract with Harkins Builders, Inc. in an amount not to exceed \$13,000,000 for the rehabilitation of Waverly House.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Waverly House RAD GP LLC, acting in its own capacity and for and on behalf of Waverly House RAD Limited Partnership, hereby authorizes and directs the Executive Director to execute the RAD Conversion Documents.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Waverly House RAD GP LLC, acting in its own capacity and for and on behalf of Waverly House RAD Limited Partnership, hereby authorizes and directs the Executive Director, without further action on their respective parts, to execute the 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.

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

**RESOLUTION: 15-104**

**RE: Authorization for the Executive Director to Negotiate and Execute a Contract with Harkins Builders, Inc. for General Contractor Services for**



**the Renovation of Arcola Towers; and  
Approval for the Executive Director to  
Execute all Documents Related to the  
Closing of the Arcola Towers Rental  
Assistance Demonstration Conversion  
Transaction**

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

**WHEREAS**, the US Department of Housing and Urban Development’s (HUD’s) Rental Assistance Demonstration program (“RAD Program”) presents the Commission with an opportunity to convert its multifamily public housing assets to projects that will receive Project-based Section 8 rental subsidies, which will allow HOC to provide for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of these public housing developments; and

**WHEREAS**, on July 30, 2013, the Commission approved participation in the RAD Program and authorized evaluation of a portfolio disposition of its entire Public Housing program in multifamily and senior developments; and

**WHEREAS**, on December 18, 2013, HUD awarded a Commitments for a Housing Assistance Payment contract (the “CHAP”) for Arcola Towers (“Property”); and

**WHEREAS**, on May 7, 2014, the Commission approved a preliminary development plan for the Property, the formation of Arcola Towers RAD Limited Partnership (“Partnership”) and the transfer of the Property to the Partnership; and

**WHEREAS**, on August 6, 2014 the Commission approved the selection of either or both Harkins Builders, Inc. and Whiting-Turner as the general contractor(s) for the rehabilitation of Arcola Towers and/or Waverly House; and

**WHEREAS**, on January 14, 2015, the Commission approved a final development plan (“Development Plan”) for the tenant-in-place renovation and the disposition or transfer of rental assistance for the Properties pursuant to the RAD program; and

**WHEREAS**, on August 5, 2015, the Commission approved a financing plan for the acquisition and rehabilitation of the Property (“Financing Plan”) and among other things, authorized the execution of the related bond and loan documents; and



**WHEREAS**, concurrently on August 5, 2015, the Commission approved a contract with Harkins Builders, Inc. for the performance of a subset scope of repairs and miscellaneous rehabilitation work from the Development Plan (“Interim Scope”), to be completed prior to the RAD conversion and paid for with unobligated Capital Fund Program (CFP) monies in an amount not to exceed \$1,500,000 as part of the overall Financing Plan; and

**WHEREAS**, subsequently, the Interim Scope work was intentionally delayed and subsumed under the Development Plan; and

**WHEREAS**, on November 5, 2015, HUD awarded the Commission a RAD Conversion Commitments (RCC) for the conversion of the Property under the RAD program; and

**WHEREAS**, the RCC requires the execution of a release of the Declaration of Trust currently recorded against the Property, the execution and recordation of a RAD Use Agreement against the Property, and the execution of a PBRA Housing Assistance Payments Contract among other documents (collectively, the “RAD Conversion Documents”); and

**WHEREAS**, the Commission is the sole member of Arcola Towers RAD GP LLC, the general partner of the Partnership.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting in its own capacity and for and on behalf of Arcola Towers RAD Limited Partnership, hereby authorizes and directs the Executive Director to negotiate and execute a construction contract with Harkins Builders, Inc. in an amount not to exceed \$9,250,000 for the rehabilitation of Arcola Towers.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting in its own capacity and for and on behalf of Arcola Towers RAD Limited Partnership, hereby authorizes and directs the Executive Director to execute the RAD Conversion Documents.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting in its own capacity and for and on behalf of Arcola Towers RAD Limited Partnership, hereby authorizes and directs the Executive Director, without further action on their respective parts, to execute the 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.

**B. Legislative and Regulatory Committee – Com. Hatcher, Chair**

**1. Approval of Amended and Restated Bylaws of the Housing Opportunities Commission of Montgomery**

Kelly McLaughlin, General Counsel, was the presenter.

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

**RESOLUTION: 15-105**

**RE: Approval of Amended and Restated  
Bylaws of the Housing Opportunities  
Commission of Montgomery County**

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

**WHEREAS**, the Commission’s bylaws were last revised in 2005; and

**WHEREAS**, the Commission wishes to amend and restate its bylaws to permit greater flexibility for convening meetings in compliance with the Maryland Open Meetings Act, codified at Section 3-101 et seq. in the General Provisions Article of the Maryland Annotated Code (2014).

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County hereby approves and adopts the amended and restated bylaws presented.

**IV. ITEMS REQUIRING DELIBERATION and/or ACTION**

**A. Approval to Amend and Extend the Property Management Agreement for The Ambassador**

Bobbie DaCosta, Acting Director of Property Management, was the presenter.

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

Nelson, Hatcher, and Piñero. Commissioner McFarland was necessarily absent and did not participate in the vote.

**RESOLUTION: 15-106**

**RE: Approval to Amend and Extend the  
Term of the Management Agreement  
for the Ambassador**

**WHEREAS**, HOC is the sole owner of HOC Ambassador, Inc., the general partner for the Wheaton-University Boulevard Limited Partnership, which owns the development known as The Ambassador (the “Property”); and

**WHEREAS**, the Commission authorized the Executive Director to execute a contract for Property Management Services (the “Management Agreement”) with Equity Management, LLC (“Equity”) for the Property; and

**WHEREAS**, all interest in the contract was reassigned to Residential One, LLC, an affiliate of Equity, on September 1, 2015; and

**WHEREAS**, the authorized contract term will expire on January 15, 2016; and

**WHEREAS**, the Commission wishes to amend and extend the term of the Management Agreement for the Property for a one year term.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC Ambassador, Inc., acting for and on behalf of Wheaton-University Boulevard Limited Partnership, that the Executive Director is hereby authorized and directed to amend and extend the term of the Management Agreement for the Property for one year.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for itself and for and on behalf of HOC Ambassador, Inc., acting for and on behalf of Wheaton-University Boulevard Limited Partnership, that the Executive Director is hereby authorized and directed to take any and all other action necessary and proper to carry out the transaction contemplated herein.

**V. FUTURE ACTION ITEMS**

**None**

**VI. INFORMATION EXCHANGE (CONT'D)**

**None**

**VII. NEW BUSINESS**

**A. Approval of Andrew Marshall, Keneisha Roberts, Nicolás Seré, Varun Dhawan, Kenneth Tecler as Board Directors of Housing Opportunities Community Partners, Inc.**

Fred Swan, Director of Resident Services, was the presenter.

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

**RESOLUTION: 15-108**

**RE: Approval of Andrew Marshall, Keneisha Roberts, Nicolás Seré, Varun Dhawan, Kenneth Tecler as Board Directors of Housing Opportunities Community Partners, Inc.**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County approved the creation of the non-profit, Housing Opportunities Community Partners, Inc. (Community Partners), in 1999 to support the residents and programs of the Housing Opportunities Commission; and

**WHEREAS**, the Board of Community Partners has reviewed and approved the resumes and submitted the names of the nominees as a highly qualified individual to fill the vacancies on the Community Partners Board; and

**WHEREAS**, the Housing Opportunities Commission is required by the Community Partners' by-laws to approve of Board Directors of Community Partners.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that: Andrew Marshall be approved to serve on the Board of Directors of Housing Opportunities Community Partners, Inc. for a term of one (1) year; Keneisha Roberts be approved to serve on the Board of Directors of Housing Opportunities Community Partners, Inc. for a term of two (2) years; Nicolás Seré be approved to serve on the Board of Directors of Housing Opportunities Community Partners, Inc. for a term of one (1) year; Varun Dhawan be approved to serve on the Board of Directors of Housing Opportunities Community Partners, Inc. for a term of two (2) years; and, Kenneth Tecler be approved to serve on the Board of Directors of Housing Opportunities Community Partners, Inc. for a term of three (3) years.

Based upon this report and there being no further business to come before this session of the Commission, a motion was made, seconded and unanimously adopted to adjourn.

The meeting adjourned at 5:05 p.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Special Teleconference Session**

**Minutes**

December 18, 2015

Because time was of the essence for the matters to be discussed, Chair Roman approved a special meeting to convene via electronic communication on Friday, December 18, 2015. The meeting was called to order at 9:15 a.m. to obtain approval to adopt the following resolutions: FY'17 County Operating Budget MARC Reduction, and Authorization for Advanced Fire Protection Systems, LLC to Complete the Sprinkler Installation at Arcola Towers on behalf of Arcola Towers RAD Limited Partnership.

**Participant via Teleconference**

Sally Roman, Chair  
Jackie Simon, Vice Chair  
Richard Y. Nelson, Jr., Chair Pro Tem  
Roberto Piñero

**Unavailable**

Christopher Hatcher  
Margaret McFarland

**Also Participating**

Stacy L. Spann, Executive Director  
Kelly McLaughlin, General Counsel  
Gail Willison, Chief Financial Officer  
Terri Fowler, Budget Officer  
Patrick Mattingly, Human Resources Director  
Kayrine Brown, Chief Investment and Real Estate Officer  
Zachary Marks, Asst. Director of New Development  
Paul Vinciguerra, Project Manager  
Brian Kim, Development Associate (via phone)

**Commission Support**

Patrice Birdsong

**I. Committee Reports and Recommendations for Action (Com. Piñero – Chair):**

**1. Approval of the FY'17 County Operating Budget MARC Reduction**

Gail Willison, Chief Financial Officer, and Terri Fowler, Budget Officer, presented the matter for Commission approval.

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

**RESOLUTION: 15-109SS**

**RE: Approval of the FY'17 County Operating Budget  
MARC Reduction**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County has to submit a County Operating Budget MARC Reduction for FY'17; and

**WHEREAS**, the County has requested HOC submit a proposed MARC Reduction of two percent or \$128,028 (FY'16 approved MARC of \$6,401,408 x 2% = \$128,028) for FY'17.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby approves the submission of the FY'17 County Operating Budget MARC Reduction totaling \$128,028 with details provided to the County at a later date.

**II. Items Requiring Deliberation and/or Action:**

**1. Authorization for Advanced Fire Protection Systems, LLC to Complete the Sprinkler Installation at Arcola Towers on behalf of Arcola Towers RAD Limited Partnership**

Kayrine Brown, Chief Investment and Real Estate Officer, presented the matter for Commission approval.

Due to a scribner's error in numbering the resolution, which technical error will be corrected in a forthcoming meeting, the foregoing resolution titled *Authorization for Advanced Fire Protection Systems, LLC to Complete Sprinkler Installation at Arcola Towers on Behalf of Arcola Towers RAD Limited Partnership*, was approved as Resolution No. 15-107 (rather than as No. 15-110) upon a motion by Vice Chair Simon and seconded by Chair Pro Tem Nelson. Affirmative votes were cast by Commissioners Roman, Simon, Nelson, and Piñero. Commissioners Hatcher and McFarland were necessarily unavailable and did not participate in the vote.

**RESOLUTION: 15-110SS**

**RE: Authorization for Advanced Fire Protection Systems, LLC to Complete Sprinkler Installation at Arcola Towers on Behalf of Arcola Towers RAD Limited Partnership**

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

**WHEREAS**, on June 3, 2015, the Commission awarded a contract to Advanced Fire Protection Systems, LLC (AFPS) under IFB#1950 for fire protection and code upgrades and related repairs (“Sprinkler Work”) at Arcola Towers (“Property”), which were to be funded from County Capital Improvements Program (CIP) monies in the amount of \$2,659,858 prior to the conversion of the Property under the US Department of Housing and Urban Development’s (HUD’s) Rental Assistance Demonstration program (“RAD Program”); and

**WHEREAS**, due to unforeseen delays relating to the Montgomery County Department of Permitting Services (DPS) process, and additional work that AFPS still has to complete detailed drawings for the sprinkler and alarm installation for purposes of the sprinkler/low-voltage permit, the DPS delay means the Sprinkler Work will not take place prior to the conversion of the Property under the RAD Program; and

**WHEREAS**, the Property is projected to convert under the RAD Program on or about December 21, 2015 at which time the Property will be transferred by the Commission to Arcola Towers RAD Limited Partnership (“Partnership”), which Partnership will receive the benefit of the Sprinkler Work; and

**WHEREAS**, the Commission wishes to assign its contract with AFPS for the Sprinkler Work (“Sprinkler Contract”) to the Partnership and wishes for the Partnership to assume the rights and obligations thereunder; and

**WHEREAS**, on August 6, 2014, the Commission approved Harkins Builders, LLC (“Harkins”) to serve as the general contractor for the Arcola Towers renovation as part of the conversion of the Property under the RAD Program and there are economies and efficiencies to be gained by having Harkins perform some of AFP’s scope of work under the general construction contract if the Sprinkler Contract is amended accordingly; and

**WHEREAS**, the rehabilitation of the Property will be funded through tax-exempt bond proceeds as part of a low-income housing tax-credit (LIHTC) transaction; and



**WHEREAS**, the addition of the Sprinkler Work to the Partnership’s general rehabilitation budget allows the cost of the Sprinkler Work to be added to the development’s tax-credit basis and thereby generates additional tax credits and equity for the development, but it also lowers the tax-exempt bonds as a percentage of total eligible project costs below the 50% threshold required for tax-exempt bond LIHTC deals pursuant to Section 42 of the Internal Revenue Code (“Federal 50% Test”); and

**WHEREAS**, the Commission wishes to satisfy the Federal 50% Test by issuing additional short-term tax-exempt obligations and providing a construction-period loan of such proceeds to the Partnership (“Tax-Exempt Funding”), which issuance is anticipated to take place during the third quarter of FY 2016 after the Commission has an opportunity to consider and approve the terms of such funding, as will be evidenced by its adoption of a separate resolution; and

**WHEREAS**, the equity closing, which is anticipated to take place simultaneously with the RAD conversion on or about December 21, 2015, will take place prior to the closing on the Tax-Exempt Funding, necessitating that another basis-eligible cost be temporarily reduced in the interim period in order to meet the Federal 50% Test; and

**WHEREAS**, to offset the cost for the Sprinkler Work, HOC staff supports a solution that calls for a reduction in the development fee from \$2,500,000 to approximately \$601,670, which development fee would be restored to the full \$2,500,00 amount upon the closing of the Tax-Exempt Funding; and

**WHEREAS**, at the time of the equity closing, the Partnership’s tax-credit investor, an affiliate of Boston Capital Partners, Inc. (“Investor”), requires a commitment or guaranty of funding to cover the Sprinkler Work in the interim period until the closing of the Tax-Exempt Funding (the “Interim Funding”) and a commitment or guaranty of permanent funding to repay either the Tax-Exempt Funding or the Interim Funding (“Repayment Funding”); and

**WHEREAS**, the Commission anticipates that the Repayment Funding will be funded with CIP monies from the County.

**NOW, THEREFORE, BE IT RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director to execute an assignment and assumption of the Sprinkler Contract between the Commission and the Partnership and an amendment of the Sprinkler Contract to shift some of the scope of work to the general construction contract with Harkins.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes a temporary reduction of the development fee payable to the Commission by the Partnership, to the extent required to meet the Federal 50% Test, and a restoration of the development fee to the full amount permitted upon the closing of the Tax-Exempt Funding.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director to issue a commitment or guaranty for the Interim Funding and Repayment Funding.

**BE IT FURTHER RESOLVED**, that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to carry out the transaction contemplated herein including.

The Housing Opportunities Commission teleconference meeting concluded and adjourned at 9:30 a.m.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

**AUTHORIZATION TO REVISE  
HOC'S ADMINISTRATIVE PLAN AND ACOP REGARDING  
HUD'S NEW DEFINITION OF THE TERM "FAMILY"  
AND HUD'S CHANGES TO THE FLAT RENT POLICY**

**January 13, 2016**

- The Code of Federal Regulations (CFR) requires that Public Housing Agencies (PHAs) such as the Housing Opportunities Commission of Montgomery County (HOC) adopt written plans and policies that describe the federal regulations and establish the local policies for administration of the voucher and public housing programs of the given PHA. For the Housing Choice Voucher program, this governing document is termed the Administrative Plan. For the Public Housing program, this governing document is termed the Admissions and Continued Occupancy Policy (ACOP).
- The CFR also requires that PHAs such as HOC revise their Administrative Plan and ACOP as needed in order to comply with federal requirements. Optional changes unique to a specific PHA may also be added, provided that they do not conflict with the federal regulations.
- At this time, HOC has developed one proposed revision to its Administrative Plan and two proposed revisions to its ACOP as is consistent with the processes and procedures outlined in the CFR.
- The proposed revision to the Administrative Plan would add HUD's new definition of the term "family" to the Plan. The first of the proposed revisions to the ACOP would add this same new definition of the term "family" to the ACOP. These additions affirm HOC's commitment of compliance with HUD's requirement to provide equal access to housing regardless of sexual orientation, gender identity, or marital status.
- The second proposed revision to the ACOP would add HUD's new flat rent policy into the ACOP. This addition affirms HOC's commitment of compliance with HUD's requirement for all PHAs nationwide to change their flat rents to a uniform minimum of 80 percent of their jurisdiction's Fair Market Rents (FMR).
- A public comment period for these proposed revisions began on December 7, 2015 and will conclude on January 12, 2016, followed by a public hearing on January 13, 2016 at HOC's Kensington office.
- Staff is requesting authorization to make these proposed revisions to HOC's Administrative Plan and ACOP formally a part of these governing documents.

**MEMORANDUM**

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

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Staff: Ethan Cohen      Division: Executive      Ext. 9764  
Lynn Hayes      Housing Resources      Ext: 9622  
Bobbie DaCosta      Property Management      Ext: 9525

**RE:** Authorization to Revise HOC’s Administrative Plan and ACOP Regarding HUD’s New Definition of the Term “Family” and HUD’s Changes to the Flat Rent Policy

**DATE:** January 13, 2016

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**STATUS:**      Consent   X        Deliberation             Status Report             Future Action       

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**OVERALL GOAL & OBJECTIVE:**

To authorize the Executive Director, or his designee, to revise various chapters and sections of HOC’s Administrative Plan for the Housing Choice Voucher Program (“Administrative Plan”) and Admissions and Continued Occupancy Policy (ACOP) for the Public Housing program regarding HUD’s new definition of the term “family” and HUD’s changes to the flat rent policy.

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**BACKGROUND:**

On April 1, 2015, the Housing Opportunities Commission of Montgomery County approved the submission of the Agency’s Fiscal Year (FY) 2016 Public Housing Agency (PHA) Plan. As per HUD Notice PIH 2014-20 (HA), HOC incorporated into its FY 2016 PHA Plan HUD’s new rule regarding equal access to housing in HUD programs regardless of sexual orientation, gender identity, or marital status. This Notice was issued on August 20, 2014 and applies to all HUD-assisted and HUD-insured housing. Accordingly, Sections 6.1(a) and 6.1(b) of the PHA Plan were modified to contain statements in their discussions of Housing Choice Voucher and Public Housing eligibility, selection, and admissions criteria that reflect the changes in the definition of “family” and the requirement to provide equal access regardless of sexual orientation, gender identity, or marital status which are described in HUD Notice PIH 2014-20 (HA).

Accordingly, at this time, HOC is now formally adding HUD’s new definition of the term “family” to its Administrative Plan and ACOP. These additions affirm HOC’s commitment of compliance with HUD’s requirement to provide equal access to housing regardless of sexual orientation, gender identity, or marital status.

On November 5, 2014, HOC approved Resolution 14-101: Authorization to Apply HOC’s New Flat Rent Amounts to New Applicants and Recertifying Households in Public Housing.

This addition to HOC's Admissions and Continued Occupancy Policy (ACOP) ensured the Agency's compliance with HUD Notice PIH 2014-12 (HA). This Notice required all PHAs nationwide to change their flat rents to a uniform minimum of 80 percent of their jurisdiction's Fair Market Rents (FMR). Prior to this change, flat rents were determined individually by PHAs using a "reasonable method to determine the flat rent for a unit". PHAs were instructed to consider:

1. The location, quality, size, unit type and age of the unit; and
2. Any amenities, housing services, maintenance and utilities provided by the PHA.

HOC's flat rents had been set based on a comprehensive market study analysis completed in September 2011. This changed on November 5, 2014 when HOC approved the flat rent schedule identified in Resolution 14-101 so as to ensure consistency with HUD's Notice PIH 2014-12 (HA).

HUD Notice PIH 2014-12 (HA) divided this flat rent change into two obligations: (1) a formal policy change to state that flat rent amounts would be set at a minimum to 80 percent of the jurisdiction's Fair Market Rent (FMR), and (2) an identification of the actual flat rent amounts to be established for those in the PHA's portfolio that have opted to use the flat rents.

PHAs were required to adopt the new flat rent policy change as their PHA's flat rent policy in June of 2014. This was to be done either by direct insertion into an agency's Public Housing Agency (PHA) Plan or by Significant Amendment to the PHA Plan if the Plan had already been submitted for the given fiscal year. HOC was in the development process of its FY 2015 PHA Plan at the time HUD issued its guidance and, therefore, incorporated the flat rent policy change directly into the Plan in June of 2014.

For the second obligation of the flat rent change, PHAs were required to begin applying their new flat rent schedules to households they were recertifying and for new applicants beginning October 31, 2014. Resolution 14-101 completed this second part of the process.

Soon after this flat rent change went into effect, many PHAs throughout the United States expressed their significant frustration with the new obligations. While the effect on larger housing authorities operating in jurisdictions with relatively high rents was minimal, the effect on smaller housing authorities operating in jurisdictions with relatively low rents was much harsher. HOC's portfolio is in line with the former and so we were minimally affected. Additionally, with the conversion of the vast majority of HOC's Public Housing portfolio to long-term, project-based Section 8 rental assistance contracts through RAD, the few households that were affected have converted, or will be converting, before any concerns develop.

However, for the smaller PHAs, HUD's new flat rent policy was still a significant challenge. Working with the National Association of Housing and Redevelopment Officials (NAHRO), these smaller PHAs successfully lobbied Congress and HUD to modify the flat rent policy to instead allow for PHAs to apply for exceptions to the flat rents and also to sometimes use Small Area

Fair Market Rents (SAFMR) to determine their flat rent schedules. On September 9, 2015, HUD published HUD Notice PIH 2015-13 (HA), providing PHAs with implementation guidance for the changes to flat rents that were enacted as part of the FY 2015 Consolidated Appropriations Act. In addition to this guidance, HUD also published an Interim Rule on September 8, 2015 formally incorporating the changes into the program regulations. Accordingly, at this time, HOC is now formally adding HUD's new flat rent policy into the Agency's ACOP.

As part of the process for making revisions or additions to a PHA's Administrative Plan and ACOP, public comment must be sought. Accordingly, HOC will provide a 30-day public comment period which is concluded with a public hearing on the Administrative Plan and ACOP revisions. During the comment period, HOC will make the draft of the proposed revisions to the Administrative Plan and ACOP available on HOC's website as well as in hard copy form at all four of the Agency's offices. Also during the comment period, HOC staff will meet and discuss these proposed revisions with the HOC Resident Advisory Board (RAB), seeking the RAB's comments on these proposed changes. Notice of the comment period and public hearing will be advertised in a local newspaper in Montgomery County.

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**ISSUES FOR CONSIDERATION:**

Does the Housing Opportunities Commission of Montgomery County wish to authorize the Executive Director, or his designee, to revise various chapters and sections of HOC's Administrative Plan for the Housing Choice Voucher Program ("Administrative Plan") and Admissions and Continued Occupancy Policy (ACOP) for the Public Housing program regarding HUD's new definition of the term "family" and HUD's changes to the flat rent policy?

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**PRINCIPALS:**

Executive Division  
Housing Resources Division  
Property Management Division

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**BUDGET IMPACT:**

None.

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**TIME FRAME:**

The Legislative and Regulatory Committee reviewed this item at its meeting on November 20, 2015 and recommended it for Commission action on January 13, 2016.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Housing Opportunities Commission of Montgomery County authorize the Executive Director, or his designee, to revise various chapters and sections of HOC's Administrative Plan for the Housing Choice Voucher Program ("Administrative Plan") and Admissions and Continued Occupancy Policy (ACOP) for the Public Housing program regarding HUD's new definition of the term "family" and HUD's changes to the flat rent policy.

**RESOLUTION: 16-01**

**RE: Authorization to Revise HOC's  
Administrative Plan and ACOP  
Regarding HUD's New Definition of  
the Term "Family" and HUD's  
Changes to the Flat Rent Policy**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County must and desires to revise and make new additions to its Administrative Plan for the Housing Choice Voucher Program and its Admissions and Continued Occupancy Policy for the Public Housing program to add HUD's new definition of the term "family" and add HUD's new flat rent policy; and

**WHEREAS**, a public comment period for these proposed revisions began on December 7, 2015 and concluded on January 12, 2016, followed by a public hearing on January 13, 2016.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it approves and authorizes revisions and new additions to its Administrative Plan for the Housing Choice Voucher Program and Admissions and Continued Occupancy Policy for the Public Housing program to add HUD's new definition of the term "family" and add HUD's new flat rent policy.

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

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on January 13, 2016.

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**Patrice Birdsong  
Special Assistant to the Commission**

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

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

Glossary

**B. GLOSSARY OF TERMS IN SUBSIDIZED HOUSING**

~~**FAMILY.** "Family" includes but is not limited to:~~

~~An Elderly Family or Single Person as defined in 24 CFR 5.403(b),~~

~~The remaining member of a tenant family,~~

~~and A Displaced Person~~

**FAMILY.** The term "family" includes, but is not limited to the following, regardless of actual or perceived sexual orientation, gender identity, or marital status:

- (1) A single person, who may be an elderly person, displaced person, disabled person, near-elderly person or any other single person; or
- (2) A group of persons residing together and such group includes, but is not limited to:
  - a. A family with or without children (a child who is temporarily away from the home because of placement in foster care is considered a member of the family);
  - b. An elderly family;
  - c. A near-elderly family;
  - d. A disabled family;
  - e. A displaced family; and
  - f. The remaining member of a tenant family. (24 CFR 5.403)

**GENDER IDENTITY.** Actual or perceived gender-related characteristics. (24 CFR 5.100)

**SEXUAL ORIENTATION.** Homosexuality, heterosexuality, or bisexuality. (24 CFR 5.100)



Proposed Revisions to  
HOC's Admissions and Continued Occupancy Policy (ACOP)  
for the Public Housing Program

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

Glossary

~~**Family** includes but is not limited to:~~

~~A. A family with or without children;~~

~~B. An elderly family;~~

~~C. A near-elderly family;~~

~~D. A disabled family;~~

~~E. A displaced family;~~

~~F. The remaining member of a tenant family; and~~

~~G. A single person who is not an elderly or displaced person, a person with disabilities, or the remaining member of a tenant family. (24 CFR 5.403)~~

**Family:** The term “family” includes, but is not limited to the following, regardless of actual or perceived sexual orientation, gender identity, or marital status:

(1) A single person, who may be an elderly person, displaced person, disabled person, near-elderly person or any other single person; or

(2) A group of persons residing together and such group includes, but is not limited to:

a. A family with or without children (a child who is temporarily away from the home because of placement in foster care is considered a member of the family);

b. An elderly family;

c. A near-elderly family;

d. A disabled family;

e. A displaced family; and

f. The remaining member of a tenant family. (24 CFR 5.403)

**Gender Identity:** Actual or perceived gender-related characteristics. (24 CFR 5.100)

**Sexual Orientation:** Homosexuality, heterosexuality, or bisexuality. (24 CFR 5.100)

Proposed Revisions to  
HOC's Admissions and Continued Occupancy Policy (ACOP)  
for the Public Housing Program

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

## 13.0 DETERMINATION OF TOTAL TENANT PAYMENT AND TENANT RENT

### 13.4 THE FLAT RENT

~~HOC has set a flat rent for each public housing unit. In doing so, it considered the size and type of the unit, as well as its condition, amenities, services, and neighborhood. HOC has determined the market value of the unit and set the rent at the market value. The amount of the flat rent will be reevaluated annually and adjustments applied. Affected families will be given a 30-day notice of any rent change. Adjustments are applied on the anniversary date for each affected family (for more information on flat rents, see Section 15.3).~~

HOC will set the flat rent amount for each public housing unit to comply with the U.S. Department of Housing and Urban Development's (HUD) requirement that all flat rents be set at no less than 80 percent of the applicable Fair Market Rent (FMR) adjusted, if necessary, to account for reasonable utilities costs. The new flat rent amount will apply to all new program admissions effective September 11, 2014. For current program participants that pay the flat rent amount, the new flat rent amount will be offered, as well as the income-based rent amount, at the next annual rental option.

HOC will place a cap on any increase in a family's single year rental payment that exceeds 35 percent, and is a result of changes to the flat rental amount as follows:

- a. Multiply the existing flat rental payment by 1.35 and compare that to the updated flat rental amount;
- b. The PHA will present two rent options to the family as follows:
  - i. The lower of the product of the calculation and the updated flat rental amount; and
  - ii. The income-based rent.

HOC will post the flat rents at each ~~of the developments~~ public housing property and at the Agency's central office. Additionally, the flat rents ~~and~~ are incorporated into this policy upon approval by the Commission.

**RESOLUTION: 14-101**

**RE: Authorization to Apply  
HOC's New Flat Rent Amounts to  
New Applicants and Recertifying  
Households in Public Housing**

**WHEREAS**, HUD regulations require that the Housing Opportunities Commission of Montgomery County establish new flat rent amounts conforming to the new 80 percent of FMR floor; and

**WHEREAS**, the establishment of these flat rent amounts follows the June 2014 flat rent policy change and must be identified by October 31, 2014.

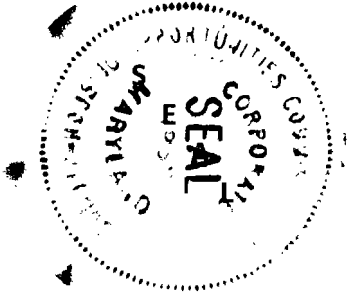
**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized to establish the flat rent amounts listed below.

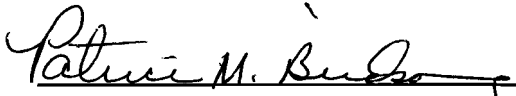
| Bedroom Size           | Recommended Flat Rents | Bedroom Size             | Recommended Flat Rents | Bedroom Size               | Recommended Flat Rents |
|------------------------|------------------------|--------------------------|------------------------|----------------------------|------------------------|
| <b>Elizabeth House</b> |                        | <b>Washington Square</b> |                        | <b>Towne Centre Place</b>  |                        |
| 0                      | \$1,028                | 2                        | \$1,385                | 1                          | \$1,190                |
| 1                      | \$1,384                | 3                        | \$1,583                | 2                          | \$1,275                |
| 2                      | \$1,722                | 4                        | \$1,890                | 3                          | \$1,488                |
| <b>Holly Hall</b>      |                        | <b>Seneca Ridge</b>      |                        | <b>Sandy Spring Meadow</b> |                        |
| 1-Jr                   | \$1,002                | 0                        | \$1,156                | 1                          | \$1,202                |
| 1                      | \$1,305                | 2                        | \$1,397                | 2                          | \$1,273                |
| 2                      | \$1,660                | 3                        | \$1,753                | 3                          | \$1,453                |
| <b>Arcola Towers</b>   |                        | 4                        | \$1,999                | 4                          | \$1,699                |
| 1                      | \$1,145                | <b>Ken Gar</b>           |                        | <b>Tobytown</b>            |                        |
| 1-lg                   | \$1,145                | 2                        | \$1,253                | 1                          | \$843                  |
| <b>Waverly House</b>   |                        | 3                        | \$1,411                | 2                          | \$981                  |
| 1                      | \$1,390                | 4-TH                     | \$1,764                | 3                          | \$1,330                |
| <b>Emory Grove</b>     |                        | 4-SF                     | \$1,699                |                            |                        |
| 1                      | \$949                  | <b>Parkway Woods</b>     |                        |                            |                        |
| 2                      | \$1,120                | 2                        | \$1,150                |                            |                        |
| 3                      | \$1,500                | 3                        | \$1,363                |                            |                        |
| 4                      | \$1,890                | 4                        | \$1,660                |                            |                        |

The foregoing resolution was adopted upon a motion by Commissioner Lindstrom and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Piñero,

Roman, Lindstrom, Simon and McFarland. Commissioners Banks and Herrera were necessarily absent and did not participate in the vote.

I **HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular open meeting conducted on Wednesday, November 5, 2014.



  
Patrice M. Birdsong  
Special Assistant to the Commission

**RATIFICATION OF ACTION TAKEN IN SPECIAL SESSION  
ON DECEMBER 18, 2015:**

**APPROVAL OF THE FISCAL YEAR 2017 COUNTY OPERATING BUDGET  
MARC REDUCTION**

**January 13, 2016**

- At an open Special Session properly conducted on December 18, 2015 by teleconference, the Commission approved the Fiscal Year '17 County Operating Budget MARC Reduction.
- The Commission wishes to ratify and affirm, in an open monthly meeting, the action undertaken at the December 18, 2015 Special Session and any subsequent transactions taken in relation thereto.

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (the "Commission") has to submit a County Operating Budget MARC Reduction for FY'17 to Montgomery County; and

**WHEREAS**, at an open Special Session duly called and held on December 18, 2015, with a quorum voting via teleconference, but not physically present, the Commission duly adopted Resolution 15-109 titled: "Approval of the FY'17 County Operating Budget MARC Reduction"; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open monthly meeting, the action undertaken by the Commission in adopting Resolution 15-109.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that Resolution 15-109 and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open monthly meeting conducted on January 13, 2016.

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**Patrice M. Birdsong**  
**Special Assistant to the Commission**

**CORRECTION OF TECHNICAL ERROR AND RATIFICATION OF ACTION  
TAKEN IN SPECIAL SESSION  
ON DECEMBER 18, 2015:**

**AUTHORIZATION FOR ADVANCED FIRE PROTECTION SYSTEMS, LLC TO  
COMPLETE SPRINKLER INSTALLATION AT ARCOLA TOWERS ON BEHALF  
OF ARCOLA TOWERS RAD LIMITED PARTNERSHIP**

**January 13, 2016**

- At an open Special Session properly convened on December 18, 2015 by teleconference, the Commission authorized several actions relating to Arcola Towers:
  - (1) The Commission authorized the Executive Director to execute an assignment by the Commission and assumption by Arcola Towers RAD Limited Partnership of a contract with Advanced Fire Protection Systems, LLC for sprinkler installation at Arcola Towers; and
  - (2) The Commission authorized the Executive Director to issue a commitment or guaranty for interim funding to fund the sprinkler installation during the construction period, and a commitment for a permanent source of funding to repay such interim funding.
- The Commission wishes to ratify and affirm, in an open monthly meeting, the action undertaken at the December 18, 2015 Special Session and any subsequent transactions taken in relation thereto.
- Further, the Commission wishes to correct a technical scribner's error in referring to the Resolution as 15-107 when it should have read 15-110.

**RESOLUTION: 15-110-R**

**RE: Ratification of Approval for Advanced Fire Protection Systems, LLC to Complete Sprinkler Installation at Arcola Towers on Behalf of Arcola Towers RAD Limited Partnership**

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

**WHEREAS**, on December 18, 2015, with a quorum voting via teleconference, but not physically present, the Commission duly adopted the resolution titled: “Authorize Advanced Fire Protection Systems, LLC to Complete Sprinkler Installation at Arcola Towers on Behalf of Arcola Towers RAD Limited Partnership (the “Resolution”)”, erroneously identified as Resolution 15-107; and

**WHEREAS**, the Resolution should be identified as Resolution 15-110; and

**WHEREAS**, the Commission wishes to ratify and affirm, in an open monthly meeting, the action undertaken by the Commission, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Arcola Towers RAD Limited Partnership, in adopting Resolution titled “Authorization for Advanced Fire Protection Systems, LLC to Complete Sprinkler Installation at Arcola Towers on Behalf of Arcola Towers RAD Limited Partnership”.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Arcola Towers RAD Limited Partnership, that the Resolution titled “Authorization for Advanced Fire Protection Systems, LLC to Complete Sprinkler Installation at Arcola Towers on Behalf of Arcola Towers RAD Limited Partnership” and any subsequent actions taken in relation thereto, are hereby ratified and affirmed and that said Resolution is hereby correctly identified as Resolution No. 15-110.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Arcola Towers RAD Limited Partnership, at an open meeting conducted on January 13, 2016.

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**Patrice M. Birdsong**  
**Special Assistant to the Commission**



# Information Exchange



Report of the Executive Director  
Stacy L. Spann  
January 13, 2016

## **Mortgage Finance**

### *HOC Closed on Waverly House & Arcola Towers*

Shortly before the winter holidays, HOC closed on the issuance of its 2015 Series A Multifamily Housing Development Bonds in the amount of \$36 million to finance the acquisition and rehabilitation of Arcola Towers in Silver Spring and Waverly House in Bethesda. Real estate, equity and mortgage loans also closed last month.

Both communities serve low-income senior citizens and will convert from Public Housing to Project-Based Rental Assistance under the RAD program and will include additional financing from Low Income Housing Tax Credit equity provided by the Arcola and Waverly investors, Boston Capital and R4 Capital.

On Monday, January 4, 2016, Real Estate and Public Affairs held a RAD meeting for residents at Arcola Towers. HOC also held a RAD meeting on Thursday, January 7, 2016 for residents at Waverly House.

During the RAD meetings, clients received updates on the projected timeframe and which units will undergo renovations first. Staff answered client questions and met one-on-one with residents after the RAD meeting to discuss individual concerns. HOC held both meetings in four different languages with the help of translators.

Renovations are scheduled to begin in the next 60 days and both projects are expected to be completed in approximately 12 to 13 months. To date, HOC has closed nine of the 11 approved properties in the RAD program.

## **Legislative and Public Affairs**

### *New Director*



I am pleased to announce the new Director of Legislative and Public Affairs, Shauna M. Sorrells. Prior to joining HOC, Ms. Sorrells served as HUD's Director in the Office of Public Housing, overseeing a program that provides nearly \$5 billion in federal resources for the day-to-day operations of about 1.1 million public housing units across the country. Ms. Sorrells played a lead role in HUD's Rental Assistance Demonstration (RAD) program which, as of December 2015, has converted 35,000 public housing units. During her tenure in the Office of Public Housing, Ms. Sorrells increased the number of vulnerable families housed

through HUD by 33,000 through innovative techniques in the absence of funding. She also created new initiatives to expand STEM resources and programs to women and underserved minorities in public housing.

Ms. Sorrells is an accomplished leader in public housing and I'm excited about what's ahead for Public Affairs.

#### *HOC Annual Meeting*

The 2016 Annual Meeting is scheduled during the next Commission meeting on February 3, 2016. I will review the past year's accomplishments and events, and provide the Commission with a preview of exciting new developments for the year ahead.

#### *New Town Hall Meeting*

HOC will hold its first Town Hall Meeting of the new year on February 8, 2016 inside Julius West Middle School in Rockville. The meeting is located in Montgomery County Council District 1 and will begin at 6:00 p.m.

#### **HOC Academy**

##### *Meet and Greet*



HOC Academy hosted a networking event on Wednesday, December 16, 2015 in the Kensington Atrium. Twenty-one residents attended the event along with 10 senior staff members representing five local contractors. Residents had the chance to meet and speak with employers about local career opportunities. Events like this one are vital for residents in search of a new job and new direction.

##### *Winter 2016 Construction 101*

HOC Academy is currently recruiting for the Winter 2016 Construction 101 program in collaboration with CBP Constructors. Staff has scheduled four information sessions for clients this month. You may recall the first Construction 101 class was held last year from February to April 2015. The eight-week course taught students the basics of the construction industry and included a field trip to a local company to learn how to manufacture windows. Eleven residents participated and successfully completed the program. We hope to see an even bigger class for the Winter 2016 session.

## Housing Resources

### *Coat Drive*



The cold temperatures have returned and HOC is making sure residents stay warm this winter. HOC Staff members generously donated approximately 70 coats to Housing Resources for residents in need. Monetary donations were also accepted.

On Monday, December 21, 2015 at HOC's Kensington office, staff distributed men's, women's and children's coats to HOC residents. As you are well aware, coats can be expensive and a cost-burden for families living paycheck-to-paycheck. It is gratifying to see HOC give assistance and relief to residents.

# HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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## January 2016

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|    |   |            |
|----|---|------------|
| 1  | New Year's Holiday ( <i>HOC Offices Closed</i> )  |            |
| 4  | Agenda Formulation ( <i>Roman, Hatcher</i> )  | 12:00 noon |
| 13 | HOC Regular Meeting ( <i>All</i> )  | 4:00 p.m.  |
| 14 | Town Center Board Meeting ( <i>Simon, Roman</i> ) <small>(Kensington Hearing Room)</small>                  | 2:30 p.m.  |
| 18 | Martin Luther King, Jr. Holiday ( <i>HOC Offices Closed</i> )   |            |
| 19 | Legislative and Regulatory Committee Meeting ( <i>Hatcher, Simon</i> )                                      | 2:00 p.m.  |
| 22 | Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )                               | 9:30 a.m.  |
| 25 | Agenda Formulation ( <i>Roman, Hatcher</i> )  | 12:00 noon |
| 25 | Resident Advisory Board Meeting   | 6:00 p.m.  |
| 28 | Joint Meeting with Montgomery County Planning Board ( <i>All</i> ) <small>(Kensington Hearing Room)</small> | 6:00 p.m.  |

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## February 2016

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|    |  |            |
|----|--|------------|
| 3  | HOC Annual Meeting Reception ( <i>All</i> )  | 3:00 p.m.  |
| 3  | HOC Annual Meeting ( <i>All</i> )  | 4:00 p.m.  |
| 12 | Status/Lunch Meeting w/Executive Director ( <i>All</i> ) – <small>Location TBD</small> | 12:00 noon |
| 15 | President's Day ( <i>HOC Offices Closed</i> )  |            |
| 19 | Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> )          | 9:30 a.m.  |
| 22 | Agenda Formulation ( <i>Roman, Simon</i> )   | 12:00 noon |
| 22 | Resident Advisory Board Meeting  | 6:00 p.m.  |
| 23 | Budget, Finance and Audit Committee Meeting ( <i>Roman, Nelson</i> )                   | 10:00 a.m. |

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## March 2016

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|    |   |            |
|----|---|------------|
| 2  | HOC Regular Meeting ( <i>All</i> )  | 4:00 p.m.  |
| 15 | Legislative and Regulatory Committee Meeting ( <i>Hatcher, Simon</i> )        | 2:00 p.m.  |
| 18 | Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> ) | 9:30 a.m.  |
| 21 | Resident Advisory Board Meeting   | 6:00 p.m.  |
| 28 | Agenda Formulation ( <i>Roman, Simon</i> )                                    | 12:00 noon |

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## April 2016

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|       |  |            |
|-------|--|------------|
| 6     | HOC Regular Meeting ( <i>All</i> )   | 4:00 p.m.  |
| 10-12 | NAHRO – Washington Conference ( <i>All</i> ) <small>(Crystal Gateway Marriott, 1700 Jefferson Davis Hwy., Arlington, VA 22202)</small> |            |
| 13    | Budget, Finance and Audit Committee Meeting ( <i>Roman, Nelson</i> )   | 10:00 a.m. |
| 13    | Town Center Board Meeting ( <i>Simon</i> ) <small>(Kensington Hearing Room)</small>  | 2:30 p.m.  |
| 15    | Status/Lunch Meeting w/Executive Director ( <i>All</i> ) – <small>Location TBD</small>   | 12:00 noon |
| 18    | Resident Advisory Board Meeting  | 6:00 p.m.  |
| 21    | Budget, Finance and Audit Committee Meeting ( <i>Roman, Nelson</i> )   | 10:00 a.m. |

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|    |   |            |
|----|---|------------|
| 22 | Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> ) | 9:30 a.m.  |
| 25 | Agenda Formulation ( <i>Roman, Nelson</i> )                                   | 12:00 noon |

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**May 2016**

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|    |   |            |
|----|---|------------|
| 4  | HOC Regular Meeting ( <i>All</i> )  | 4:00 p.m.  |
| 5  | Budget, Finance and Audit Committee Meeting ( <i>Roman, Nelson</i> )          | 10:00 a.m. |
| 11 | Budget, Finance and Audit Committee Meeting ( <i>Roman, Nelson</i> )          | 10:00 a.m. |
| 13 | Development and Finance Committee Meeting ( <i>McFarland, Nelson, Simon</i> ) | 9:30 a.m.  |
| 16 | Agenda Formulation ( <i>Roman, Nelson</i> )                                   | 12:00 noon |
| 16 | Resident Advisory Board Meeting   | 6:00 p.m.  |
| 19 | Budget, Finance and Audit Committee Meeting ( <i>Roman, Nelson</i> )          | 10:00 a.m. |
| 24 | Legislative and Regulatory Committee Meeting ( <i>Hatcher, Simon</i> )        | 2:00 p.m.  |

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Activities of Interest

Hearing Board

|     |   |
|-----|---|
| TBD | Joint Meeting with Commission on People with Disabilities |
|-----|---|

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# TO DO / ACTION

| Ref. #   | DUE DATE           | ACTION  | STAFF    | STATUS               |
|----------|--------------------|---|----------|----------------------|
| TD-14-07 | Winter 2016        | Procurement Policy & Personnel Policy   | KM-BA/PM |                      |
| TD-15-01 | Winter/Spring 2016 | Property Tour – 669 Properties (Renovated Units) to include Westwood Towers & Bethesda Gallery  | KB/PB    | Complete             |
|          | Winter 2016        | Property Tour Part II – RAD 6 Properties  | KB/PB    |                      |
| TD-15-02 | Winter 2016        | Update Administrative Guide for Commissioners and Staff   | SS       |                      |
| TD-15-03 | Winter 2016        | Worksession – Assisted Housing and Family Self-Sufficiency Program  |          |                      |
| TD-15-04 | Winter 2015/2016   | Mortgage Finance: Research Items <ul style="list-style-type: none"> <li>• Loan Limit Testing</li> <li>• FHA Troubled Access Recovery</li> </ul> | KB       |                      |
| TD-16-01 | Winter 2016        | Joint Meeting w/Planning Board  | PB       | Scheduled<br>1/28/16 |

# Committee Reports and Recommendations for Action



# Budget, Finance & Audit Committee

# **ACCEPTANCE OF FIRST QUARTER FY'16 BUDGET TO ACTUAL STATEMENTS**

**January 13, 2016**

- **The Agency ended the first quarter with a net cash deficit of \$337,116 which resulted in a first quarter budget to actual negative variance of \$403,075.**
- **The General Fund experienced delays in the receipt of anticipated fee income which were almost entirely offset by savings in expenses through the first quarter.**
- **At the end of the first quarter, the majority of the unrestricted properties in the Opportunity Housing Fund exceeded budget expectations; however, the recognizable cash flow to the Agency did not meet budget due to shortfalls in some of the unrestricted properties.**
- **The Public Housing Program ended the quarter with a surplus primarily as a result of greater than anticipated subsidy due to a higher pro-ration factor coupled with the continued receipt of Asset Repositioning Fees for some of the converted scattered site units. The surplus will be restricted to the program.**
- **The Housing Choice Voucher (HCV) Program experienced higher administrative fees coupled with savings in expenses which resulted in an administrative surplus through September 30, 2015. The surplus will be restricted to the program.**



## **DISCUSSION – FIRST QUARTER BUDGET TO ACTUAL STATEMENTS**

This review of the Budget to Actual Statements for the Agency through the first quarter of FY'16 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

### **HOC overall (see Attachment A)**

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

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

The Commission approves the revenue and expenses and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'16 First Quarter Capital Budget to Actual Comparison.

The Agency ended the first quarter with a net cash deficit of \$337,116. This deficit resulted in a first quarter budget to actual negative variance of \$403,075. The primary contributor was lower recognizable income in the Opportunity Housing portfolio (see Opportunity Housing Fund). There was also lower than anticipated income in the General Fund that was almost entirely offset by savings in expenses (see General Fund).

### **Explanations of major variances by fund**

The General Fund consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of \$2,244,088, which resulted in a negative variance of \$49,661 when compared to the projected deficit of \$2,194,427.

As of September 30, 2015, income in the General Fund was \$631,050 less than budget. The primary contributors to the negative income variance were delays in the receipt of the final development fee payment from the Tanglewood/Sligo Hills project coupled with a delay in the receipt of commitment and development fees due to revised timing on the RAD closings for Arcola Towers and Waverly House.

Expenses in the General Fund were \$581,389 less than budget. The positive variance was primarily the result of savings in administrative salaries and benefits as well as maintenance contract expenses. A portion of these savings are the result of timing issues and staff does not anticipate the full savings to be realized at year end.

The Multifamily Bond Fund and Single Family Bond Fund are budgeted to balance each year. Both income (the bond draw downs that finance the operating costs for these funds) and expenses are in line with the budget.

The Opportunity Housing Fund

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

- The first group includes properties that we budgeted to provide unrestricted net cash flow toward the Agency’s FY’16 Operating Budget. This group ended the quarter with cash flow of \$1,859,378 or \$333,712 less than projected. It should be noted that we can only recognize revenue up to the amount budgeted for each property. More than half of the properties in this portfolio exceeded budgeted cash flow; however, when we exclude the extra income earned on properties exceeding their budgets, the quarter’s recognizable cash flow is \$1,776,829 or \$416,261 below budget.

**Unrestricted Development Corporations**

|                                   | <b>(3 Months)<br/>Budget</b> | <b>(3 Months)<br/>Actual</b>  | <b>Variance</b>         | <b>(3 Months)<br/>Adjusted</b> |
|-----------------------------------|------------------------------|-------------------------------|-------------------------|--------------------------------|
| Alexander House .....             | \$508,339                    | \$505,087                     | (\$3,252)               | \$505,087                      |
| The Barclay .....                 | \$35,936                     | \$8,238                       | (\$27,698)              | \$8,238                        |
| Chevy Chase Lake .....            | (\$20,634)                   | (\$104,385)                   | (\$83,751)              | \$0                            |
| Glenmont Westerly .....           | \$81,317                     | \$102,027                     | \$20,710 <sup>(1)</sup> | \$81,317                       |
| Magruder's Discovery .....        | \$142,080                    | \$109,544                     | (\$32,536)              | \$109,544                      |
| The Metropolitan .....            | \$494,803                    | \$541,490                     | \$46,687 <sup>(1)</sup> | \$494,803                      |
| Montgomery Arms .....             | \$107,489                    | \$109,482                     | \$1,993 <sup>(1)</sup>  | \$107,489                      |
| TPM - 59 MPDUs .....              | \$41,465                     | \$52,220                      | \$10,755 <sup>(1)</sup> | \$41,465                       |
| Paddington Square .....           | \$135,213                    | \$135,543                     | \$330 <sup>(1)</sup>    | \$135,213                      |
| TPM - Pomander Court .....        | \$18,242                     | \$25,252                      | \$7,010 <sup>(1)</sup>  | \$18,242                       |
| Pooks Hill High-Rise .....        | \$149,808                    | \$149,086                     | (\$722)                 | \$149,086                      |
| Scattered Site One Dev. Corp. ... | \$13,501                     | \$43,441                      | \$29,940 <sup>(1)</sup> | \$13,501                       |
| Scattered Site Two Dev. Corp. .   | (\$21,692)                   | (\$14,654)                    | \$7,038 <sup>(1)</sup>  | (\$14,654)                     |
| Sligo Development Corp. ....      | \$8,724                      | \$15,869                      | \$7,145 <sup>(1)</sup>  | \$8,724                        |
| TPM - Timberlawn .....            | \$180,556                    | \$242,920                     | \$62,364 <sup>(1)</sup> | \$180,556                      |
| VPC One Dev. Corp. ....           | \$199,915                    | \$12,284                      | (\$187,631)             | \$12,284                       |
| VPC Two Dev. Corp. ....           | \$118,028                    | (\$74,066)                    | (\$192,094)             | (\$74,066)                     |
| <b>Subtotal</b>                   | <b>\$2,193,090</b>           | <b>\$1,859,378</b>            | <b>(\$333,712)</b>      | <b>\$1,776,829</b>             |
|                                   |                              | <b>Recognizable Cash Flow</b> |                         | <b>(\$416,261)</b>             |

**Notes:**

(1) - Properties exceeding budgeted cash flow.

- The Barclay** had a negative variance of \$27,698 driven primarily by higher than projected

concessions and vacancy loss at the property coupled with lower than anticipated retail income. **Chevy Chase Lake** experienced a negative cash flow variance of \$83,751. The FY'16 Amended Budget assumed that the mortgage would be prepaid in July. The authorization to prepay the existing mortgage was not authorized until October 2015; therefore, the property continued to bear the full cost of the mortgage for the first quarter with less than 30% occupancy as tenants vacated the property in anticipation of the impending development plans. Although higher than anticipated, the budget assumes that deficits at the property will be absorbed by existing cash at the property. Cash flow at **Magruder's Discovery** was \$32,536 less than budget as a result of higher than anticipated maintenance expenses resulting from required repairs based on the recent County inspection. **The Metropolitan** had a positive cash flow variance of \$46,687 as a result of savings in administrative salary and benefits, utility costs, and maintenance expenses coupled with a lower than anticipated loss from the tax credit units that is covered by the market units. **Scattered Site One Development Corporation** experienced a positive cash flow variance of \$29,940 as a result of savings in administrative salary and benefits and tax expense. The cash flow from **TPM - Timberlawn** was \$62,364 more than anticipated primarily as a result of higher occupancy as a result of a delay in the start of planned renovations. The cash flow from both **VPC One** and **VPC Two Development Corporations** was less than anticipated primarily as a result of higher vacancies at both properties coupled with higher than budgeted solid waste tax expense. Cash flow for the quarter at **VPC One** was \$12,284 resulting in a negative variance of \$187,631. **VPC Two** actually experienced a deficit of \$74,066 for the quarter resulting in a negative variance of \$192,094. During the development of the FY'16 Budget Amendment, a Debt Service Reserve was established in the Opportunity Housing Bond Fund for those properties that are temporarily funding debt on the PNC Lines of Credit (LOC). While the draws on the LOCs bear interest only at rates tied to LIBOR, when stressed at a fully amortizing 6.5% rate over a 30-year term, the properties demonstrate that they can support a full debt service payment. The difference between the actual interest cost and the stressed scenario is being set aside in the established Debt Service Reserve. This practice is being applied to both **VPC One** and **VPC Two**. If you were to remove the amounts being contributed to the Debt Service Reserve from the expenses, the properties would show cash flow of \$387,817 and \$226,101 respectively.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'16 Operating Budget. Cash flow from this group of Development Corporation properties was \$127,874 less than budgeted. Cash flow at **Glenmont Crossing** exceeded budget by \$35,587 primarily as a result of savings in administrative salary and benefits, and utility costs. The anticipated deficit at **MetroPointe** was \$40,352 more than anticipated as a result of lower gross rent potential due to Yieldstar pricing adjustments made to maintain residential occupancy coupled with the erroneous exclusion of the budget for property insurance. The **RAD 6** Properties (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square), which are currently under renovation, experienced a combined deficit of \$76,069 through quarter-end largely due to higher than

anticipated vacancies coupled with higher utility costs. Staff is reviewing the utility costs to see if it is directly related to the renovations and will adjust the funding for the expenses accordingly.

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

- The first group consists of properties whose unrestricted net cash flow will be used for the Agency’s FY’16 Operating Budget. This group ended the quarter with cash flow of \$260,280 or \$8,938 less than budget. As noted above for the Development Corporations, we can only recognize revenue up to the amount budgeted for each property. When we exclude the extra income earned on those properties exceeding budget, the quarter’s recognizable cash flow for this group is \$208,214 or \$61,004 below budget.

**Unrestricted Opportunity Housing Properties**

|                             | <b>(3 Months)</b><br><b><u>Budget</u></b> | <b>(3 Months)</b><br><b><u>Actual</u></b> | <b><u>Variance</u></b>  | <b>(3 Months)</b><br><b><u>Adjusted</u></b> |
|-----------------------------|---|---|-------------------------|---|
| 64 MPDUs .....              | (\$2,822)                                 | (\$5,065)                                 | (\$2,243)               | (\$5,065)                                   |
| Chelsea Towers .....        | (\$27,790)                                | (\$25,217)                                | \$2,573 <sup>(1)</sup>  | (\$25,217)                                  |
| Fairfax Court .....         | \$30,665                                  | \$30,677                                  | \$12 <sup>(1)</sup>     | \$30,665                                    |
| Holiday Park .....          | (\$70,911)                                | (\$65,446)                                | \$5,465 <sup>(1)</sup>  | (\$65,446)                                  |
| Jubilee Falling Creek ..... | \$2,838                                   | \$3,447                                   | \$609 <sup>(1)</sup>    | \$2,838                                     |
| Jubilee Hermitage .....     | \$1,413                                   | \$3,190                                   | \$1,777 <sup>(1)</sup>  | \$1,413                                     |
| Jubilee Horizon Court ....  | (\$595)                                   | (\$9,021)                                 | (\$8,426)               | (\$9,021)                                   |
| Jubilee Woodedge .....      | \$1,901                                   | \$3,746                                   | \$1,845 <sup>(1)</sup>  | \$1,901                                     |
| McHome .....                | \$16,352                                  | \$17,314                                  | \$962 <sup>(1)</sup>    | \$16,352                                    |
| McKendree .....             | \$1,511                                   | \$3,825                                   | \$2,314 <sup>(1)</sup>  | \$1,511                                     |
| MHLP II .....               | \$0                                       | \$0                                       | \$0                     | \$0   |
| MHLP III .....              | \$0                                       | (\$2,132)                                 | (\$2,132)               | (\$2,132)                                   |
| MHLP VII .....              | (\$9,787)                                 | (\$15,925)                                | (\$6,138)               | (\$15,925)                                  |
| MHLP VIII .....             | \$48,757                                  | (\$1,346)                                 | (\$50,103)              | (\$1,346)                                   |
| MPDU 2007 Phase II .....    | \$2,034                                   | \$3,777                                   | \$1,743 <sup>(1)</sup>  | \$2,034                                     |
| Pooks Hill Mid-Rise .....   | \$62,864                                  | \$90,355                                  | \$27,491 <sup>(1)</sup> | \$62,864                                    |
| Southbridge .....           | \$21,070                                  | \$35,542                                  | \$14,472 <sup>(1)</sup> | \$21,070                                    |
| Strathmore Court .....      | \$191,718                                 | \$192,559                                 | \$841 <sup>(1)</sup>    | \$191,718                                   |
| <b>Subtotal</b>             | <b>\$269,218</b>                          | <b>\$260,280</b>                          | <b>(\$8,938)</b>        | <b>\$208,214</b>                            |
|                             |   | <b>Recognizable Cash Flow</b>             |                         | <b>(\$61,004)</b>                           |

**Notes:**

(1) - Properties exceeding budgeted cash flow.

- Several properties in this portfolio experienced small negative income variances that were

almost entirely offset by savings in expenses. Where this is not the case, explanations follow. Although the remaining two units in **MHLP III** were sold last November, the financials reflect tax bills that were issued to and paid by the Agency in error. Staff is working on securing refunds for the payments. **MHLP VIII** experienced a deficit of \$1,346 for the quarter resulting in a negative cash flow variance of \$50,103 primarily due to higher maintenance expenses resulting from unit turnover and higher tax expenses. Staff is researching the tax bills to determine the reason for the higher cost and will seek a refund if warranted. The negative variance was further impacted by slightly higher vacancies at the property. Cash flow for **Pooks Hill Mid-Rise** exceeded budget by \$27,191 as a result of lower vacancies coupled with savings in all expense categories.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'16 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was \$367,922 higher than budget for the quarter. Three new properties are included in the report. **617 Olney Sandy Spring Road** and **Avondale Apartments** were acquired in April 2015. In addition, the remaining long-term tenancy unit at **King Farm Village** recently came under HOC's management. Staff is developing budgets for the properties that will be included in the FY'16 Second Quarter Budget Amendment. **The Ambassador** experienced a positive cash flow variance of \$46,979 mainly due to lower than projected vacancies coupled with savings in maintenance expenses. Both **Brooke Park** and **Brookside Glen** experienced positive cash flow variances of \$18,159 and \$21,262, respectively, as a result of savings in overall expenses through quarter-end. The **CDBG, NCI** and **NSP Units** have individual budgets for each unit that include a standard annual amount for maintenance related expenses. Any cash flow at year-end resulting from savings in expenses and/or additional earned income is restricted to the respective property's Operating Reserves. If a property experiences a deficit at year-end, funds will be drawn from the respective properties reserve to cover the shortfall. **Westwood Towers** had a positive variance of \$184,185 as a result of lower vacancies coupled with savings in all expense categories. The expense savings includes permanent savings in taxes due to the receipt of the PILOT agreement on the property.

#### The Public Fund (Attachment D)

- The Public Housing Rental Program ended the quarter with a surplus of \$452,410, which resulted in a positive variance of \$505,730 when compared to the projected shortfall of \$53,320. Income was \$803,387 more than budget largely due to the receipt of higher than anticipated operating subsidy. Several factors impacted the positive variance. The budget assumed a pro-ration of 82.35% for CY'15. The actual pro-ration for CY'15 was increased to 85.36%. In addition, the Agency continued to receive subsidy for some of the scattered sites that converted to the **VPC One** and **VPC Two Development Corporations**. The majority of this subsidy was received as Asset Repositioning Fees (ARF). Finally, the funding to pay for the vouchers at the **RAD 6** properties (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square) is being received as operating subsidy through December 2015 resulting in continued income at the old Public



Housing properties. There is a corresponding expense recorded to reflect the subsidy being moved to the development corporation properties as voucher revenue which is the primary cause for the negative expense variance of \$297,657.

It should be noted that the two grants previously received to support the Family Self Sufficiency (FSS) program for Public Housing and voucher participants was consolidated into one grant beginning in January 2015. We are continuing to draw from the unspent funds from the former Public Housing FSS grant which is reflected as equal positive variances for both income and expenses.

- The Housing Choice Voucher Program (HCVP) ended the quarter with a shortfall of \$31,423, which resulted in a positive variance of \$192,663 when compared to the projected shortfall of \$224,086. The shortfall was comprised of Housing Assistance Payments (HAP) that exceeded HAP revenue by \$114,160 offset by an administrative surplus of \$82,737. The HAP shortfall was funded with a draw from the HCVP Net Restricted Assets (NRA), which is cash that was recognized but not spent in prior years. The program ended the quarter with an administrative surplus due to higher than anticipated revenue of \$99,929 and savings in administrative expenses of \$147,010. The higher revenue was the result of a higher proration factor of 79% compared to the budgeted proration factor of 75% and higher administrative fees received on incoming portables. The savings in expenses were primarily due to savings in administrative salaries and benefits, and lower management fee expenses which are now based on utilization.

#### Tax Credit Partnerships

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

#### The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'16. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect timing issues. Capital projects are long-term; therefore, it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

Both **Montgomery Arms** and **Strathmore Court** have exceeded their capital budgets as a result of work that was budgeted for but not completed in FY'15. The FY'16 First Quarter Budget Amendment includes a rollover of spending authority that was obligated but not spent in FY'15 for the properties. As mentioned previously, budgeting for the **CDBG**, **NCI** and **NSP Units** is standardized and as such did not include plans for any capital improvements. Nominal capital expenditures have occurred at a few NCI units and will be covered by existing property reserves.

**Resolution: 16-02**

**Re: Acceptance of First Quarter FY'16  
Budget to Actual Statements**

**WHEREAS**, the budget policy for the Housing Opportunities Commission of Montgomery County states that quarterly budget to actual statements will be reviewed by the Commission; and

**WHEREAS**, the Commission reviewed the First Quarter FY'16 Budget to Actual Statements during its January 13, 2016 meeting.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby accepts the First Quarter FY'16 Budget to Actual Statements.

**I HEREBY CERTIFY** that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, January 13, 2016.

---

Patrice Birdsong  
Special Assistant to the Commission

**S**

**E**

**A**

**L**

## FY 16 First Quarter Operating Budget to Actual Comparison

|   | Unrestricted Net Cash Flow |                      |                    |
|---|----------------------------|----------------------|--------------------|
|   | (3 Months)<br>Budget       | (3 Months)<br>Actual | Variance           |
| <b>General Fund</b>   |                            |                      |                    |
| General Fund .....  | (\$2,194,427)              | (\$2,244,088)        | (\$49,661)         |
| <b>Administration of Multifamily and Single Family Fund</b>                     |                            |                      |                    |
| Multifamily Fund .....  | \$0                        | \$4,757              | \$4,757            |
| Single Family Fund .....  | \$433,254                  | \$442,716            | \$9,462            |
| Excess Bond Fund Cash Flow .....  | (\$433,254)                | (\$447,473)          | (\$14,219)         |
| <b>Opportunity Housing Fund</b>   |                            |                      |                    |
| Opportunity Housing Properties .....  | \$269,218                  | \$208,214            | (\$61,004)         |
| Development Corporation Property Income .....                                   | \$2,193,090                | \$1,776,829          | (\$416,261)        |
| Restricted Development Corporation Properties .....                             | (\$37,719)                 | (\$78,071)           | (\$40,352)         |
| <b>OHRF</b>   |                            |                      |                    |
| OHRF Balance .....  | \$969,149                  | (\$395,207)          | (\$1,364,356)      |
| Excess Cash Flow Restricted .....   | (\$969,149)                | \$0                  | \$969,149          |
| Draw from existing funds .....  | \$0                        | \$395,207            | \$395,207          |
| <b>Net -OHRF</b>  | <b>\$0</b>                 | <b>\$0</b>           | <b>\$0</b>         |
| <b>SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing</b> | <b>\$230,162</b>           | <b>(\$337,116)</b>   | <b>(\$567,278)</b> |
| <b>Public Fund</b>  |                            |                      |                    |
| Public Housing Rental (1) .....   | (\$53,320)                 | \$452,410            | \$505,730          |
| Housing Choice Voucher Program HAP (2) .....                                    | (\$59,883)                 | (\$114,160)          | (\$54,277)         |
| Housing Choice Voucher Program Admin (3) .....                                  | (\$164,203)                | \$82,737             | \$246,940          |
| <b>Total -Public Fund</b>   | <b>(\$277,406)</b>         | <b>\$420,987</b>     | <b>\$698,393</b>   |
| <b>Public Fund - Reserves</b>   |                            |                      |                    |
| (1) Public Housing Rental - Draw from / Restrict to Program .....               | \$53,320                   | (\$452,410)          | (\$505,730)        |
| (2) Draw from / Restrict to HCV Program Cash Reserves .....                     | \$59,883                   | \$114,160            | \$54,277           |
| (3) Draw from / Restrict to HCV Program Excess Admin Fee .....                  | \$0                        | (\$82,737)           | (\$82,737)         |
| <b>Total -Public Fund Reserves</b>  | <b>\$113,203</b>           | <b>(\$420,987)</b>   | <b>(\$534,190)</b> |
| <b>SUBTOTAL - Public Funds</b>  | <b>(\$164,203)</b>         | <b>\$0</b>           | <b>\$164,203</b>   |
| <b>TOTAL - All Funds</b>  | <b>\$65,959</b>            | <b>(\$337,116)</b>   | <b>(\$403,075)</b> |

## FY 16 First Quarter Capital Budget to Actual Comparison

|                                 | Capital Expenses      |                      | Variance           |
|---------------------------------|-----------------------|----------------------|--------------------|
|                                 | (12 Months)<br>Budget | (3 Months)<br>Actual |                    |
| <b>General Fund</b>             |                       |                      |                    |
| East Deer Park .....            | \$187,800             | \$53,776             | \$134,024          |
| Kensington Office .....         | \$344,000             | \$46,756             | \$297,244          |
| Information Technology .....    | \$1,089,000           | \$230,010            | \$858,990          |
| <b>Opportunity Housing Fund</b> | \$3,526,184           | \$1,039,161          | \$2,487,023        |
| <b>TOTAL - All Funds</b>        | <b>\$5,146,984</b>    | <b>\$1,369,703</b>   | <b>\$3,777,281</b> |

## FY 16 First Quarter Operating Budget to Actual Comparison

### Development Corp Properties - Net Cash Flow

|   | (3 Months)         |                    | Variance        |                    | (3 Months)         |  |
|---|--------------------|--------------------|-----------------|--------------------|--------------------|--|
|   | <u>Budget</u>      | <u>Income</u>      | <u>Expense</u>  | <u>Actual</u>      | <u>Variance</u>    |  |
| <b>Properties with unrestricted cash flow for FY14 operating budget</b> |                    |                    |                 |                    |                    |  |
| Alexander House .....   | \$508,339          | (\$69,763)         | \$66,511        | \$505,087          | (\$3,252)          |  |
| The Barclay .....   | \$35,936           | (\$40,144)         | \$12,446        | \$8,238            | (\$27,698)         |  |
| Chevy Chase Lake .....  | (\$20,634)         | \$8,216            | (\$91,966)      | (\$104,385)        | (\$83,751)         |  |
| Glenmont Westerly .....   | \$81,317           | (\$1,500)          | \$22,210        | \$102,027          | \$20,710           |  |
| Magruder's Discovery .....  | \$142,080          | (\$2,866)          | (\$29,670)      | \$109,544          | (\$32,536)         |  |
| The Metropolitan .....  | \$494,803          | (\$10,123)         | \$56,810        | \$541,490          | \$46,687           |  |
| Montgomery Arms .....   | \$107,489          | (\$9,368)          | \$11,361        | \$109,482          | \$1,993            |  |
| TPM - 59 MPDUs .....  | \$41,465           | (\$159)            | \$10,914        | \$52,220           | \$10,755           |  |
| Paddington Square .....   | \$135,213          | \$12,760           | (\$12,430)      | \$135,543          | \$330              |  |
| TPM - Pomander Court .....  | \$18,242           | \$5,375            | \$1,634         | \$25,252           | \$7,010            |  |
| Pooks Hill High-Rise .....  | \$149,808          | (\$20,641)         | \$19,919        | \$149,086          | (\$722)            |  |
| Scattered Site One Dev. Corp. ....                                      | \$13,501           | (\$3,898)          | \$33,838        | \$43,441           | \$29,940           |  |
| Scattered Site Two Dev. Corp. ....                                      | (\$21,692)         | \$4,100            | \$2,939         | (\$14,654)         | \$7,038            |  |
| Sligo Development Corp. ....  | \$8,724            | \$886              | \$6,258         | \$15,869           | \$7,145            |  |
| TPM - Timberlawn .....  | \$180,556          | \$44,738           | \$17,626        | \$242,920          | \$62,364           |  |
| VPC One Dev. Corp. ....   | \$199,915          | (\$119,672)        | (\$67,959)      | \$12,284           | (\$187,631)        |  |
| VPC Two Dev. Corp. ....   | \$118,028          | (\$174,038)        | (\$18,056)      | (\$74,066)         | (\$192,094)        |  |
| <b>Subtotal</b>   | <b>\$2,193,090</b> | <b>(\$376,097)</b> | <b>\$42,385</b> | <b>\$1,859,378</b> | <b>(\$333,712)</b> |  |
| <b>Properties with restricted cash flow (external and internal)</b>     |                    |                    |                 |                    |                    |  |
| Glenmont Crossing .....   | \$62,162           | (\$4,847)          | \$40,434        | \$97,749           | \$35,587           |  |
| Ken Gar .....   | \$14,463           | (\$21,771)         | \$4,519         | (\$2,789)          | (\$17,252)         |  |
| MetroPointe .....   | (\$37,719)         | (\$22,888)         | (\$17,464)      | (\$78,071)         | (\$40,352)         |  |
| Oaks at Four Corners .....  | \$16,295           | (\$3,127)          | \$31,569        | \$44,737           | \$28,442           |  |
| Parkway Woods .....   | \$10,684           | (\$16,522)         | (\$432)         | (\$6,270)          | (\$16,954)         |  |
| Sandy Spring Meadow .....   | \$35,399           | (\$8,828)          | \$2,277         | \$28,847           | (\$6,552)          |  |
| Seneca Ridge .....  | \$34,353           | (\$66,963)         | (\$36,542)      | (\$69,152)         | (\$103,505)        |  |
| Towne Centre Place .....  | \$20,609           | \$12,946           | \$9,448         | \$43,003           | \$22,394           |  |
| Washington Square .....   | (\$40,026)         | (\$25,314)         | (\$4,368)       | (\$69,708)         | (\$29,682)         |  |
| <b>Subtotal</b>   | <b>\$116,220</b>   | <b>(\$157,314)</b> | <b>\$29,441</b> | <b>(\$11,654)</b>  | <b>(\$127,874)</b> |  |
| <b>TOTAL ALL PROPERTIES</b>   | <b>\$2,309,310</b> | <b>(\$533,411)</b> | <b>\$71,826</b> | <b>\$1,847,724</b> | <b>(\$461,586)</b> |  |

# FY 16 First Quarter Operating Budget to Actual Comparison

## For Opportunity Housing Properties - Net Cash Flow

|   | (3 Months)<br><u>Budget</u> | Variance          |                  | (3 Months)<br><u>Actual</u> | <u>Variance</u>  |
|---|-----------------------------|-------------------|------------------|-----------------------------|------------------|
|   |                             | <u>Income</u>     | <u>Expense</u>   |                             |                  |
| <b>Properties with unrestricted cash flow for FY14 operating budget</b> |                             |                   |                  |                             |                  |
| 64 MPDUs .....  | (\$2,822)                   | (\$10,981)        | \$8,738          | (\$5,065)                   | (\$2,243)        |
| Chelsea Towers .....  | (\$27,790)                  | (\$3,238)         | \$5,811          | (\$25,217)                  | \$2,573          |
| Fairfax Court .....   | \$30,665                    | (\$2,808)         | \$2,820          | \$30,677                    | \$12             |
| Holiday Park .....  | (\$70,911)                  | (\$1,229)         | \$6,694          | (\$65,446)                  | \$5,465          |
| Jubilee Falling Creek .....   | \$2,838                     | (\$15)            | \$624            | \$3,447                     | \$609            |
| Jubilee Hermitage .....   | \$1,413                     | (\$86)            | \$1,863          | \$3,190                     | \$1,777          |
| Jubilee Horizon Court .....   | (\$595)                     | (\$9,642)         | \$1,216          | (\$9,021)                   | (\$8,426)        |
| Jubilee Woodedge .....  | \$1,901                     | (\$9)             | \$1,854          | \$3,746                     | \$1,845          |
| McHome .....  | \$16,352                    | (\$1,935)         | \$2,897          | \$17,314                    | \$962            |
| McKendree .....   | \$1,511                     | (\$77)            | \$2,391          | \$3,825                     | \$2,314          |
| MHLP II .....   | \$0                         | \$0               | \$0              | \$0                         | \$0              |
| MHLP III .....  | \$0                         | \$0               | (\$2,132)        | (\$2,132)                   | (\$2,132)        |
| MHLP VII .....  | (\$9,787)                   | \$1,401           | (\$7,539)        | (\$15,925)                  | (\$6,138)        |
| MHLP VIII .....   | \$48,757                    | (\$9,446)         | (\$40,657)       | (\$1,346)                   | (\$50,103)       |
| MPDU 2007 Phase II .....  | \$2,034                     | (\$124)           | \$1,867          | \$3,777                     | \$1,743          |
| Pooks Hill Mid-Rise .....   | \$62,864                    | \$6,565           | \$20,926         | \$90,355                    | \$27,491         |
| Southbridge .....   | \$21,070                    | \$1,687           | \$12,785         | \$35,542                    | \$14,472         |
| Strathmore Court .....  | \$191,718                   | (\$25,545)        | \$26,386         | \$192,559                   | \$841            |
| <b>Subtotal</b>   | <b>\$269,218</b>            | <b>(\$55,482)</b> | <b>\$46,544</b>  | <b>\$260,280</b>            | <b>(\$8,938)</b> |
| <b>Properties with restricted cash flow (external and internal)</b>     |                             |                   |                  |                             |                  |
| 617 Olney Sandy Spring Road .....                                       | \$0                         | \$0               | (\$1,004)        | (\$1,004)                   | (\$1,004)        |
| The Ambassador .....  | (\$1,212)                   | \$22,697          | \$24,282         | \$45,767                    | \$46,979         |
| Avondale Apartments .....   | \$0                         | \$84,370          | (\$40,795)       | \$43,576                    | \$43,576         |
| Brooke Park .....   | (\$1,971)                   | (\$702)           | \$18,861         | \$16,188                    | \$18,159         |
| Brookside Glen (The Glen) .....   | \$59,359                    | (\$938)           | \$22,200         | \$80,621                    | \$21,262         |
| CDBG Units .....  | (\$907)                     | \$403             | \$255            | (\$249)                     | \$658            |
| Dale Drive .....  | \$6,258                     | \$11              | \$2,356          | \$8,626                     | \$2,368          |
| Diamond Square .....  | \$45,334                    | (\$4,009)         | \$17,087         | \$58,412                    | \$13,078         |
| Greenhills Apartments .....   | \$64,477                    | \$22,341          | \$3,385          | \$90,204                    | \$25,727         |
| King Farm Village .....   | \$0                         | \$4,383           | (\$6,203)        | (\$1,820)                   | (\$1,820)        |
| NCI Units .....   | (\$4,108)                   | (\$2,144)         | (\$12,465)       | (\$18,717)                  | (\$14,609)       |
| NSP Units .....   | (\$2,518)                   | \$965             | \$1,153          | (\$400)                     | \$2,118          |
| Paint Branch .....  | \$6,134                     | (\$490)           | \$5,481          | \$11,125                    | \$4,991          |
| State Rental Combined .....   | (\$46,752)                  | (\$11,599)        | \$33,854         | (\$24,498)                  | \$22,254         |
| Westwood Tower .....  | \$37,267                    | \$38,364          | \$145,821        | \$221,452                   | \$184,185        |
| <b>Subtotal</b>   | <b>\$161,361</b>            | <b>\$153,652</b>  | <b>\$214,268</b> | <b>\$529,283</b>            | <b>\$367,922</b> |
| <b>TOTAL ALL PROPERTIES</b>   | <b>\$430,579</b>            | <b>\$98,170</b>   | <b>\$260,812</b> | <b>\$789,563</b>            | <b>\$358,984</b> |

## FY 16 First Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

|   | (3 Months)<br><u>Budget</u> | (3 Months)<br><u>Actual</u> | <u>Variance</u>   |
|---|-----------------------------|-----------------------------|-------------------|
| <b>Public Housing Rental</b>              |                             |                             |                   |
| Revenue                                   | \$819,838                   | \$1,623,225                 | \$803,387         |
| Expenses                                  | \$873,158                   | \$1,170,815                 | (\$297,657)       |
| <b>Net Income</b>                         | <b>(\$53,320)</b>           | <b>\$452,410</b>            | <b>\$505,730</b>  |
| <br><b>Housing Choice Voucher Program</b> |                             |                             |                   |
| HAP revenue                               | \$20,684,094                | \$19,610,400                | (\$1,073,694)     |
| HAP payments                              | \$20,743,977                | \$19,724,559                | \$1,019,418       |
| <b>Net HAP</b>                            | <b>(\$59,883)</b>           | <b>(\$114,160)</b>          | <b>(\$54,277)</b> |
| Admin.fees & other inc.                   | \$1,438,255                 | \$1,538,184                 | \$99,929          |
| Admin. Expense                            | \$1,602,458                 | \$1,455,448                 | \$147,010         |
| <b>Net Administrative</b>                 | <b>(\$164,203)</b>          | <b>\$82,737</b>             | <b>\$246,940</b>  |
| <b>Net Income</b>                         | <b>(\$224,086)</b>          | <b>(\$31,423)</b>           | <b>\$192,663</b>  |

**FY 16 First Quarter Operating Budget to Actual Comparison**  
**For Public Housing Rental Programs - Net Cash Flow**

|  | (3 Months)        | Variance         |                    | (3 Months)       | Variance         |
|--|-------------------|------------------|--------------------|------------------|------------------|
|  | <u>Budget</u>     | <u>Income</u>    | <u>Expense</u>     | <u>Actual</u>    |                  |
| Elizabeth House .....                          | (\$60,959)        | (\$13,238)       | \$58,179           | (\$16,018)       | \$44,941         |
| Holly Hall .....                               | \$6,672           | (\$2,531)        | \$28,708           | \$32,849         | \$26,177         |
| Arcola Towers .....                            | (\$11,684)        | \$86,160         | \$11,982           | \$86,458         | \$98,142         |
| Waverly House .....                            | \$12,651          | \$94,230         | (\$7,126)          | \$99,755         | \$87,104         |
| Seneca Ridge .....                             | \$0               | \$112,789        | (\$112,896)        | (\$107)          | (\$107)          |
| Emory Grove / Washington Square .....          | \$0               | \$115,414        | (\$91,745)         | \$23,669         | \$23,669         |
| Towne Centre Place / Sandy Spring Meadow ..... | \$0               | \$76,254         | (\$79,382)         | (\$3,128)        | (\$3,128)        |
| Ken Gar / Parkway Woods .....                  | \$0               | \$44,101         | (\$47,154)         | (\$3,053)        | (\$3,053)        |
| Scattered Sites Central .....                  | \$0               | \$21,484         | (\$3,394)          | \$18,089         | \$18,089         |
| Scattered Sites East .....                     | \$0               | (\$28)           | (\$5,773)          | (\$5,801)        | (\$5,801)        |
| Scattered Sites Gaithersburg .....             | \$0               | \$133,545        | (\$829)            | \$132,716        | \$132,716        |
| Scattered Sites North .....                    | \$0               | \$95,768         | (\$4,822)          | \$90,946         | \$90,946         |
| Scattered Sites West .....                     | \$0               | \$37             | (\$4,002)          | (\$3,965)        | (\$3,965)        |
| Resident Services .....                        | \$0               | \$39,402         | (\$39,402)         | \$0              | \$0              |
| <b>TOTAL ALL PROPERTIES</b>                    | <b>(\$53,320)</b> | <b>\$803,387</b> | <b>(\$297,656)</b> | <b>\$452,410</b> | <b>\$505,730</b> |

**FY 16 First Quarter Operating Budget to Actual Comparison**  
**For Capital Improvements**

|                                    | (12 Months)<br><u>Budget</u> | (3 Months)<br><u>Actual</u> | <u>Variance</u>    |
|------------------------------------|------------------------------|-----------------------------|--------------------|
| <b>General Fund</b>                |                              |                             |                    |
| East Deer Park .....               | \$187,800                    | \$53,776                    | \$134,024          |
| Kensington Office .....            | \$344,000                    | \$46,756                    | \$297,244          |
| Information Technology .....       | \$1,089,000                  | \$230,010                   | \$858,990          |
| <b>Subtotal</b>                    | <b>\$1,620,800</b>           | <b>\$330,542</b>            | <b>\$1,290,258</b> |
| <b>Opportunity Housing</b>         |                              |                             |                    |
| Ambassador .....                   | \$25,020                     | \$6,356                     | \$18,664           |
| Alexander House .....              | \$189,458                    | \$47,363                    | \$142,095          |
| Avondale Apartments .....          | \$0                          | \$0                         | \$0                |
| The Barclay .....                  | \$29,266                     | \$1,810                     | \$27,456           |
| Brooke Park .....                  | \$0                          | \$0                         | \$0                |
| Brookside Glen (The Glen) .....    | \$80,962                     | \$16,945                    | \$64,017           |
| CDBG Units .....                   | \$0                          | \$0                         | \$0                |
| Chelsea Towers .....               | \$14,008                     | \$0                         | \$14,008           |
| Chevy Chase Lake .....             | \$2,833                      | \$0                         | \$2,833            |
| Dale Drive .....                   | \$3,003                      | \$602                       | \$2,401            |
| Diamond Square .....               | \$237,401                    | \$10,188                    | \$227,213          |
| Fairfax Court .....                | \$15,815                     | \$5,120                     | \$10,695           |
| Glenmont Crossing .....            | \$93,312                     | \$30,763                    | \$62,549           |
| Glenmont Westerly .....            | \$81,061                     | \$42,681                    | \$38,380           |
| Greenhills Apartments .....        | \$52,950                     | \$10,755                    | \$42,195           |
| Holiday Park .....                 | \$39,835                     | \$1,912                     | \$37,923           |
| Jubilee Falling Creek .....        | \$515                        | \$0                         | \$515              |
| Jubilee Hermitage .....            | \$3,427                      | \$0                         | \$3,427            |
| Jubilee Woodedge .....             | \$2,704                      | \$0                         | \$2,704            |
| Ken Gar .....                      | \$2,500                      | \$0                         | \$2,500            |
| King Farm Village .....            | \$0                          | \$0                         | \$0                |
| Magruder's Discovery .....         | \$46,961                     | \$7,993                     | \$38,968           |
| McHome .....                       | \$97,469                     | \$14,739                    | \$82,730           |
| McKendree .....                    | \$19,117                     | \$3,500                     | \$15,617           |
| MetroPointe .....                  | \$34,712                     | \$12,940                    | \$21,772           |
| The Metropolitan .....             | \$172,470                    | \$30,927                    | \$141,543          |
| Montgomery Arms .....              | \$31,583                     | \$38,566                    | (\$6,983)          |
| MHLP VII .....                     | \$19,201                     | \$2,325                     | \$16,876           |
| MHLP VIII .....                    | \$41,476                     | \$28,271                    | \$13,205           |
| MPDU 2007 Phase II .....           | \$4,600                      | \$695                       | \$3,905            |
| 617 Olney Sandy Spring Road .....  | \$0                          | \$0                         | \$0                |
| 64 MPDUs .....                     | \$112,821                    | \$47,829                    | \$64,992           |
| TPM - 59 MPDUs .....               | \$92,742                     | \$14,599                    | \$78,143           |
| Oaks at Four Corners .....         | \$182,893                    | \$8,993                     | \$173,900          |
| NCI Units .....                    | \$0                          | \$8,836                     | (\$8,836)          |
| NSP Units .....                    | \$0                          | \$0                         | \$0                |
| Paddington Square .....            | \$92,270                     | \$10,091                    | \$82,179           |
| Paint Branch .....                 | \$24,967                     | \$0                         | \$24,967           |
| Parkway Woods .....                | \$5,000                      | \$0                         | \$5,000            |
| TPM - Pomander Court .....         | \$20,662                     | \$0                         | \$20,662           |
| Pooks Hill High-Rise .....         | \$343,524                    | \$227,869                   | \$115,655          |
| Pooks Hill Mid-Rise .....          | \$97,100                     | \$22,499                    | \$74,601           |
| Sandy Spring Meadow .....          | \$5,000                      | \$0                         | \$5,000            |
| Scattered Site One Dev. Corp. .... | \$184,781                    | \$70,621                    | \$114,160          |
| Scattered Site Two Dev. Corp. .... | \$71,173                     | \$16,825                    | \$54,348           |
| Seneca Ridge .....                 | \$5,000                      | \$550                       | \$4,450            |
| Southbridge .....                  | \$4,867                      | \$0                         | \$4,867            |
| Sligo Development Corp. ....       | \$92,462                     | \$5,945                     | \$86,517           |
| State Rental Combined .....        | \$126,346                    | \$50,700                    | \$75,646           |
| Strathmore Court .....             | \$84,600                     | \$145,794                   | (\$61,194)         |
| Towne Centre Place .....           | \$5,000                      | \$0                         | \$5,000            |
| TPM - Timberlawn .....             | \$33,814                     | \$12,155                    | \$21,659           |
| VPC One Dev. Corp. ....            | \$58,500                     | \$19,619                    | \$38,881           |
| VPC Two Dev. Corp. ....            | \$49,700                     | \$42,372                    | \$7,328            |
| Washington Square .....            | \$5,000                      | \$3,964                     | \$1,036            |
| Westwood Tower .....               | \$486,303                    | \$15,449                    | \$470,854          |
| <b>Subtotal</b>                    | <b>\$3,526,184</b>           | <b>\$1,039,161</b>          | <b>\$2,487,023</b> |
| <b>TOTAL</b>                       | <b>\$5,146,984</b>           | <b>\$1,369,703</b>          | <b>\$3,777,281</b> |



# **APPROVAL OF FY'16 FIRST QUARTER BUDGET AMENDMENT**

**January 13, 2016**

- **The net effect of the FY'16 First Quarter Budget Amendment maintains a balanced budget.**
- **Total operating budget for the Agency has increased from \$237.7 million to \$238.4 million.**
- **Total capital budget for the Agency has increased from \$128.0 million to \$129.5 million.**
- **Personnel Complement remains unchanged.**
- **No policy changes are reflected in the budget amendment.**



future program costs. Staff is recommending that the FY'15 budgeted draws for these funds be reduced by the accumulated savings in each fund.

- **Multifamily Bond Funds:** Accumulated savings in the Multifamily Bond Fund is \$44,199. The projected draw of \$1,381,908 will be reduced by this amount and the savings will be used towards FY'17 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,337,709.
- **Single Family Bond Funds:** Accumulated savings in the Single Family Bond Fund is \$195,610. The projected draw of \$1,607,764 will be reduced by this amount and the savings will be used towards FY'17 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,412,154.
- **Public Fund:**
  - **Housing Choice Voucher Program:**

**Hearing Officer:** When the FY'16 Budget Amendment was approved in June 2015, it did not include funding for an externally contracted Hearing Officer for the Housing Choice Voucher Program (HCVP). Since that time, a contract has been negotiated at a value not to exceed \$65,000 annually. This practice had been in place prior to FY'14; however, it was discontinued to reduce the administrative costs of the program. Subsequently, staff received training indicating that an external party should reside over the hearings. The program is receiving higher than anticipated administrative fees as a result of a higher proration factor of 79% compared to the budgeted proration factor of 75%. The Hearing Officer contract will be funded by the additional administrative fees. Both income and expenses in the Public Fund will increase by \$65,000.
  - **County FY'16 2% Maximum Allowable Request Ceiling (MARC) Savings Plan:** On June 26, 2015, the County implemented a 2% Savings Plan for FY'16 which equated to \$128,028 for HOC. Staff proposes that this reduction be absorbed through anticipated salary and benefit lapse in positions funded by the County Contract. Both income and expenses in the Public Fund will decrease by \$128,028 to reflect the changes resulting from the savings plan and corresponding lapse.

**Capital Budget Amendments:** Attachment I is a detailed chart of the following proposed transactions. Below is a description of the proposed amendment:

- **Capital Improvements:**
  - **Capital Roll Over for Facilities (General Fund):** All planned capital expenses for Facilities were not completed in FY'15. Therefore, staff requests that \$23,466 be rolled forward and included in the FY'16 Budget.

- **Capital Roll Over for Information Technologies (General Fund):** All planned capital expenses for Information Technologies (IT) were not completed in FY'15. Therefore, staff requests that \$590,129 be rolled forward and included in the FY'16 Budget.
- **Capital Roll Over for Opportunity Housing Fund Properties:** Each year, Property Management reviews capital budgets at year end and requests capital funds to roll forward to the next year. This is necessary as there are always capital projects that have not been completed by year end. This year, Property Management has requested that \$855,182 for eight properties be rolled forward and included in the FY'15 Budget. This work will be funded from property replacement reserves and the Opportunity Housing Fund Property Reserve.
  - Barclay - \$12,988
  - Brookside Glen (The Glen) - \$28,970
  - Fairfax Court - \$14,325
  - Montgomery Arms - \$89,466
  - TPM – 59 MPDUs - \$53,600
  - Pooks Hill High-Rise - \$532,581
  - Strathmore Court - \$108,069
  - Westwood Towers - \$15,183
- **Magruder's Discovery:** As a result of the recent County inspection at the property, a violation letter was issued citing various corrections that needed to be made resulting in approximately \$71,000 in concrete improvements. The capital budget at the property will be increased by this amount to account for the additional expenses and funded by the property replacement reserves.

**BUDGET IMPACT:**

The net effect of the FY'16 First Quarter Budget Amendment maintains a balanced budget. The total FY'16 Operating Budget for HOC increased from \$237,681,482 to \$238,360,077. This is an increase of \$678,595. The total FY'16 Capital Budget for HOC has increased from \$127,996,770 to \$129,536,547. This is an increase of \$1,539,777. Approval by the Commission of any budget amendments will revise the FY'16 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

**TIME FRAME:**

The FY'16 First Quarter Budget Amendment was reviewed by the Budget, Finance and Audit Committee at the December 8, 2015 meeting. Action is requested at the January 13, 2016 Commission meeting.

**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

The Budget, Finance and Audit Committee recommends to the full Commission approval of the proposed amendments to the FY'16 Budget.

**WHEREAS**, the Housing Opportunities Commission adopted a budget for FY'16 on June 3, 2015; and

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

**WHEREAS**, the Commission has reviewed several proposed budget amendments to the FY'16 Budget; and

**WHEREAS**, the net effect of the FY'16 First Quarter Budget Amendment maintains a balanced budget.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'16 Operating Budget by increasing total revenues and expenses for the Agency from \$237.7 million to \$238.4 million.

**BE IT ALSO RESOLVED** that the Housing Opportunities Commission of Montgomery County hereby amends the FY'16 Capital Budget by increasing revenues and expenses for the Agency from \$128.0 million to \$129.5 million.

**I HEREBY CERTIFY** that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on January 13, 2016.

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Patrice Birdsong  
Special Assistant to the Commission

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| FY 2016 Adopted Operating Budget<br>First Quarter Amendment |                      | Revenues             | Expenses      | Adopted<br>Budget | Net Changes<br>To Revenue | Net Changes<br>To Expenses | Revenues             | Expenses      | First Quarter<br>Budget<br>Amendment |
|---|----------------------|----------------------|---------------|-------------------|---------------------------|----------------------------|----------------------|---------------|--------------------------------------|
| <b>General Fund</b>   |                      |                      |               |                   |                           |                            |                      |               |                                      |
| General Fund  | \$20,432,811         | \$21,835,383         | (\$1,402,572) | \$613,595         | \$613,595                 | \$21,046,406               | \$22,448,978         | (\$1,402,572) |                                      |
| Draw from GFOR  | \$344,985            | \$0                  | \$344,985     | \$0               | \$0                       | \$344,985                  | \$0                  | \$344,985     |                                      |
| <b>Multi-Family &amp; Single Family Bond Funds</b>          |                      |                      |               |                   |                           |                            |                      |               |                                      |
| Multi-Family Fund   | \$22,225,309         | \$22,225,309         | \$0           | \$0               | \$0                       | \$22,225,309               | \$22,225,309         | \$0           |                                      |
| Single Family Fund  | \$14,126,919         | \$14,126,919         | \$0           | \$0               | \$0                       | \$14,126,919               | \$14,126,919         | \$0           |                                      |
| <b>Opportunity Housing Fund</b>                             |                      |                      |               |                   |                           |                            |                      |               |                                      |
| Opportunity Housing Reserve Fund (OHRF)                     | \$1,376,937          | \$1,108,320          | \$268,617     | \$0               | \$0                       | \$1,376,937                | \$1,108,320          | \$268,617     |                                      |
| Restricted to OHRF  | \$0                  | \$268,617            | (\$268,617)   | \$0               | \$0                       | \$0                        | \$268,617            | (\$268,617)   |                                      |
| Opportunity Housing & Development Corps                     | \$71,002,583         | \$69,835,855         | \$1,166,728   | \$0               | \$0                       | \$71,002,583               | \$69,835,855         | \$1,166,728   |                                      |
| Draw from GFOR for MetroPointe Deficit                      | \$117,235            | \$0                  | \$117,235     | \$0               | \$0                       | \$117,235                  | \$0                  | \$117,235     |                                      |
| <b>Public Fund</b>  |                      |                      |               |                   |                           |                            |                      |               |                                      |
| Public Housing Fund   | \$2,311,381          | \$2,496,381          | (\$185,000)   | \$0               | \$0                       | \$2,311,381                | \$2,496,381          | (\$185,000)   |                                      |
| County Contributions towards Public Housing                 | \$185,000            | \$0                  | \$185,000     | \$0               | \$0                       | \$185,000                  | \$0                  | \$185,000     |                                      |
| Housing Choice Voucher Program                              | \$89,920,973         | \$90,984,572         | (\$1,063,599) | \$65,000          | \$65,000                  | \$89,985,973               | \$91,049,572         | (\$1,063,599) |                                      |
| County Contributions towards HCVP Administration            | \$837,223            | \$0                  | \$837,223     | \$0               | \$0                       | \$837,223                  | \$0                  | \$837,223     |                                      |
| Federal , State and Other County Grants                     | \$14,800,126         | \$14,800,126         | \$0           | \$0               | \$0                       | \$14,800,126               | \$14,800,126         | \$0           |                                      |
| <b>TOTAL - ALL FUNDS</b>                                    | <b>\$237,681,482</b> | <b>\$237,681,482</b> | <b>\$0</b>    | <b>\$678,595</b>  | <b>\$678,595</b>          | <b>\$238,360,077</b>       | <b>\$238,360,077</b> | <b>\$0</b>    |                                      |

| FY 2016 Adopted Capital Budget<br>First Quarter Amendment |                      | Revenues             | Expenses   | Adopted<br>Budget  | Net Changes<br>To Revenue | Net Changes<br>To Expenses | Revenues             | Expenses   | First Quarter<br>Budget<br>Amendment |
|---|----------------------|----------------------|------------|--------------------|---------------------------|----------------------------|----------------------|------------|--------------------------------------|
| <b>Capital Improvements</b>                               |                      |                      |            |                    |                           |                            |                      |            |                                      |
| East Deer Park  | \$187,800            | \$187,800            | \$0        | \$0                | \$0                       | \$187,800                  | \$187,800            | \$0        |                                      |
| Kensington Office   | \$344,000            | \$344,000            | \$0        | \$23,466           | \$23,466                  | \$367,466                  | \$367,466            | \$0        |                                      |
| Information Technology                                    | \$1,089,000          | \$1,089,000          | \$0        | \$590,129          | \$590,129                 | \$1,679,129                | \$1,679,129          | \$0        |                                      |
| Opportunity Housing Properties                            | \$3,527,184          | \$3,527,184          | \$0        | \$926,182          | \$926,182                 | \$4,453,366                | \$4,453,366          | \$0        |                                      |
| Public Housing Properties                                 | \$1,604,834          | \$1,604,834          | \$0        | \$0                | \$0                       | \$1,604,834                | \$1,604,834          | \$0        |                                      |
| <b>Capital Development Projects</b>                       |                      |                      |            |                    |                           |                            |                      |            |                                      |
| Timberlawn / Pomander Court                               | \$17,929,873         | \$17,929,873         | \$0        | \$0                | \$0                       | \$17,929,873               | \$17,929,873         | \$0        |                                      |
| Greenhills Apartments                                     | \$19,308,061         | \$19,308,061         | \$0        | \$0                | \$0                       | \$19,308,061               | \$19,308,061         | \$0        |                                      |
| Rental Assistance Demonstration (RAD) Properties          | \$16,051,340         | \$16,051,340         | \$0        | \$0                | \$0                       | \$16,051,340               | \$16,051,340         | \$0        |                                      |
| Arcola Towers   | \$24,151,349         | \$24,151,349         | \$0        | \$0                | \$0                       | \$24,151,349               | \$24,151,349         | \$0        |                                      |
| Waverly House   | \$43,803,329         | \$43,803,329         | \$0        | \$0                | \$0                       | \$43,803,329               | \$43,803,329         | \$0        |                                      |
| <b>TOTAL - ALL FUNDS</b>                                  | <b>\$127,996,770</b> | <b>\$127,996,770</b> | <b>\$0</b> | <b>\$1,539,777</b> | <b>\$1,539,777</b>        | <b>\$129,536,547</b>       | <b>\$129,536,547</b> | <b>\$0</b> |                                      |

Footnotes - explanation of changes

GF I Add draw from cash restricted for Facilities & IT capital rollover - \$613,595  
GF E Add transfer of cash restricted for Facilities & IT capital rollover - \$613,595

MF I Add carryover of cumulative savings in Multifamily Bond Fund administrative costs - \$44,199  
MF I Reduce draw from Multifamily bond funds to cover administrative costs of the program - (\$44,199)

SF E Add carryover of cumulative savings in Single Family Bond Fund administrative costs - \$195,610  
SF E Reduce draw from Single Family bond funds to cover administrative costs of the program - (\$195,610)

PF I Increase HCVP administrative fees from higher proration to cover Hearing Officer contract - \$65,000  
PF E Add Hearing Officer contract for HCVP - \$65,000

PF I Reduce County Grant for 2% MARC Savings Plan - (\$128,028)  
PF E Add salary lapse to County Grant for 2% MARC Savings Plan - (\$128,028)

Capital Improvements

GF E Add roll over budgets from FY 2015 for Facilities - \$23,466  
Add roll over budgets from FY 2015 for IT - \$590,129

OH E Add roll over budgets from FY 2015 - \$738,403  
TPM - 59 MPDUs - \$53,600

Barclay - \$12,988  
Brookside Glen (The Glen) - \$28,970  
Fairfax Court - \$14,325  
Montgomery Arms - \$89,466  
Pooks Hill Highrise - \$532,581  
Strathmore Court - \$108,069  
Westwood Towers - \$15,183

Increase Capital Budget for Magruder's Discovery - \$71,000



# **APPROVAL TO AMEND AND EXTEND THE TERM OF THE MANAGEMENT AGREEMENT FOR TANGLEWOOD AND SLIGO LP**

**January 13, 2016**

- Tanglewood and Sligo Hills Apartments, located in Silver Spring and built in 1949 and 1950, is a 123 unit apartment community completely renovated in 2014. The property is supported by Low Income Housing Tax Credits for 100% of the units and a project-based voucher contract for 33 units.
- The Commission, as the general partner for the Partnership, acting for and on behalf of the Partnership, is authorized to engage a third party to manage the property.
- The Commission authorized the Executive Director to execute a contract for Property Management Services (the “Management Agreement”) with Equity Management II, LLC (“Equity”) for Tanglewood and Sligo Hills Apartments.
- Equity converted to a new entity effective September 1, 2015. All interest in the contract was reassigned to Residential One, LLC, on September 1, 2015.
- The Management Agreement needs to be amended pursuant to a request from the Partnership’s insurance carrier and to align the Management Agreement with the Commission’s procurement requirements. However, none of the revisions will affect the management fee or other substantive terms.
- The term of the Management Agreement is three years and the expiration date is February 24, 2016.
- The Budget, Finance and Audit Committee recommends that the Commission authorize the Executive Director to amend the Management Agreement with Residential One, LLC for property management services at Tanglewood and Sligo Hills Apartments and to extend the term through February 24, 2017.



## MEMORANDUM

**TO:** The Housing Opportunities Commission

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Division: Property Management      Staff: Bobbie DaCosta      Ext: 9524  
Division: Executive                              Staff: Gina Smith                              Ext: 9479

**RE:** Approval to Amend and Extend the Term of the Management Agreement for Tanglewood and Sligo LP

**DATE:** January 13, 2016

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**STATUS: Committee Report: Deliberation**

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**OVERALL GOAL & OBJECTIVE:**

To authorize the Executive Director of the Housing Opportunities Commission to approve to amend and extend the term of Management Agreement for Tanglewood and Sligo LP for one year.

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**BACKGROUND:**

The Housing Opportunities Commission of Montgomery County ("Commission") is the general partner of Tanglewood and Sligo Limited Partnership ("Partnership") and, as such, is authorized to enter into a third-party management agreement for Tanglewood and Sligo Hills Apartments ("Property") for and on behalf of the Partnership.

The Commission authorized the Executive Director to execute a contract for Management Services (the "Management Agreement") with Equity Residential ("Equity") for Tanglewood and Sligo Hills Apartments. All interest in the contract was reassigned to Residential One, LLC, on September 1, 2015. The Management Agreement expires February 24, 2016.

The Commission recently approved a Property Assistance Contract, whereby it secured a third-party vendor to manage property operations at several HOC properties and Housing Unit Bases (HUBs). Prior to executing long term extensions of existing contracts, staff wish to evaluate the effectiveness of this new management structure, and if successful, incorporate additional properties into this model. In order to secure sufficient time for evaluation, staff recommends a one-year extension of a revised Management Agreement for this property.

Elements of the Management Agreement that are subject to revision include modifications to liability insurance, specifically, but not exclusively, with regard to indemnity obligation to the owner, as well as provisions relating to purchasing and procurement for the Property, to further align them with the Commission's procurement requirements.

The management fee of \$38.00 per unit per month remains unchanged.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to authorize the Executive Director to approve the amendment of the Management Agreement for Tanglewood and Sligo Hills Apartments and its extension for a one year term?

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**PRINCIPALS:**

HOC  
Tanglewood and Sligo Limited Partnership  
Residential One LLC

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**BUDGET IMPACT:**

The current management fee of \$38.00 per unit per month will extend through February 24, 2017 and will be included in the property budget.

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**TIME FRAME:**

The amendment and extension of the term of the management agreement for Tanglewood and Sligo LP were discussed with the Budget, Finance and Audit Committee at its meeting on December 8, 2015. For Commission action at its meeting of January 13, 2016.

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**COMMISSION ACTION REQUESTED:**

The Budget, Finance and Audit Committee recommends to the full Commission authorization for the Executive Director to approve the extension of the Management Agreement, as amended, for Tanglewood and Sligo Hills Apartments for one year.

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (HOC or the “Commission”) is the general partner of Tanglewood and Sligo Limited Partnership (the “Partnership”), which owns the development known as Tanglewood and Sligo Hills Apartments (the “Property”); and

**WHEREAS**, the Commission authorized the Executive Director to execute a contract for Property Management Services (the “Management Agreement”) with Equity Management, LLC (“Equity”) for the Property; and

**WHEREAS**, all interest in the contract was reassigned to Residential One, LLC, an affiliate of Equity, on September 1, 2015; and

**WHEREAS**, the Commission wishes to amend the Management Agreement to address revisions requested by the Partnership’s insurance carrier and to more fully align the Management Agreement’s purchasing and procurement provisions with the Commission’s procurement requirements; and

**WHEREAS**, the Management Agreement will expire on February 24, 2016; and

**WHEREAS**, the Commission wishes to extend the term of the Management Agreement for the Property, as amended, for one year.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of Tanglewood and Sligo LP, that the Executive Director is hereby authorized and directed to amend and extend the term of the Management Agreement for the Property for one year.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of Tanglewood and Sligo Limited Partnership, that the Executive Director is hereby authorized and directed to, without any further action on their respective parts, to take any and all other action necessary and proper to carry out the transactions contemplated herein.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of Tanglewood and Sligo Limited Partnership, at an open meeting conducted on January 13, 2016.

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**Patrice Birdsong**  
**Special Assistant to the Commission**

# **APPROVAL TO AMEND AND EXTEND THE TERM OF THE MANAGEMENT AGREEMENT FOR 527 DALE DRIVE AND SOUTHBRIDGE APARTMENTS**

**January 13, 2016**

- 527 Dale Drive is 10-unit building located in downtown Silver Spring, built in 1943. Apartments are rented through referrals from Montgomery County Coalition for The Homeless (MCCH).
- Southbridge Apartments is a 39-unit mixed income community in Takoma Park that was fully renovated in 2012.
- The Housing Opportunities Commission of Montgomery County (HOC or the “Commission”), as the owner of 527 Dale Drive and Southbridge Apartments, is authorized to enter into third-party management agreements for the properties.
- The Commission authorized the Executive Director to execute a contract for Property Management Services (“Management Agreement”) with Equity Management II, LLC (“Equity”) for 527 Dale Drive and Southbridge Apartments.
- Equity converted to a new entity effective September 1, 2015. All interest in the Management Agreement was assigned to Residential One, LLC, on September 1, 2015.
- The Management Agreement should be amended in order to more fully align them with the Commission’s procurement requirements. However, none of the revisions will affect the management fee or other substantive terms.
- The Management Agreement expires on February 24, 2016.
- The Budget, Finance and Audit Committee recommends that the Commission authorize the Executive Director to amend the Management Agreement with Residential One, LLC for property management services at 527 Dale Drive and Southbridge Apartments and to extend the term through February 24, 2017.

**MEMORANDUM**

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

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Division: Property Management      Staff: Bobbie DaCosta      Ext: 9524  
Division: Executive                              Staff: Gina Smith                      Ext: 9479

**RE:** Approval to Amend and Extend the Term of the Management Agreement for 527 Dale Drive and Southbridge Apartments

**DATE:** January 13, 2016

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**STATUS: Committee Report: Deliberation X**

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**OVERALL GOAL & OBJECTIVE:**

To authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to amend the Management Agreement for 527 Dale Drive and Southbridge Apartments and to extend the term for one year.

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**BACKGROUND:**

The Housing Opportunities Commission of Montgomery County (HOC or the “Commission”), as owner of 527 Dale Drive and Southbridge Apartments, is authorized to enter into a third-party management agreement for the properties.

The Commission authorized the Executive Director to execute contract for Management Services (a “Management Agreement”) with Equity Residential (“Equity”) for 527 Dale Drive and Southbridge Apartments. All interest in the contract was reassigned to Residential One, LLC, on September 1, 2015. The Management Agreement expires February 24, 2016.

The Commission recently approved a Property Assistance Contract, whereby it secured a third-party vendor to manage property operations at several HOC properties and Housing Unit Bases (HUBs). Prior to executing long term extensions of existing contracts, staff wish to evaluate the effectiveness of this new management structure, and if successful, incorporate additional properties into this model. In order to secure sufficient time for evaluation, staff recommends a one-year extension of a revised Management Agreement for this property.

Elements of the contract subject to revision include modifications to provisions relating to purchasing and procurement for the Property, to further align them with the Commission’s procurement policy.

The management fee of \$38.00 per unit per month remains unchanged.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to authorize the Executive Director to amend the Management Agreement for 527 Dale Drive and Southbridge Apartments, and extend the term for one year?

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**PRINCIPALS:**

HOC  
Residential One LLC

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**BUDGET IMPACT:**

The current management fee of \$38.00 per unit per month will extend through February 24, 2017 and will be included in each property's budget.

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**TIME FRAME:**

The amendment and extension of the term of the Management Agreement for 527 Dale Drive and Southbridge Apartments were discussed with The Budget, Finance and Audit Committee at its meeting on December 8, 2015. For Commission action at its meeting of January 13, 2016.

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**COMMISSION ACTION REQUESTED:**

The Budget, Finance and Audit Committee recommends to the full Commission authorization for the Executive Director to approve the extension of the Management Agreement, as amended, for 527 Dale Drive and Southbridge Apartments for one year.

**RESOLUTION NO. 16-05**

**RE: Approval to Amend and Extend the Term  
of the Management Agreement for 527 Dale  
Drive and Southbridge Apartments**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (HOC or the “Commission”), owns the developments known as 527 Dale Drive and Southbridge Apartments (together, the “Properties”); and

**WHEREAS**, the Commission authorized the Executive Director to execute a contract for Property Management Services ( a “Management Agreement”) with Equity Management, LLC (“Equity”) for the Properties; and

**WHEREAS**, all interest in the Management Agreements were assigned to Residential One, LLC, an affiliate of Equity, on September 1, 2015; and

**WHEREAS**, the Commission wishes to amend the Management Agreement to more fully align the Management Agreement’s purchasing and procurement provisions with the Commission’s procurement requirements; and

**WHEREAS**, the Management Agreement will expire on February 24, 2016; and

**WHEREAS**, the Commission wishes to extend the term of the Management Agreement for the Properties, as amended, for one year.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed to amend the Management Agreement for the Properties and extend the term for one year.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed, without any further action on its part, to take any and all other action necessary and proper to carry out the transactions 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 January 13, 2016.

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**Patrice Birdsong**  
**Special Assistant to the Commission**

# **APPROVAL TO AMEND AND EXTEND THE TERM OF THE MANAGEMENT AGREEMENT FOR MANCHESTER MANOR LIMITED PARTNERSHIP**

**January 13, 2016**

- Manchester Manor, a 53-unit six-story apartment community located in Silver Spring, is owned by the Manchester Manor Limited Partnership (“Partnership”). The Low Income Housing Tax Credit compliance period expired in 2014, and there is an extended use agreement through 2030.
- Built in 1959, the property was acquired by the Housing Opportunities Commission of Montgomery County (“Commission”) in 1999, at which time it underwent substantial renovation.
- The Commission, as the general partner for the Partnership, acting for and on behalf of the Partnership, is authorized to engage a third party to manage the property.
- The Commission authorized the Executive Director to execute a contract for Property Management Services (the “Management Agreement”) with Equity Management II, LLC (“Equity”) for Manchester Manor.
- Equity converted to a new entity effective September 1, 2015. All interest in the Management Agreement was assigned to Residential One, LLC, on September 1, 2015.
- The Management Agreement needs to be amended pursuant to a request from the Partnership’s insurance carrier and to align the Management Agreement with the Commission’s procurement requirements. However, none of the revisions will affect the management fee or other substantive terms.
- The term of the Management Agreement is three years and the expiration date is January 31, 2016.
- The Budget, Finance and Audit Committee recommends that the Commission authorize the Executive Director to amend the Management Agreement with Residential One, LLC for property management services at Manchester Manor and to extend the term through January 31, 2017.



## MEMORANDUM

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

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Division: Property Management      Staff: Bobbie DaCosta      Ext: 9524  
Division: Executive                      Staff: Gina Smith                      Ext: 9479

**RE:** Approval to Amend and Extend the Term of the Management Agreement for Manchester Manor

**DATE:** January 13, 2016

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**STATUS: Committee Report: Deliberation X**

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**OVERALL GOAL & OBJECTIVE:**

To authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to amend the Management Agreement for Manchester Manor and extend it for one year.

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**BACKGROUND:**

The Housing Opportunities Commission of Montgomery County (“Commission”) is the general partner of Manchester Manor Limited Partnership (“Partnership”) and, as such, is authorized to enter into a third-party management agreement for Manchester Manor (“Property”) for and on behalf of the Partnership.

The Commission authorized the Executive Director to execute a contract for Management Services (the “Management Agreement”) with Equity Residential (“Equity”) for Manchester Manor. All interest in the Management Agreement was assigned to Residential One, LLC, on September 1, 2015. The Management Agreement expires January 31, 2016.

The Commission recently approved a Property Assistance Contract, whereby it secured a third-party vendor to manage property operations at several HOC properties and Housing Unit Bases (HUBs). Prior to executing long term extensions of existing contracts, staff wish to evaluate the effectiveness of this new management structure, and if successful, incorporate additional properties into this model. In order to secure sufficient time for evaluation, staff recommends a one-year extension of a revised Management Agreement for this property.

Elements of the Management Agreement that are subject to revision include modifications to liability insurance, specifically, but not exclusively, with regard to indemnity obligation to the owner, as well as provisions relating to purchasing and procurement for the Property, to further align them with the Commission’s procurement requirements.

The management fee of \$38.00 per unit per month remains unchanged.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to authorize the Executive Director to approve the amendment of the Management Agreement for Manchester Manor and its extension for a one year term?

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**PRINCIPALS:**

HOC  
Manchester Manor Limited Partnership  
Residential One LLC

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**BUDGET IMPACT:**

The current management fee of \$38.00 per unit per month will extend through January 31, 2017 and will be included in the property budget.

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**TIME FRAME:**

The amendment and extension of the term of the Management Agreement for Manchester Manor were discussed with Budget, Finance and Audit Committee at its meeting on December 8, 2015. For Commission action at its meeting of January 13, 2016.

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**COMMISSION ACTION REQUESTED:**

The Budget, Finance and Audit Committee recommends to the full Commission authorization for the Executive Director to approve the extension of the Management Agreement, as amended, for Manchester Manor for one year.

**RESOLUTION NO. 16-06**

**RE: Approval to Amend and Extend the Term  
of the Management Agreement for Manchester  
Manor**

**WHEREAS**, the Housing Opportunities Commission of Montgomery County (HOC or the “Commission”) is the general partner of Manchester Manor Limited Partnership (the “Partnership”), which owns the development known as Manchester Manor (the “Property”); and

**WHEREAS**, the Commission authorized the Executive Director to execute a Contract for Property Management Services (the “Management Agreement”) with Equity Management, LLC (“Equity”) for the Property; and

**WHEREAS**, all interest in the Management Agreement was assigned to Residential One, LLC, an affiliate of Equity, on September 1, 2015; and

**WHEREAS**, the Commission wishes to amend the Management Agreement to address revisions requested by the Partnership’s insurance carrier and to more fully align the Management Agreement’s purchasing and procurement provisions with the Commission’s procurement requirements; and

**WHEREAS**, the Management Agreement will expire on January 31, 2016; and

**WHEREAS**, the Commission wishes to extend the term of the Management Agreement for the Property, as amended, for one year.

**NOW, THEREFORE, BE IT RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of Manchester Manor Limited Partnership, that the Executive Director is hereby authorized and directed to amend the term of the Management Agreement for the Property and extend it for one year.

**BE IT FURTHER RESOLVED** by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of Manchester Manor Limited Partnership, that the Executive Director is hereby authorized and directed, without any further action on their respective parts, to take any and all other action necessary and proper to carry out the transactions contemplated herein.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting for and on behalf of Manchester Manor Limited Partnership, at an open meeting conducted on January 13, 2016.

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**Patrice Birdsong**  
**Special Assistant to the Commission**

# Deliberation and/or Action

**AUTHORIZATION TO ISSUE UP TO \$2 MILLION OF ADDITIONAL PRIVATE ACTIVITY, TAX-EXEMPT BONDS AND LOAN SUCH PROCEEDS TO ARCOLA TOWERS RAD LIMITED PARTNERSHIP TRANSACTION AND APPROVAL TO FUND THE ISSUANCE BY A DRAW ON THE ORIGINAL PNC BANK, N.A. LINE OF CREDIT (\$60 MILLION) OR SUCH OTHER QUALIFIED TAX-EXEMPT OBLIGATION SUBJECT TO VOLUME CAP**

January 13, 2016

- On September 2, 2015, the Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”) adopted a Bond Authorizing Resolution for the issuance of up to \$40 million of tax-exempt private activity bonds to fund a mortgage for Arcola Towers RAD Limited Partnership (“ATRLP” or the “Partnership”) and a mortgage for Waverly House RAD Limited Partnership (“WHRLP”).
- On November 30, 2015, the Montgomery County Executive of Montgomery County signed a resolution to approve the issuance by the Commission of up to \$40 million of private activity, tax-exempt bonds pursuant to the Tax Equity and Fiscal Responsibility Act (“TEFRA”) of 1982. This TEFRA authorization is valid for three years from December 2, 2015—the date of issuance of the bonds to fund the ATRLP and WHRLP mortgages.
- The Commission issued \$35,850,000 in private activity, tax-exempt bonds which provided \$8,425,487 of permanent mortgage proceeds for WHRLP and \$6,116,778 for ATRLP, short-term construction funding of \$20,840,000 and bond debt service reserve funding of \$467,735. The real estate closing occurred on December 22, 2015 and December 23, 2015 for the respective transactions.
- A sprinkler and fire alarm system installation project for Arcola Towers was previously approved by the Commission and expected to be completed prior to the real estate closing. However, delays in obtaining the requisite permits prevented the installation from commencing prior to the real estate closing thus requiring the inclusion of the fire alarm and sprinkler installation in the overall rehabilitation budget.
- Because the real estate closing included the sale of Arcola Towers by HOC to ATRLP, the Commission had to assign the sprinkler contract to Arcola Towers RAD Limited Partnership, which increased the development budget.
- The effect of the increase in the development budget is an increase in tax credit equity for the project from a higher eligible basis on which the tax credits are based; however, this also lowers the tax-exempt bonds as a percentage of total eligible project costs below the required 50% threshold (the “Federal 50% Test”), a fundamental requirement of any tax credit transaction financed with tax-exempt bonds. To facilitate the closing, HOC agreed to reduce its developer fee, allowing the transaction to meet the Federal 50% Test until additional bonds could be issued.
- To restore the developer fee and continue to meet the Federal 50% Test for Federal Tax Law purposes, HOC must issue additional private activity, tax-exempt bonds and use those proceeds to fund the cost of the fire alarm and sprinkler installation. The additional bonds is proposed to be funded from a draw on the original PNC Bank, N.A. Line of Credit (\$60 million) or such other qualified tax-exempt obligation subject to volume cap, and repaid from the County’s Capital Improvements Program (CIP) funds.
- After consultation with the Commission’s bond counsel, Kutak Rock, LLP and Financial Advisor, Caine Mitter and Associates, Incorporated, staff recommends that the Commission approve the issuance of additional private activity, tax-exempt bonds and fund the additional bonds issuance with up to \$2 million drawn on the PNC Bank, N.A. Line of Credit (\$60 million). The draw will remain outstanding for the duration of the construction period for Arcola Towers (approximately 12 months).

**MEMORANDUM**

**TO:** Housing Opportunities Commission

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Division: Mortgage Finance  
Staff: Kayrine V. Brown, Chief Investment & Real Estate Officer Ext. 9589  
Jennifer Arrington, Assistant Director of Bond Management Ext. 9760

**RE:** Authorization to Issue up to \$2 Million of Additional Private Activity, Tax-Exempt Bonds and Loan Such Proceeds to Arcola Towers RAD Limited Partnership Transaction and Approval to Fund the Issuance by a Draw on the Original PNC Bank, N.A. Line of Credit (\$60 Million) or Such Other Qualified Tax-Exempt Obligation Subject to Volume Cap

**DATE:** January 13, 2016

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**STATUS:** Consent \_\_\_\_\_ Deliberation  X  Status Report \_\_\_\_\_ Future Action \_\_\_\_\_

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**OVERALL GOAL & OBJECTIVE:**

To obtain Commission authorization to issue up to \$2 million of additional private activity, tax-exempt bonds for Arcola Towers RAD Limited Partnership and to fund the additional issuance by drawing on the PNC Bank, N.A. Line of Credit (\$60 million) or such other qualified tax-exempt obligation subject to volume cap.

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**BACKGROUND:**

On September 2, 2015, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") adopted a Bond Authorizing Resolution for the issuance of up to \$40 million of private activity, tax-exempt bonds to fund two mortgages for Arcola Towers RAD Limited Partnership ("ATRLP" or the "Partnership") and Waverly House RAD Limited Partnership (WHRLP). In accordance with this resolution, the Commission issued \$35,850,000 of short-term and long-term bonds which provided \$8,425,487 of permanent mortgage proceeds for WHRLP and \$6,116,778 for ATRLP; the balance (\$21,007,735) funded construction loans and bond debt service reserves. The bond closing occurred on December 2, 2015 and the real estate closing occurred on December 22, 2015 and December 23, 2015 for the respective transactions. The Commission may issue up to \$4,150,000 of additional private activity, tax-exempt bonds under this existing authorization, but because the bond issuance previously closed, the Commission's approval is herein sought to issue additional bonds.

On November 30, 2015, the Montgomery County Executive approved a resolution to approve the issuance by the Commission of up to \$40 million of private activity, tax-exempt bonds pursuant to the requirements of the Tax Equity and Fiscal Responsibility Act ("TEFRA") of 1982, requiring that any private activity, tax-exempt bonds issued must be approved by the highest elected official in the jurisdiction in which the bonds are to be issued. This TEFRA authorization is valid for three years from the date of the issuance of the Bonds.

With regard to any 4% low-income housing tax credit project that is not able to receive an allocation of tax-credit cap (9%) from the state housing agency, such project will nevertheless qualify for 4% credits if at least 50% of the project costs are financed with the proceeds of tax-exempt bonds to which private activity bond cap is allocated (the "Federal 50% Test).

A sprinkler and fire alarm system installation project for Arcola Towers was previously approved by the Commission and expected to be completed prior to the real estate closing. The installation was not completed prior to the real estate closing, as originally planned, due to a delay in obtaining the requisite permits. Thus, the sprinkler project had to be added to the overall rehabilitation budget.

Including the additional cost of the sprinkler and fire alarm systems increases total development costs for the rehabilitation of Arcola Towers and with it the total LIHTC eligible basis costs causing the tax-exempt bonds as a percentage of total eligible costs to fall below the 50% threshold required by tax law. Therefore, in order to meet the Federal 50% Test, HOC must issue additional private activity, tax-exempt bonds and use those proceeds to fund the cost of the fire alarm and sprinkler installation so that its developer fee may be restored. The additional bonds are proposed to be funded from a draw on the original PNC Bank, N.A. Line of Credit (\$60 million) or such other qualified tax-exempt obligation subject to volume cap and repaid from the Capital Improvements Program ("CIP") funds already appropriated by the County.

Staff has consulted with the Commission's bond counsel, Kutak Rock, LLP and Financial Advisor, Caine Mitter and Associates, Incorporated, who have both confirmed the appropriateness of issuing the additional bonds under the current authorizations. Therefore, staff seeks the Commission's approval to issue up to \$2 million of additional private activity, tax-exempt bonds (the expected amount needed is only \$968,148) and fund the additional bonds issuance with a draw on the PNC Bank, N.A. Line of Credit (\$60 million) or such other qualified tax-exempt obligation subject to volume cap. The draw will remain outstanding for the duration of the construction period for Arcola Towers (approximately 12 months) and repaid from funding provided by Montgomery County's CIP. In support of this additional bond issuance, the Commission must also allocate up to \$2 million of volume cap to complete the transaction. The available volume cap at the end of 2015 was \$29,011,141 and approximately \$36.5 million is expected to be allocated in 2016.

The benefit to HOC of including the cost of installation of the sprinkler and alarm systems in the renovation budget is that additional tax-credit equity of \$700,699 will be generated. Since the total cost of the new work will be ultimately funded through the County CIP funds, the additional tax credit equity will be used to reduce the deferred development fee projected in the Final Development Plan. Prior to this new work being included to the eligible basis costs, HOC staff projected that the project would have to defer approximately \$1,173,978 in development fees. Inclusion of the cost of the sprinkler and alarm systems installation would decrease HOC's deferred fees to only \$473,279.

The limited partner investor, Boston Capital, required an HOC commitment at closing, to fund the interim funds for both the initial funding of the sprinkler and fire alarm systems installation as well as the permanent funding of the costs in the event the bonds are not issued. Once the bonds are issued, the prior Commission commitment provided at closing would be released.

The transaction costs associated with the additional issuance is limited to legal fees and costs from bond counsel of an amount not to exceed \$10,000, which will be funded from project resources.

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**ISSUES FOR CONSIDERATION:**

Does the Commission wish to approve:

1. Issuance of additional private activity, tax-exempt bonds in support of the Arcola Towers RAD Limited Partnership transaction allowing it to restore its developer fee and meet the Federal 50% Test that satisfies Federal Tax Law?
  2. A draw of up to \$2 million on the original PNC Bank, N.A. Line of Credit (\$60 million) or such other qualified tax-exempt obligation subject to volume cap, to fund the additional bond issuance? The additional bonds will not unduly burden the transaction as they will be repaid from existing funding under the County CIP.
  3. Allocation of additional volume cap for the additional bond issuance?
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**PRINCIPALS:**

Housing Opportunities Commission of Montgomery County  
Montgomery County  
Arcola Towers RAD Limited Partnership  
PNC Bank, N.A.

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**BUDGET/FISCAL IMPACT:**

There is no direct impact on the current HOC Operating Budget because no developer fee was projected to be earned in FY 2016. The increase in the project cost from adding the sprinkler project would cause the total eligible basis for the project to increase; resulting in increased equity raised and reduces the amount of the deferred developer fees to \$473,279 from \$1,173,978, a positive outcome for HOC.

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**TIME FRAME:**

Action at the meeting of the Commission on January 13, 2016

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Commission approve:

1. Issuance of additional private activity, tax-exempt bonds in support of the Arcola Towers RAD Limited Partnership transaction allowing it to restore the developer fee and meet the Federal 50% Test that satisfies Federal Tax Law.
2. A draw of up to \$2 million on the original PNC Bank, N.A. Line of Credit (\$60 million) or such other qualified tax-exempt obligation subject to volume cap to fund the additional bond issuance. The additional bonds will not unduly burden the transaction as they will be repaid from existing funding under the County CIP.
3. Allocation of additional volume cap for the additional bond issuance.



**RESOLUTION NO.: 16-07**

**RE: Authorization to Issue up to \$2 Million of Additional Private Activity, Tax-Exempt Bonds and Loan Such Proceeds to Arcola Towers RAD Limited Partnership Transaction and Approval to Fund the Issuance by a Draw on the Original PNC Bank, N.A. Line of Credit (\$60 Million) or Such Other Qualified Tax-Exempt Obligation Subject to Volume Cap**

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

**WHEREAS** on September 2, 2015, the Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”) adopted a Bond Authorizing Resolution for the issuance of up to \$40 million of tax-exempt private activity bonds to fund two mortgages for Arcola Towers RAD Limited Partnership (“ATRLP” or the “Partnership”) and Waverly House RAD Limited Partnership (WHRLP); and

**WHEREAS** on November 30, 2015, the Montgomery County Executive signed a resolution to approve the issuance by the Commission of up to \$40 million of private activity, tax-exempt bonds pursuant to the Tax Equity and Fiscal Responsibility Act (“TEFRA”) of 1982 which is effective for up to three years from the approval date; and

**WHEREAS** the Commission issued \$35,850,000 in private activity, tax-exempt bonds which provided \$8,425,487 of permanent mortgage proceeds for WHRLP and \$6,116,778 for ATRLP at the real estate closings which occurred on December 22, 2015 and December 23, 2015 for the respective transactions; and

**WHEREAS** a sprinkler and fire alarm system installation project for Arcola Towers could not be completed prior to the real estate closing and was added to the overall rehabilitation budget, which increased the development budget and resulted in an increase in tax credit equity for the project due to higher eligible basis on which the tax credits are based but caused the tax-exempt bonds as a percentage of total eligible project costs, inclusive of the Commission’s full Development Fee, to fall below the required 50% threshold (the “Federal 50% Test”); and

**WHEREAS** to meet the Federal 50% Test for Federal Tax Law purposes and reinstate the full amount of the Commission’s Development Fee originally anticipated, HOC must issue additional private activity, tax-exempt bonds and use those proceeds to fund the cost of the fire alarm and sprinkler installation and may fund the additional bond issuance from a draw on the original PNC Bank, N.A. Line of Credit (\$60 million) (the “LOC”) which would be repaid from the County’s Capital Improvements Program (“CIP”) funds; and

**WHEREAS**, the Commission’s bond counsel, Kutak Rock, LLP and Financial Advisor, Caine Mitter and Associates, Incorporated, have confirmed the appropriateness of this additional issuance under the current HOC and County Executive approvals and agrees that the issuance of additional private activity, tax-exempt bonds may be funded by drawing the required amount on the PNC Bank, N.A. Line of Credit; and

**WHEREAS**, in the event that the issuance of another tax-exempt obligation (subject to volume cap and a loan of such funds to the Partnership) will be more favorable than a draw on the LOC, allows the Commission to reinstate its full Development Fee, and allows the Partnership to satisfy the requirements of the Federal 50% Test, then the Commission wishes to avail itself of such other qualified tax-exempt obligation option; and

**WHEREAS**, the Commission anticipates that the funds drawn will remain outstanding until the completion of the rehabilitation in approximately 12 months.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director to take any and all actions necessary to cause the Commission to issue up to \$2 million of additional private activity, tax-exempt bonds and loan such funds to Arcola Towers RAD Limited Partnership, including the allocation of up to \$2 million of volume cap.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director draw up to \$2 million on the PNC Bank, N.A. Line of Credit (\$60 million) or issue such other, more favorable qualified tax-exempt obligation and loan said funds to ATRLP with the loan to be repaid from County appropriated CIP funds upon completion of the rehabilitation of approximately 12 months, and for Arcola Towers RAD Limited Partnership to accept such loan.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to carry out the transaction contemplated herein, including the execution of any loan documents related hereto.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Arcola Towers RAD Limited Partnership, at its regular meeting on January 13, 2016.

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**Patrice M. Birdsong**  
**Special Assistant to the Commission**

**RESOLUTION NO.: 16-08**

**RE: Authorization to Draw up to \$2 Million on the Original PNC Bank, N.A. Line of Credit (\$60 Million) to Fund the Issuance of Additional Private Activity, Tax-Exempt Bonds and the Making of a Loan to the Arcola Towers RAD Limited Partnership**

**WHEREAS** on September 2, 2015, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") adopted a Bond Authorizing Resolution for the issuance of up to \$40 million of tax-exempt private activity bonds to fund two mortgages for Arcola Towers RAD Limited Partnership ("ATRLP" or "Partnership") and Waverly House RAD Limited Partnership (WHRLP); and

**WHEREAS** on November 30, 2015, the Montgomery County Executive signed a resolution to approve the issuance by the Commission of up to \$40 million of private activity, tax-exempt bonds pursuant to the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 which is effective for up to three years from the approval date; and

**WHEREAS** the Commission issued \$35,850,000 in private activity, tax-exempt bonds which provided \$8,425,487 of permanent mortgage proceeds for WHRLP and \$6,116,778 for ATRLP at the real estate closings which occurred on December 22, 2015 and December 23, 2015 for the respective transactions but must now issue additional private activity, tax exempt bonds to ensure that the project can pay the full amount of the Development Fee and continue to meet the Federal Low Income Housing Tax Credit 50% Test which requires that the ratio of the tax-exempt bonds as a percentage of total eligible project costs to be equal to or exceed 50% (the "Federal 50% Test"); and

**WHEREAS** in the Commission's bond counsel, Kutak Rock, LLP and Financial Advisor, Caine Mitter and Associates, Incorporated, have confirmed the appropriateness of this additional issuance under the current HOC and County Executive approvals and agrees that the issuance of additional private activity, tax-exempt bonds may be funded by drawing the required amount on the PNC Bank, N.A. Line of Credit.

**NOW, THEREFORE, BE IT RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director to take any and all actions necessary to effect a draw of up to \$2 million from the PNC Bank, N.A. Line of Credit (\$60 million) and to loan those funds to the Partnership to fund the issuance of additional private activity, tax-exempt bonds to meet the Federal 50% Test for Arcola Towers RAD Limited Partnership.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes the loan term of approximately 12 months with said loan to be repaid from County appropriated funds in its Capital Improvements Program.

**BE IT FURTHER RESOLVED** that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Partnership, hereby authorizes and directs the Executive Director, without further action on their respective parts, to take any and all other actions necessary and proper to carry out the transaction contemplated herein.

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of Arcola Towers RAD GP LLC, acting for and on behalf of the Arcola Towers RAD Limited Partnership, at its regular meeting on January 13, 2016.

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**Patrice M. Birdsong**  
**Special Assistant to the Commission**

# Future Action

# Information Exchange

# New Business

# Executive Session Findings



Adjourn

# Paddington Square Development Corporation

# **PADDINGTON SQUARE DEVELOPMENT CORPORATION MEETING**

## **APPROVAL TO AMEND AND EXTEND THE TERM OF THE MANAGEMENT AGREEMENT FOR PADDINGTON SQUARE APARTMENTS**

**January 13, 2016**

- Paddington Square Apartments (the “Property”), a 165-unit mixed income community located in Silver Spring, was built in 1960 and completely renovated in December 2011.
- Paddington Square Development Corporation (the “Corporation”), as the owner of the Property, is authorized to engage a third-party to manage the Property.
- The Corporation executed a contract for Property Management Services (the “Management Agreement”) with Equity Management II, LLC (“Equity”) for the Property.
- Equity converted to a new entity effective September 1, 2015. All interest in the Management Agreement was assigned to Residential One, LLC, on September 1, 2015.
- The Management Agreement should be amended in order to be more fully aligned with the Commission and Corporation’s procurement requirements. However, none of the revisions will affect the management fee or other substantive terms.
- The Management Agreement expires on February 24, 2016.
- It is recommended that the Corporation authorize the Executive Director of the Commission to amend the Management Agreement with Residential One, LLC, for property management services at Paddington Square Apartments and extend its term through February 24, 2017.

**M E M O R A N D U M**

**TO:** Paddington Square Development Corporation

**VIA:** Stacy L. Spann, Secretary of Paddington Square Development Corporation and Executive Director of the Housing Opportunities Commission of Montgomery County

**FROM:** Division: Property Management      Staff: Bobbie DaCosta      Ext: 9524  
Division: Executive                              Staff: Gina Smith                              Ext: 9479

**RE:** Approval to Amend and Extend the Term of the Management Agreement for Paddington Square Apartments

**DATE:** January 13, 2016

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**STATUS:** Consent  Deliberation  Status Report  Future Action

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**OVERALL GOAL & OBJECTIVE:**

To authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to amend the Management Agreement for Paddington Square Apartments and extend its term for one year.

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**BACKGROUND:**

Paddington Square Development Corporation (the "Corporation"), as owner of Paddington Square Apartments (the "Property"), is authorized to enter into a third-party management agreement for the Property.

The Corporation executed a contract for Management Services (the "Management Agreement") with Equity Residential ("Equity") for the Property. All interest in the Management Agreement was assigned to Residential One, LLC, on September 1, 2015. The Management Agreement expires February 24, 2016.

The Commission recently approved a Property Assistance Contract, whereby it secured a third-party vendor to manage property operations at several HOC properties and Housing Unit Bases (HUBs). Prior to executing long term extensions of existing contracts, staff wish to evaluate the effectiveness of this new management structure, and if successful, incorporate additional properties into this model. In order to secure sufficient time for evaluation, staff recommends a one-year extension of a revised Management Agreement for this property.

Elements of the contract subject to revision include modifications to provisions relating to purchasing and procurement for the Property, to further align them with the Commission's procurement policy.

The management fee of \$38.00 per unit per month remains unchanged.

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**ISSUES FOR CONSIDERATION:**

Does the Board of Directors of Paddington Square Development Corporation wish to authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to amend the Management Agreement for Paddington Square Apartments and extend its term for one year?

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**PRINCIPALS:**

Paddington Square Development Corporation  
Residential One LLC

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**BUDGET IMPACT:**

The current management fee of \$38.00 per unit per month will extend through February 24, 2017 and will be included in the Property budget.

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**TIME FRAME:**

The amendment and extension of the term of the Management Agreement for Paddington Square Development Corporation were discussed with the Budget, Finance and Audit Committee of the Commission at its meeting on December 8, 2015. For Paddington Square Development Corporation action at its meeting of January 13, 2016.

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**ACTION REQUESTED:**

Authorization for the Executive Director of the Housing Opportunities Commission of Montgomery County to approve the extension of the Management Agreement, as amended, for Paddington Square Apartments for one year.

**PADDINGTON SQUARE DEVELOPMENT CORPORATION**

**RESOLUTION NO. 16-001**

**RE: Approval to Amend and Extend the Term  
of the Management Agreement for Paddington  
Square Apartments**

**WHEREAS**, Paddington Square Development Corporation (the “Corporation”), owns the development known as Paddington Square Apartments (the “Property”); and

**WHEREAS**, the Corporation executed a contract for Property Management Services (the “Management Agreement”) with Equity Management, LLC (“Equity”) for the Property; and

**WHEREAS**, all interest in the Management Agreement was assigned to Residential One, LLC, an affiliate of Equity, on September 1, 2015; and

**WHEREAS**, the Corporation wishes to amend the Management Agreement to more fully align the Management Agreement’s purchasing and procurement provisions with the Corporation’s procurement requirements; and

**WHEREAS**, the Management Agreement will expire on February 24, 2016; and

**WHEREAS**, the Corporation wishes to extend the term of the Management Agreement for the Property, as amended, for one year.

**NOW, THEREFORE, BE IT RESOLVED** by the Paddington Square Development Corporation that the Executive Director of the Housing Opportunities Commission of Montgomery County is hereby authorized and directed to amend the Management Agreement for the Property and extend it for one year.

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

**I HEREBY CERTIFY** that the foregoing resolution was adopted by the Paddington Square Development Corporation at an open meeting conducted on January 13, 2016.

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**Patrice Birdsong**  
**Special Assistant to the Commission**