

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Minutes

May 2, 2018

18-05

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, May 2, 2018 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:05 p.m. Those in attendance were:

Present

Jackie Simon, Chair
Richard Y. Nelson, Jr., Vice Chair
Edgar Rodriguez, Chair Pro Tem
Margaret McFarland
Linda Croom
Pamela Byrd
Roy Priest

Also Attending

Stacy L. Spann, Executive Director
Gail Willison
Fred Swan
Victoria Dixon
Ethan Cohen
Melody Stanford
Rita Harris
Zachary Marks
Jim Atwell
Pedro Martin
Marcus Ervin
Cornelia Kent
Lauren Jackson
Christina Autin
Ian Hawkins

Nowelle Ghahhari, General Counsel
Joan McGuire
Eugenia Pascual
Shauna Sorrells
Kayrine Brown
Ellen Goff
Lynn Hayes
Bonnie Hodge
Vivian Benjamin
Garrett Jackson
Jay Shephard
Gio Kaviladze
Leidi Reyes
Arthur Tirskey
Jennifer Arrington

Resident Advisory Board

Absent

Commission Support

Patrice Birdsong

IT Support

Irma Rodriguez
Rony Joseph

Guest

Robert Dyer
Lynn Pekkanen
Laurel Hoa
Meredith Wellington
Ashwani Jain
Harvey Matthews

Guest Cont'd

Marta Melga
Marietta Williams
Colleen Jones
Del. Ana Sol Gutierrez
Wendy Hestick
Jo St. George
Brandy Brody
Bill Cook
Jim McGee

The Consent Calendar was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, McFarland, Croom, Byrd, and Priest.

I. CONSENT ITEMS

- A. Approval of Minutes of April 4, 2018 regular meeting** - The minutes were approved as submitted.
- B. Approval of Minutes of April 4, 2018 Administrative Session** – The minutes were approved as submitted.
- C. Approval of Minutes of April 4, 2018 Special Administrative Session** – The minutes were approved as submitted.

II. INFORMATION EXCHANGE

A. Executive Director Report

- Executive Director Spann reported that there was nothing additional to add to his written report. He did point out a few calendar events during the month of May.

B. Commissioner Exchange

- Vice Chair Nelson welcomed Roy Priest, newest Commissioners to the Board. The County Executive appointment of Mr. Priest was confirmed April 24, 2018 by the County Council.

C. Resident Advisory Board

- Yvonne Caughman, Vice President of the Resident Advisory Board, was necessarily absent. No reported was given.

D. Community Forum

- Various Montgomery County political candidates along with community members addressed the Board expressing support of the preservation of the Moses African Cemetery.

- Mariette Williams, resident of Alexander House, address the Board concerning elevator issue. The Executive Director designated Property Management and Property Maintenance team to assist.
- Colleen Jones, resident of Bauer Park, addressed the Board concerning establishment of resident advisory board for Bauer Park. The Executive Director designated the Property Management team to assist.

III. **ADMINISTRATIVE AND SPECIAL SESSION RATIFICATIONS**

A. Ratification of Action Taken in Administrative Session on April 4, 2018: Authorization for Executive Director to Execute a Purchase and Sale Agreement for the Acquisition of Residential Condominium Unit and Authorization to Form an Entity to which to Transfer the Condominium Unit

The following resolution was adopted upon a motion by Commissioner Byrd and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, McFarland, Croom, Byrd, and Priest.

RESOLUTION: 18-25R

RE: Approval to Execute Purchase and Sales Agreement for Residential Condominium; Approval to Form New Entity to Acquire the Residential Condominium

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

WHEREAS, at an Administrative Session duly called and held on April 4, 2018, with a quorum present, the Commission duly adopted Resolution 18-25AS, Commissioners Simon, Nelson, Rodriguez, McFarland, and Croom voting in approval, which approved the execution of a purchase and sales agreement for the acquisition of a residential condominium units, and the formation of a new entity to which to transfer those condominium units.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 18-25R and any action taken since April 4, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-25R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

B. Ratification of Action Taken in Special Administrative Session on April 6, 2018: Approval of a Permanent Financing Plan for Cider Mill Apartments (the “Property”), Including Related Actions to Effectuate the Financing; and Approval for MV Gateway LLC to Purchase the Property and Accept the Financing

The following resolution was adopted upon a motion by Commissioner McFarland and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, McFarland, Croom, Byrd, and Priest.

RESOLUTION: 18-26R

RE: Approval of a Permanent Financing Plan for Cider Mill Apartments and Actions Related to Financing; Approval to Sell Cider Mill to MV Gateway LLC

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

WHEREAS, at a closed Special Administrative Session duly called and held on April 6, 2018, with a quorum present, the Commission duly adopted Resolution 18-26AS, Commissioners Simon, Nelson, McFarland, and Byrd voting in favor, authorizing a permanent financing plan for Cider Mill Apartments and actions related to that financing, as well as the sale of Cider Mill Apartment to MV Gateway LLC; and

WHEREAS, the Commission wishes to ratify and affirm, in an open meeting, the action undertaken by the Commissioners in adopting Resolution 18-26R and any action taken since April 6, 2018 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 18-26R and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

IV. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

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

1. Authorization to Write Off Bad Debt Related to the County Revolving Closing Cost Assistance Program Loans

Kayrine Brown, Chief Investment and Real Estate Officer, and Jennifer Arrington, Assistant Director of Bond Management, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Simon, Nelson, Croom, Byrd, and Priest. Commissioners Rodriguez and McFarland abstained.

RESOLUTION: 18-27

Re: Authorization to Write Off Bad Debt Related to the County Revolving Closing Cost Assistance Program

WHEREAS, the Housing Opportunities Commission of Montgomery County is the administrator of the Montgomery County Revolving Closing Cost Assistance Program (RCCAP); and

WHEREAS, the Montgomery County Department of Housing and Community Affairs (DHCA) funds the RCCAP via the Montgomery County Housing Initiative Fund; and

WHEREAS, as of the first quarter of Fiscal Year 2018, twenty-six (26) closing cost loans aggregating \$126,469.59 are in default and should be deemed bad debt, given the low probability of collection; and

WHEREAS, DHCA has approved the request to write off this debt.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the 26 loans totaling \$126,469.59, as of the first quarter of Fiscal Year 2018, be declared bad debt and written off.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that staff will continue to pursue collections, and any funds recovered from these loans, will belong to the County, and will be requested of the County to return to the Program.

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

1. Approval of Structure, Cost of Issuance Budget and Adoption of a Series Resolution for 2018 Series and 2018 Series B Single Family Mortgage Revenue Bonds for the Purpose of Issuing New Debt and Refunding Single Family Mortgage Revenue Bonds

Kayrine Brown, Chief Investment and Real Estate Officer, and Jennifer Arrington, Assistant Director of Bond Management, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, McFarland, Croom, Byrd, and Priest.

RESOLUTION: 18-28

**Re: Approval of Structure, Cost of Issuance
Budget and Adoption of Series Resolution
for 2018 Series A and 2018 Series B
Mortgage Revenue Bonds for the Purpose
of Refunding Single Family Mortgage
Revenue Bonds and the Issuance of New
Debt**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”) is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the “Act”), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, the Housing Opportunities Commission of Montgomery County has issued various series of Single Family Mortgage Revenue Bonds under the Single Family Bond Resolution originally adopted on March 28, 1979, as amended (the “Bond Resolution”), a portion of which are currently outstanding; and

WHEREAS, the Bond Resolution authorizes the Commission to issue its bonds from time to time pursuant to one or more series resolutions in order to obtain funds to carry out its Single Family Mortgage Purchase Program (the “Single Family Program”); and

WHEREAS, the Commission desires to reduce its debt service expense in the Single Family Program and to produce low mortgage rates and new mortgage loans for Montgomery County, Maryland first time homebuyers; and

WHEREAS, financial market conditions are favorable for refinancing outstanding bond debt and for making mortgage loans to first time homebuyers; and

WHEREAS, the Commission has determined to carry out the Single Family Program by issuing its 2018 Single Family Mortgage Revenue Bonds in one or more series beginning with 2018 Series A and 2018 Series B, and with each subsequent series, if any, to follow in alphabetical order (collectively, the “2018 Bonds”) in a total aggregate principal amount not to exceed \$40,000,000; and

WHEREAS, the use of Private Activity Volume Cap for new debt and satisfaction of Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) will be required; and

WHEREAS, in connection with the proposed issuance of the 2018 Bonds, the Commission has reviewed the recommended structure and the cost of issuance budget and has been provided with initial drafts of the series resolution to be adopted prior to the issuance of the 2018 Bonds (the "Series Resolution"), and the preliminary official statement to be provided to prospective purchasers of the 2018 Bonds (the "POS," and following the sale of the 2018 Bonds and the appropriate revisions reflecting the final pricing and terms of the 2018 Bonds, the "Official Statement");

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

1. *The 2018 Bonds.* The 2018 Bonds are authorized to be issued in a principal amount not to exceed \$40,000,000 (i) to refund and redeem certain bonds outstanding under the Bond Resolution, (ii) to make, purchase or finance newly originated Mortgage Loans (as defined in the Bond Resolution), and (iii) if necessary, to fund certain required reserves.

2. *Approval of the Series Resolution and the Structure of the 2018 Bonds.* The 2018 Bonds are to be issued pursuant to the terms of the Bond Resolution and pursuant to the terms of the Series Resolution which have been provided to the Commission. The Commission hereby approves the current provisions of the Series Resolution and the structure of and the security for the 2018 Bonds set forth therein and in the POS. The Executive Director is hereby authorized to approve the final form of the Series Resolution, the POS and the Official Statement prior to the issuance of the 2018 Bonds.

3. *Commission Documents.* The Chair, the Vice-Chair, the Chair Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver the Series Resolution, the Official Statement and any such other documents and agreements to be prepared in connection with the issuance of the 2018 Bonds (the "Commission Documents") in such forms as shall be prepared and approved by the Chair, the Vice Chair, the Chair Pro Tem or the Executive Director, their execution and delivery of the Commission Documents being conclusive evidence of such approval and of the approval of the Commission and the Secretary of the Commission, or any other Authorized Representative (defined below), is hereby authorized and directed to affix the seal of the Commission to the Commission Documents and to attest the same.

4. *Authorizing Ongoing Determinations under Commission Documents.* The Executive Director is hereby authorized, without further authority from the Board of Commissioners, to perform any act, to execute any documents, and to make any ongoing determinations as may be required to be made on behalf of the Commission from time to time, including, but not limited to, the determination of other terms to be in effect with respect to the 2018 Bonds as shall be set forth in the Commission Documents.

5. *Other Action.* The Chair or Vice Chair or Chair Pro Tem and the Executive Director of the Commission or a person designated by the Executive Director to act on his behalf (the

“Authorized Representative”) are hereby authorized and directed to undertake any other actions necessary (i) for the issuance and sale of the 2018 Bonds, (ii) for the refunding and redemption or repayment of prior bonds (the “Prior Bonds”), (iii) for the financing of new Mortgage Loans under the Single Family Program, (iv) for the performance of any and all actions required or contemplated under the Bond Resolution, the Series Resolution, the POS, the Official Statement and any other financing documents relating to the issuance of the 2018 Bonds, and (v) for the entire period during which the 2018 Bonds are outstanding following the issuance thereof.

6. Approval of Allocation of Volume Cap. The Commission approves the allocation of approximately \$30,106,000 of Private Activity Volume Cap to complete the transaction.

7. Approval of Cost of Issuance. The Commission approves the cost of issuance budget in an amount up to \$550,000 to be incurred by the Commission in connection with the issuance of the 2018 Bonds.

8. Appointment of Financial Advisor and Bond Counsel. Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the 2018 Bonds.

9. Action Approved and Confirmed. All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this resolution and in the furtherance of the issuance and sale of the 2018 Bonds, the refunding and redemption of the Prior Bonds and the financing of newly originated Mortgage Loans approved hereby and the execution, delivery and performance of the Commission Documents authorized hereby are in all respects approved and confirmed.

10. Severability. If any provision of this resolution shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provision or cause any other provision to be invalid, inoperative or unenforceable to any extent whatsoever.

11. Effective Date. This resolution shall take effect immediately.

2. Approval of Preliminary Development Plans and Predevelopment Funding for the Recapitalization of Shady Grove Apartments, Georgian Court Apartments, and Stewartown Homes

Kayrine Brown, Chief Investment and Real Estate Officer, and Marcus Ervin, Housing Acquisitions Manager, were the presenters.

The following resolution was adopted upon a motion by Commissioner Priest and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, McFarland, Croom, Byrd, and Priest.

RESOLUTION: 18-29

RE: Approval of Preliminary Development Plans and Predevelopment Funding for Georgian Court Apartments, Shady Grove Apartments, and Stewartown Homes

WHEREAS, Georgian Court Apartments consists of 147 garden apartments built in 1976 and located upon a 6.7 acre parcel in Silver Spring; Shady Grove Apartments consists of 144 garden apartments built in 1980 and located upon two parcels totaling 11.87 acres in Derwood; and Stewartown Homes built in 1977 consists of 94 townhome units and located upon three parcels totaling 15 acres (collectively the "Properties"); and

WHEREAS, Shady Grove Apartments is wholly-owned by the Housing Opportunities Commission (HOC) and Georgian Court Apartments and Stewartown Homes are owned by existing Limited Partnerships ("LP") for Low Income Housing Tax Credit (LIHTC) purposes, and are in the process of being repurchased by HOC; and

WHEREAS, with the exception of ongoing capital improvements there have been no major renovations to the buildings within the last ten years; and

WHEREAS, Commission staff have formulated a plan to renovate and improve the Properties in order to maximize their life, public purpose and financial contribution to HOC, from re-syndicating Shady Grove Apartments, Georgian Court Apartments and Stewartown Homes; and

WHEREAS, \$1,050,000 of predevelopment funds are needed to study renovation options and financing strategies for improving the Properties and may be funded from the Opportunity Housing Reserve Fund ("OHRF") or the PNC Bank, N.A. Real Estate Line of Credit ("RELOC"), which would be repaid to the OHRF or RELOC upon the refinancing and/or re-syndication of the Properties; and

WHEREAS, excess earnings (Excess Yield) over allowable full spread (1.5%) of approximately \$650,000, generated from the refunding of prior series of bonds issued in the 1996 Indenture must be rebated to the Internal Revenue Service ("IRS") or may be allocated to Georgian Court Limited Partnership as capital contribution or a loan and used to fund capital expenditures at the property; and

WHEREAS, staff will return to the Commission for approval of a Final Development and Financing Plan for the Properties.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the Preliminary Development Plan to renovate Shady Grove Apartments, Georgian Court Apartments and Stewartown Homes, and to provide an amount not to exceed \$1,050,000 either from the OHRF or the RELOC as determined by the

Executive Director, to fund a predevelopment budget, which amount shall be repaid to the OHRF or the RELOC upon refinancing and/or re-syndication of the Properties.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the withdrawal of Excess Yield proceeds from the 1996 Indenture in an amount not to exceed \$650,000 to fund upfront capital expenditures at Georgian Court Apartments in the form of a capital contribution or loan to the owner Limited Partnership.

BE IT FURTHER RESOLVED that a final development and financing plan that identifies sources of funds to fully finance all costs and repay all OHRF or the RELOC funds shall be presented to the Commission for consideration and final approval.

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

The following resolution was adopted upon a motion by Commissioner McFarland and seconded by Commissioner Croom. Affirmative votes were cast by Commissioners Simon, Nelson, Rodriguez, McFarland, Croom, Byrd, and Priest.

RESOLUTION No: 18- 30

RE: Approval to withdraw from the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") in an amount up to \$1,050,000 to fund the Preliminary Development Plans and Predevelopment Funding for Georgian Court Apartments, Shady Grove Apartments, and Stewartown Homes

WHEREAS, Georgian Court Apartments consists of 147 garden apartments built in 1976 and located upon a 6.7acre parcel in Silver Spring; Shady Grove Apartments consists of 144 garden apartments built in 1980 and located upon two parcels totaling 11.87 acres in Derwood; and Stewartown Homes built in 1977 consists of 94 townhome units and located upon three parcels totaling 15 acres (collectively the "Properties"); and

WHEREAS, Shady Grove Apartments is wholly-owned by the Housing Opportunities Commission (HOC) and Georgian Court Apartments and Stewartown Homes are owned by existing Limited Partnerships ("LP") for Low Income Housing Tax Credit (LIHTC) purposes, and are in the process of being repurchased by HOC; and

WHEREAS, with the exception of ongoing capital improvements there have been no major renovations to the buildings within the last ten years; and

WHEREAS, Commission staff have formulated a plan to renovate and improve the Properties in order to maximize their life, public purpose and financial contribution to HOC, using LIHTC equity from the re-syndicating Georgian Court Apartments, Shady Grove Apartments and Stewartown Homes; and

WHEREAS, \$1,050,000 of predevelopment funds are needed to study renovation options and financing strategies for improving the Properties and may be funded from the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) for a period of up to twelve (12) months, which would be repaid to the RELOC upon the refinancing and/or re-syndication of the Properties; and

WHEREAS, staff will return to the Commission for approval of a Final Development and Financing Plan for the Properties.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves a draw in an amount not to exceed \$1,050,000 from the RELOC for a term of 12 months to fund a predevelopment budget, which amount shall be repaid to the RELOC upon refinancing and/or re-syndication of the Properties.

BE IT FURTHER RESOLVED that a final development and financing plan that identifies sources of funds to fully finance all costs and repay all RELOC funds shall be presented to the Commission for consideration and final approval.

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

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

The open session adjourned at 5:22 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Approved: June 6, 2018