

Resolution No.: 16-779  
Introduced: November 18, 2008  
Adopted: November 25, 2008

**COUNTY COUNCIL**  
**FOR MONTGOMERY COUNTY, MARYLAND**

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By: County Council

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**SUBJECT:** Approval of the County's Guarantee of \$33,380,000, Housing Opportunities Commission of Montgomery County, Housing Development Bonds, 2008 Issue A, to provide the financing to refund and redeem the outstanding Housing Opportunities Commission of Montgomery County, Housing Development Bonds, 2006 Issue A (Federally Taxable) that were guaranteed by the County to provide funding for the Wheaton Metro Kiss & Ride Development.

**Background**

1. Section 16-201, Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, authorizes Montgomery County, Maryland (the "County") by local law to provide for the guaranty by the County of the principal and interest on bonds, notes, interim certificates, debentures, or other obligations issued by the Housing Opportunities Commission ("HOC") to finance the construction and rehabilitation of housing and rental rates and prices not being offered in adequate quantity in the private section.
2. Chapter 20, Article VI of the Montgomery County Code establishes procedures for the review and approval of the issuance of HOC notes guaranteed by the County.
3. HOC requested that the County guarantee short term obligations to be issued by HOC for the purpose of providing construction financing for the Wheaton Metro Kiss & Ride Development, a multifamily rental housing development located in Montgomery County, Maryland (the "Development"). HOC advised the County that it intended to issue long-term revenue bonds, which would not be guaranteed by the County, for the permanent financing of this Development.
4. The County Council adopted Resolution No. 15-1609 on September 19, 2006 that provided the County's full faith and credit guarantee for the planned HOC bond issuance provided the maximum total interest cost could not exceed \$3,366,340

with a rate not exceeding 6.40% on a principal amount not to exceed \$36,350,000.

5. On September 28, 2006, the HOC issued its \$36,350,000 Housing Development Bonds, 2006 Issue A (Federally Taxable) (the "2006 Bonds") for the purposes of financing the costs of constructing the Development, with the guarantee provided by the County. The 2006 Bonds will mature January 1, 2009 and the County's guarantee will expire on such date.
6. HOC substantially completed the construction of the Development in October 2008. HOC describes the Development as a Class A apartment building with 173 one, two, and three bedroom apartments, of which 53 are income restricted apartments that provide affordable rental housing. The Development is built on a site that was an underused Metro parking lot in the Wheaton Central Business District (the "CBD"). The Development is located on the southeast corner of Georgia Avenue and Reedie Drive in the Wheaton CBD. The address for the Development is 11175 Georgia Avenue, Wheaton, Maryland, atop the existing Metro Kiss and Ride facility. The building stretches the full block of Reedie, between Amherst and Georgia, and wraps around a garage that houses parking for the residents and a new Kiss and Ride facility for the Metro. The Development is now known as MetroPointe Apartments Development.
7. As a result of the current market conditions HOC would like to delay the permanent financing and to issue short term debt guaranteed by the County to refund and redeem the 2006 bonds.
8. Under the requirement of Title 16, Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, and Chapter 20, Article VI of the Montgomery County Code, HOC submitted to the County Council and County Executive a Bond Financing Application for the Extension of Financing for MetroPointe Apartments, (the "Bond Financing Application"), attached as Exhibit A and made a part of this Resolution.
9. As required under Chapter 20, Article VI of the Montgomery County Code, the County Executive has considered the feasibility of the proposed terms and conditions of the 2008 Bonds and, in a memorandum to the President of the County Council dated November 13, 2008, the County Executive requested that a hearing be held by the County Council to consider the merits of the HOC proposal and further recommended approval of the Bond Financing Application.
10. A public hearing was held on November 25, 2008, to consider the merits of the Bond Financing Application. HOC's recommendation regarding the proposed financing was provided at and prior to the public hearing.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The full faith and credit guarantee by Montgomery County, Maryland of the 2008 Bonds to be issued in a principal amount not to exceed \$33,380,000 for the benefit of the MetroPointe Apartments Development (formerly referred to as Wheaton Metro Kiss & Ride Development) is approved.
2. The maximum total interest cost on the 2008 Bonds may not exceed \$1,481,701 as calculated using true interest cost on the 2008 Bonds not exceeding 4.25% per annum.
3. The terms of the 2008 Bonds, the purposes for which the proceeds of the 2008 Bonds may be expended, and the method for controlling the expenditures for the development financed by the proceeds of the 2008 Bonds must be in accordance with the MetroPointe Apartment Bond Financing Application and all applicable law.
4. A commercial bank is authorized to serve as Trustee under the Trust Indenture to be executed by HOC in connection with the issuance of the 2008 Bonds. Any amendments of the Trust Indenture related to the issuance of the 2006 Bonds must be approved by the County Executive and the Director of Finance prior to the issuance of the 2008 Bonds.
5. The Director of Finance is hereby authorized and directed to execute and deliver all documents relative to the issuance and the terms of the 2008 Bonds, the County's guarantee and any other documents or certificates thereof as he deems necessary and appropriate to effectuate the purposes of this resolution. This documentation must include an agreement by HOC to repay the county any amounts drawn on the County's guarantee, with interest (calculated at the rate of interest payable on the 2008 Bonds).
6. This resolution takes effect as authorized under Chapter 20, Article VI of the Montgomery County Code.

  
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Michael J. Knapp, President, County Council

25 NOV 08  
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Date

This is a correct copy of Council action.

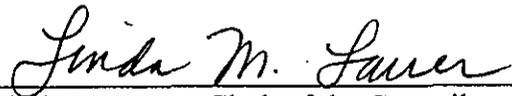
  
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Linda M. Lauer, Clerk of the Council

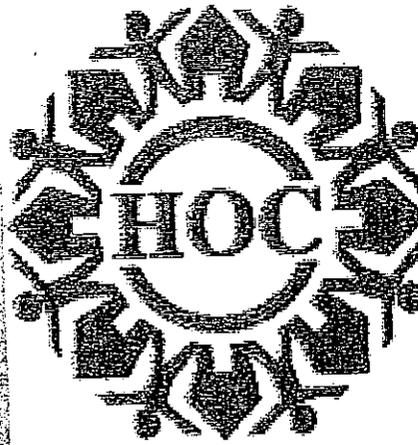
Exhibit A

**BOND FINANCING APPLICATION FOR  
THE EXTENSION OF FINANCING FOR  
METROPOINTE APARTMENTS**

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**Submittal to the  
County Executive and County Council  
Montgomery County, Maryland**

**By  
The Housing Opportunities Commission  
of Montgomery County**



Prepared By  
*Caine Miller and Associates Incorporated*

November 7, 2008

**METROPOINTE APARTMENTS  
BOND FINANCING APPLICATION**

**Table of Contents**

<b>SECTION</b>	<b>TITLE</b>	<b>PAGE</b>
Introduction	Project Summary and Overview Table 1: Unit Mix and Rent Schedules	1
1	Terms and Conditions of the 2008 Notes	6
2	Estimated 2008 Note Interest Rate	7
3	Estimated Timing and Other Provisions Concerning the Sale of the 2008 Notes	8
4	Project Description, Construction and Related Project Costs Table 2: Summary of Sources and Uses	9
5	Detailed Estimates of Operating Costs and Debt Service Table 3: Summary of Operating Budget	11
6	Schedules of Reserves for Depreciation and Major Maintenance	13
7	Schedule of Existing and Potential Project Safeguards	14
8	Description of Accounting Procedures	16
9	Explanation of the Use of Reserves Relating to Notes Issued for the Benefit of the Project	17
10	Explanation of Potential Obligations of the County Arising from a Default with Respect to Any Notes Issued for the Benefit of the Project	18
Schedule I	Summary of Sources and Uses	19

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
Appendix A	Highlights of the County's Rights and Powers As Guarantor of the Bonds	A
Appendix B	Cash Flow Summaries Prepared by Financial Advisor Caine Mitter & Associates Incorporated Using Expected Note rate of 2.45%	B
Appendix C	Cash Flow Summaries Prepared by Financial Advisor Caine Mitter & Associates Incorporated Using High Note rate of 4.25%	C
Appendix D	Exhibits Artists' Renderings of Development Location Map Street Map One-bedroom Unit Floor Plans Two-bedroom Unit Floor Plans Three-bedroom Unit Floor Plans	D

## INTRODUCTION

### PROJECT SUMMARY AND OVERVIEW

The purpose of this bond financing application is to describe the extension of a portion of the notes issued by the Housing Opportunities Commission ("HOC") and guaranteed as to the payment of interest and principal by Montgomery County (the "County") to redeem a portion of the notes issued in 2006 (the "2006 Notes"). This extension will be made through the issuance of notes (the "2008 Notes") that will continue the financing of a portion of MetroPointe Apartments (the "Development"), formerly known as the Wheaton Metro Kiss & Ride Development. The Development consists of 173 one, two and three bedroom rental apartments, retail space and a garage. Thirty percent of the apartments, or 53 apartments, are affordable and rent-restricted, while the remaining 70%, or 120 apartments, are rented at market rates. Of the affordable apartments, two-thirds, or 35 apartments, are restricted to residents with incomes at or below 50% of the area median income. The remaining 18 apartments have the benefit of project-based housing choice vouchers and serve residents with incomes at or below 30% of the area median income.

Prior to January 1, 2009, the Development will become a condominium owned by two entities. The 120 market rate apartments, the retail space and the garage will be owned by the Wheaton Metro Development Corporation, a nonprofit corporation created and controlled by HOC. The 53 affordable housing apartments will be owned by a limited partnership (the "Partnership") so that the equity can be raised for the Development from the sale of Low Income Housing Tax Credits. HOC will serve as the managing general partner of the Partnership.

The 2008 Notes are expected to be issued as tax-exempt governmental bonds in an amount not to exceed \$33,380,000 and are expected to mature on or before January 1, 2010. A portion of the 2006 Notes in the amount of \$2,970,000 will not be extended and will be redeemed using funds under HOC's line of credit with PNC Bank.

On or before January 1, 2010, HOC expects to issue its Multifamily Housing Development Bonds (the "Bonds") to provide long term financing for the Development. A portion of the proceeds of such bonds will be used to retire the 2008 Notes. The Bonds will not be guaranteed by the County. The Bonds will be tax exempt and will finance the part of the Development owned by HOC.

During the term of the 2008 Notes, any additional short term financing and throughout the anticipated long term financing for the Development, the mortgage loans associated with the Development will be insured under the Federal Housing Administration ("FHA") Risk Sharing Program.

## METROPOINTE APARTMENTS

### Description of Development

The Development is a Class A apartment building with 173 one, two, and three bedroom apartments, of which 53 are income restricted apartments that provide affordable rental housing. The Development is built on a site that was an underused Metro parking lot in the Wheaton Central Business District (the "CBD"). This transportation oriented project is a key component in the County's plan to address its affordable housing problem and to assist in the conversion of an older suburb into a vibrant, urban community. The Development is located on the southeast corner of Georgia Avenue and Reedie Drive in the Wheaton CBD.

Since the project has a large market-rate component, amenities and finishes are at a very high level. There is a fitness center, a business center that houses computers, a fax machine and a copier, a clubroom, two landscaped courtyards for resident use and a 500 square foot community space for an after-school program and other resident services.

Thirty percent of the apartments, or 53 apartments, are affordable, while the remaining 120 apartments are rented at market rates. Of the affordable apartments, two-thirds, or 35 apartments, are restricted to residents with incomes at or below 50% of the area median. The remaining 18 apartments have the benefit of project-based housing choice vouchers and serve tenants with incomes at or below 30% of the area median.

Services for the lower-income tenants are coordinated by a full-time staff member located on site. In particular, this staff person coordinates tenant needs with the many available services at the nearby Mid-County Services Center. Special emphasis is placed on facilitating linkages between residents and public/private community resources that support family stabilization and increase opportunities for training and employment. Programs for adults to increase their economic self-sufficiency are offered. Parental assistance includes an after-school drop-in program where students can use computer stations and do homework in a supervised setting. Other programs aimed at parents include on-site presentations on relevant topics and linkages with off-site resources for services such as childcare and healthcare.

### Location

The address for the Development is 11175 Georgia Avenue, Wheaton, Maryland, atop the existing Metro Kiss and Ride facility. The building stretches the full block of Reedie, between Amherst and Georgia, and wraps around a garage that houses parking for the residents and a new Kiss and Ride facility for the Metro. Parking is more than sufficient for all the tenants in the building. There is direct access to the Metro station from both Reedie Drive and the garage. The facade along Georgia Avenue is four and five stories, with several loft units on the top floors.

### Description of Site

The site consists of a 2.45-acre parcel at the Southeast corner of Reedie Drive and Georgia Avenue. It includes the existing Wheaton Metro subway station as well as the Metro Kiss and Ride parking facility. The site is bounded to the South by new townhomes and an existing office building, to the West by Georgia Avenue, to the north by Reedie Drive, and to the East by Amherst Avenue. The site supports the 173 multifamily apartments in a four-story building wrapping a parking garage.

## Unit Mix and Monthly Rents Including Utilities

The construction plans for the Development provide for an apartment complex with 173 units that wraps around a parking garage. All major utilities are located at the site. The unit mix, the residential rental rates, the unit size, and utility allowances are generally shown below:

**Table 1**  
Unit Mix and Rent Schedules

	Number of Units	Apartment Area (Sq Ft)	2009 Rent Levels	Utility Allowance
<b>Market Apartments</b>				
Studio	4	586	\$1,338	
Jr One Bedroom One Bath	3	698	\$1,568	
One Bedroom One Bath	67	782	\$1,654	
One Bedroom One Bath w/Den	4	975	\$1,930	
One Bedroom One Bath w/Loft	7	1121	\$2,065	
Two Bedroom Two Bath	34	1039	\$1,989	
Three Bedroom Two Bath	1	1411	\$2,535	
Market Total	120			
<b>Project-Based Vouchers</b>				
One Bedroom One Bath	3	717	\$1,131	\$119
Two Bedroom One Bath	3	1040	\$1,288	\$150
Two Bedroom Two Bath	9	1058	\$1,288	\$150
Three Bedroom Two Bath	3	1411	\$1,647	\$179
Affordable (30%) Total	18			
<b>LIHTC Apartments (50% AMI)</b>				
Studio	1	647	\$861	\$90
One Bedroom One Bath	30	727	\$922	\$119
Two Bedroom Two Bath	4	1031	\$1,107	\$150
Affordable (50%) Total	35			
<b>Total Apartments</b>	<b>173</b>			

### Eligible Tenants

Of the 173 apartments, 30% (53 apartments) are designated as Low to Moderate Income Apartments. Of the Low to Moderate Income apartments, two-thirds, or 35 apartments, are restricted to residents with incomes at or below 50% of the area median income. The remaining 18 affordable apartments have the benefit of project-based housing choice vouchers and serve residents with incomes at or below 30% of the area median income. The remaining 120 apartments are to be rented at market rents.

### Management

The Development is managed for HOC by Bozzuto Management Company of Greenbelt, Maryland. Bozzuto Management Company is part of The Bozzuto Group, which provides a broad range of real

estate services, including development, management, homebuilding, landscaping, construction and mortgage services. Bozzuto Management Company manages approximately 11,000 apartments throughout the mid-Atlantic region.

### **Development Team**

HOC assembled a team of consultants that assisted in the design and construction of the Development. The development team includes Bozzuto Development Corporation as developer, Bozzuto Construction Company as general contractor, Torti Gallas/CHK as architect and Bozzuto Management Company as management agent.

Members of the development team brought to the project extensive experience in the development and management of affordable, high-end, and mixed income rental properties. The project is a joint effort of HOC and Bozzuto Development Corporation. Originally intended to be jointly owned, it was decided during the preliminary phases that the project was too small for two owners and that HOC should be the owner. While both parties had a hand in all elements of the development, Bozzuto Development Corporation was primarily responsible for negotiations with the Washington Area Metropolitan Transit Authority ("WMATA"), while HOC was responsible for the financing. The Bozzuto Group was the general contractor for the project and is the management agent.

The Wheaton Metro Development Corporation, a nonprofit corporation created and controlled by HOC, will own the market rate portion of the building.

Bozzuto Development Corporation is the developer of many similar projects, including the Whitney in downtown Bethesda and the Montgomery at Wheaton Metro. HOC has completed two successful projects similar in scope to the mixed-income effort in Wheaton. The Metropolitan, a Class A property also in downtown Bethesda, is a 308-unit high rise tower with a similar unit mix as is planned at Wheaton and with thirty percent of the units at tax credit rates. Strathmore Court, located in Rockville, is another Class A property developed by HOC that contains 75% market units and 25% tax credit units. These projects have been strong performers since inception. In addition, both HOC and Bozzuto Management Company have extensive experience with the special challenges of managing mixed income buildings.

Torti Gallas/CHK, the project architect, has designed a number of buildings in conjunction with Metro facilities. They are one of the premier architectural firms in the Washington area and bring a wealth of residential architectural experience to the job.

### **Construction Period**

Construction commenced in June 2006 and reached substantial completion in October 2008. The property is expected to reach 95% occupancy in December 2008 resulting in a construction and lease-up period of approximately 30 months (the "Construction Period").

### **Financing**

The financing of the construction of the Development was provided through the sale of the 2006 Notes with the full faith and credit guarantee of the County. On or before January 1, 2009, HOC will issue the 2008 Notes and redeem the 2006 Notes to provide financing for the project for up to an additional year. On or before January 1, 2010, the Bonds will be issued to provide permanent financing for the Development. The proceeds of the Bonds will be used to retire the 2008 Notes, releasing the County of its obligation on the 2008 Notes.

HOC's budget for the Development is approximately \$56,644,964. Of that amount, \$36,350,000 was initially funded with the proceeds of the 2006 Notes, of which \$33,380,000 will be refinanced by the 2008 Notes and \$2,970,000 will be refinanced using funds under HOC's line of credit with PNC Bank. Subsequently, the 2008 Notes will be refunded by the Bonds. The sale of Low Income Housing Tax Credits associated with the financing for the 53 Low to Moderate Income Apartments is expected to provide \$8,486,285. The State of Maryland is expected to provide approximately \$1,530,000 through its Partnership Rental Housing Program. Montgomery County provided \$3,850,000. The Commission expects to contribute its total developer fee of \$4,428,679. Bozzuto Development Corporation will defer approximately \$750,000 of its development fee. Additionally, the Commission has authorized loaning up to \$1,250,000 to fund initial operating deficits and interest payments during the construction loan period.

### **Ownership Structure**

Subsequent to closing on the permanent financing, the Development will become a condominium owned by two separate entities. The condominium will consist of 173 individual residential units, two retail units, and a garage. The 120 market rate units, the two retail units and the garage will be owned by the Wheaton Metro Development Corporation, a nonprofit corporation created and controlled by HOC. The 53 affordable units will be owned by the Partnership, of which HOC serves as the managing general partner.

## SECTION 1

### TERMS AND CONDITIONS OF THE 2008 NOTES

- A. Disposition of the 2008 Note proceeds and all terms of the 2008 Notes will be controlled by the provisions of the Trust Indenture between HOC and the Trustee.
- B. The interest on the 2008 Notes will be payable from the net operating income before debt service received from the Development. On or before January 1, 2010, HOC will issue bonds to provide permanent financing for the Development. The proceeds of the Bonds will be used to pay the principal of and retire the 2008 Notes, releasing the County of its obligation. The Bonds will not be guaranteed by the County.
- C. Major Terms of the 2008 Notes:
  - 1. The overall true interest cost on the 2008 Notes will not exceed 4.25%.
  - 2. The 2008 Notes will be issued in registered form as to principal and interest.
  - 3. The 2008 Notes may be subject to redemption prior to maturity.
  - 4. The 2008 Notes may be structured to generate original issue premium.
  - 5. The 2008 Notes will be issued in one series as a fixed rate term bond.
  - 6. The 2008 Notes will mature on January 1, 2010.
  - 7. The maturity on the 2008 Notes will be structured in a manner that reflects the expected issuance of the Bonds.
  - 8. Interest on the 2008 Notes will be payable semi-annually and on the maturity date of the 2008 Notes.
  - 9. The gross proceeds of the combined series of 2008 Notes issued will not exceed \$33,380,000.
- D. Following the endorsement by FHA under HUD's risk sharing program, the mortgage loan on the Development will be insured under the FHA Risk Sharing Program. HOC expects to issue the Bonds on or before January 1, 2010 and to redeem the 2008 Notes in full on or before January 1, 2010.

## SECTION 2

### ESTIMATED 2008 NOTE INTEREST RATE

- A. The overall true interest cost on the 2008 Notes is expected to be approximately 2.45%.
- B. The maximum overall true interest cost on the 2008 Notes will not exceed 4.25%.

## SECTION 3

### ESTIMATED TIMING AND OTHER PROVISIONS CONCERNING THE SALE OF THE 2008 NOTES

#### A. Estimated Timing

The 2008 Notes are expected to be sold and closed by December 15, 2008. In the event the sale and closing of 2008 Notes cannot occur by this date, the 2008 Notes will be sold at the earliest practical opportunity.

#### B. Sale Provisions

The 2008 Notes may be sold at public or private sale. In the event the 2008 Notes are sold at public sale, the official "Notice of Sale" will be published in the Daily Bond Buyer in New York, New York, and in a local Montgomery County newspaper. It will contain the following major provisions:

1. The time and place for receipt of bids.
2. A description of the terms of the 2008 Notes, maturity amount and date of issue.
3. A description of the basis for award.
4. A statement that Bond Counsel will provide an opinion as to the validity of the issuance of the 2008 Notes.
5. A statement that the issuance of the 2008 Notes is subject to review and approval by Bond Counsel.
6. A statement that the Official Statements will be available to the successful bidder as soon as practical after the award.
7. A statement that a "Bid Form" is provided for bidding purposes.

Any negotiated sale or private placement sale will be held at a time and under terms acceptable to HOC in accordance with applicable State and County law. It is expected that the 2008 Notes will be sold at negotiated sale.

## SECTION 4

### PROJECT DESCRIPTION, CONSTRUCTION AND RELATED PROJECT COSTS

#### A. Project Description

The Development is a Class A apartment complex with 173 apartments located on the southeast corner of Georgia Avenue and Reddie Drive, directly above the Wheaton Metro Station in Wheaton, Maryland. Thirty-five of the apartments are rented to households with incomes at or below 50% of the area median income, 18 of the apartments are rented to households with incomes at or below 30% of the area median income and the remaining 120 apartments are rented at market rents.

The Development will become a condominium owned by two entities. The 120 market rate apartments, the retail space and the garage will be owned by the Wheaton Metro Development Corporation, a nonprofit corporation created and controlled by HOC. The 53 affordable housing apartments will be owned by the Partnership so that equity can be raised for the Development from the sale of Low Income Housing Tax Credits. HOC will serve as the managing general partner of the Partnership.

The Development consists of approximately 151,030 square feet of residential space for 173 residential apartments and 49,174 square feet of common space and retail space. The apartment mix for the 173 residential apartments is as follows:

- 5 Studio Apartments
- 114 One Bedroom Apartments
- 50 Two Bedroom Apartments
- 4 Three Bedroom Apartments

In addition to the residential rental apartments, the Development includes a six-level parking garage in the interior of the Development. There are 211 parking spaces for the building's tenants and 61 parking spaces (plus an additional 8 spaces for motorbikes) for the Metro Kiss & Ride facility.

Amenities include two landscaped courtyards for resident use. Amenities within the building include a community room for an after-school program and other resident services; a business center with computers, a fax machine and a copier; a club room and a fitness center. Also, a full-time staff member will provide services for the lower-income tenants, including programs to increase economic self-sufficiency and an after-school program.

Construction commenced in June 2006 and reached substantial completion in October 2008. The property is expected to reach 95% occupancy in December 2008 resulting in a construction and lease-up period of approximately 30 months (the "Construction Period").

The Development is located at Georgia Avenue and Reddie Drive directly above the Wheaton Metro Station. The following exhibits are contained at the end of this bond financing application. The titles of these exhibits are repeated from the table of contents:

Exhibits

- Artists' Renderings of Development
- Location Map
- Street Map
- One-bedroom Unit Floor Plans
- Two-bedroom Unit Floor Plans
- Three-bedroom Unit Floor Plans

**B. Construction and Related Project Costs**

The total development cost is approximately \$56,644,964. The proceeds of the 2006 Notes provided \$36,350,000. The sale of Low Income Housing Tax Credits associated with the financing for the 53 Low to Moderate Income Apartments is expected to provide \$8,846,285 in equity. The Partnership Rental Housing Program will provide approximately \$1,530,000 through its Rental Housing Partnership Program. Montgomery County provided \$3,850,000. The Commission expects to contribute its total developer fee of \$4,428,679. Bozzuto Development Corporation will defer approximately \$750,000 of its development fee. Additionally, the Commission has authorized loaning up to \$1,250,000 to fund initial operating deficits and interest payments during the construction loan period.

The projected development costs for the Development, and related project expenses are provided in the Sources and Uses of the Funds statement in Schedule I. Table 2 is a summary of Schedule I.

**Table 2**  
Summary of Sources and Uses

Bond Funded Construction and Related Project Costs

Sources of Funds	
Taxable Financing	36,350,000
Tax Credit Equity	8,486,285
State PRHP Loan	1,530,000
County HIF	3,850,000
HOC Deferred Developer Fee	4,428,679
Bozzuto Deferred Developer Fee	750,000
HOC Loan	<u>1,250,000</u>
	<u>\$56,644,964</u>

Uses of Funds	
Acquisition	\$ 2,082,500
Construction	37,863,227
Design & Engineering	3,139,576
Development Fee	5,928,679
Financing Fees & Interest	4,552,818
Initial Operating Deficits	<u>1,000,000</u>
Other Costs	<u>2,078,164</u>
	<u>\$56,644,964</u>

SECTION 5

**DETAILED ESTIMATES OF OPERATING COSTS  
AND DEBT SERVICE**

**A. Operating Costs**

A summary of the projected operating budget for the Development is presented in Table 3 below:

**Table 3**  
Summary of Operating Budget for  
MetroPointe Apartments

	<u>2010</u> <u>After Stabilization</u>
<b>Revenues</b>	
Gross Rents	\$ 3,257,735 <sup>(1)</sup>
Less Vacancy	<u>(229,555)</u>
Rent Revenues	3,028,181
Resident Services	30,727
Other Income	<u>290,276</u>
Total Operating Revenue	\$ 3,349,183
<b>Expenses</b>	
Administration	133,044
Payroll	354,145
Utilities	164,209
Rental Expense	50,000
Repairs & Maintenance	119,236
Management Fee	99,596
Resident Services	13,776
Taxes & Licenses	45,065
Insurance	<u>69,476</u>
Total Operating Expenses	\$ 1,048,548
Reserves for repairs and replacements	<u>43,250</u>
Total Expenses	\$ 1,091,798
<b>NET OPERATING INCOME</b>	<b><u>\$ 2,257,385</u></b>

(1) Derived from the Rent Schedule provided in Table 1 on page 3.

A Replacement Reserve of \$250 per unit (\$43,250) has been included in the Operating Budget beginning in the first stabilized year of operations, estimated to be 2010.

**B. 2008 Note Cash Flow Projections**

Two sets of 2008 Note cash flow projections of income, expenses and 2008 Note debt service are provided in Appendices B and C.

The first set, provided in Appendix B, reflects the net operating income before debt service received from the development and the presently anticipated 2008 Note yield of 2.45%.

The second set, provided in Appendix C, reflects the net operating income before debt service received from the development and the maximum 2008 Note yield of 4.25%.

Prior to the issuance of the Bonds, net operating income before debt service received from the development will be sufficient to pay interest on the 2008 Notes. The proceeds of the Bonds will pay the principal of and retire the 2008 Notes.

## SECTION 6

### SCHEDULES OF RESERVES FOR DEPRECIATION AND MAJOR MAINTENANCE

I. Development Operating Reserve – Up to \$1,000,000 is reserved in the development budget to fund initial operating deficits until the project is stabilized.

II. Financing Operating Reserve – Up to \$868,508 is reserved by HOC to fund potential operating deficits that occur during the period of the Note financing through January 1, 2010. HOC reserves the right to reduce this amount to the extent that it is determined that the Development is producing sufficient income to cover financing costs.

III. Replacement Reserve – A replacement reserve of \$250 per unit (\$43,250 per year) is included in the operating budget beginning in 2009 (upon closing on the permanent financing).

IV. Debt Service Coverage Reserve – Up to \$230,000 has been reserved in HOC's General Fund Operating Reserve until the project achieves 1.10 debt service coverage and 95% occupancy for 12 months.

## SECTION 7

### SCHEDULE OF EXISTING AND POTENTIAL PROJECT SAFEGUARDS

Safeguards continue to exist that insured completion of construction for the Development, cover any defects in the completed work, and assure acceptable project operations and financing costs.

#### A. Construction Completion Safeguards

HOC assembled a team of consultants that assisted in the design and construction of the Development. The staff of HOC along with the design consultants worked together on all aspects of the project including the development of schematic designs, preparation of construction drawings and bidding documents, selection of a general contractor, and construction management.

During construction, the general contractor, Bozzuto Construction Company provided assurance of completion for the Development in the form of a payment and performance bond in an amount equal to 100% of the construction contract. Upon achieving substantial completion, Bozzuto Construction posted a latent defect bond equal to two and one-half percent of the final contract sum, \$897,500, to cover any defects that may occur for a period of one year.

The Development plan included allowances for capitalized interest costs, lease-up reserves and a debt service coverage guarantee until such time as the anticipated lease up period is complete and the project income pays for the operating expense and debt service of the Development.

#### B. Project Operating Safeguards

Operating safeguards can be viewed from several perspectives. The affordable rent structure in the Development, combined with its attractive location, resulted in a high demand for the units, which will increase over time as housing costs within the County continue to escalate. This demand is expected to result in low vacancy rates, minimizing losses of rental income from vacant units.

Experienced and competent management of the Development serves as an important overall safeguard for the project operation. The Development is managed for HOC by Bozzuto Management Company of Greenbelt, Maryland. Bozzuto Management Company is part of The Bozzuto Group, which provides a broad range of real estate services, including development, management, homebuilding, landscaping, construction and mortgage services. Bozzuto Management Company manages approximately 11,000 apartments throughout the mid-Atlantic region, including the Whitney in downtown Bethesda. As owner, HOC serves as asset manager and will oversee the general management of the property.

#### C. Organizational Safeguards

HOC was chartered in 1974 through state legislation that reconstituted the Housing Authority of Montgomery County, changing its name to the Housing Opportunities Commission of Montgomery County and broadening its powers. HOC operates under state and local legislation providing it authority to build, own, manage, finance, develop and administer programs serving households unable to compete in the County's high-priced housing market. HOC currently owns, manages or owns and manages 6, 838 rental units.

The Commission is organized into seven functions reporting to the Executive Director: (1) the Executive Division, which is responsible for all of the administrative activities of the Commission, Equal Opportunity, and training, personnel and labor relations, Federal Programs, Information Technology, and Legislative and Public Affairs; (2) the Real Estate Division, which is responsible for development of new affordable housing, preservation of existing affordable housing, acquisition of multifamily properties and moderately priced dwelling units and activities contributing to the revitalization of older neighborhoods in the County; (3) the Finance Division, which is responsible for accounting, budgeting, payroll, maintaining financial records, and filing reports with other governmental agencies; (4) the Mortgage Finance Division, which is responsible for structuring the bond issues to finance the Commission's multifamily and single family programs and the management of mortgage loans under the multifamily and single family loan management programs; (5) the Housing Management Division, which is responsible for maintaining and operating properties of public housing and other assisted and non-assisted properties owned or operated by the Commission and asset management of the Commission's multifamily portfolio; (6) the Resident Services Division, which is responsible for providing social services to residents in properties owned, leased or managed by the Commission; and (7) the Housing Resources Division, which is responsible for administering the Housing Choice Voucher program pursuant to Section 8 of the United States Housing Act of 1937, and providing the community with access to all of the Commission's programs through service centers operated in different parts of Montgomery County.

**D. Insurance Safeguards**

The mortgage loans associated with the Development will have the benefit of insurance by FHA ("FHA Insurance") under Section 542(c) of the Housing and Community Development Act of 1992, as amended, and the regulations promulgated thereunder (the "Risk Sharing Act") for the term of the 2008 Notes and the resulting short term financing, and throughout the anticipated long-term financing for the Development.

**E. Commission Recommendation**

HOC has recommended that all of the aforementioned safeguard measures be taken to assure the solvency of the Development.

## SECTION 8

### DESCRIPTION OF ACCOUNTING PROCEDURES

The accounting system for recording and controlling expenditures of 2008 Note funds, debt service, 2008 Note costs, reserves and revenues is provided for in the Trust Indenture. HOC has established an accounting system that complies with these requirements, and will coordinate this system with the Trustee for the 2008 Notes.

Requirements of particular significance are as follows:

- All 2008 Note proceeds will be deposited with and disbursed by the Trustee.
- All mortgage payments and net operating income will be paid directly to the Trustee, who will serve as mortgagee for this development.
- Excess revenues accrued will be subject to the terms set forth in the Trust Indenture.
- The Trustee will invest all funds held in trust.
- The Trustee must furnish HOC with reports as provided by the Trust Indenture.

Activity is recorded in a separate general ledger for each HOC property or program. An annual budget and monthly operating statements are produced for each property or program. These monthly reports provide budget to actual comparisons for each property or program. Budget variances outside of established tolerances are reported to the Director of Housing Management monthly and to the Executive Director quarterly.

**SECTION 9**

**EXPLANATION OF THE USE OF RESERVES RELATING TO NOTES  
ISSUED FOR THE BENEFIT OF THE PROJECT**

No reserves will be established in relation to the 2008 Notes.

## SECTION 10

### EXPLANATION OF POTENTIAL OBLIGATIONS OF THE COUNTY ARISING FROM A DEFAULT WITH RESPECT TO ANY NOTES ISSUED FOR THE BENEFIT OF THE PROJECT

The county will be obligated to pay interest on the 2008 Notes to the extent that net operating income before debt service received from the Development is not sufficient. The County will also be obligated to pay the principal of the 2008 Notes, if HOC does not issue the Bonds before the maturity of the 2008 Notes.

The payment of interest on the 2008 Notes will be generated from the net operating income before debt service received from the Development.

The payment of principal of the 2008 Notes will be paid from the proceeds of the Bonds, when the mortgage loan is transferred from the 2008 Notes to the Bonds. In order for the mortgage loan to be transferred from the 2008 Notes to the Bonds, the mortgage loan must (1) have the benefit of FHA Insurance or (2) have the benefit of a Credit Facility constituting a guarantee, surety bond, insurance policy or unconditional, irrevocable direct pay or stand-by letter of credit meeting criteria that, at the time of issuance, will not adversely affect the then current Rating on the bonds or (3) meet, or have the benefit of a Credit Facility meeting alternative requirements such that the financing of such Mortgage Loans will not adversely affect the then current Rating on the Bonds.

HOC has entered into a risk-sharing agreement with the Department of Housing and Urban Development dated as of September 23, 1994, which approved HOC, a "qualified HFA" under the Housing and Community Development Act of 1992, to participate in the Federal Housing Administration Risk Sharing program on two levels. Since September 23, 1994, HOC has processed 21 loans that have been insured by FHA under the Risk Sharing program. HOC expects to execute a risk-sharing agreement with FHA, which will insure the mortgage loan under the FHA Risk Sharing Program.

Summary of Sources and Uses

Schedule I

MetroPointe Apartments

SOURCES

Taxable Financing	36,350,000	
Tax Credit Equity	8,486,285	
State PRHP Loan	1,530,000	
County HIF	3,850,000	
Deferred Developer Fees	5,178,679	
HOC Loan	1,250,000	
		\$ 56,644,964

USES

Construction Contract (Original)	32,626,854	
Off-Site – IMF (Interim Facilities) (Allowance)	300,000	
Total Construction Costs		32,926,854

Permits Tap and Other Fees	1,021,953	
WMATA & Residential Signage & Security	136,000	
FF&E Budget Clubhouse/Model Furnishing	239,000	
Construction Contingency	3,539,420	
Total Owner Construction Costs		4,936,373

Architect's Design & Supervision	1,597,921	
Civil Engineering	462,463	
Landscape	138,715	
Geotech/Environ/Pre Construction Survey	314,567	
Fire/Code Consultant	42,782	
Lighting Consultant	11,527	
Parking Study	6,058	
Traffic Consultant/Traffic Light Consultant	32,983	
Utility Consultant	64,527	
Misc. Consultants (Signage/Sound/Conceptual, 3 <sup>rd</sup> party consultant)	291,014	
Renderings/Special Models	11,036	
Reimb/Reproduction	65,983	
Soft Cost Contingency	100,000	
Total Design & Engineering Costs		3,139,576

Development Loan Interest Expense	126,041	
Construction Period Interest	2,352,985	
Negative Arbitrage	185,569	
Costs of Bond Issuance	908,750	
HOC Financing Fees	727,000	
PRHP Loan Fee	27,650	
CDA Administrative Fee	42,498	
Letter of Credit Fees	575	
Prepaid MIP	181,750	

Total Financing Costs		4,552,818
Insurance	401,117	
Title and Recording	145,456	
Legal – Construction Loan Closing	50,000	
Legal – HOC	75,000	
Legal – WMATA and Zoning	367,441	
Miscellaneous Costs	113,591	
Cost Certification	18,000	
Tax Credit Counsel	49,978	
Tax Returns/Audit	16,000	
Syndication Accounting	51,289	
Project Accountant	10,000	
Appraisal	10,500	
Marketing	267,800	
Retail Broker Fee	72,742	
Lease-up	54,250	
Real Estate Taxes	85,000	
Assignment Fee to BDC	250,000	
Operating Deficit	1,000,000	
WMATA – Reimburse lost parking Revenue	40,000	
Total Owners Costs		3,078,164
Land	2,082,500	
Total Land		2,082,500
Developer's Fee	5,928,679	
Total Developer's Fee		5,928,679
<b>TOTAL COSTS</b>		<b>\$56,644,964</b>
<b>TOTAL DEVELOPMENT COSTS</b>		<b>\$ 56,644,964</b>

## APPENDIX A

### HIGHLIGHTS OF THE COUNTY'S RIGHTS AND POWERS AS GUARANTOR OF THE NOTES

This financing plan for The MetroPointe Apartments Development is subject to the review and approval procedures specified in state enabling legislation and County implementing legislation regarding use of the County's guarantee on housing revenue bonds issued by HOC. Under these procedures, the County Executive and County Council may establish the terms and conditions they deem appropriate for the sale of HOC bonds backed by the County's general obligation guarantee.

The following highlights rights and powers of the County, as guarantor of the 2008 Notes, in addition to those described in other sections of the bond financing application.

#### A. Marketing and Sale of 2008 Notes

The following documents pertaining to the marketing and sale of the 2008 Notes for this financing will be provided to the County's Director of Finance for review and approval.

##### Negotiated Sale of the 2008 Notes

- Draft Official Statements for the 2008 Notes
- Trust Indenture
- All closing documents pertaining to the County's guarantee on the 2008 Notes

##### Public Sale of the 2008 Notes

- All of the documents listed for negotiated sale
- Preliminary Official Statements for the 2008 Notes
- Notices of Sale
- Bid Forms

Following the sale of the 2008 Notes, and as soon as possible prior to the scheduled closing on the sale, a complete set of all draft closing documents will be provided to the County's Director of Finance for information purposes. After the closing occurs, a complete set of final closing documents will be provided to the Director of Finance for the County's records.

## B. Rights and Powers of the County During the Guarantee Period

This section highlights specific rights of the County during the time County-guaranteed 2008 Notes are outstanding.

1. All notices sent by the Trustee to HOC under the Trust Indenture will be transmitted simultaneously to the County.
2. All changes in the Trust Indenture and any supplemental indentures executed subsequent to the issuance of the 2008 Notes, if any, will be subject to approval by the County.
3. An independent Trustee will be appointed under the Trust Indenture. The County's consent must be provided prior to removal of this Trustee, as well as for the appointment of any successor Trustee.
4. HOC will notify the County in the event that any monthly payment is delinquent. This notification process will take place at any and all times such delinquency occurs during the period when notes guaranteed by the County are outstanding.
5. Five days prior to the due date of each payment of principal of and interest on the 2008 Notes, the Trustee will notify both the County and HOC if the amount of funds then available in the appropriate accounts to make the required payment, plus the amount of any additional funds expected to be received by the due date are insufficient to pay such principal of and interest on the 2008 Notes. In the event sufficient funds are not available or expected to be available under the Trust Indentures to make any payment on the date it is due, this five day period provides an opportunity for either the County or HOC or both to provide the additional funds to the Trustee before the payment date.
6. The mortgagee rights will be vested in the Trustee. In the event of a default under the Deed of Trust and Regulatory Agreement, the Trustee's mortgagee rights may be transferred to the County at its option.
7. If the Trustee determines HOC is not performing in accordance with or observing any of the covenants, promises, stipulations, agreements or conditions under the Trust Indentures for the 2008 Notes which do not pertain to timely payment of principal and interest on the 2008 Notes, but rather to other requirements, the Trustee may not declare an event of default under the Trust Indentures unless:
  - a. a notice of default is first mailed to HOC and the County by first class mail;
  - b. HOC has been provided a 60 day period to correct the default and has not corrected it during this time; or
  - c. if the default cannot be corrected within 60 days, HOC has not instituted action to correct the default or is not diligently pursuing action to correct it.

Within 30 days of any notice of default under non-monetary provisions of the Trust Indentures, HOC will notify the County of all actions being taken to correct the default, and provide the County the option of participating in these actions.

8. If the County performs on its guaranty by advancing funds to make payments of principal and interest on the notes issued on behalf of the County-owned developments for which HOC is serving as mortgagee, HOC will provide the County the option of accepting an assignment of all of the Commission's rights as mortgagee which are provided in the event of a default under the Deed of Trust and Regulatory Agreement for the development(s) involved.
9. If the County performs on its guarantee by paying the outstanding 2008 Notes in full for the Development, all of HOC's rights otherwise pledged to the Trustee under the Trust Indenture with respect to the development automatically will be pledged to the County.

APPENDIX B

HOC MetroPointe Apartments Development  
NOTE CASH FLOWS

Expected Rates  
(in dollars)

	Net Operating Income	Proceeds of HOC Bonds	Investment Income on Note Proceeds*	Semiannual Total	Trustee Fee	Note Interest 2.45%	Note Principal	Net Amount
12/15/2008								
1/1/2009			14,836					
2/1/2009	86,469							
3/1/2009	117,466							
4/1/2009	154,488							
5/1/2009	159,363							
6/1/2009	160,705							
7/1/2009	118,715			812,042	2,500	445,252		364,289
8/1/2009	161,410							
9/1/2009	150,986							
10/1/2009	85,135							
11/1/2009	96,039							
12/1/2009	122,523							
1/1/2010	120,645	33,380,000		34,116,738		408,905	33,380,000	327,833
Totals:	1,533,944	33,380,000	14,836	34,928,780	2,500	854,157	33,380,000	692,122

\* Assumes 2008 Note proceeds will be invested at 1.0% from delivery until the expected redemption of the 2006 Notes on January 1, 2009.

APPENDIX C

HOC MetroPointe Apartments Development  
NOTE CASH FLOWS

High Rates  
(in dollars)

	Net Operating Income	Proceeds of HOC Bonds	Investment Income on Note Proceeds*	Semiannual Total	Trustee Fee	Note Interest 4.25%	Note Principal	Net Amount
12/15/2008								
1/1/2009			14,836					
2/1/2009	86,469							
3/1/2009	117,466							
4/1/2009	154,488							
5/1/2009	159,363							
6/1/2009	160,705							
7/1/2009	118,715			812,042	2,500	772,376		37,165
8/1/2009	161,410							
9/1/2009	150,986							
10/1/2009	85,135							
11/1/2009	96,039							
12/1/2009	122,523							
1/1/2010	120,645	33,380,000		34,116,738		709,325	33,380,000	27,413
Totals:	1,533,944	33,380,000	14,836	34,928,780	2,500	1,481,701	33,380,000	64,578

\* Assumes 2008 Note proceeds will be invested at 1.0% from delivery until the expected redemption of the 2006 Notes on January 1, 2009.

**APPENDIX D**

**EXHIBITS**

**ARTISTS' RENDERINGS OF DEVELOPMENT**

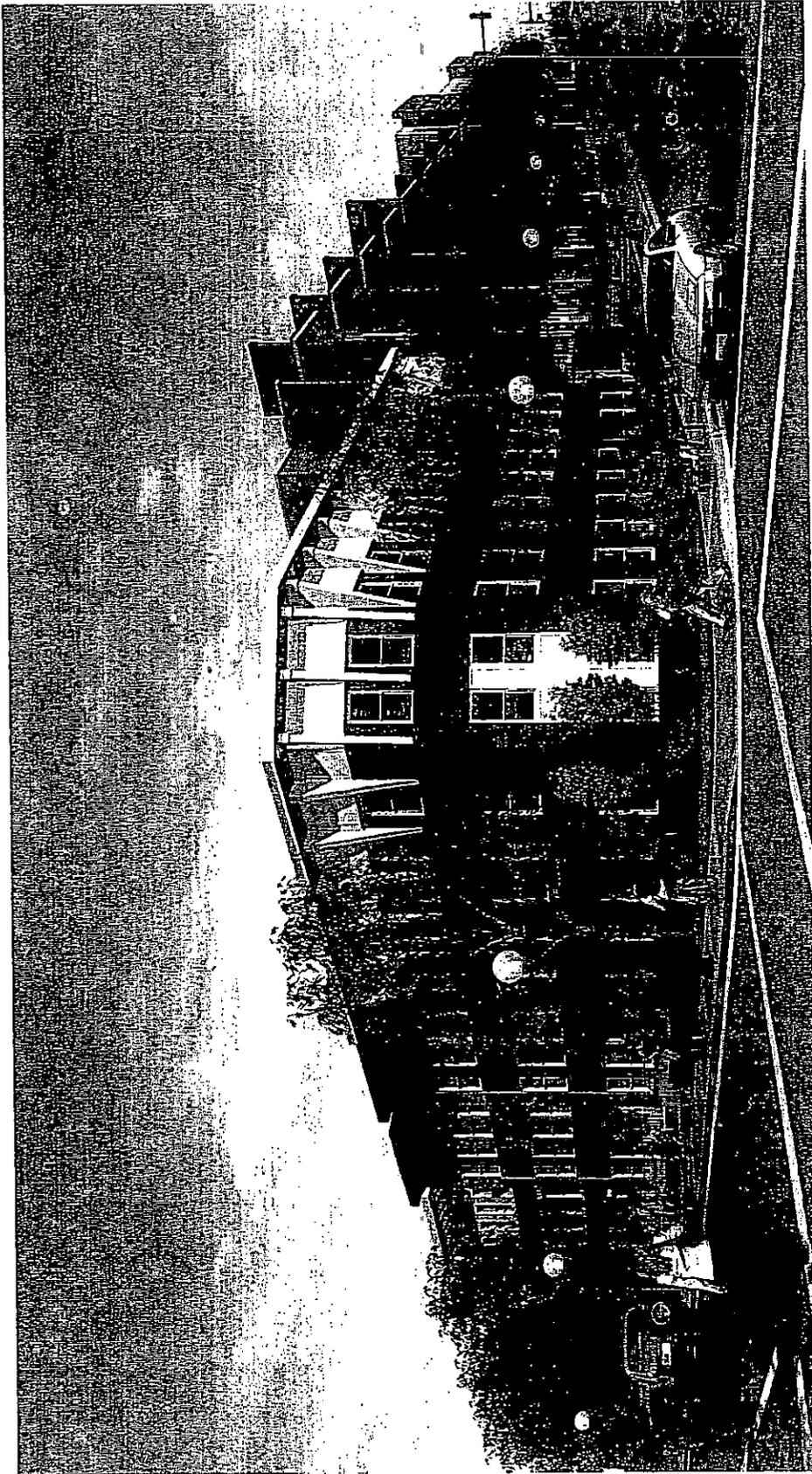
**LOCATION MAP**

**STREET MAP**

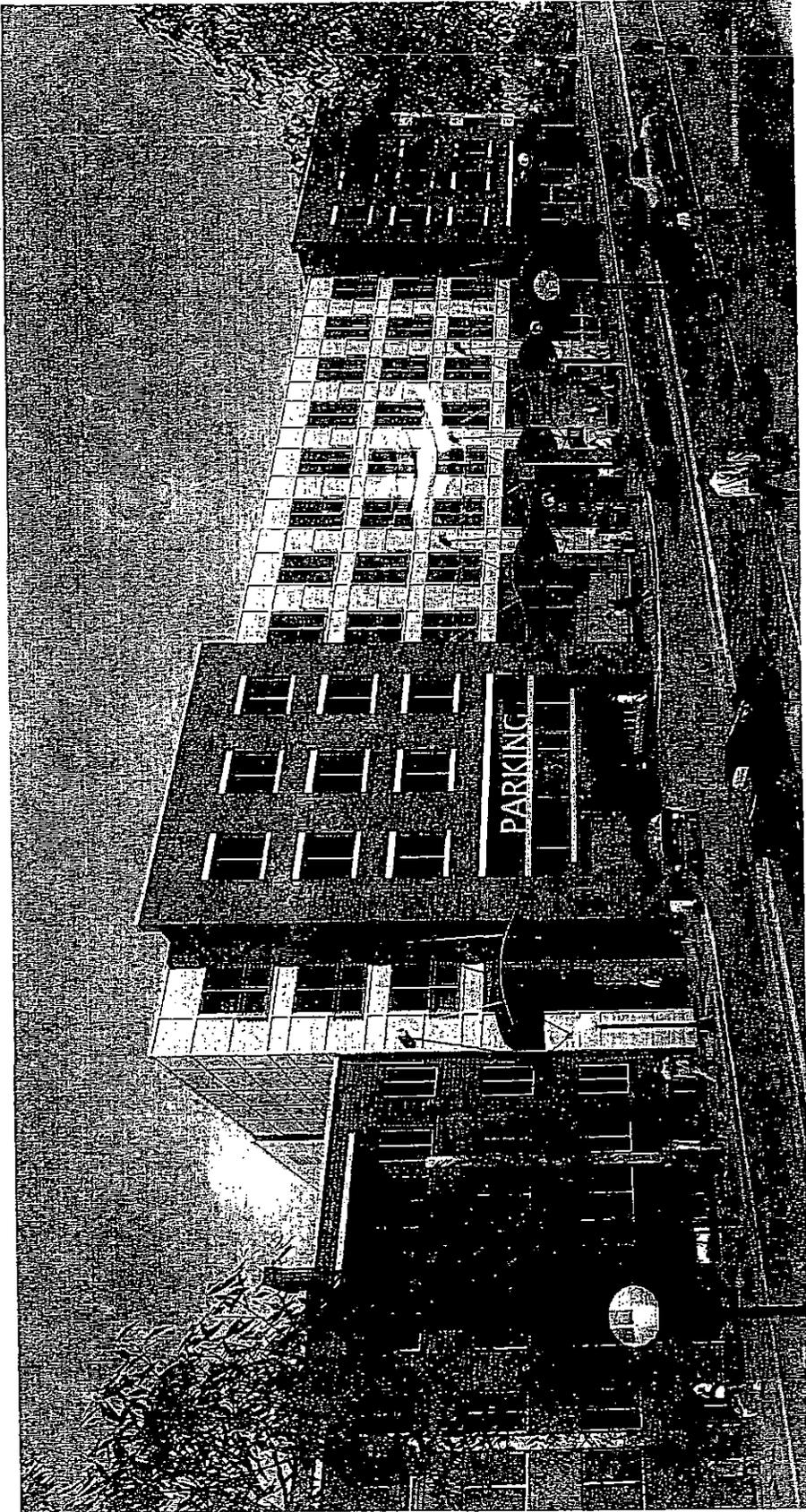
**ONE-BEDROOM UNIT FLOOR PLANS**

**TWO-BEDROOM UNIT FLOOR PLANS**

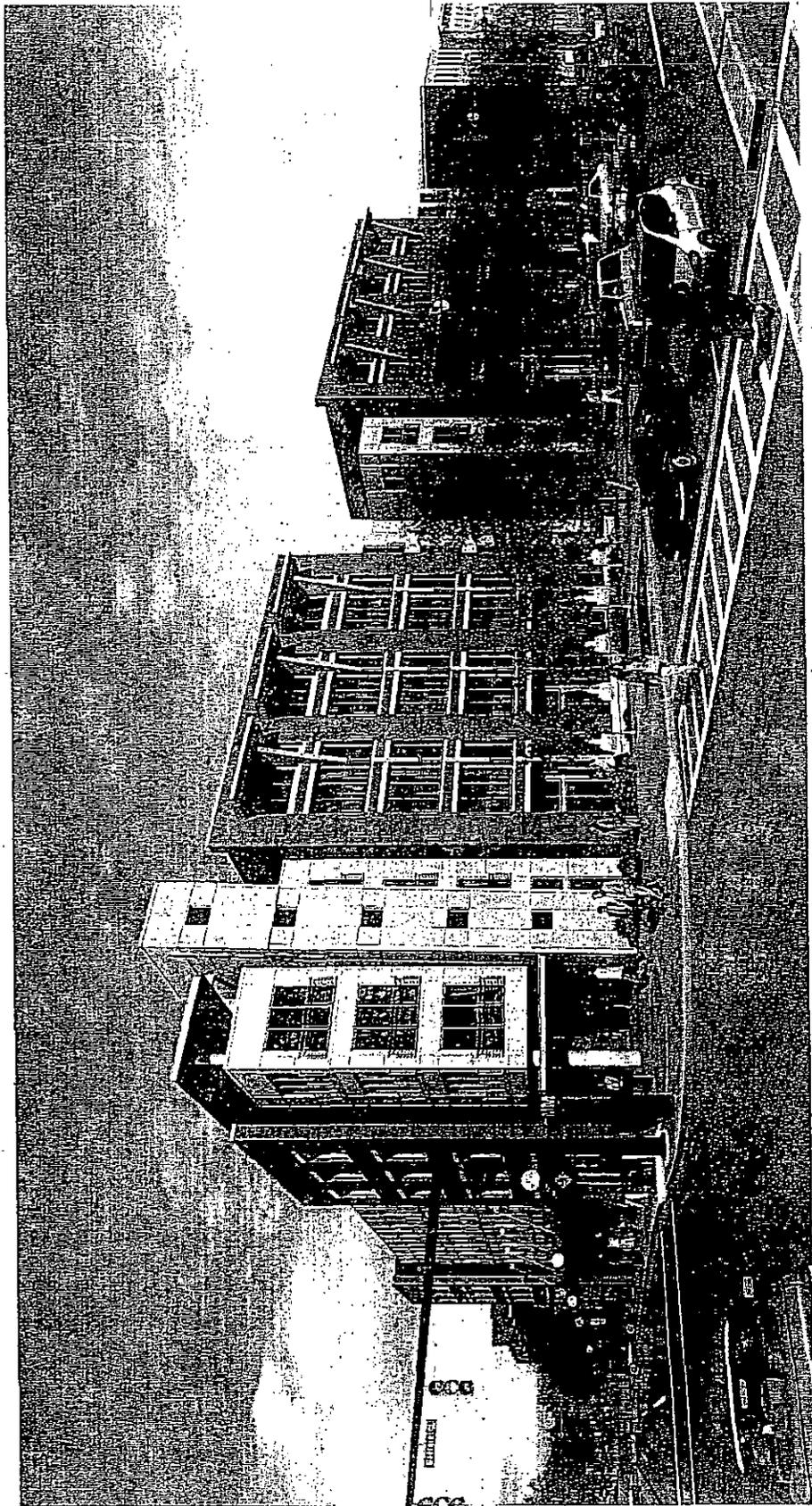
**THREE-BEDROOM UNIT FLOOR PLAN**



Corner of Reedie Drive and Amherst Avenue



Metro Entry Elevation



Corner of Georgian Avenue and Reddie Drive

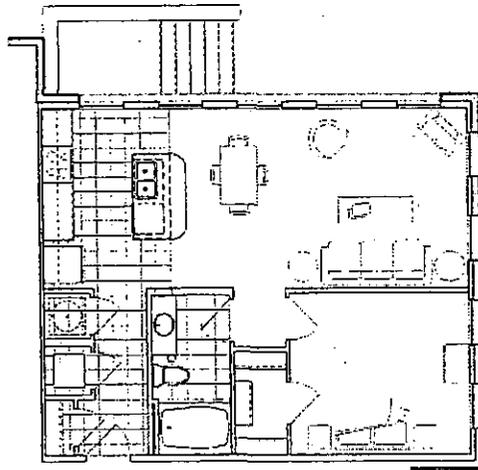
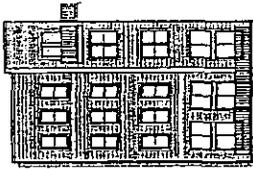
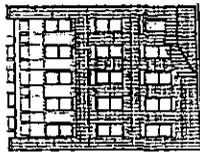
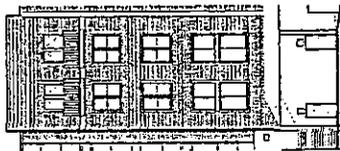


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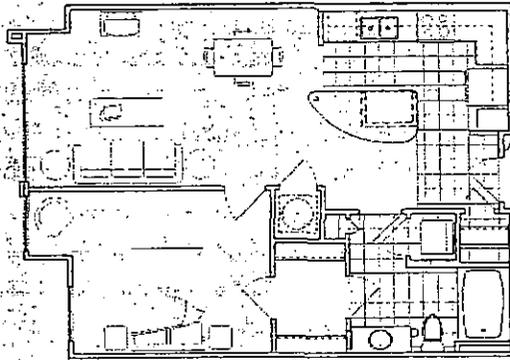
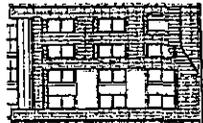
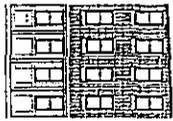
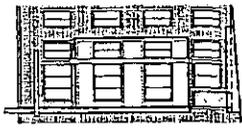


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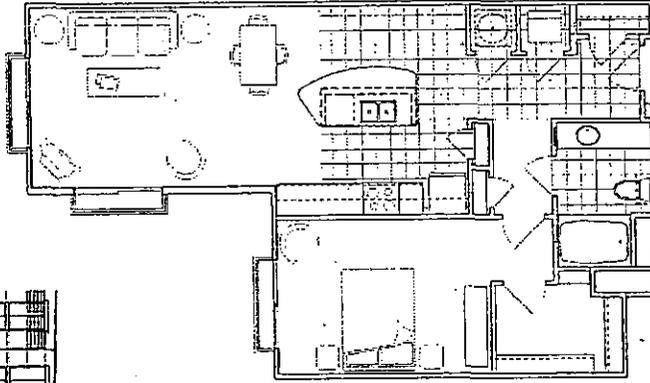
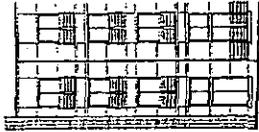
APARTMENT UNIT PLANS



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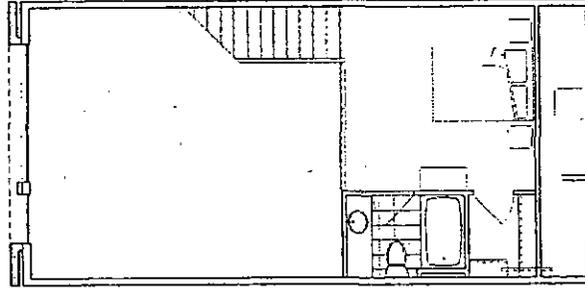


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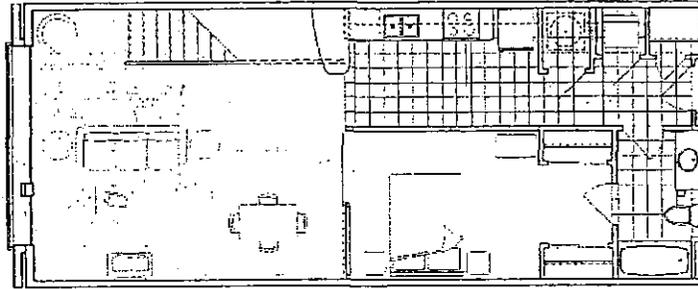
Agency: Brent Galles and Partners, Inc. | 1000 Spring Street, 4th Floor, Silver Spring, MD 20910 | 301.581.1414

ROZZUTO DEVELOPMENT COMPANY | H.O.C. OF MONTGOMERY COUNTY  
TORTI GALLES AND PARTNERS

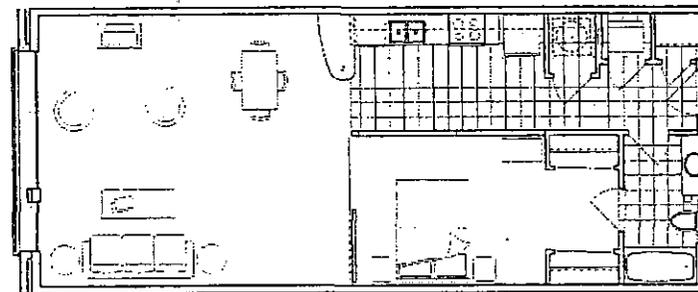
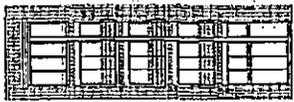
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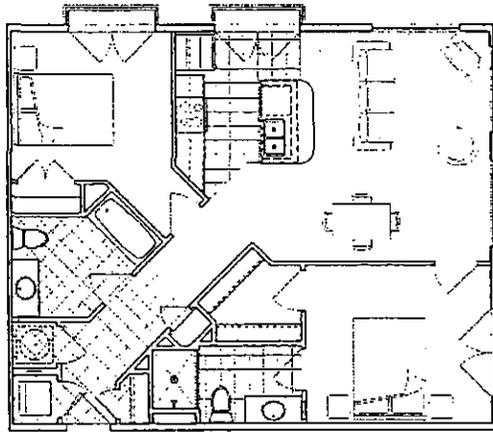
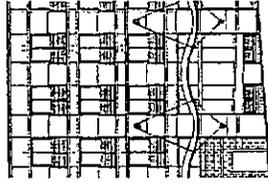
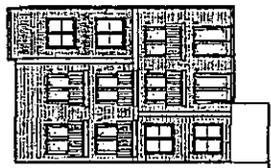
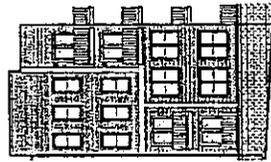
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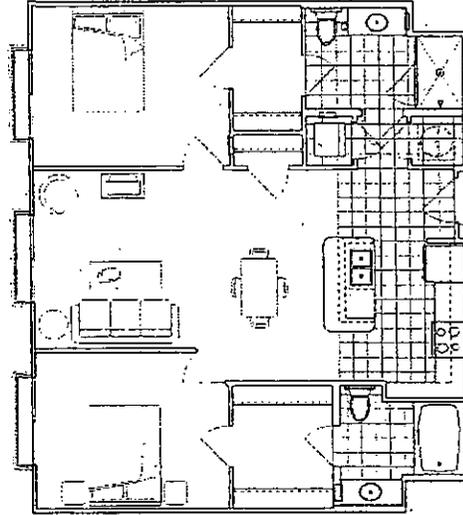
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APARTMENT UNIT PLANS



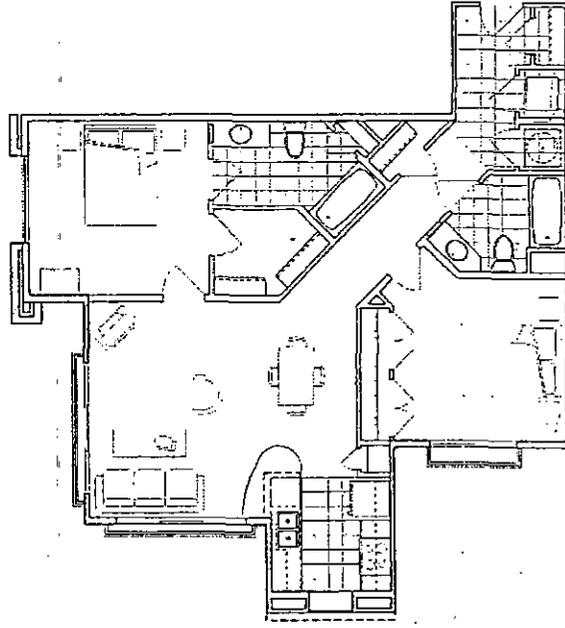
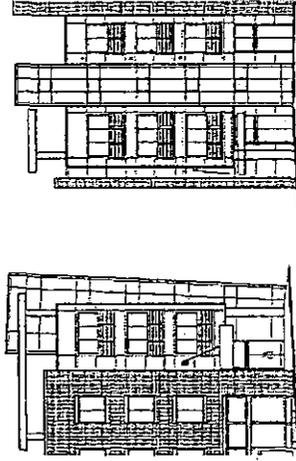
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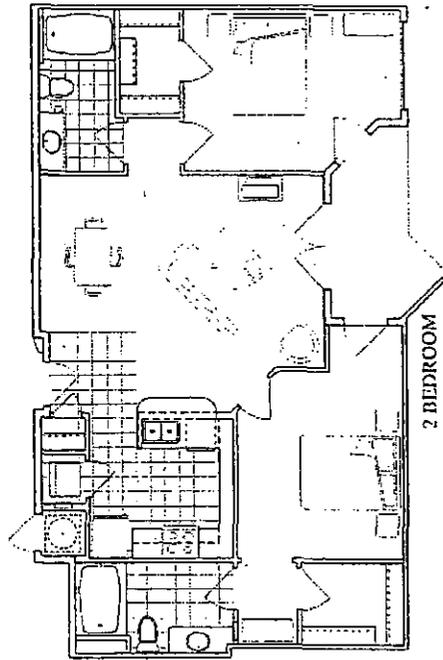
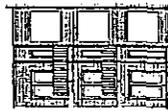
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APARTMENT UNIT PLANS



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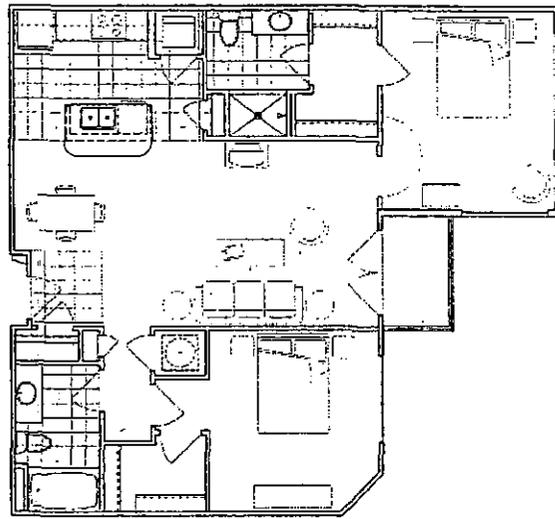
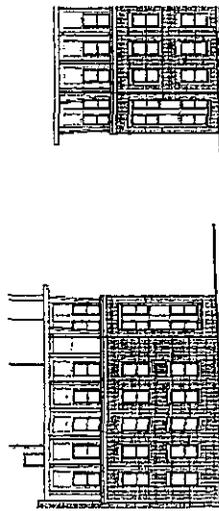


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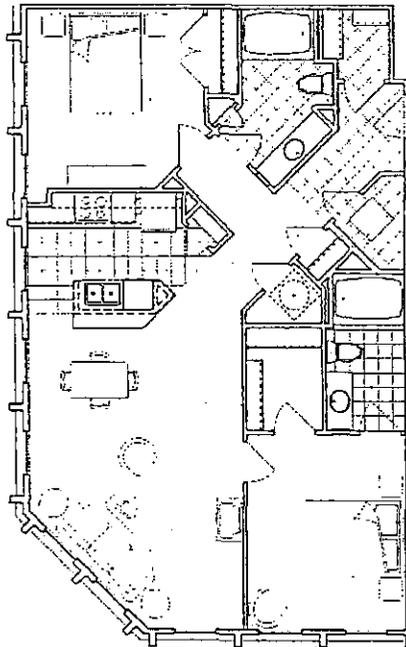
ROZZUTO DEVELOPMENT COMPANY, LLC, OF MONTGOMERY COUNTY  
TODD GALLES AND PARTNERS

APARTMENT UNIT PLANS



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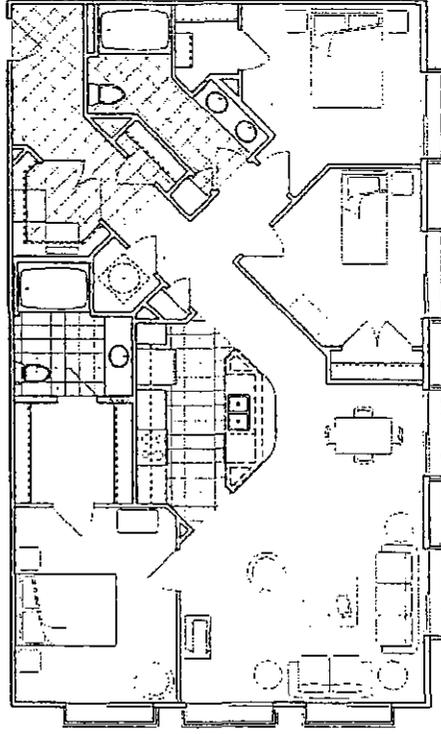
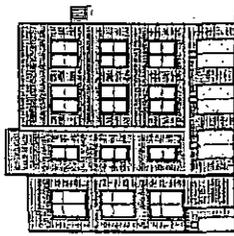
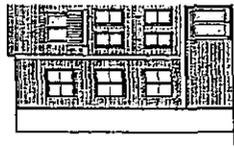
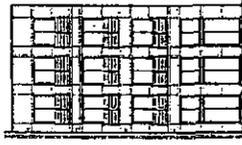
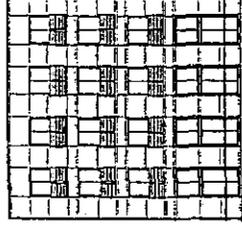


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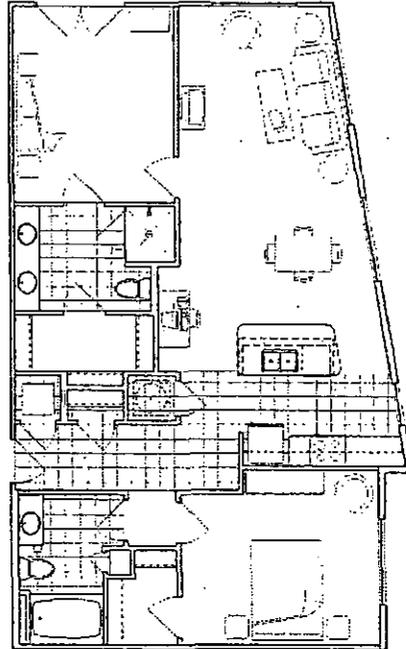
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BOZZUTO DEVELOPMENT COMPANY / H.O.C. OF MONTGOMERY COUNTY  
TORTI GALIAS AND PARTNERS

APARTMENT UNIT PLANS



3 BEDROOM  
1418 Sq. Ft.



2 BEDROOM  
1137 Sq. Ft.

County: Hunt, Dallas and Farmers, Inc.; 1996 Spring Street, 4101 Hunt, Silver Spring, MD; www.you.illinois.gov

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TORTI GALIAS AND PARTNERS

WHEATON METRO KISS & RIDE APARTMENTS