

Public Policy Goals

- **Consistent with City of Rockville's housing policy**
- **Preserve 236 existing affordable units**
- **Maintain long-term affordability – 94 units serving households at or below 60% AMI (\$64,500 for family of 4)**
- **Rent increases for lease renewals in conformance with the City of Rockville rent guideline**
- **Seamless transition of operations from current owner to RHE**
 - **Retain existing management company**
 - **Continue to operate the property as it is currently**

Proposed Project Financing

- **Debt with term of 7 years**
 - **Loan from Citi Community Capital - \$32 million**
 - **Loan from Montgomery County DHCA - \$2.85 million**
 - **Loan from City of Rockville - \$2 million**
- **Equity from RHE - \$500,000**
- **Preferred refinancing option is Tax-Exempt Bond Financing with Low Income Housing Tax Credits (LIHTC) to repay the loans from Citi, the City of Rockville, and the County**

RHE's Acquisition of Fireside Park: City of Rockville Concerns

- **Source of Rockville's gap financing loan**
- **RHE's ability to repay City's loan at end of year 7**
- **Loss of revenue in real property tax through Rockville PILOT agreement**

Areas to Address City Concerns

1. Project Financing Structure Can Be Adjusted
2. Project Operations Can Be Modified

1. Proposed Adjustments to Project Financing Structure

- **County will fund up-front \$1,500,000 of the City of Rockville's gap financing loan with remaining \$500,000 funded from the City's Housing Opportunity Fund**
 - **City of Rockville will repay County \$500,000 per fiscal year in FY2014-2016**
- **At the end of the 7-year loan term, County will allow RHE to repay the City of Rockville loan prior to the County loan**
 - **County will extend loan to RHE beyond 7 years, if necessary**
 - **City of Rockville will have second position lien on the property**
- **County and City of Rockville will provide PILOT exemption for the 94 affordable units**
 - **County Contribution - \$111,108**
 - **City of Rockville Contribution - \$24,256**

2. Project Operations Can be Modified to Ensure Repayment of City's Loan

- **RHE will increase market-rate unit monthly rents by \$100 on turnover units only**
 - **This will generate additional \$169,200 annual cash flow for increased borrowing capacity**
- **RHE will use all excess cash flow to reinvest into property at refinancing**
- **Multiple refinancing options such as bank loan, FHA loan, tax-exempt bonds and LIHTC**

Preferred Refinancing Structure

- **Use LIHTC & Tax-Exempt Bond Structure to refinance in 7 years**
 - **Requires long-term affordability – will preserve 94 affordable units for 30-40 year loan term**
 - **Brings additional equity to the property from LIHTC investment**
 - **Property improvements are mandatory**