

**FIRESIDE PARK APARTMENTS**  
**Rockville, Maryland**

**2013 ANNUAL PROPERTY REPORT**

**Submitted to the City of Rockville Mayor and Council Members on**

**May 1, 2014**

**Prepared by Cornerstone Development, LLC on Behalf of  
Rockville Housing Enterprises and  
RHE Fireside Park, Inc.**



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## Background

**Fireside Park Apartments**, located at 735 Monroe St., Rockville, MD, was purchased by RHE Fireside Park, Inc. in December 2012 for \$36 million. Rockville Housing Enterprises (RHE) created RHE Fireside Park, Inc., to acquire, hold, maintain and operate the 236-unit multifamily apartment complex. Montgomery County's Right of First Refusal was utilized to acquire this affordable housing complex. Citi Community Capital, Montgomery County and the City of Rockville provided loans and a grant to RHE Fireside Park to finance the acquisition.

The purchase of Fireside Park Apartments is consistent with **RHE's mission** to *enhance and preserve opportunities for quality, safe, affordable housing for the citizens of the City of Rockville*. The apartment complex is located in the heart of Rockville on 10.78 acres of land and adjacent to Dogwood Park. Fireside has affordable and market rate 1, 2 and 3 bedroom apartments.

### **Fireside Park Apartments**



### **Sources of Funds – Fireside Park Apartments**

<b>Sources</b>	<b>Total Amount</b>
Citi Community Capital	\$32,400,000
RHE Equity (Escrow Deposit to Seller)	500,000
City of Rockville	2,000,000
Montgomery County	3,190,000
<b>Total Sources</b>	<b>\$38,090,000</b>

The City of Rockville, Montgomery County and Citi Community Capital each have rent affordability requirements as a condition of their respective loans on Fireside Park Apartments. All the lending sources want 40% of the units restricted to households earning 60% AMI and below.

**Background (continued)**

The chart below outlines the rent restrictions of each funding source for Fireside Park Apartments.

	<b>Affordable @ 50% AMI and Below</b>	<b>Affordable @ 60% AMI and Below</b>	<b>Affordable @ 80% AMI and Below</b>	<b>Market</b>	<b>Total</b>
<b>Total Units →</b>	<b>10</b>	<b>84</b>	<b>24</b>	<b>118</b>	<b>236</b>
<b>City of Rockville Rent Restrictions</b>	Required by the County and included in the City's affordability requirements	40% of units restricted to 60% AMI or below	No requirement		<b>94 = total restricted</b> units required by City of Rockville's Operating Agreement
<b>Montgomery County Rent Restrictions</b>	10 units affordable to households at 50% AMI	84 units affordable at 60% AMI and below	No requirement		<b>94 = total restricted</b> units required by Montgomery County's Operating Agreement
<b>Citi Community Capital Rent Restrictions</b>	10 units affordable to households at 50% AMI and below	84 units affordable restricted at 60% AMI and below	24 units affordable between at 80% AMI and below		<b>121 = total restricted</b> units required by Citi Community Capital to meet its Community Reinvestment Act requirements

**Rent Restrictions by Funding Source**

Property Description

## Fireside Park Apartments

<b>Address:</b>	735 Monroe Avenue Rockville, MD 20850-2703
<b>Year Built:</b>	1961
<b>Type:</b>	Multifamily
<b>Lot Size:</b>	10.78 acres
<b>Property Classification:</b>	B Class
<b>Total Number of Units:</b>	236
<b>Construction Type:</b>	Brick and Wood Frame
<b>Features:</b>	Parking, Swimming Pool, Playground, Private Patios and Balconies, Open Kitchens with Breakfast Bars, Pet Friendly Units
<b>Nearby Conveniences:</b>	Rockville Red Line Metro Station MARC Station Rockville Town Center Access to I-270 and I-495 Dog Wood Park – Baseball, Basketball, Tennis and Volley ball Courts,



On-site Playground Equipment

Unit Type	Number	Avg. SF
1 Bedroom/1 Bath	96	669 SF
2 Bedrooms/1 Bath	128	813 SF
3 Bedrooms/1.5 Baths	12	984 SF
<b>Total</b>	236	

## Operational Overview

### **Capital Improvements – Completed and Planned**

The following major capital improvements to Fireside Park Apartments were completed during 2013:

- Replacement of all roofs, gutters and downspouts
- Re-lined plumbing pipes
- Repaired leaks and water damage to buildings
- Replaced damaged retaining wall system
- Asbestos and lead-based paint test sampling

Fireside's planned rehabilitation and capital improvements for 2014 include the following:

- Waterproof selections of exterior masonry, install corrugated plastic tubing to downspouts and run tubing underground
- Repaint wood siding, trim and pool house
- Prune trees
- Repair asphalt pavement and concrete stairs
- Radon remediation

### **Achievements and Challenges in 2013**

Fireside Park Apartments has a current occupancy rate of 90% and is experiencing an upward trend in occupancy levels with the new property team (Humphrey Management) that was brought onboard in February 2014. The previous property manager was in place at the time of acquisition, however, they did not make the anticipated progress in leasing and marketing affordable units or the transition to mixed income. The Operating Agreements with the City of Rockville and Montgomery County required that the property manager in place at the time of acquisition, remain in that role for a period of one year as a means of providing community stability.

Humphrey Management is actively marketing the property by participating in affordable housing fairs and direct marketing to service industry workers in the City of Rockville.

**Fireside Park Apartments has a current occupancy rate of 90%**

Another achievement was the completion of planned capital improvements during 2013, including the replacement of roofs and gutters throughout the complex. These were delayed maintenance items that were remediated on a timely basis after the acquisition of the property.

## Financial Overview

For its first full year of operation under RHE control, Fireside Park Apartments has met and in some cases exceeded financial expectations, as evidenced by actual vs. budgeted operating financials.

### **Cash Flow Analysis for Fireside Park Apartments for the Year Ending December 31, 2013**

	<b>ACTUAL</b>	<b>BUDGETED</b>	<b>VARIANCE</b>
Fireside Rents	\$3,312,935	\$3,251,028	\$61,907
Other Income	<u>\$252,773</u>	<u>\$282,195</u>	<u>\$(29,422)</u>
<b>Gross Operating Income</b>	<b>\$3,565,708</b>	<b>\$3,533,223</b>	<b>\$32,485</b>
Operating Expenses	\$1,325,783	\$1,330,405	\$(4,622)
Replacement Reserves	\$118,000	\$118,000	0
<b>Net Operating Income</b>	<b>\$2,121,925</b>	<b>\$2,084,818</b>	<b>\$37,107</b>
CitiBank Debt Service	\$1,669,623	\$1,753,183	\$(83,560)
Rockville Interest Payment	\$54,000	\$54,000	0
County Interest Payment	\$69,825	\$95,700	\$(25,875)
<b>Total Debt Service</b>	<b>\$1,793,448</b>	<b>\$1,884,883</b>	<b>\$(91,435)</b>
<b>Net Cash Flow</b>	<b>\$328,477</b>	<b>\$199,935</b>	<b>\$128,542</b>
Rockville Principal @ 15%	\$49,272	Not Budgeted	
County Principal @ 15%	\$49,272	Not Budgeted	
<b>Residual Cash Flow</b>	<b>\$229,934</b>		

**Based on Draft of Audited Financials for the Year Ending 12/31/2013**

**Note:** The budgeted County interest payment was based on a \$3,190,000 outstanding principal. The actual payment was based on the State refund of title and recording taxes and capital expenditure reimbursements that were not drawn down 2013. As a result, the outstanding loan balance was \$2,327,500 at 2013 year-end.