ROCKVILLE HOUSING ENTERPRISES

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September 19, 2012

Ms. Erin Wilson, Housing Planner
Community Planning and Development Services
City of Rockville
111 Maryland Avenue
Rockville, MD 20850

Dear Ms. Wilson:

As the Mayor and Council of the City of Rockville requested in their September 10, 2012 meeting, Rockville Housing Enterprises (RHE) is hereby submitting for Mayor and Council consideration two items as requested:

1. Proposed terms for a loan of up to $2,000,000.00 to assist RHE to acquire Fireside Park Apartments (see Attachment 1). RHE will own and operate the development as mixed income housing for a period of at least 30 years. Specifically, RHE will operate Fireside Park Apartments as:
   a. 60% (142 units) of Market Rate Housing; and
   b. 40% (94 units) of Affordable Housing defined as rents affordable to households who earn a maximum of 60% of Area Median Income (AMI) and a minimum of $22,000.00. Currently, 60% AMI for a family of four is $64,500.

   The proposed terms mirror those proposed for the Montgomery County loan which will match a City of Rockville loan if approved by Mayor and Council.
2. Request for a Payment in Lieu of Taxes (PILOT) to support the operation of Fireside Park as mixed income housing (see Attachment 2).

We very much appreciate the cooperation that the City of Rockville has provided to date in this very important effort. I and RHE's consultants will be available at the next meeting of the Mayor and Council to respond to any questions or concerns they may have. If you have any further questions, please do not hesitate to call me.

Sincerely,

Ruth O'Sullivan
Executive Director

Attachment 1

TERM SHEET

Borrower:	Rockville Housing Enterprises
Lender:	City of Rockville
Amount:	Up to $2,000,000 (the "Note")
Targeted Closing Date:	November 16, 2012
Amortization:	Interest only with balloon payment of outstanding principal at Maturity.
Maturity:	Seven (7) years from closing date.
Purpose:	To provide gap financing for the acquisition of Fireside Park Apartments
Security:	Secured obligations by second lien on all assets.
Interest Rate:	The Note will bear interest at a fixed annual interest rate equal to three percent (3%), payable each calendar quarter in arrears. Interest will be calculated on the basis of a 360 day year of twelve 30 day months.
Prepayment:	Borrower will pay at each fiscal year end a payment equal to 10% -15% of the annual net cash flow.
Security:	The Borrower's obligation to make payments to the Lender shall be secured by a general obligation pledge of the Borrower's full faith and credit.

Attachment 2

ROCKVILLE HOUSING ENTERPRISES

**REQUEST TO THE CITY OF ROCKVILLE
FOR PAYMENT-IN-LIEU-OF-TAXES (PILOT)
FOR FIRESIDE PARK APARTMENTS**

Rockville Housing Enterprises (RHE) is requesting a Payment-In-Lieu-Of-Taxes (PILOT) regarding the above mentioned property. Under Section 12-104(b) of the Housing and Community Development Article of the Annotated Code of Maryland ("HCD Article"), the property of a housing authority and its affiliates are exempt from state and County taxes provided that a payment in lieu of taxes agreement has been executed with the applicable local government. The PILOT agreement is critical to the success of the acquisition of Fireside Park Apartments to preserve affordable housing units as it will enable reduced costs and thereby support lower rents.

It is RHE's intention is to ensure that no residents are displaced and to preserve the property's affordability. To ensure we meet our goals, we will over time, restrict 40% of the units (94) at or below 60% AMI level and 60% of the units (142) will serve households at Market Rent.

RHE, upon ownership of the asset, will complete a thorough lease audit to determine how many of the current residents fall into these area median income limitations. Once in-place residents can be identified and designated as affordable residents, the remaining affordable units will be slowly phased in as units are vacated by current residents. We believe we can meet our objectives within an 18 month period after acquisition but will take as long as necessary to ensure no displacement of current residents occurs.

PILOT REQUEST: The City of Rockville Property Tax for levy year 2012 was $60,641.00. We are requesting a waiver of the PILOT for the full amount. RHE will request a waiver of the PILOT annually.