

FIRESIDE PARK APARTMENTS
RHE Fireside Park, Inc.
Rockville Housing Enterprises

February 25, 2012

Acquisition of Fireside Park to Preserve Affordable Housing

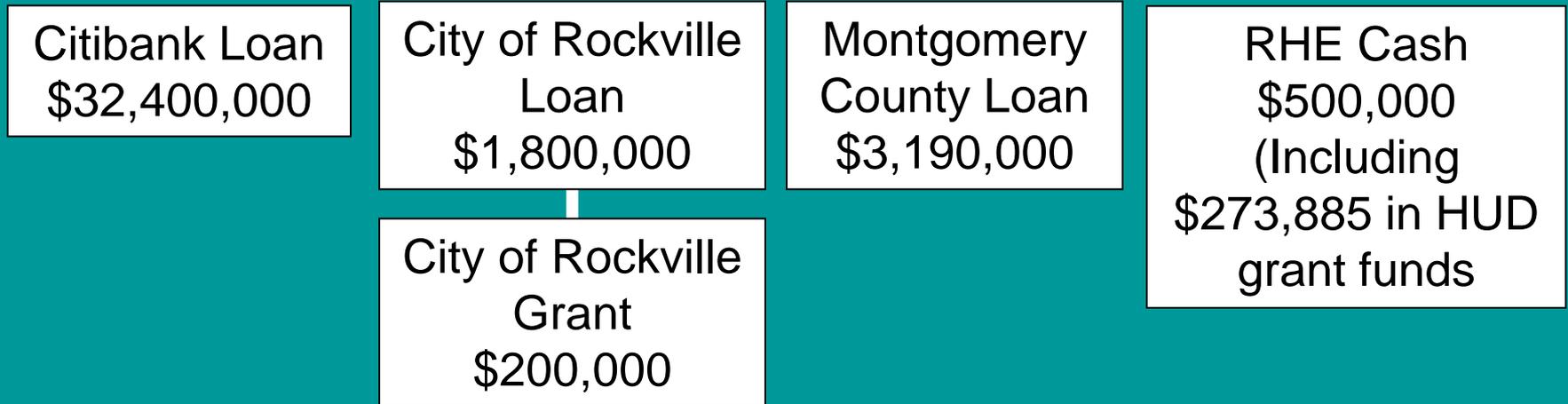
- An innovative private/public partnership:
 - Private Partner – Citibank
 - Public Partners:
 - City of Rockville
 - Montgomery County
 - Department of Housing and Urban Development (HUD)
 - Rockville Housing Enterprises (RHE)
- A national model for public housing agencies and local governments interested in developing or preserving affordable housing to enhance their local economies.

Issues for Discussion

- Final Financing
- Increased Montgomery County Loan/Taxes Paid at Closing
- Change in proportion of income-restricted units from 60/40% to 50/50% and effect on budget
- HUD Grant Funds
- RHE Board Meetings – Public Notice, Distribution of Agendas/Minutes
- Activities at Fireside since December 24

FINAL FINANCING

Source of Funds



Increased County Loan/Taxes Paid at Closing

Attach A

- In early November, RHE determined that RHE Fireside Park, Inc. could be responsible to pay up to \$500,000 in state and county transfer and recordation taxes because the Single Purpose Entity (SPE), RHE Fireside Park, Inc., is not considered a government entity.

Increased County Loan/Taxes Paid at Closing (contd.)

- While RHE Fireside Park Inc. is not a government entity, it is wholly owned by a government entity (which is exempt from transfer and recordation taxes).
- RHE was confronted with a gap of approximately \$500,000.
- RHE's original budget did not include this cost due to the assumption that RHE was exempt.

Increased County Loan/Taxes Paid at Closing (contd.)

Attach A

- To fill this gap at closing, RHE proposed to postpone from Years 1 to Years 2-3 some repairs not identified in the Physical Needs Assessment.
- In late November, the County determined that they preferred to increase their loan to cover the gap and preserve the existing rehabilitation plan.

Increased County Loan/Taxes Paid at Closing (contd.) Attach A

- At the end of November, the County Attorney's office determined that RHE Fireside, Inc. was exempt from the County and State transfer taxes and the County recordation taxes, but not the State recordation taxes.
- The anticipated taxes then were estimated at \$340,000 and added to the County loan amount.
- RHE has submitted a request to the County that RHE Fireside Park, Inc. be granted an exemption from the State recordation taxes and that taxes paid be refunded.

Change in Income-Restricted Units

- Change from 40% affordable (94 units) to 50% affordable (118 units)
- Citibank's September 12th Permanent Loan Term Sheet required that occupancy of Fireside be:
 - 50% Market Rate (118 units)
 - 50% Households with Incomes at or below 80% of AMI (118 units)
 - Included in this percentage is the City affordability requirement
 - 94 units (40% of the total number of units in the development) at or below 60%AMI.
- The Citibank requirement resulted in an additional 24 units at or below 80% AMI.

Change in Income-Restricted Units (contd.)

- RHE's failure to highlight the 50% component of the ratios was an oversight for which RHE's Executive Director takes full responsibility.
- There was no effort on anyone's part to deceive Mayor and Council or anyone else regarding Citibank's occupancy requirements.
- Although the ratios will result in changes in cash flow, the changes will not require any revision to any of the loan agreements or planned improvements (see handout of revised proforma).

Income/Expense Comparison

	Current Budget	Budget During Acquisition
Income	\$3,599,691	\$3,534,296
Expenses	<u>\$1,333,178</u>	<u>\$1,377,156</u>
Net Operating Income	\$2,266,513	\$2,157,140
Debt Service	<u>\$1,754,580</u>	<u>\$1,805,009</u>
Cash Flow	\$511,933	\$352,131
DSC	1.29	1.20

HUD Grant Funds

- HUD awarded RHE Replacement Housing Factor (RHF) Funds averaging \$90,000 in each of FYs 2009, 2010, and 2011.
- RHF funds were awarded to replace the Lincoln Terrace development demolished to make way for Legacy at Lincoln Park.
- The total of \$273,885 received to date was used as a portion of RHE's equity contribution to the Fireside acquisition.

HUD Grant Funds (contd.)

- Three (3) one bedroom units at Fireside will be incorporated into RHE's Annual Contributions Contract (ACC) with HUD.
- The units will be likely used for low-income seniors since RHE's current inventory only includes 8 one bedroom units.

RHE Board Meetings – Distribution of Notices, Minutes

- Notices regarding all Board Meetings, both regular and special, have always been posted in a public place at RHE's office and sent to the City of Rockville Clerk for posting at City Hall.
- Board meeting minutes are included in packets submitted to Mayor & Council monthly.
- Starting in December, RHE has transmitted pdf files of approved minutes to the City of Rockville Clerk for posting on the City's website.
- RHE is updating its website to enable posting of all Board meeting agendas and approved minutes.

Activities Since December 24, 2012

- All repairs/inspections required by lenders to be completed by 3/31/13 have been completed.
- A survey of residents was conducted to determine whether their household income is at or below 80% AMI as defined by HUD. 52% of the residents self-certified that their incomes are equal to or less than 80% AMI.
- A schedule was developed to complete income certifications to confirm 80%, 60%, and 50% income levels by April 30.
- Participated in the first monthly monitoring meeting with City of Rockville and Montgomery County.