

Revised: September 28, 2022



10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9425



DEVELOPMENT AND FINANCE COMMITTEE

September 28, 2022
1:00 p.m.

Livestream: <https://youtu.be/NUPfREH60Oo>

Approval of Minutes:

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Discussion/Action Items:

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2. Single Family: Approval of New Participating Lenders for the Single Family Mortgage Purchase Program	21

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Development and Finance Committee Minutes

August 26, 2022

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Development and Finance Committee was conducted via an online platform and teleconference on Friday, August 26, 2022, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:02 a.m., available for viewing [here](#). Those in attendance were:

Present

Jackie Simon, Chair – Development and Finance Committee
Richard Y. Nelson, Jr. – Commissioner
Jeffrey Merkwowitz – Commissioner

Also Attending

Chelsea Andrews, Executive Director
Paige Gentry, Deputy General Counsel
Contessa Webser
Eugenia Pascual
Jennifer Arrington
John Brouille
Leidi Reyes
Terri Fowler

Kayrine Brown, Deputy Executive Director
Zachary Marks
Ellen Goff
Fred Swan
Jermiah Battle
Kathryn Hollister
Nathan Bovelie
Timothy Goetzinger

IT Support

Aries Cruz

Commission Support

Ian-Terrell Hawkins, Spec. Asst. to Exec. Dir.

Commissioner Simon opened the meeting with a welcome and introduction of the Commissioners participating on the Committee.

APPROVAL OF MINUTES

The minutes of the July 22, 2022, Development and Finance Committee open session meeting was approved upon a motion by Commissioner Nelson and seconded by Commissioner Merkwowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkwowitz.

DISCUSSION ITEMS

1. Hillandale Gateway: Approval of a Revised Preliminary Development Plan and Approval of Additional Predevelopment Funding

Chelsea Andrews, Executive Director, provided an overview and introduction of Zachary Marks, Chief Real Estate Officer, who provided the presentation requesting authorization to present to the full Commission increasing the predevelopment budget, and obtaining an additional predevelopment loan installment from the Opportunity Housing Reserve Fund. Kathryn Hollister, Senior Financial Analyst, also provided an update on the project.

Staff addressed questions of the Commissioners. A motion was made by Commissioner Nelson, and seconded by Commissioner Merkowitz, to recommend to the full Commission for approval the revised preliminary development plan and approval of additional predevelopment funding. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

Based upon this report and there being no further business to come before this session of the Development and Finance Committee, the meeting adjourned at 10:29 a.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/pmb

Discussion/Action Items

**8800 BROOKVILLE ROAD/TOWN CENTER APARTMENTS: APPROVAL TO
SELECT AND EXECUTE CONTRACTS FOR REAL ESTATE BROKERAGE
SERVICES FOR THE MARKETING AND SALE OF TOWN CENTER
APARTMENTS AND 8800 BROOKVILLE ROAD, TWO (2) HOUSING
OPPORTUNITIES COMMISSION ASSETS**

DISPOSITION OF TWO HOC ASSETS



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

**Zachary Marks, Chief Real Estate Officer
Marcus Ervin, Director of Development
Jay Shepherd, Housing Acquisitions Manager**

September 28, 2022

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Executive Summary

The Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission"), a public body, is considering divesting two (2) assets located at 90 Monroe Street, Rockville, MD (known and held as "Town Center Apartments" but will be referred to as "90 Monroe Street" for this packet) and 8800 Brookville Road, Silver Spring, MD ("8800 Brookville"). To continue to be effective in carrying out its mission of expanding the supply of affordable housing in Montgomery County, it continuously evaluates its holdings to determine best outcomes. Since the Commission develops, manages and owns such a wide range of rental housing in Montgomery County, disposition of long held assets can occasionally be the best option. In considering its options, the Commission solicited the real estate brokerage community for proposals to represent HOC in the disposition process.

HOC Issued RFP #2330 on June 3, 2022. Responses were received June 30, 2022. Staff reviewed the proposals and recommends using **Scheer Partners for 90 Monroe Street** and **CBRE for 8800 Brookville Road**.

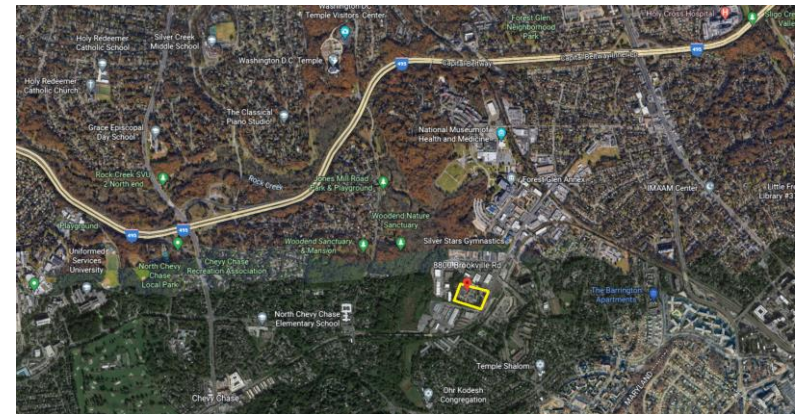
Property summaries are below.

Multifamily - 90 Monroe Street, Rockville, MD 20850 The recently vacated property consists of a 111-unit, 77,620 square foot, ten-story brick on block, post-tensioned slab high rise apartment building and 29 parking spaces located in downtown Rockville, built in 1977 on a 0.64-acre lot situated at the southwest corner of the intersection of Monroe Street and Monroe Place.

Office and Industrial - 8800 Brookville Road, Silver Spring, MD 20910 The property is comprised of a single parcel of land totaling 432,637 square feet (9.93 acres) and is improved with a stone house, a one-story approximately 20,525 square foot concrete building built in 1971, and several smaller miscellaneous buildings. The property is zoned IM-2.5, Moderate Industrial. Fee Simple transfer of ownership would be subject to two (2) leasehold interests.



Town Center Apts, 90 Monroe Street, Rockville



Aerial Map of 8800 Brookville Road, Silver Spring

Executive Summary

HISTORY:

8800 Brookeville Rd:

- Originally acquired in December 2018 for \$10MM as a future redevelopment opportunity to broadly address the goals set forth in the Lyttonsville Sector Plan.
- In 2021, Staff explored the possibility of a land swap with WSSC as part of larger redevelopment effort.
- As the WSSC land swap plans did not materialize, consideration for disposition of the Property was considered to capitalize on the timing of the market and rising property values given the unique by-right industrial use and zoning of the Property.

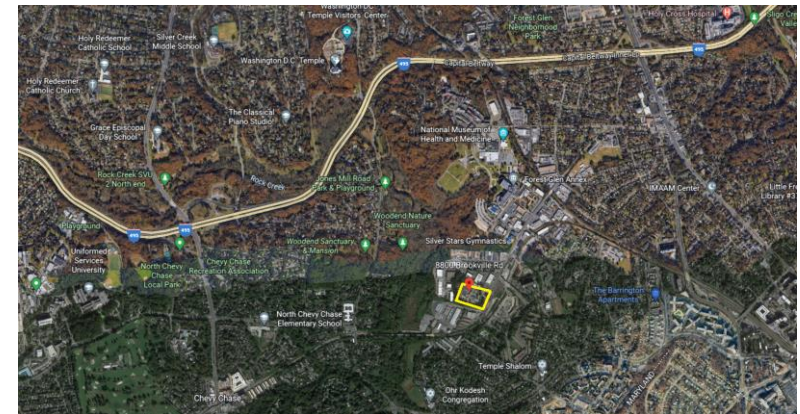
90 Monroe

- Beginning in 2021, active leasing at the Property was paused to allow for relocation of the existing tenants to the Residences on The Lane f/k/a Upton II as the replacement housing solution.
- The idea of renovation and or redevelopment was contemplated and presented to the Commission in April 2018 to explore various options including: 1) demolition and new construction, 2) substantially renovating the building and repositioning it to accommodate a different tenant base i.e. co-living or youth aging out of foster care, and 3) disposing the Property prior to or after demolition if another end user was to determined to be a higher and better use than residential.
- Given today's environment, these options would be cost prohibitive due to rising interest rates, predevelopment and entitlement timing and resources, and rising construction costs.
- It remains evident and apparent that the 1970s era constructed building is beyond its useful life, and an acquisition/rehab would be capital intensive for the existing number of units.

The County has expressed interest in both sites as potential acquisitions opportunities, and marketing of these assets to the larger investment community may yield additional interest from the County or others.



Town Center Apts, 90 Monroe Street, Rockville



Aerial Map of 8800 Brookeville Road, Silver Spring

Real Estate Brokerage RFP and Selection

HOC's Procurement Office issued a Request for Proposal (RFP #2330) for real estate brokerage services in strict accordance with HOC's Procurement Policy. RFP #2330 was released on June 3, 2022, with a due date of June 30, 2022. The RFP was posted to HOC's website and distributed to more than 192 vendors registered in the Central Vendor Registration System ("CVRS"). A pre-proposal meeting and conference was held virtually on June 14, 2022. Five firms attended the pre-bid conference.

The scope of services outlined in RFP #2330 included:

- Development of a plan including sales prices and estimated timelines for the disposition.
- Development and implementation of an outreach strategy for marketing to solicit interest from the commercial real estate community, including but not limited to other affordable housing, mission-based, developers with respects to 90 Monroe.
- Creation all collateral materials for the offerings and host information sessions, open houses and other events to attract suitable and reputable purchasers.
- Provision of a statement of value.

Proposals were scored on the following four (4) evaluation criteria. The maximum points a proposal could receive was 100.

Qualifications and Experience (Maximum 35 Points)	Cost of Services (Maximum 40 Points)	Offeror's Capacity (Maximum 15 Points)	Montgomery County Focused Practice (Maximum 10 Points)
Demonstrated experience with marketing and selling Multifamily and Industrial assets.	Range of Values will be from 0 to 40. Lowest Price will score forty points (40) and the highest price may score up to ten points (10).	Reference checks to evaluate and verify past sales & marketing performance regarding abilities claimed and project locations.	Range of Values will be from 0 to 10. Looking for depth and breadth of experience in Montgomery County, MD for the requested asset classes.

Real Estate Brokerage RFP and Selection - Bidders

HOC received three (3) responsive proposals in response to RFP# 2312 by the proposal deadline on June 30, 2022 at 3:00 pm and are listed below.

CBRE (“CBRE”)

CBRE is the world’s largest commercial real estate services and investment firm, with 2021 revenues of \$27.7B and more than 105,000 employees (excluding affiliates). The company offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CBRE currently operates two offices in Maryland with over 3,100 resident employees.



Scheer Partners (“Scheer”)

Scheer Partners, Inc. has been headquartered in Montgomery County since its founding 30 years ago, with 98% of its successful real estate activities in the County over the last five years. Scheer Partners has a diverse portfolio of services, including Capital Markets, Real Estate Brokerage, Property Management, and Construction Management. Scheer’s research and marketing team tracks real estate trends. It has numerous public and propriety databases and tools, such as Costar, Loopnet, Maryland Land Records, SDAT, and MC Atlas, to help its clients achieve their business objectives by providing a wide variety of commercial real estate services. Principals are knowledgeable of the regulatory environment in Montgomery County and its jurisdiction, including Building Code, Zoning, and land use requirements.



Pavilion Real Estate (“Pavilion”)

Pavilion Real Estate is a small, but full-service licensed Maryland, DC & Virginia Real Estate Brokerage, Montgomery County Custom Home Builder, and a Maryland Home Improvement Contractor. Ranked #1 of all RE/MAX salespersons in the world out of over 90,000 agents. As portfolio managers, they administer successful REO disposition foreclosure and eviction services for national accounts including; Bank of America, Fannie Mae, Freddie Mac, & Wells Fargo.



Qualifications and Capacity – CBRE



CBRE provided a concise description of its qualifications, pricing, and capacity, which is summarized below, and further demonstrated an understanding of the challenges facing the Commission as it seeks to accomplish the objectives outlined in the RFP.

Qualifications:

- Aside from its size, CBRE in just the first quarter 2022 closed over 19 transactions for Industrial assets in the Mid-Atlantic region, ranging in price from \$11,500,000 to \$228,500,000.
- In the same period, its closed over six (6) transactions on behalf of housing related entities and public sector clients.

Capacity:

- CBRE migrates more global capital around the world and into the U.S. than any other firm, offering the Commission the broadest marketing platform and access to more buyers in search of income-producing properties.
- In 2021, CBRE ranked #1 in total properties sold and total dollar volume globally for the 11th consecutive year.
- CBRE control 23.7% of the market share globally.
- CBRE closed \$64.8B of global cross-border investment sales, which was 52.5% more than its closest competitor.

Services Provided:

CONSULTING	DEVELOPMENT ADVISORY & P3S	LEASING	ACQUISITION & DISPOSITION
Portfolio-wide or site-specific optimization analysis and action plans	Accessing private sector capital to generate revenue and reduce costs	Advanced planning, site selection and business case development, negotiation, and relocation	Disposition of surplus property, land swaps, build to suits, consolidations and relocations
<ul style="list-style-type: none"> + Facility Condition Assessments + Occupancy Studies + Highest and Best Use Analyses + Valuation + Portfolio Review + Benchmarking + Asset Inventory + Recommendations 	<ul style="list-style-type: none"> + Project Preparation + Visioning and Stakeholder Input + Feasibility Analysis & Modeling + RFQ/RFP Preparation + Transparent, Competitive Process + Market Engagement + Bid Evaluation Support + Negotiation + Design Liaison Services 	<ul style="list-style-type: none"> + Lease vs Buy Analysis + Consolidation Opportunities + Site/Building Due Diligence + Landlord Due Diligence + Site Comparison + Location Analytics + Space Planning/Test Fits + Negotiation 	<ul style="list-style-type: none"> + Broker Opinions of Value + Cost/Benefit Analysis + Professional Marketing Materials + Broad Marketing Reach + All Property Types: Courthouses, Land, Prisons, Buildings, Ports, etc + Transaction Structuring + Public & Transparent Process



Scheer Partners equally provided a concise description of its qualifications, pricing, and capacity that is summarized below. They too demonstrated an understanding of the challenges facing the Commission as it seeks to accomplish the objectives outlined in the RFP.

Qualifications:

- Representing the seller and finding a buyer for the residential conversion of the historic Montgomery Insurance complex in Sandy Spring to a 50-unit LIHTC Senior project.
- Acquisition of the 25-unit Northside Apartments in Frederick, Maryland.
- Supporting the sale of three (3) group homes for a major non-profit.
- Assisting HOC with the introduction/acquisition of the Fenton (901 Thayer), Elizabeth House, 880 Bonifant St., Land at Emory Grove, Lakewood, and individual units at Grosvenor.
- Smaller projects include a current listing of a 10-unit Baltimore multifamily and a 4-unit property in the Washington, DC Metro area.

Capacity:

- Proposal assumes 60-90 hours of service per quarter.
- Key staff assigned are David Edgerley, SVP Brokerage & Acquisitions; Julian Etches, Principal, Private Capital Group, and Joe Donegan, Principal, Private Capital Group.

Services Provided:

- Scheer Partners will deliver a detailed timeline that will outline the entire process including the Offering Memorandum for the property, and a detailed price valuation process.
- Once the Offering Memorandum is approved, the entire process from marketing to offer acceptance can be completed in a five month time frame, adjusted for market conditions and HOC reviews.
- Scheer Partners Capital Markets Team shall provide HOC with a complete detailed assessment of the property.
- The Team and HOC will review the assessment to determine if there are any improvements or repositioning recommended to increase the value and marketability.
- Scheer Partners shall conduct a detailed valuation that which will include a complete underwriting of the assets.
- Scheer Partners Capital Markets will prepare the highest quality Offering Memorandums (“OMs”) for the asset. This will include drone videos, and all photography shall be done by a professional photographer.
- Scheer Partners will assist HOC with negotiating and securing executable contracts from buyers and work through issues, should they arise, prior to closing the sale.

Qualifications and Capacity – Pavilion



Pavilion provided a bare minimum description of their qualifications and capacity that is summarized below. They demonstrated a nominal and insufficient understanding of the challenges and needs facing the Commission as it pertains to the objectives set forth in the RFP.

Qualifications:

- Pavilion has more than 30+ years of extensive experience in sales, disposition, operations, marketing, design and management spanning every aspect of the real estate industry.
- Stated passion about quality and customer satisfaction.
- Undocumented in their proposal a claimed record of improving efficiency, productivity and profitability through hands on, process improvement, and systems integration.
- Licensed in Maryland, Virginia and Washington D.C.

Capacity:

- Undocumented detail regarding dedicated staff, prior transaction metrics, property types, or capacity to handle the size of the proposed transactions.

Services Provided:

- Their proposal discussed how promoting our listings “everywhere on every possible platform”. They believe that marketing is as much about telling a story as a real estate professional as it is about selling a property. Consumers want to know who you are and whether this is the correct investment for them.
- Provide virtual tours, photo, social media efforts, marketing plan, property specific websites, and testimonials all work together to project a value statement to consumers.
- Utilize the following platforms for outreach:
 - LoopNet
 - Showcase
 - Ten-X Commercial
 - CREXi
 - Commercial Exchange
- Pavilion Real Estate believes recent sales data for comparable properties is the best approach for setting the list price of the subject assets. It will use an existing database to assist HOC to find properties in similar size, location, and age to the subject properties.

Pricing Comparison

Cost for Services:

The firms were asked to provide a concise description of its pricing that is summarized below. Both CBRE and Scheer Partners were responsive in their submissions and provided Commission rates commensurate with the market for the asset type being marketed.



Cost of Services (40%)	CBRE	Pavilion	Scheer
90 Monroe Street	Sliding scale based on sales prices (3% sliding to 1.108%)	5.00%	1.50%
8800 Brookville Road	4.00%	5.00%	1.50%
Reimburseables	Estimated at around \$35,000	Silent, no mention.	Third Party Expenses (covered by Scheer Partners) Scheer will charge a minimum of \$17,500 for Financial Analysis (\$175/hr for a minimum of 100 hours)
Example based on Conceptual Cost model			
90 Monroe Street @ \$12,000,000	\$258,000	\$600,000	\$180,000
8800 Brookville Road @ \$10,000,000	\$400,000	\$500,000	\$150,000
Total cost (projected)	\$693,000	\$1,100,000	\$347,500

Methodology and Approach – CBRE for 8800 Brookville

8800 Brookville Road, Silver Spring, MD 20910



CBRE provided a concise description of its methodology for 8800 Brookville Road that is summarized below. It demonstrated an understanding of the challenges facing the Commission as it seeks to accomplish the objectives outlined in the RFP.

Strengths:

- In-fill Industrial and Logistics Investments are in high-demand.
- Industrial focused equity is searching for value-add opportunities throughout the region and the lack of opportunities are acute.
- Montgomery County has limited industrial opportunities and is extremely land constrained. Vacancy rate in the County and the region are the lowest on record (2.6% vacancy in suburban Maryland).
- Rent in the industrial space have been spiking since pre-pandemic and expected to expand another 31% by 2026.
- Location in the I-270 Corridor where Life Science, government and tech employment opportunities are driving the local economy and industrial and logistics space needs .
- Favorable Industrial-Manufacturing (IM) zoning.

Challenges:

- Approval for future development is required.
- With the Federal Funds rate rising, the cost of debt is becoming more expensive.
- Rising construction costs and inflation.

Threats:

- Existing leases in place need to be studied.
- Potential County pushback for new industrial development.

Opportunities:

- Several high value exit opportunities for the seller under current zoning.
- Property can be positioned as a Class A development opportunity in a rarely found in-fill location, inside the DC Beltway.
- Property could be positioned as a short term leased industrial opportunity with mark to market opportunities or long term leased industrial in-fill opportunity should existing leases support it.
- Property could be positioned as Industrial Outside Storage (IOS), a highly desired asset category.

Methodology and Approach – Scheer Partners for 90 Monroe Street

90 Monroe Street, Rockville, MD 20850



Scheer Partners provided a concise description of its methodology for 8800 Brookville Road that is summarized below. It demonstrated an understanding of the challenges facing the Commission as it seeks to accomplish the objectives outlined in the RFP.

Strengths:

- Multifamily uses are considered the most attractive among all commercial real estate types.
- Age-restricted properties and subsidized properties have predictable cash flow enhanced by low turnover and guaranteed monthly revenue.
- Location near Rockville Town Square and access to the Washington Metrorail subway system.
- Location in the I-270 Corridor where Life Science employment opportunities are driving the local economy (direct jobs and the multiplier affect).
- High barriers of entry for future multifamily development in the County.

Challenges:

- The size (111-units) is on the small side for the more aggressive buyers searching for scale.
- The age of the building (c. 1977) will take out some of the more aggressive capital.
- With the Federal Funds rate rising, the cost of debt is becoming more expensive.

Threats:

- The capital markets for value-add multifamily investments are in a state of volatility right now, which keeps investors on the side-lines.
- There have been overtures by elected officials in the County to implement rent control, which is a policy that will diminish investor/developer interest in this property.

Opportunities:

- This is a value-add investment opportunity; when entitlements for new development are difficult to obtain, updating kitchens, baths, common areas and amenities in exchange for pushing rents becomes a lucrative investment thesis. .
- The size of the community may be ideal for an active senior or restricted age community that will succeed due to the increasing demand from “baby boomers,” a cohort of the population that continues to grow.

Real Estate Brokerage RFP and Selection - Scoring

Both Scheer Partners and CBRE tied for the highest score at 89 points. The results of the Scoring Committee are summarized below.

Rank	Real Estate Brokerage	Qualifications (Maximum 35 Points)	Cost of Services (Maximum 40 Points)	Offeror's Capacity (Maximum 15 Points)	Montgomery County Focused (Maximum 10 Points)	Total (Maximum 100 Points)
1	CBRE	35	30	15	9	89
1	Scheer Partners	30	40	9	10	89
3	Pavilion	10	10	2	10	32

Qualification: Each Firm met these minimum requirements for a Responsive proposal.

- Each firm is licensed and in good standing with the State of Maryland.
- Each firm has experience and is knowledgeable in the local real estate market and with small and large multifamily & commercial properties.
- Each shows experience and is knowledgeable in the use of all public real estate records.
- Only CBRE and Scheer Partners provided demonstrated experience working with other local municipalities for the asset types being marketed. This criteria was considered highly-recommended.

Analysis for most Responsive:

- CBRE scored highest in Qualifications and capacity and were a close second to Scheer Partners in Montgomery County focused. Scheer Partners offered the lowest percentage for price, but CBRE offered a wider breadth and depth of reach for Industrial assets having closed over 19 transactions for Industrial assets in the Mid-Atlantic region during the first quarter of calendar year 2022, ranging in price from \$11,500,000 to \$228,500,000.
- Pavilion was the highest priced among the three (3) bidders, and did not demonstrate strong capacity and past performance to manage the requested assets with a government entity.
- The pricing differential between CBRE and Scheer Partners for the 8800 Brookville site is made up by market approach, reach, and dominance by CBRE for an industrial asset class; therefore, due to the tie, **it is recommended that 90 Monroe be served by Scheer Partner and 8800 Brookville Road served by CBRE.**
- Estimated sales commissions are contingent on the actual sales prices for each asset.

Prior Commission Actions

Prior Commission Actions:

8800 Brookville Road (Formerly known as the Vertical Bridge Site):

RESOLUTION No. 18-94AS¹– On November 7, 2018, the Commission approved to Accept Assignment of Purchase Contract for Acquisition of the Vertical Bridge Site; Approval to Acquire the Vertical Bridge Site by Drawing up to \$10.2 million on the PNC Bank, N.A. Line of Credit (“\$60 million LOC”); and Approval of a Predevelopment Loan from the Opportunity Housing Reserve Fund.

RESOLUTION No. 18-94AS²– On November 7, 2018, the Commission authorized to Draw up to \$10.85MM from \$60MM PNC Bank, N.A. Line of Credit to Complete the Acquisition of Vertical Bridge Site.

Town Center Apts (90 Monroe Street)

No recent Commission Actions exist for 90 Monroe Street; however, several prior Commission actions revolve around the acquisition, construction and financing of Residences on the Lane f/k/a HOC at the Upton II, which has served as replacement housing for the residents of Town Center Apartments in 2022 (all residents have been relocated).

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Development & Finance Committee wish to join staff recommendation to the Commission to:

1. Select CBRE as the third-party real estate broker for the marketing and sale of the 8800 Brookville Road in Silver Spring?
2. Select Scheer Partners as the third-party real estate broker for the marketing and sale of the 90 Monroe Street (Town Center Apartments) in Rockville?
3. Authorize the Executive Director without any further action on its part, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein?
4. Make a loan from the Opportunity Housing Reserve Fund for \$35,000 to fund incidental expenses related to the sale of 90 Monroe?

BUDGET FISCAL/IMPACT

Due to the low availability of funds at 90 Monroe Street, an estimated \$35,000 is requested from the OHRF for use to cover incidental expenses related to the sale, which would be repaid at the settlement of the transaction. \$35,000 will be required and is available from the operating budget of 8800 Brookville to also cover similar incidental expenses, which would be repaid from settlement proceeds.

TIME FRAME

For deliberation at the September 28, 2022 meeting of the Development and Finance Committee meeting, and formal Commission action at its monthly meeting on October 5, 2022.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Development & Finance Committee join staff recommendation to the Commission to:

1. Select CBRE as the third-party real estate broker for the marketing and sale of the 8800 Brookville Road in Silver Spring.
2. Select Scheer Partners as the third-party real estate broker for the marketing and sale of the 90 Monroe Street (Town Center Apartments) in Rockville.
3. Authorize the Executive Director without any further action on its part, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein.
4. Make a loan from the Opportunity Housing Reserve Fund for \$35,000 to fund incidental expenses related to the sale of 90 Monroe.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County
Development & Finance Committee

VIA: Chelsea J. Andrews, Executive Director

FROM: Staff: Jennifer H. Washington, Acting Director Division: Mortgage Finance Ext. 9760
Paulette Dudley, Program Specialist III Ext. 9596

RE: **Single Family Lending:** Approval of New Participating Lenders for the Single Family Mortgage Purchase Program

DATE: September 28, 2022

STATUS: Consent X Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To approve a new participating lender in the Single Family Mortgage Purchase Program that will provide mortgage financing to low-to-moderate income first-time homebuyers in Montgomery County at below market rates.

BACKGROUND:

The Commission has approved the continuous participation of lenders from program to program and an on-going admission of new lenders to the Mortgage Purchase Program (“MPP”). As lenders apply for participation in the MPP, the requests are submitted to the Commission for approval. Increasing lender participation broadens the exposure to the Commission’s Single Family mortgage products, as well as to the Revolving County Closing Cost Assistance Program and other special Closing Cost programs, as the closing cost assistance loans must be used in conjunction with a MPP first mortgage.

All approved and participating lenders are advised that continued participation in the MPP require mortgage loan production. If the lender does not submit a mortgage loan within any 12-month period, that lender may be subject to suspension, as a participating lender in the MPP. HOC over the years has approved 34 lenders, but through non-participation or the mortgage company’s notice to end its participation, there are currently 19 active lenders in the MPP. Lenders can be activated again with approval by HOC, but are subject to retraining, and verification that they are approved with U.S. Bank, N.A. (“U.S. Bank”), the Commission’s Master Servicer for the Mortgage Backed Securities (“MBS”) program.

The criteria for lender participation in the MPP are: 1) the lender is not a mortgage broker and can close loans in its own name; and, 2) the lender is approved to do business with Freddie Mac and/or Fannie Mae, or the lender is an approved FHA originating lender. New lenders are also required to be approved by U.S. Bank.

The Community Reinvestment Act (“CRA”), enacted in 1977, requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the

communities in which they do business, including low- and moderate-income (“LMI”) neighborhoods. Banks are required to provide their CRA rating. An overall CRA Rating is assigned using a four-tiered rating system. These ratings are: **Outstanding, Satisfactory, Needs to Improve, and Substantial Noncompliance.**

Approved lenders receive training from HOC staff and U.S. Bank before they are allowed to begin originating and closing loans for the MPP. Under the MBS program, HOC underwrites for program compliance and the lenders underwrite for credit worthiness.

Lender approval will apply to the 1979 Single Family Mortgage Revenue Bond Resolution, the 2009 Single Family Housing Revenue Bond Resolution and the 2019 Program Revenue Bond Resolution.

The following companies have applied to participate in the HOC Single Family Mortgage Purchase Program and have met the minimum requirements and criteria for selection stated above.

- Meridian Bank Mortgage
- WesBanco Bank, Inc.
- Bay Capital Mortgage Corporation
- Direct Mortgage Loans, LLC

In addition, all of these lenders are active in the State of Maryland Mortgage Program. Each company employs loan officers or processors who are fluent in any other language than English and will market any affordable housing programs that work in conjunction with the Commission’s lending programs.

- **Meridian Bank Mortgage** (hereinafter “Meridian Bank”) has submitted a request to participate in the MPP and meets the criteria for approval. Meridian Bank was established in 2004 and is headquartered in Towson, Maryland. It has 15 mortgage offices and six (6) bank locations in four (4) east coast states. Meridian Bank has made over \$2.3 billion in home loans since its inception in 2004 and has a Satisfactory CRA rating.

Meridian Bank in early 2022 completed the merger and integration of Howard Bank, which was an approved lender with HOC. Meridian Bank has several experienced originators who would use the program. Processors, underwriters, and closers, all located out of the Towson and Annapolis offices, are also knowledgeable about HOC and its program. Origination would mostly be from the Rockville and Columbia offices.

Meridian Bank is an active participating lender with Maryland’s Community Development Administration (“CDA”) Mortgage Program and the several other state HFA programs. As a CDA lender, they are at the gold level, 30+ loans per quarter.

- **WesBanco Bank, Inc.** (hereinafter “WesBanco”) is headquartered in Wheeling, West Virginia, has submitted a request to participate in the MPP and meets the criteria for approval. WesBanco operating since 1870 has evolved in the banking arena over many years. The original charter in 1879 was issued as “The German Bank” in Wheeling, and after several acquisitions and name changes, in 1996, WesBanco Mortgage Company was incorporated. In 2012, WesBanco Bank, Inc. was formed through the acquisition of Fidelity Bancorp, Inc. by merger with WesBanco and merger of Fidelity Savings Bank. WesBanco’s has an Outstanding CRA rating.

WesBanco operates branches and offices in eight (8) states. Origination, processing and underwriting will be prepared through the Bowie, Maryland location. WesBanco is an active participating CDA lender at a silver level of 15+ loans per quarter.

- **Bay Capital Mortgage Corporation** (hereinafter “Bay Capital”) has submitted a request to participate in the MPP and meets the criteria for approval. Bay Capital was established in 1994 and is headquartered in Annapolis, Maryland. It is licensed in 10 states and has over \$7 billion in home loans since its inception in 1994. During 2021, approximately 33% percent of Bay Capital’s loan activity for new purchases was made to households with Area Median Income levels at or below the Washington, D.C. Metropolitan Statistical Area of \$129,000. Loan application, processing and underwriting will be concentrated at the two (2) participating branches located in Rockville and Clarksville.

Currently Bay Capital participates in the Maryland CDA Mortgage Program, Prince Georges Pathway to Purchasing program, Florida Housing Bond Program, DC HPAP, and participated in the North Carolina Housing Finance Administration Bond program. Over the past 15 years, Bay Capital originated 435 loans in these programs. As a CDA lender, Bay Capital is designated a bronze level performer, originating three or more (3+) loans per quarter.

- **Direct Mortgage Loans, LLC** (hereinafter “DML”) has submitted a request to participate in the MPP and meets the criteria for approval. Established in 2011, DML is headquartered in Hunt Valley, Maryland.

DML is licensed in 29 states and has funded over 13,000 loans for more than \$3 billion in volume since 2012. Loan application, processing and underwriting will be completed through the two (2) participating branches located in Frederick and Hunt Valley.

DML participates in the Maryland CDA Mortgage Program and other state HFA bond programs. As a CDA lender, DML is designated silver level performer, originating 15+ loans per quarter.

SERVICING

Under the Commission’s MBS Program, lenders will release servicing and receive a loan origination fee up to 2%, based on the time lapse between loan origination and purchase. Lenders receive a higher origination fee the earlier the loan is purchased. Servicing is handled through U.S. Bank, which the Commission has approved as the Master Servicer.

ISSUES FOR CONSIDERATION:

Does the Development and Finance Committee wish to join staff’s recommendation that the Commission approve Meridian Bank Mortgage, WesBanco Bank, Inc., Bay Capital Mortgage Corporation and Direct Mortgage Loans, LLC for participation in the Single Family Mortgage Purchase Program?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Meridian Bank Mortgage
WesBanco Bank, Inc.
Bay Capital Mortgage Corporation
Direct Mortgage Loans, LLC

BUDGET/FISCAL IMPACT:

None.

TIME FRAME:

For discussion at the meeting of the Development and Finance Committee on September 28, 2022 and formal action at the October 5, 2022 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Development and Finance Committee join staff's recommendation that the Commission approve Meridian Bank Mortgage, WesBanco Bank, Inc., Bay Capital Mortgage Corporation and Direct Mortgage Loans, LLC for participation in the Single Family Mortgage Purchase Program.

Attachment 1

Approved HOC/U.S. Bank Lenders

1. Ameris Bank Mortgage
2. Celebrity Home Loans, dba Apex Home Loans
3. Embrace Home Loans, Inc.
4. Fairway Independent Mortgage Corporation
5. First Heritage Mortgage, LLC
6. First Home Mortgage Corp
7. HomeBridge Financial Services, Inc.
8. Homeside Financial LLC
9. loandepot.com
10. Mortgage Access Corp
11. Movement Mortgage, LLC
12. NFM, Inc. dba NFM Lending
13. NVR Mortgage Finance, Inc.
14. Presidential Bank, FSB
15. PrimeLending, a Plains Capital Company
16. Prosperity Home Mortgage, LLC
17. Sandy Spring Bank
18. Severn Bank
19. TowneBank Mortgage