

Resolution No. 12-22

RESOLUTION: Adoption of Resolution by The Mayor and Council of Rockville to (i) Approve the exercise by Montgomery County of its right of first refusal to acquire certain ownership interest in the owner of Scarborough Square Townhomes & Apartments, and (ii) Approve the acceptance by Rockville Housing Enterprises of Montgomery County's assignment of its contract to acquire certain ownership interest in the owner of Scarborough Square Townhomes & Apartments.

RECITALS

WHEREAS, under Chapter 53A-4 of the Montgomery County Code (the "**County Code**"), subject to certain exceptions, an owner of rental housing is required to offer Montgomery County through its Department of Housing and Community Affairs (the "**County**"), the Housing Opportunities Commission of Montgomery County ("**HOC**"), and applicable tenant organizations certified by the County the right to buy rental housing before selling the rental housing to another party ("**Right of First Refusal**" or "**ROFR**"); and

WHEREAS, under Chapter 53A-4(d)(1) of the County Code, applicable to the City of Rockville pursuant to Section 1-8 of the Rockville City Code, the County and HOC may only exercise the Right of First Refusal and accept an owner's offer to buy rental housing in a municipality if the governing body of the municipality approves; and

WHEREAS, SCG Atlas Scarborough, L.L.C., a Delaware limited liability company (the "**Owner**"), is the owner of a 121-unit multifamily rental housing facility located at 438 College Parkway in the City of Rockville, Maryland, commonly known as Scarborough Square Townhomes & Apartments, ("**Scarborough Square Apartments**"); and

WHEREAS, Scarborough Associates, L.L.C., a Delaware limited liability company (the "**Seller**"), is the owner of all of the issued and outstanding common membership units ("**Common Member Ownership Interests**") in SCG Atlas Scarborough REIT, L.L.C. (the "**Scarborough REIT**"), which is the legal owner and holder of 100% of the membership interests in SCG Atlas Scarborough Holdings, L.L.C., which is the legal owner and holder of 100% of the membership interests in the Owner; and

WHEREAS, pursuant to a Purchase and Sale Contract, dated July 21, 2022, the Seller has agreed to sell its Common Member Ownership Interests in the Scarborough REIT for a purchase price of \$40,000,000, subject to certain prorations and adjustments; and

WHEREAS, in accordance with Chapter 53A-4 of the County Code, on July 24, 2022, the Seller offered the County and HOC the right to buy its Common Member Ownership Interests in the Scarborough REIT before selling them to another party; and

WHEREAS, Rockville Housing Enterprises ("**RHE**"), the successor entity to the Housing Authority of the City of Rockville, is interested in acquiring the Common Member Ownership

Interest in the Scarborough REIT in order to preserve the 121-residential units in the Scarborough Square Apartments as affordable rental housing in the City of Rockville; and

WHEREAS, it is the intent of the County to (i) exercise its Right of First Refusal and enter into a Purchase and Sale Agreement with the Seller (the “**County Purchase and Sale Agreement**”) to acquire the Common Member Ownership Interests in the Scarborough REIT from the Seller, and (ii) assign its interest in the County Purchase and Sale Agreement to RHE; and

WHEREAS, RHE requests that Mayor and Council approve the County’s exercise of its Right of First Refusal to acquire the Common Member Ownership Interests in the Scarborough REIT and approve the County’s assignment of the County Purchase and Sale Agreement to RHE.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF ROCKVILLE, MARYLAND, as follows:

1. Pursuant to Chapter 53A-4(d)(1) of the County Code, the Mayor and Council hereby approves the County’s right to exercise its Right of First Refusal in order to acquire the Common Membership Ownership Interests in the Scarborough REIT, which is the legal owner and holder of 100% of the membership interests in SCG Atlas Scarborough Holdings, L.L.C., which is the legal owner and holder of 100% of the membership interests in the owner of Scarborough Square Townhomes & Apartments, a 121-unit multifamily rental housing facility located at 438 College Parkway in the City of Rockville, Maryland.

2. In order to help facilitate the preservation of 121 residential units in the Scarborough Square Apartments as affordable housing, the Mayor and Council hereby approves the acceptance by Rockville Housing Enterprises of the County’s assignment of its right to acquire the Common Member Ownership Interests in the Scarborough REIT pursuant to the County Purchase and Sale Agreement.

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the Mayor and Council of Rockville as its meeting of September 12, 2022.

Sara Taylor-Ferrell

Sara Taylor-Ferrell, City Clerk and
Director of Council Operations