

Resolution No. 16-24

**RESOLUTION:** To approve RHE Scarborough Square, LLC's sale of a beneficial interest in the Scarborough Square Townhomes & Apartments

**RECITALS**

**WHEREAS**, Rockville Housing Enterprises ("**RHE**"), the successor entity to the Housing Authority of the City of Rockville, was established by the Mayor and Council of Rockville (the "**Mayor and Council**") pursuant to those certain Articles of Organization approved by the Secretary of State of Maryland on March 29, 2000 (the "**RHE Articles of Organization**"); and

**WHEREAS**, pursuant the RHE Articles of Organization and that certain Amended and Restated Cooperation Agreement, dated March 29, 2000, by and between RHE and the Mayor and Council, RHE is required to obtain the approval of the Mayor and Council before establishing, among other things, a not-for-profit corporation; and

**WHEREAS**, on September 10, 2001, the Mayor and Council approved RHE's establishment of RHE Corporation, a not-for-profit corporation ("**RHE Corporation**"); and

**WHEREAS**, on October 14, 2022, RHE Corporation, as the sole member, executed and filed those certain Articles of Organization with the Secretary of State of Maryland establishing RHE Scarborough Square, LLC (the "**RHE Scarborough Square Owner**"); and

**WHEREAS**, on November 1, 2022, Montgomery County provided the RHE Scarborough Square Owner with a \$40,000,000 short-term loan to facilitate its acquisition of a 121-unit multifamily rental housing complex commonly known as Scarborough Square Townhomes & Apartments, (the "**Scarborough Square Apartments**"); and

**WHEREAS**, on December 20, 2022, Orlo Scarborough Investors, LLC ("**ORLO**") provided the RHE Scarborough Square Owner with a \$33,000,000 short-term loan to help refinance the Montgomery County \$40,000,000 short-term loan; and

**WHEREAS**, on August 1, 2023, the Mayor and Council provided the RHE Scarborough Square Owner with a \$1,200,000 moderately priced dwelling unit loan (the "**MPDU Loan**") pursuant to the terms of that certain Moderately Priced Housing Fund Loan Agreement by and between the Mayor and Council and the RHE Scarborough Square Owner (the "**City Loan Agreement**"), as evidenced by that certain Rockville Moderately Priced Housing Fund Promissory Note payable to the Mayor and Council; and

**WHEREAS**, pursuant to the terms of the City Loan Agreement and that certain Deed of Declaration of Restrictive Covenants, dated August 1, 2023, and recorded among the land records of Montgomery County (the "**Land Records**") in Book 67310 at page 444 (the "**City Restrictive Covenants**"), the RHE Scarborough Square Owner agreed to designate and reserve at least sixty-one (61) residential apartment units in the Scarborough Square Apartments complex as Moderately Priced Dwelling Units which are required to be solely rented to and occupied by or, if vacant, available for occupancy by low-income households with annual incomes at or below sixty percent

(60%) of the area median income for a period of 15 years (the “**MPDU Compliance Control Period**”); and

**WHEREAS**, pursuant to the terms of that certain Deed of Trust, Assignment of Rents and Leases and Security Agreement, dated August 1, 2023 and recorded among the Land Records in Book 67310 at page 419 (the “**City Deed of Trust**”), securing the MPDU Loan, the RHE Scarborough Square Owner is not permitted to “sell, assign, encumber or otherwise transfer any beneficial interest” in the Scarborough Square Apartments without obtaining the prior written approval of the Mayor and Council; and

**WHEREAS**, ORLO is proposing to acquire a beneficial interest in the Scarborough Square Apartments by purchasing a 49% ownership interest in the RHE Scarborough Square Owner for \$9,000,000; and

**WHEREAS**, the RHE Scarborough Square Owner is requesting that the Mayor and Council approve its sale of a beneficial interest in the Scarborough Square Apartments to ORLO in accordance with the terms of the City Deed of Trust.

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

1. The Mayor and Council hereby approves the sale of a beneficial interest in the Scarborough Square Apartments by the RHE Scarborough Square Owner to ORLO, subject to the RHE Scarborough Square Owner agreeing to amend the City Loan Agreement and the City Restrictive Covenants in order to extend the MPDU Compliance Control Period for an additional 83 years.
2. The City Manager of Rockville, Maryland is authorized and empowered to execute any and all documents required in connection therewith, subject to approval as to legal sufficiency and final form by the City Attorney.

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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 30, 2024.

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