Revised: August 19, 2021

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

DEVELOPMENT AND FINANCE COMMITTEE

August 20, 2021
10:00 a.m.
YouTube Link: https://youtu.be/kWPF94J5SOc

Approval of Minutes:

Discussion/Action Items:

8. **Wheaton Gateway:** Discussion of Wheaton Gateway Development Approach - i) Approach to Sustainability and Building Resiliency; ii) Approach to Building Construction Technologies; iii) Key Site Layout Components	115

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Development and Finance Committee Minutes

June 25, 2021

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, June 25, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:01 a.m., available for viewing here. Those in attendance were:

Present

Jackie Simon, Chair – Development and Finance Committee
Roy Priest - Commissioner
Richard Y. Nelson, Jr. – Commissioner

Also Attending

Stacy Spann, Executive Director
Aisha Memon, General Counsel
Timothy Goetzinger
Cornelia Kent
Claire Kim
Charnita Jackson
Marcus Ervin
Gio Kaviladze
Ellen Goff
Eugenia Pascual
Hyunsuk Choi
Kayrine Brown, Deputy Executive Director
Eamon Lorincz, Deputy General Counsel
Jennifer Arrington
Nathan Bovelle
Christina Autin
Kristyn Greco
Vivian Benjamin
Kathryn Hollister
Fred Swan
Paul Vinciguerra

APPROVAL OF MINUTES

The minutes of the May 21, 2021 Development and Finance Committee were approved upon a motion by Commissioner Priest and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

DISCUSSION ITEMS

1. **<u>Georgian Court:</u> Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Georgian Court Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement**

Kayrine Brown, Deputy Executive Director, introduced Hyunsuk Choi, Senior Financial Analyst, to provide a presentation on recommending to the full Commission approval to select Boston Financial Investment Management as the Tax Syndicator for Georgian Court Apartments and to authorize the Executive Director to negotiate and execute a Letter of Intent outlining the terms of a Limited Partnership Agreement. After negotiations are complete, staff will return to the Commission with a request for approval of the Executive Director to execute the Limited Partnership agreement.

There was discussion among the Commissioners and Staff regarding savings and negotiation of additional advantages. A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend the item for approval at the July 7, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest, and Nelson.

2. **<u>Shady Grove:</u> Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Shady Grove Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement**

Hyunsuk Choi, Senior Financial Analyst, provided the presentation to recommend to the full Commission approval to select Boston Financial Investment Management as the Tax Credit Syndicator for Shady Grove Apartments and authorization for the Executive Director to negotiate and execute a Letter of Intent outlining the terms of the Limited Partnership Agreement.

Commissioners and Staff had an in depth conversation regarding the request, addressing questions regarding use of the County's self-insurance. A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend to the full Commission at the July 7, 2021 monthly meeting. Affirmative votes were cast by Commissioners Simon, Priest, and Nelson.

3. **<u>Emory Grove Village:</u> Approval to Select Tammal Enterprises Inc. as Demolition Contractor for Emory Grove Village in Accordance with Invitation for Bid ("IFB") #2253 and Authorization for the Executive Director to Negotiate and Execute a Contract for the Demolition**

Kayrine Brown, Deputy Executive Director, introduced Paul Vinciguerra, Construction Manager, who provided the presentation requesting the Development and Finance Committee to recommend to the full Board to select Tammal Enterprises Inc. as the demolition contractor for Emory Grove Village, and authorize the Executive Director to negotiate and execute contract with the firm to complete the demolition of Emory Grove.

There was discussion among the Commissioners and Staff. A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend to the full Commission at the July 7, 2021 monthly meeting. Affirmative votes were cast by Commissioners Simon, Priest, and Nelson.

4. **<u>Willow Manor Properties:</u> Approval to Select PNC as the Tax Credit Syndicator and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement; Approval of Request for Additional Predevelopment Funds; and Ratification of the Formation of Ownership Entities**

Kayrine Brown, Deputy Executive Director, introduced Kathryn Hollister, Senior Financial Analyst, who provided a presentation requesting the Development and Finance Committee to recommend to the full Board approval to select PNC as the Tax Credit Syndicator for the Willow Manor Properties, and to authorize the Executive Director to negotiate and execute a Letter of Intent outlining the terms of the Limited Partnership Agreement. Staff also recommended to ratify the formation of wholly-owned special purpose entities to serve as the new property owner and managing member entities. Staff also requested addition predevelopment funds, and approval of prepaid closing funds.

There was discussion among the Commissioners and Staff. A motion was made by Commissioner Nelson and seconded by Commissioner Simon to recommend the item for approval at the July 7, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon and Nelson. Commissioner Priest stepped away temporarily and did not participate in the vote.

The meeting adjourned at 10:54 a.m.

Next scheduled meeting is August 27, 2021.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Discussion/Action Items

Westside Shady Grove Building D: Approval to Select Kim Engineering, Inc. for Construction Materials Testing and Third-Party Inspector and Authorization for the Acting Executive Director to Execute a Contract in Accordance with Request for Proposal #2265

KAYRINE V. BROWN, ACTING EXECUTIVE DIRECTOR

ZACHARY MARKS
MARCUS ERVIN
PAUL VINCIGUERRA

August 20, 2021

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Executive Summary

On January 28, 2021, EYA, LLC (“EYA”), The Bozzuto Group and the Housing Opportunities Commission of Montgomery County (“HOC”) closed on the construction financing for the Westside Shady Grove Building-D project, located at EYA’s Westside at Shady Grove (Westside), a transit-oriented, mixed-use neighborhood in Rockville adjacent to the Shady Grove Metro Station. The development is a mixed-use and mixed-income apartment building that marks the latest phase of the 45-acre development. Once complete, the 7-story building will feature 268 apartments, 21,000 square feet of street-level retail and 7,400 square feet of office space with 268 amenity rich apartments above – 81 of which are designated as affordable housing units. The venture among HOC, Bozzuto, and EYA will ensure that the development will stand out among the DC Metro’s suburban projects as a unique, price competitive, transit-oriented, urban-style community.

The third-party testing of construction materials during the project is integral to the quality assurance and quality control for new construction. Testing of building materials such as concrete is required both by Montgomery County Department Permitting Services (“DPS”) and Building Codes. The purpose of testing is to ensure the building is being built in compliance with the contract documents, all applicable codes, and DPS requirements. An example of quality control is where the testing company will observe testing of roofs to ensure properly installed water proofing with no leaks. Certifications from professional engineers at the testing company are required in order to obtain the Certificate of Occupancy (“COO”) from DPS. The testing company is required by DPS and will benefit the WSG project.

There were three (3) respondents to RFP #2265 ranging in price from $136,500-$336,385. Of the three (3) qualified responses, Kim Engineering, Inc. (“KEI”) attained the highest average score among the evaluators as it pertains to price, management plan, execution and Minority, Female, Disabled-owned (“MFD”) participation. The scope of work will include construction materials testing/inspections, wood framing and envelope inspections, third-party code compliance, and bio-retention inspections. Kim Engineering, Inc. has teamed with CECA, LLC., together both are certified MFDs that will provide 100% of the services needed for this project.

The award of RFP #2265 will be funded from the previously approved development budget. Staff recommends that the Development and Finance Committee join staff’s recommendation to the Commission to accept and approve the selection of KEI as construction materials testing and third-party inspector for the construction of the Westside Shady Grove Building-D project. Staff further recommends authorization for the Acting Executive Director to execute a contract with Kim Engineering, Inc. for $336,385.

Selection Criteria

Westside Shady Grove Building-D (RFP #2265)

HOC's Procurement Office issued a Request for Proposal (RFP #2265) for construction materials testing and third-party inspections for the Project on May 19, 2021 with a due date of June 11, 2021, in accordance with HOC Procurement Policy. Staff received three (3) responses (Hillis-Carnes Engineering Associates, Inc., Stratified, Inc., and Kim Engineering, Inc.) on June 11, 2021 by 2pm.

- The scoring team (consisting of staff from Property Management, Finance and Real Estate Development) reviewed the responses on June 24, 2021, based on several criteria:

  - ✓ Testing agency qualifications (30%), showing experience with similar project types and size
  - ✓ Price (25%), per requested scope and fees
  - ✓ Management Plan (20%), provide a brief narrative description of staffing plan, roles, and responsibilities
  - ✓ Methodology (15%), describe in detail how the firm proposes to perform the services outlined in the RFP
  - ✓ MFD participation above the minimum requirement of 25% of contracts for subcontract work and/or supplies (based on total contract value). Range of scoring will be from 0 to 10 points. Respondents who meet the MFD subcontracting minimum requirement (i.e., 25%) will score zero (0) points. Respondents subcontracting 30 – 35% will receive 5 points, and respondents subcontracting 35% or above will receive 10 points.

Scope of Work

The listing of services below is not intended to be limiting in any manner. For each of the services below provide a detailed description of the field and lab services to be provided including frequencies and durations. If other services are necessary to provide a complete scope of work for the category of testing and inspection, a description of those services is provided as well.

Soils & Foundations

1. Soil sampling and laboratory analysis
2. Sub grade evaluation and approvals
3. Grading and fill placement observation and testing
4. Field compaction testing of soils including density testing
5. Footing inspections
6. Foundation inspections

Concrete and Post-Tension Concrete

1. Concrete sampling and testing
2. Concrete inspection and monitoring
3. Reinforcing steel inspections that the reinforcing has been placed in conformance with the contract documents
4. Concrete compressive strength tests
5. Floor Flatness tests

Masonry Wall Systems

1. Mortar testing for all masonry construction
2. Masonry and grout sampling and testing
3. Masonry inspection and monitoring
4. Reinforcing steel inspections

Structural Steel

1. Structural steel frame and metal decking testing and inspections
2. Light gauge steel inspections
3. Structural steel inspections to verify welding and bolting requirements as well as plumb test.

Roofing Systems

Flood and electronic leak detection observations.

Waterproofing and Air Barrier Systems

Various waterproofing and air barrier inspections

Fireproofing System

Various fireproofing inspections

Mechanical System

Mechanical inspections in accordance with Montgomery County DPS Special Inspections Program

Asphalt Paving

Asphaltic pavement testing and subgrade inspections

Architecture

Architectural inspections in accordance with Montgomery County DPS Special Inspections Program

Qualifications & Experience

Westside Shady Grove Building-D (RFP #2265) – Qualifications & Experience

RFP #2265 requested that vendors provide extensive information regarding their qualifications and experience related to the following categories:

- Testing agency must comply with Montgomery County Special Inspection Program requirements. Provide company and individual qualifications for Montgomery County Special Inspections program approval.
- Testing agency must comply with the requirements of Section 3.
- Testing agency laboratory facilities must be accredited by an agency such as American Association for Laboratory Accreditation (“A2LA”), National Voluntary Laboratory Accreditation (“NVLAP”), Washington Area Council of Engineering Laboratories (“WACEL”), or other organizations whose programs are recognized by Montgomery County. Provide a copy of the accreditation certificate.
  - Laboratory facilities must meet the requirements of American Society for Testing and Materials (“ASTM”) E329, ASTM D3740, and ASTM C1077 as applicable.
- Participate and provide all accreditations and certificates for a pre-construction meeting with Montgomery County Department of Permitting Services to review the Montgomery County Special Inspection Program requirements.
- Provide list of previous or current projects in Montgomery County. Relevant projects are high-rise concrete buildings with a construction cost of more than $100 million. Include a list of projects in Montgomery County, which involve post tension concrete inspections.
- Provide number of employed certified concrete technicians. Provide name and a copy of their certification.
- Provide number of employed certified steel technicians. Provide name and a copy of their certification.
- Testing agency must have capabilities to provide Architectural and Mechanical Special Inspectors. Provide resumes and number of each inspector.
- In addition to the Architectural and Mechanical Special Inspectors, agency must have capabilities to provide specialty testing including American Architectural Manufacturers Association (“AAMA”) 501, roofing, mold/mildew, and additional inspections required per the plans and specification. The additional inspections are required and beyond the Montgomery County Special Inspection Program requirements.

Qualifications & Experience

Westside Shady Grove Building-D (RFP #2265) – Qualifications & Experience (Continued)

- Provide location of office nearest to the site location and approximate travel time.
- Provide resumes of Special Engineer of Record, Project Manager, and Key Leaders at the local office.
- Provide description of the agency's electronic record management system.
- Testing agency abilities must include the following:
  - Field density testing (California Bearing Ratio ("CBR"), proctor, and nuclear)
  - Soil testing
  - Reinforced concrete
  - Post-tensioned concrete
  - Façade masonry
  - Structural steel inspections
  - Sprayed fire-resistant materials
  - Intumescent paint
  - Cold-formed metal framing
  - Anchorage of electrical, architectural, and mechanical components
  - Exterior Insulation and Finish System ("EIFS") inspections

Respondents

RFP# 2265 – Three (3) Firms

Hillis-Carnes Engineering Associates, Inc. ("HCEA") founded in 1989, is a large multi-disciplinary consulting engineering firm, providing construction materials testing, third-party inspections, geotechnical engineering, facilities consulting and more. They have 16 full-service branch offices. HCEA has been in the testing business for over 30 years and has completed numerous projects similar in nature in Montgomery County and throughout Maryland.

Stratified, Inc. ("SI") is a Washington, DC Metro area small business, Certified Business Enterprise ("CBE"), Maryland Small Business Reserve ("SBR") Located in Washington DC. Stratified's services include Construction Material Testing ("CMT"), Environmental Consulting and Compliance, Construction, and Environmental Engineering components that include remediation, Geotechnical Engineering, Materials Analysis, Drilling, and Corrosion Engineering capabilities.

Kim Engineering, Inc. ("KEI") founded in 1993 and is a MBE/SBE/DBE multi-disciplinary engineering firm which provides its clients with the full range of services, including, but not limited to, geotechnical engineering, civil engineering, surveying, construction materials testing and inspections, contract administration, and landscape architecture services. KEI has completed numerous projects similar in nature to the Project as the construction materials testing and third-party inspector in Montgomery County and Maryland.

Scoring Summary

RFP#2265 – Scoring Summary

There were three (3) respondents to RFP #2265. Of the three (3) qualified responses, Kim Engineering, Inc. ("KEI") attained the highest average score among the evaluators. Staff proposes the selection of KEI as construction materials testing and third-party inspector for the Westside Shady Grove Building-D project for the following reasons:

- Highest Average Score among all bidders.
- Firm is an MFD company and is partnering with another MFD (CECA, LLC) firm to carryout 100% out the third-party inspections.
- The capabilities to provide multiple professional disciplines including geotechnical engineering and building envelope professionals as well as the construction material testing.
- Numerous completed and ongoing projects throughout Montgomery County of similar size and scope.

Rank	Construction Management	Qualifications - Experience with similar project (30%)	Management Plan (20%)	Price (25%)	Methodology (15%)	(MBE), (WBE), (DBE/SBE) or (VBE) (10 %)	Total (100%)
1	**Kim Engineering, Inc.**	**30.00**	**19.33**	**16.67**	**11.33**	**10.00**	**87.33**
2	Stratified Inc.	24.00	15.00	13.33	9.67	0.00	62.00
3	Hillis-Carnes Engineering Associates, Inc.	20.00	0.00	23.33	14.67	0.00	58.00

Scoring Summary

RFP#2265 – Price Summary

KEI provided competitive pricing as construction materials testing and third-party inspector that was in-line with the market necessary to complete the Project, a comprehensive and thorough proposal, MFD participation above the minimum, and a commitment to employ HOC residents as five percent (5%) of the aggregate number of new hires for this contract.

SCOPE	HILLIS CARNES	STRATIFIED, INC.	KIM ENGINEERING
Construction Materials Testing & Inspections	$150,092	$59,000	$146,585
Wood Framing Inspections	$22,530	$9,000	$25,000
Envelope Inspections	$36,390	$14,500	$15,000
3rd Party Code Compliance	$69,973	$45,000	$139,800
Bioretention Inspections	*Incorporated in the Construction Materials Testing Cost	$9,000	$10,000
TOTAL	**$278,985**	**$136,500**	**$336,385**

*Evaluated by: Property Management, Finance and Real Estate Development

Summary and Recommendations

Issues for Consideration

Will the Development and Finance Committee join staff's recommendation to the Commission to:

1. Approve of the selection of Kim Engineering, Inc. as Construction Materials Testing and Third-Party Inspector for the new construction of Westside Shady Grove Building-D project,
2. Authorize the Acting Executive Director to execute a contract with Kim Engineering, Inc. for $336,385.

Time Frame

For formal action at the September 1, 2021 meeting of the Commission.

Budget Impact

There is no impact on the Commission's operating budget. The KEI proposal of $336,385 will be funded by the Westside Shady Grove development budget.

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and:

1. Approve of the selection of Kim Engineering, Inc. as Construction Materials Testing and Third-Party Inspector for the new construction of the Westside Shady Grove Building-D project, and
2. Authorize the Acting Executive Director to execute a contract with Kim Engineering, Inc. for $336,385.

Willow Manor Properties: Approval of a Final Development Plan, Including the Approval and Acceptance of a Seller Note and Bridge Financing for the Transaction, and Approval to Execute a Contract and Early Start Agreement with Nastos Construction, Inc.

Silver Spring, Germantown and Olney, MD

KAYRINE V. BROWN, ACTING EXECUTIVE DIRECTOR

ZACHARY MARKS
MARCUS ERVIN
KATHRYN HOLLISTER

August 20, 2021

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Executive Summary

- On November 1, 2018, HOC acquired the following properties (collectively, the "Willow Manor Properties" or "Properties"), which were built approximately 16 years ago.

  1. **Willow Manor at Clopper's Mill ("Clopper's Mill")** consists of 102 age-restricted (62+) Low Income Housing Tax Credit ("LIHTC") and market-rate apartments in Germantown and was constructed in 2005;
  2. **Willow Manor at Fair Hill Farm ("Fair Hill Farm")** consists of 101 age-restricted (62+) LIHTC apartments in Olney and was constructed in 2005; and
  3. **Willow Manor at Colesville ("Colesville")** consists of 83 age-restricted (62+) LIHTC apartments in Silver Spring and was constructed in 2004.

- The Properties have all reached the end of their initial 15-year LIHTC compliance periods. The project team is currently preparing for the upcoming LIHTC re-syndication and renovation. The transaction is currently projected to close in October 2021, with renovation to start in November 2021. The renovations will modernize residential units, update common area amenities, increase energy efficiency and improve site conditions.

- Since April 2020, the Commission has approved several actions for the re-syndication and renovation of the Properties. In April 2021 the Commission approved the selection of Nastos Construction as the General Contractor, and in July 2021 the Commission approved the selection of PNC as the tax credit syndicator.

- Total costs for the transaction are approximately $101.1 million and include development costs (~$88.6 million), developer fees (~6.7 million), syndication related costs (~0.5 million), and guarantees and reserves (~$5.3 million). The transaction will be funded with an FHA Risk Share mortgage (~$47.2 million), additional bond proceeds (~$2.2 million), 4% LIHTC equity (~$29.6 million), a subordinate County HIF loan (~$13.2 million), and a seller note (~$8.9 million).

- The Properties have approximately $48.9 million in existing debt, consisting of senior loans in the amount of $29.1 million and subordinate County HIF loans in the amount of $19.8 million. The senior mortgages and approximately $6.6 million of the County HIF loans will be repaid at LIHTC closing. The remainder of the County HIF loans (~$13.2 million) will be refinanced as part of the resyndication. Predevelopment and prepaid closing costs authorized from HOC's Opportunity Housing Reserve Fund and FHA Risk Share/MIP Cash Reserves in an aggregate amount up to $1,861,200 million will also be repaid at LIHTC closing.

- The renovation which is scheduled to begin in November 2021 is projected to be 24 months in duration. Unit renovations will take approximately 30 to 60 days to complete. Tenants will be temporarily relocated while their units are renovated. The general contractor has given consideration to COVID-related issues and potential delays when developing the construction schedule.

Property Overview



- All three (3) Willow Manor properties are senior (62+) rental communities that have reached the end of their initial 15-year LIHTC compliance period. Colesville's initial 15-year compliance period ended on December 31, 2019; Clopper's Mill and Fair Hill Farm initial compliance periods ended on December 31, 2020.
- The properties are of similar construction and design. The properties have been well maintained and are in good condition, but are in need of updating to remain marketable and improve operational performance.
- Property amenities include: fitness center, library, business center, community room, kitchen, billiards room, movie room, health room, hospitality suite, laundry room and shuttle service.
- Habitat America ("Habitat") manages all three properties. Habitat was formed in 1988 and is a woman-owned and operated third-party property management firm with over 30 years of experience. Habitat manages more than 85 senior, affordable and market-rate apartment communities in Maryland, Delaware, Pennsylvania, Virginia and Washington, DC.

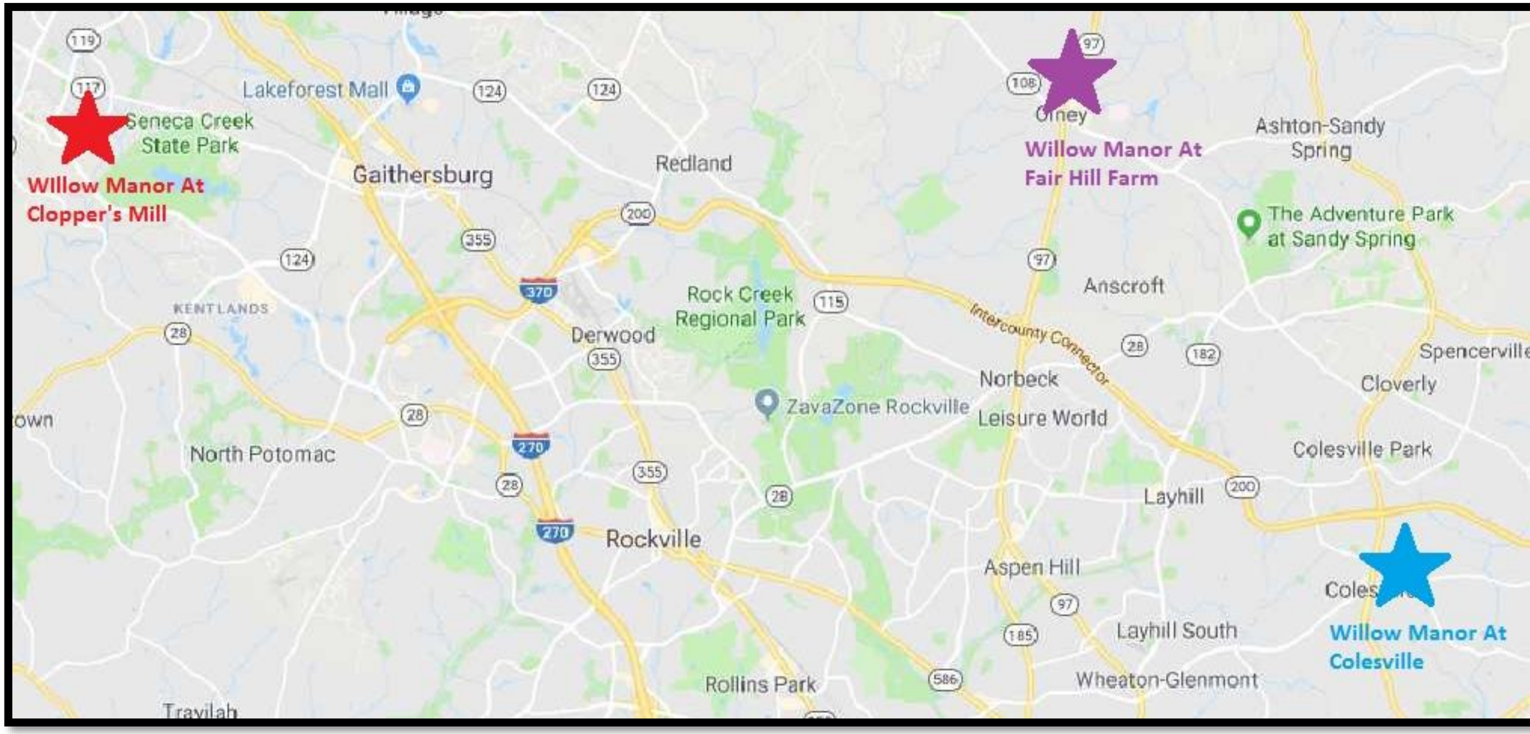
Willow Manor Properties: Unit and Affordability Mix

UNIT TYPE	UNIT COUNT	UNIT SIZE	TOTAL SQFT
1 BED / 1 BATH	71	666	47,294
2 BED / 1 BATH	130	907	117,879
2 BED / 1.5 BATH	7	953	6,671
2 BED / 2 BATH	78	982	76,632
	286	**869**	**248,476**

AMI TARGET	UNIT COUNT
40%	57
50%	20
60%	189
Market*	20
	286

*A scattered site LIHTC syndication requires that 100% of the units are income-restricted. Staff is proposing restricting the 20 market rate units at the Properties to 80% AMI.

Location Map



1. Willow Manor at Clopper's Mill, 18003 Mateny Rd, Germantown, MD 20874
2. Willow Manor at Fair Hill Farm, 18301 Georgia Ave, Olney, MD 20832
3. Willow Manor at Colesville, 601 E Randolph Rd, Silver Spring, MD 20904

Development Plan – Transaction Rationale

HOC Benefits

- Brings the Properties in line with the new HOC standard of high quality, well designed, energy efficient affordable housing.
- Meets Agency's mission for preserving and expanding affordable housing, by extending the affordability period and increasing the number of restricted units at the Properties.
- Ensures Properties are financially sustainable and competitive within the rental marketplace.
- Reduces ongoing maintenance costs to the Properties.
- Lowers utility costs to HOC and residents by upgrading to energy efficient systems.

Serving our Residents

- Provides a much improved living standard.
- The Properties will continue to be subject to the County's Voluntary Rent Guidelines, as they have been since the Properties were originally constructed.
- Affordability covenants will be extended.
- Improves amenities and the communities overall through capital investment.

Public Purpose

- All 286 units will be income-restricted, serving households earning 40%, 50%, 60% and 80% of the Area Median Income ("AMI"). This includes the restriction of all existing market-rate units (20 units, or 7% of units) to 80% AMI as part of the scattered site resyndication. A scattered site LIHTC syndication requires that 100% of the units are income-restricted.
- All 286 units are age-restricted to residents age 62 and above.

Development Plan – Development Team

Architect

BENNETT FRANK McCARTHY architects, inc.

- Bennett Frank McCarthy and its predecessor firms have been providing a full range of architectural services in Montgomery County, the Washington DC Metropolitan Area, and Maryland since 1977.
- Headquartered in Silver Spring, MD, Bennett Frank McCarthy has served as architect for many HOC renovations, including Greenhills Apartments and Townhomes and RAD 6.

General Contractor

NASTOS CONSTRUCTION

- Founded in 1993.
- Headquartered in Lanham, MD.
- MDOT certified MBE General Contractor.
- Experienced in residential, commercial and municipal (e.g. schools, courts and parks) construction and rehabilitation.
- Extensive experience working with State and local government agencies throughout the DMV area (including Montgomery County and the City of Gaithersburg).
- Team has prior experience working with public housing authorities.
- Successful completion of multiple acquisition/rehab LIHTC projects in Maryland and DC.

LIHTC Investor

PNC BANK

- Founded in 1994
- Places equity capital in high-quality affordable housing communities
- PNC has served as the LIHTC Investor for two other HOC properties: Greenhills Apartments and Townhomes and Forest Oak Towers.

Construction Manager

JDC

- Since 2003, JDC has been providing comprehensive and systematic project and construction management services for community-focused development projects.
- Projects include multifamily residential, commercial, religious, and educational facilities located throughout the Washington DC Metropolitan area as well as projects beyond the Washington DC Metropolitan area.
- JDC is a MDOT certified MBE
- JDC is a member of HOC's Construction Management Pool and has worked on many HOC projects, including Alexander House, Fenton Silver Spring and The Lindley.

Interior Designer

M9D MARKET 9 DESIGN

- Market 9 Design creates and transforms spaces, assisting clients in providing functional and sustainable spaces for their tenants, visitors, and users experiences.
- Design approach incorporates a mixture of market trends, demographic profiles, technological advances that enhance interactive experiences within spaces.
- Design services include design consultations, schematic designs, design development, construction drawings, FF&E specifications and purchasing, construction management, and installation.
- Expertise in Multifamily, Commercial, Hospitality and Retail.
- Market 9 Design is a woman-owned business.

Development Plan – Renovation Scope

The renovation will modernize residential units, update common area amenities, and improve site conditions. The proposed renovation scope of work includes the following:

- Common area upgrades including but not limited to new flooring, painting, elevator cab interiors, furniture and fixtures.
- Unit kitchen upgrades including but not limited to new cabinets, countertops, fixtures, flooring and painting.
- Unit bathroom upgrades including new bath/shower surrounds, flooring and fixtures. All existing showers will be converted to curbless showers.
- Energy efficiency upgrades including LED lighting, air sealing, Energy Star appliances and low-flow plumbing fixtures.
- Replacement of unit and common area mechanical systems including HVAC units and hot water heaters.
- Improvements to the building exteriors and sites, including paving and roof replacement where needed.

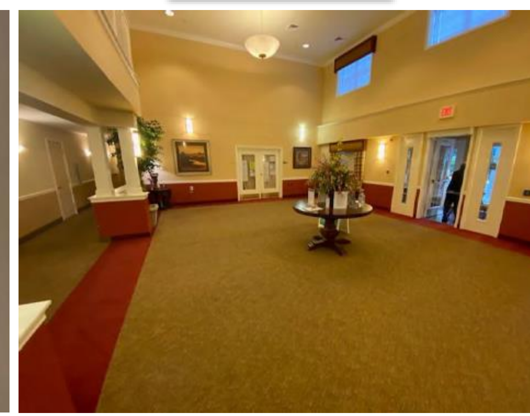
Current Property Conditions

Typical Kitchen

Typical Bathroom

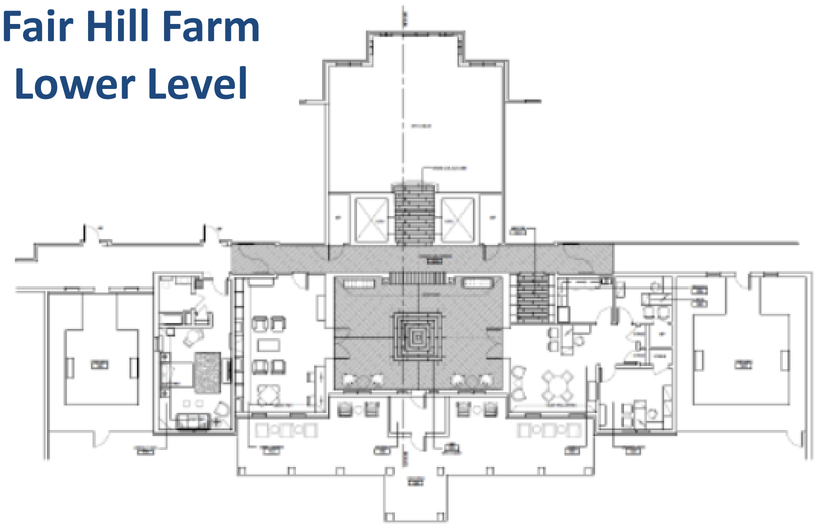
Typical Living Room

Typical Lobby

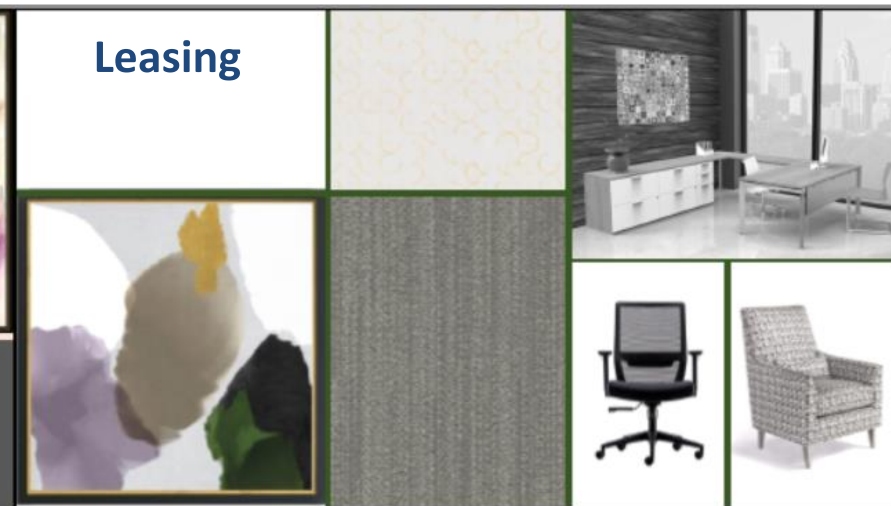


Development Plan – Renovation Scope – Lobby & Leasing

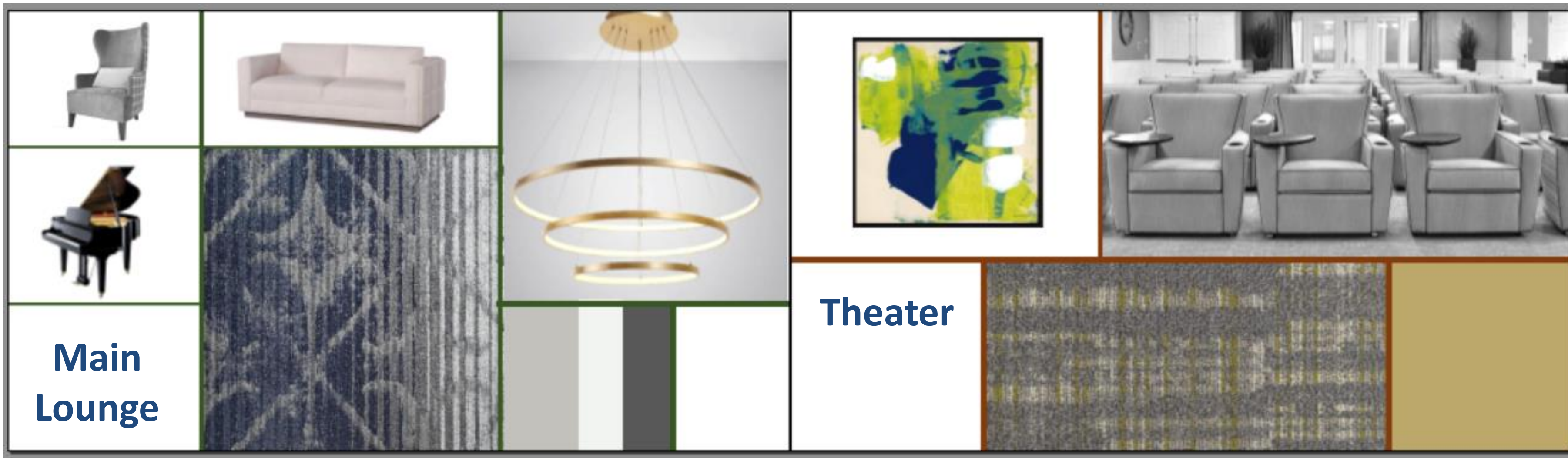
Fair Hill Farm Lower Level

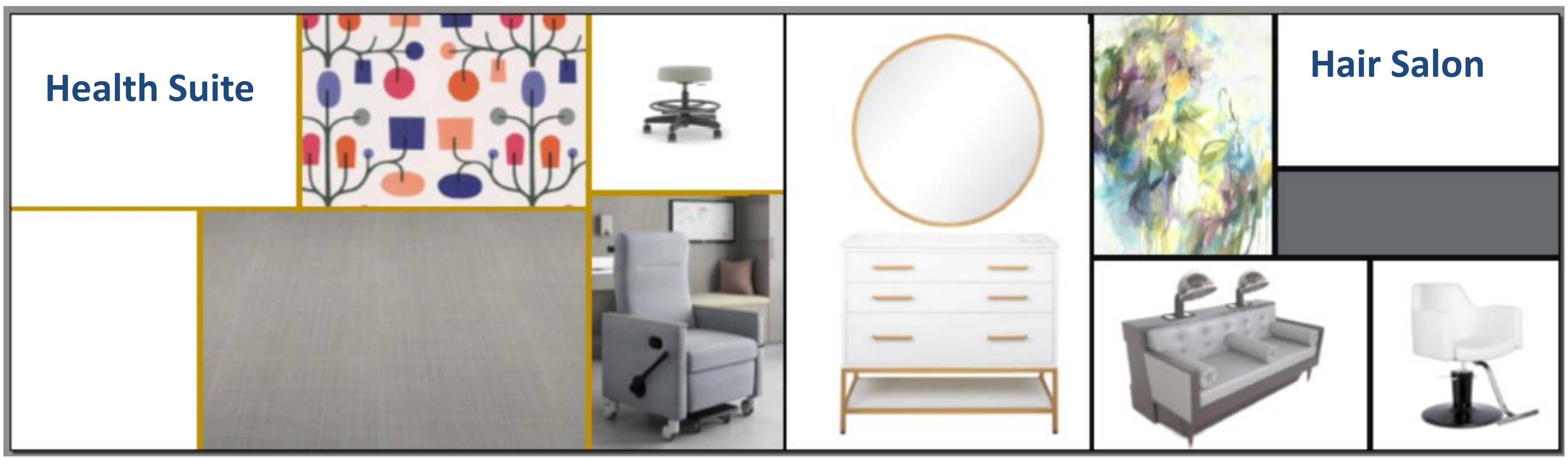


Fair Hill Farm 1st Floor



Development Plan – Renovation Scope – Amenity Spaces





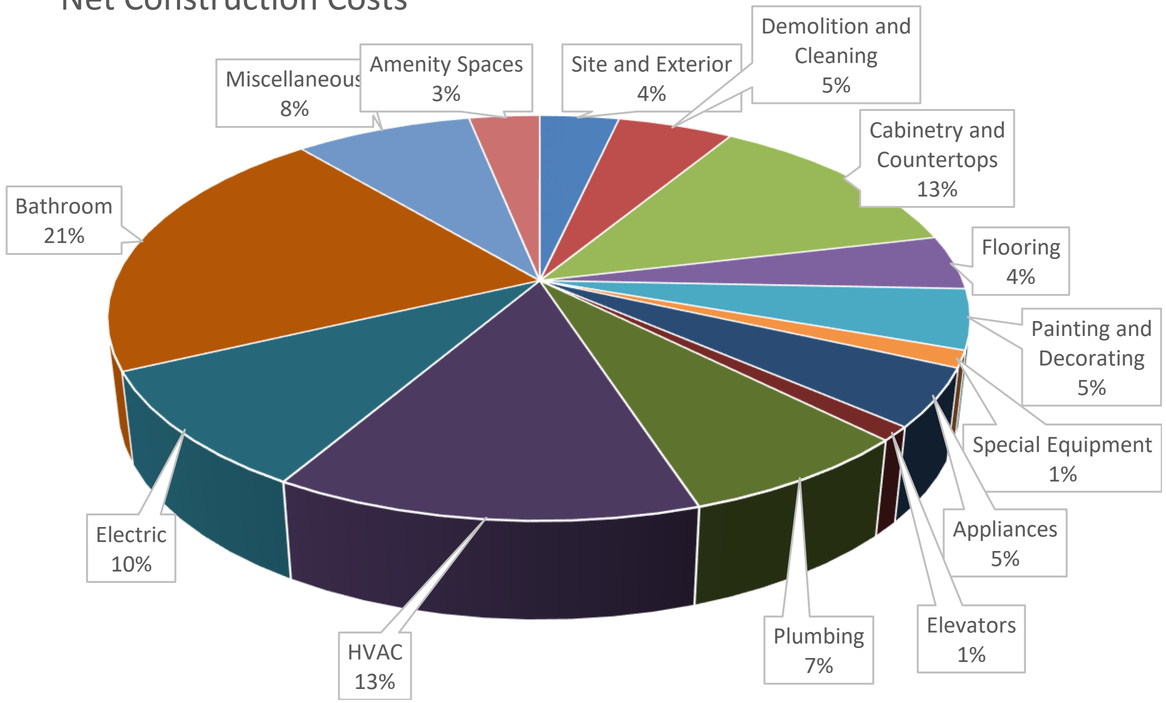
Development Plan – Renovation Scope - Units

Development Plan – Construction Costs

Item	Cost	Per Unit
Site and Exterior	$495,085	$1,731
Demolition and Cleaning	$719,627	$2,516
Cabinetry and Countertops	$1,759,997	$6,154
Flooring	$606,606	$2,121
Painting and Decorating	$665,706	$2,328
Special Equipment	$186,848	$653
Appliances	$646,306	$2,260
Elevators	$157,145	$549
Plumbing	$1,045,820	$3,657
HVAC	$1,877,592	$6,565
Electric	$1,328,714	$4,646
Bathroom*	$2,926,126	$10,231
Miscellaneous^	$1,104,915	$3,863
Amenity Spaces	$441,338	$1,543
TOTAL	**$13,961,825**	**$48,818**

**Includes converting 195 showers to curbless showers*
^Includes air sealing in units and common areas, interior duct cleaning, new louver doors for mechanical closets

Net Construction Costs



Area Breakdown	Cost	Per Unit	%
Units	$11,459,827	$40,069	82%
Common Areas	$1,876,214	$6,560	13%
Exterior	$625,784	$2,188	4%
TOTAL	**$13,961,825**	**$48,818**	**100%**

Development Plan – Timeline

October/ November 2021 LIHTC and Bond Closing	November 2021 – October 2023 Construction Period Fair Hill Farm (November 2021 – September 2022) Clopper's Mill (August 2022 – April 2023) Colesville (March 2023 – October 2023)	March 2023 Stabilized Operations	July 2024 Permanent Conversion	January 2025 Form 8609s

Renovations will be performed one building at a time, floor by floor:

- **Fair Hill Farm** renovations will start early November 2021, beginning with the 4th floor, followed by floors 3, 2, 1 and the terrace level;
- **Clopper's Mill** renovations are expected to start in August 2022, beginning with the 4th floor, followed by floors 3, 2, 1 and the terrace level; and
- **Colesville** renovations are expected to start in March 2023, beginning with the 3rd floor, followed by floors 2, 1 and the terrace level.

Anticipated timing of LIHTC equity installments:

- **LIHTC Closing (10%)** – October/November 2021
- **Construction Completion (6.01%)** – October 2023
- **Draft Cost Certification (62.62%)** – April 2024
- **Permanent Loan Conversion (8.42%)** – July 2024
- **Receipt of Forms 8609s (12.95%)** – January 2025

Placed in Service Dates:

- **Fair Hill Farm** – December 31, 2022
- **Clopper's Mill** – December 31, 2023
- **Colesville** –December 31, 2024

Development Plan – Relocation Plan

- Building off the tenant relocation and communications plan developed for the Bauer Park, staff is developing best practices to protect the safety and health of residents, staff and employees during the Willow Manor renovations. As the Properties undergo renovation, construction activities will follow current recommended best practices for COVID-19.
- Phased renovation approach will ensure that the workers will be isolated from the residents and there will be minimized possible pathways for COVID transmission.
- Staff has determined that the best strategy is to fully vacate units undergoing renovation by temporarily relocating the residents to other on- and off-site units. This approach will be most effective for protecting tenants from the known pathways of COVID-19 transmission and will enable the contractor to complete the renovation on the least amount of time.
- On April 1, 2021, the Commission authorized holding 20 units vacant (7% vacancy) to accommodate the renovation and relocation needs of the each phase.
    - As part of the Final Development Plan, staff is requesting to hold up to an additional 9 units, for a total of 29 units (10% vacancy). This increased vacancy will allow more residents to be temporarily relocated to another unit at the Properties and reduce the need for off-site relocation. Residents with special needs will be given priority for relocation to on-site units during construction.
- Residents will be provided with a comparable unit at the Properties, to the extent possible. Vacant units are in good, tenant move-in condition and will be extensively cleaned and sanitized at each turnover, to ensure incoming residents have a clean, safe and sanitary unit to occupy during their stay.
- Staff and the contractors will develop Site Specific Safety Plans to combat the spread of COVID-19. Prior to occupancy by residents, temporary units will be thoroughly disinfected. Additionally, cleaning crews will be dedicated to wipe down all common hard surfaces.

Development Plan – GC Contract and Early Start

- In April 2021, the Commission approved the selection of Nastos Construction, Inc. as the General Contractor for the Willow Manor renovations and authorized the Executive Director to negotiate a contract.
  - Staff has negotiated the major points of the contract and is requesting approval to execute a Guaranteed Maximum Price ("GMP") contract with Nastos Construction, Inc. once negotiations are finalized in an amount not to exceed $16.5MM.
- Staff is also requesting approval to execute an early start agreement with Nastos Construction, Inc., not to exceed $1.6MM to order materials, lock in subcontractors, and mobilize for a November 2021 construction start.
  - The construction industry is seeing significant shortages and delays in goods and materials.
  - An early start agreement is a way to mobilize the project early in order to maintain the renovation—and more importantly, the placed in service schedule—for the Properties
  - Costs for early start work will be paid from construction financing; however, in the event the project is delayed or does not close, HOC must obligate a source to pay for the work.
  - Staff recommends obligating $1.6MM from the Opportunity Housing Development Fund to pay for the early start work in the event the transaction is delayed or does not close.
    - As of July 20, 2021, the OHDF had an available balance of $2,620,000.
    - OHDF provides funds to temporarily cover project planning, site improvements, building construction loan guarantees, construction financing, short-term financing (including second trusts), insurance for permanent financing, notes and bonds, and associated professional and financing fees for housing developments undertaken by HOC or its designees.

Sources and Uses of Funds

- The Properties' NOI is projected to support an FHA Risk Share mortgage loan of up to $47.2 million or $165K per unit. The senior loan sizing is inclusive of a 50 basis point (0.50%) interest rate cushion; if interest rates stay at current levels, the Properties could support a senior loan of up to $50.9 million.

SOURCES OF FUNDS	AMOUNT	PER UNIT
Mortgage Loan	$47,240,951	$165,178
Additional Bonds	$2,230,000	$7,797
LIHTC Equity	$29,593,626	$103,474
County HIF Loan	$13,173,718	$46,062
Seller Note	$8,893,425	$31,096
GP Equity	$100	$0
Existing Reserves	$0	$0
Property Cash	$0	$0
Deferred Developer's Fee	$0	$0
Funding Gap / (Surplus)	**$0**	**$0**
TOTAL	**$101,131,821**	**$353,608**

USES OF FUNDS	AMOUNT	PER UNIT
Construction Costs	$17,879,375	$62,515
Fees Related To Construction Costs	$3,047,608	$10,656
Financing Fees and Charges	$8,283,112	$28,962
Acquisition Costs - Senior Debt Repayment	$29,104,988	$101,766
Acquisition Costs - MCO HIF Loan Repayment	$19,801,587	$69,236
Acquisition Costs - Seller Proceeds	$8,893,425	$31,096
Relocation Costs	$1,601,600	$5,600
Developer's Fees	$6,689,106	$23,388
Syndication Costs	$531,169	$1,857
Guarantees and Reserves	$5,299,850	$18,531
TOTAL	**$101,131,821**	**$353,608**

- The Properties' existing senior loans require the Properties to maintain debt service reserves in an aggregate amount of ~$1.21M. These reserves were funded from HOC's FHA Risk Share/MIP Cash Reserves. Staff requests Commission approval to release these funds back to the FHA Risk Share/MIP Cash Reserves at closing.

- Additional taxable bonds in the amount of $2.23 million will be issued to fund a bond reserve.
- Tax credit investor will pay $0.8825 per dollar of tax credit, which will result in approximately $29.6 million tax credit equity contribution for the renovation.
- The Properties will repay approximately $6.6 million of the outstanding County HIF loans at LIHTC closing. The remaining County HIF (~13.2 million) will be refinanced and subordinated to the new senior debt.
- The underwriting scenario also assumes that all seller proceeds in the amount of $8.9 million will be provided to the transaction as a source in the form of a seller note.
- The sources for transaction are projected to cover all project costs; however, due to the timing of LIHTC installments (90% of LIHTC equity is contributed at or after construction completion), a bridge will be required to cover renovation costs. Current underwriting assumes the need for a $21.4 million bridge loan, with draws commencing at or around April 2022. Staff recommends using its PNC Real Estate Line of Credit ("RELOC") as the source for this bridge financing. The RELOC has a current available balance of $38,981,665.
- Note that underwriting **does not anticipate using existing reserves or property cash as a source for the transaction**. As of August 16, 2021, the Properties had $1.18M in cash and cash equivalents, and an interfund payable due to HOC's General Fund in the amount of $684K. Additionally, HOC's FY2022 budget includes $119K in cash flow from the Properties through November 1, 2021, leaving approximately $380K in available cash. Staff recommends that the remaining property cash and cash equivalents be released to HOC's General Fund at closing. These funds may be used in the event there are any operating deficits at the Properties in the future due to the pandemic or other reasons.

Total Volume Cap (50% Test)
$44,467,318
County Loan Repaid
$6,627,869
Bridge Loan
$21,367,354
Seller Cash Out
$0

Existing Debt on Closing Date	11/1/2021
County Loan	$19,801,587
Senior Mortgages	$29,104,988
TOTAL	**$50,767,775**

Appraised Values	Values
As Is, Restricted	$57,800,000
As Is, Unrestricted	$60,100,000
As Renovated, Restricted	$70,300,000
As Renovated, Unrestricted	$75,400,000

Operating Proforma

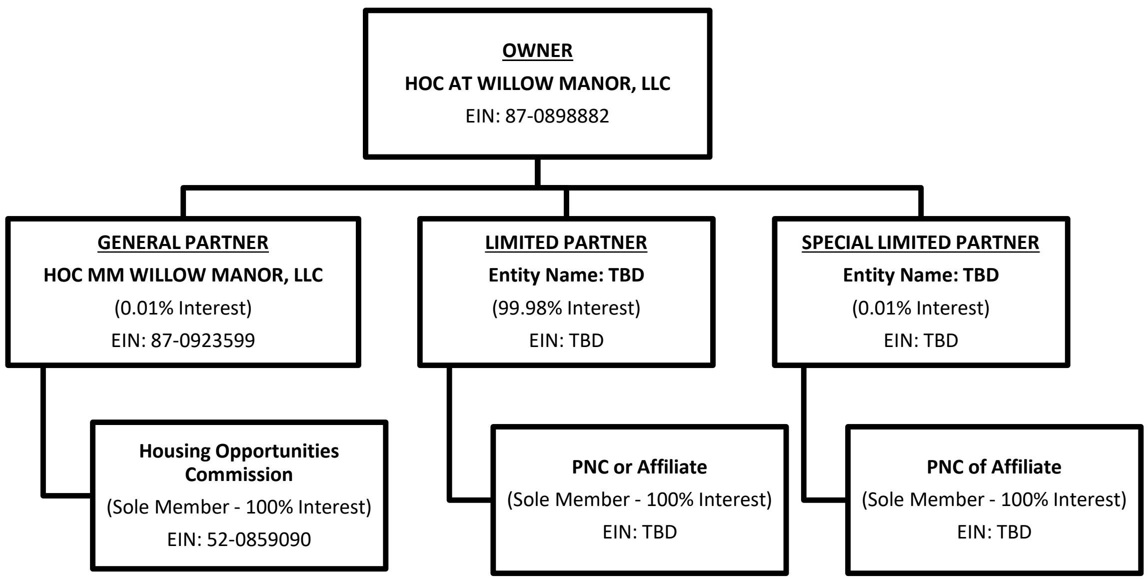
OPERATING PERFORMANCE	Year 1	PER UNIT
RENTAL INCOME		
Rental Income	$4,881,338	$17,068
Other Income	$74,424	$260
Less: Vacancy Loss/Bad Debt	($346,903)	($1,213)
NET RENTAL INCOME	**$4,608,859**	**$16,115**
TOTAL OPERATING EXPENSES		
Admin & Operating Expenses	$713,814	$2,496
Maintenance Expenses	$473,601	$1,656
Contract Management Fee	$165,921	$580
Utility Expenses	$238,300	$833
Taxes & Insurance	$295,921	$1,035
Replacement Reserve Contribution	$100,100	$350
TOTAL EXPENSES	**$1,987,656**	**$6,950**
NET OPERATING INCOME	**$2,621,203**	**$9,165**
Debt Service Payments	$2,278,663	$7,967
NET CASH FLOW	**$342,540**	**$1,198**
DSCR	1.15	

- The transaction is underwritten at a 7% vacancy rate. Prior to the COVID pandemic, the Properties averaged 5% vacancy.
- The underwriting assumes that the Properties' renovation and resyndication will result in the reduction in some expenses, such as a 15% reduction in utility expenses, and increases in others, most significantly a 150% increase in property insurance.
- Replacement reserves will be funded at $1,200 per unit at closing, plus $350 per unit per year escalating at 3% annually.
- The Properties' will continue to receive the benefit of 100% real estate tax exemption.
- Rent and expense growth rates are trended at 2% and 3%, respectively. The actual rent increases going forward will be based on 1) the annual County Voluntary Rent Guidelines for existing residents and 2) the table below. The table below shows proposed asking rents versus existing asking rents **for vacant units only**. Proposed rents are the same as maximum LIHTC rents less utility allowance, except for the 80% units, which Staff proposed pricing at 70% AMI maximum LIHTC rents less utility allowance.
- Please note: 1) all rents are less utility allowance, 2) all asking rents are for vacant units only, and 3) 80% AMI units are currently unrestricted and will be restricted to 80% upon resyndication.

AMI TARGET	UNIT TYPE	UNIT COUNT	UNIT SIZE	TOTAL SQFT	EXISTING ASKING RENTS FOR VACANT UNITS	PROPOSED ASKING RENTS FOR VACANT UNITS	DIFFERENCE IN ASKING RENT
40%	1BR	46	653	30,017	$885	$888	$3
50%	1BR	5	685	3,423	$1,128	$1,130	$2
60%	1BR	20	693	13,854	$1,369	$1,372	$3
40%	2BR	11	927	10,200	$1,056	$1,060	$4
50%	2BR	15	933	13,988	$1,346	$1,350	$4
60%	2BR	169	932	157,424	$1,635	$1,640	$5
80%	2BR	20	979	19,570	$1,720	$1,930	$210
		286	**869**	**248,476**	**$1,456**	**$1,474**	

Ownership Structure

- HOC controlled single purpose entity (HOC MM Willow Manor, LLC), together with PNC's Limited Partner and Special Limited Partner, will form the property owner (HOC at Willow Manor, LLC).
- HOC MM Willow Manor, LLC will be the General Partner of the HOC at Willow Manor, LLC.
- HOC at Willow Manor, LLC will be the single purpose entity that will own the Willow Manor Properties ("New Property Owner").
- Three-tiered ownership structure is needed for disaffiliating HOC from the property owner LP / LLC and therefore making any loans extended by HOC (e.g. the seller note or deferred developer fee) to the limited partnership non-recourse liabilities.
- This structure will allow the tax credit investor / limited partner to maximize future tax deductions related to loan interest costs and therefore enhance investor yield. Without such disaffiliation, investor yield on the transaction, and consequently tax credit equity price, will be lower.



Summary and Recommendations

Issues for Consideration

Will the Development and Finance Committee join staff's recommendation to the Commission to:

1. Approve the final development plan for the renovation of the Willow Manor Properties?
2. Authorize staff to negotiate with Montgomery County DHCA to consolidate, refinance and resubordinate the Properties' three existing HIF loans, and for the New Property Owner to accept the loan?
3. Authorize the Acting Executive Director to sign a purchase and sale agreement between the Properties and the New Property Owner, and complete the purchase and sale of the Property?
4. Authorize the Properties to provide all of its sale proceeds as a source to the transaction in the form of a subordinate seller note and authorization for New Property Owner to accept the seller note?
5. Authorize the Acting Executive Director to enter into an limited partnership agreement with the PNC and permission to admit PNC, or PNC affiliate(s), as the tax credit investor as a non managing limited partner and special limited partner members of the New Property Owner?
6. Authorize the New Property Owner to draw up to $22M on HOC's PNC Real Estate Line of Credit as a source for bridge financing for the renovation?
7. Approval to release the Properties' existing available property cash and cash equivalents, in an anticipated amount of ~$380K, to HOC's General Fund at closing?
8. Approval to release the Properties' existing debt service reserves, in the approximate amount of $1.2MM, to HOC's FHA Risk Share/MIP Cash Reserves at closing?
9. Authorize the closing of the LIHTC transaction?
10. Authorize the Acting Executive Director to execute a Guaranteed Maximum Price ("GMP") contract with Nastos Construction, Inc. in an amount not to exceed $16.5MM?
11. Authorize the Acting Executive Director to negotiate and execute an early start agreement with Nastos Construction, Inc. for an amount not to exceed $1.6MM, and approve the use of the Opportunity Housing Development Fund as a source for the early start agreement in the event the closing is delayed or does not occur?
12. Approval to hold up to 29 vacant units (10% vacancy), an increase of nine units over prior approval, to facilitate renovation phasing and temporary relocation for residents at the Properties?

Summary and Recommendations

Budget /Fiscal Impact

There is no adverse impact for the Agency's FY2022 budgets.

The investment will raise approximately $29.8 million of tax credit equity for the renovation of the Willow Manor Properties. The Commission will earn Development and Commitment fees which are available to the Commission to reinvest in the expansion or preservation of affordable housing.

During the 24 months of construction period, the Properties will continue to maintain 90% occupancy rate to ensure the project does not fall into an operating deficit. The debt service interest payments during the construction period will be capitalized and paid from the development budget.

Time Frame

Discussion at the August 20, 2021 meeting of the Development and Finance Committee and formal action at the September 1, 2021 meeting of the Commission.

Previous Commission Approvals

Resolution 20-31: Authorization of a predevelopment plan and funding to pursue a scattered site LIHTC resyndication and renovation of the Willow Manor Properties.

Resolution 21-38: Authorization of a preliminary development plan for the renovation and resyndication of the Willow Manor Properties. Authorization of the selection of Nastos Construction, Inc. as the General Contractor and authorization to hold up to 20 units vacant (7% vacancy) to facilitate the renovation phasing. Approval to restrict Clopper Mill's 20 market-rate units to households earning at or below 80% AMI and utilizing the Income Averaging set aside to comply with the requirement that 100% of scattered site LIHTC units must be restricted.

Resolution 21-73: Approval to select PNC as the tax credit syndicator for the Willow Manor Properties; authorization for the Executive Director to negotiate and execute a letter of intent outlining the terms of a limited partnership agreement; approval and ratification of the formation of ownership entities; approval of request for additional predevelopment and prepaid closing funds

Summary and Recommendations (Continued)

Staff Recommendation and Commission Action Needed

Staff recommends that the Development and Finance Committee join staff's recommendation to the Commission to:

1. Approve the final development plan for the renovation of the Willow Manor Properties.
2. Authorize staff to negotiate with Montgomery County DHCA to consolidate, refinance and resubordinate the Properties' three existing HIF loans, and for the New Property Owner to accept the loan.
3. Authorize the Acting Executive Director to sign a purchase and sale agreement between the Properties and the New Property Owner, and complete the purchase and sale of the Property.
4. Authorize the Properties to provide all of its sale proceeds as a source to the transaction in the form of a subordinate seller note and authorization for New Property Owner to accept the seller note.
5. Authorize the Acting Executive Director to enter into an limited partnership agreement with the PNC and permission to admit PNC, or PNC affiliate(s), as the tax credit investor as a non managing limited partner and special limited partner members of the New Property Owner.
6. Authorize the New Property Owner to draw up to $22M on HOC's PNC Real Estate Line of Credit as a source for bridge financing for the renovation.
    - As of June 30, 2021, the RELOC has a current available balance of $38,981,665. Draws on the bridge are expected to commence in April 2022.
7. Approval to release the Properties' existing property cash and cash equivalents to HOC's General Fund at closing.
    - The Properties have an aggregate balance of ~$380K in available cash and cash equivalents. Staff recommends that the remaining property cash and cash equivalents be released to HOC's General Fund at closing. These funds may be used in the event there are any operating deficits at the Properties in the future due to the pandemic or other reasons.
8. Approval to release the Properties' existing debt service reserves, in the approximate amount of $1.2MM, to HOC's FHA Risk Share/MIP Cash Reserves at closing.
9. Authorize the closing of the LIHTC transaction.
10. Authorize the Acting Executive Director to execute a Guaranteed Maximum Price ("GMP") contract with Nastos Construction, Inc. in an amount not to exceed $16.5MM.
11. Authorize the Acting Executive Director to negotiate and execute an early start agreement with Nastos Construction, Inc. for an amount not to exceed $1.6MM, and approve the use of the Opportunity Housing Development Fund as a source for the early start agreement in the event the transaction is delayed or does not close.
    - As of July 20, 2021, the OHDF had an available balance of $2,620,000. The OHDF provides funds to temporarily cover project planning, site improvements, building construction loan guarantees, construction financing, short-term financing (including second trusts), insurance for permanent financing, notes and bonds, and associated professional and financing fees for housing developments undertaken by HOC or its designees.
12. Approval to hold up to 29 vacant units (10% vacancy), an increase of nine units over prior approval, to facilitate renovation phasing and temporary relocation for residents at the Properties.

WILLOW MANOR: APPROVAL OF THE FINANCING PLAN, FEASIBILITY AND PUBLIC PURPOSE FOR WILLOW MANOR PROPERTIES; AUTHORIZATION TO ISSUE LOANS TO HOC AT WILLOW MANOR, LLC FOR ACQUISITION AND CONSTRUCTION FINANCING; AUTHORIZATION TO ISSUE A COMMITMENT FOR PERMANENT FINANCING; AND, AUTHORIZATION FOR THE BORROWER TO ACCEPT LOANS IN ACCORDANCE WITH THE FINANCE PLAN

WILLOW MANOR PROPERTIES, VARIOUS, MD

KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

JENNIFER HINES ARRINGTON
VICTORIA DIXON
LEN VILICIC

August 20, 2021

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EXECUTIVE SUMMARY

The **Willow Manor Properties** (“Willow Manors” or the “Properties”) are three (3) existing income and age (62+) restricted apartment communities totaling 286 units. The Properties were originally built in 2004 and 2005 using Low Income Housing Tax Credit (“LIHTC”) equity, and their initial compliance periods have ended. In November 2018, HOC acquired the Properties under Article 53A of the Montgomery County Code, the Right of First Refusal (“ROFR”) Ordinance through assignment from the County’s Department of Housing and Community Affairs (“DHCA”).

The Properties are an important component of HOC’s affordable housing portfolio, as they will continue to serve senior households (62+) of low- and moderate-income. Utilizing income averaging, the Properties will be restricted for households earning up to 60% of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area Median Income (“AMI”). The Properties have all reached the end of their initial 15-year LIHTC compliance periods in 2019 and 2020.

On September 1, 2021, staff expects to present a Final Development Plan (“Development Plan”) to the Commission estimated at $101 million to acquire, renovate, and equip the Property with in-unit upgrades of finishes and equipment of the kitchens and baths, common area finishes, improved efficiency building systems, as well as external improvements including paving and roof replacement. Renovations are projected to take up to 24 months for completion by October 2023.

As part of the Development Plan, the combined Properties will be acquired by HOC at Willow Manor, LLC (the “Borrower”), controlled by HOC MM Willow Manor, LLC (“General Partner”). HOC will retain controlling interest of the Borrower and General Partner. The Property is expected to be awarded an allocation of 4% tax credits in September with PNC Bank as LIHTC Syndicator.

In order to execute the Development Plan, staff proposes the following Financing Plan to include the following combined sources: (a) long-term tax exempt private activity bonds, or a combination of tax-exempt private activity bonds and taxable bond proceeds, will fund a FHA Risk Share mortgage loan (“Mortgage Loan”) and bond reserves to finance acquisition, renovation, and equipping costs of the Properties as a scattered site transaction; (b) LIHTC equity; (c) a loan to bridge receipt of LIHTC equity proceeds (“Bridge Loan”); (d) a subordinate loan from DHCA’s Housing Initiative Fund (“HIF”), representing the balance of HIF funds in the transaction (“County Loan”); (e) a subordinate loan(s) from each of the three (3) former ownership entities (“Seller Loan”); and (f) interim income generated from Property operations. Closing is expected to occur in October 2021. Stabilization of the Property is expected to occur by February 2023 with conversion to permanent debt to occur by July 2024.

EXECUTIVE SUMMARY

Date	Res.	Description of Commission Resolutions
September 5, 2018	18-68AS	Approval (a) to form single purpose ownership entities; (b) to accept assignment of PSAs to purchase the properties under the County's Right of First Refusal Ordinance from Montgomery County's Department of Housing and Community Affairs, (c) of Habitat America as initial property manager, (d) of a loan of up to $100,000 from the Opportunity Housing Reserve Fund ("OHRF") to fund due diligence expenses, and (e) to restrict cash flow to the properties until closing of permanent financing.
October 3, 2018	18-78AS	Approval to complete purchase of the three Willow Manors properties under the County's Right of First Refusal Ordinance, Financing Plan, and acceptance of a first mortgage loan from PNC Bank, N.A. and subordinate debt from the Montgomery County's Department of Housing and Community Affairs to complete the acquisition.
April 1, 2020	20-31	Approval of Preliminary Development Plans and Predevelopment Funding of $400,000 from the OHRF for the Willow Manors; authorize submission of the combined LIHTC application; restrict market-rate units at Willow Manor at Clopper's Mill to 80% of AMI or less in order to met the LIHTC average income test; and, authorization for the Executive Director, Stacy L. Spann, or his designee, to execute any and all documents to effectuate the permanent financing.
April 7, 2021	21-38	Approval to select Nastos Construction Inc. as the General Contractor; hold up to a 7% vacancy (a total of 20 units across the three properties) to facilitate phasing renovations; and, restrict all existing market rate units (20 units) to 80% of AMI or lower, such that the property meets average income test and scattered site LIHTC requirements.
July 7, 2021	21-73	Approval (a) of PNC Bank as LIHTC syndicator for the renovation of Stewartown Homes and authorization for the Executive Director to negotiate and execute a Letter of Intent as well as negotiate an Operating Agreement, (b) of a loan of $1,461,200 from the FHA Risk Sharing/Mortgage Insurance Premium Cash Reserve for predevelopment and prepaid closing costs to be repaid upon closing of refinance, and (c) ratification of new ownership entity HOC at Willow Manor, LLC and managing member HOC MM Willow Manor, LLC for the transaction, (d) ratification, approval, and confirmation of all prior acts and doings of officials, agents and employees of the Commission in conformity with the purpose and intent of this resolution and LIHTC resyndication, and (d) authorization of the Executive Director or such designee, to execute any and all documents to effectuate the transaction.

EXECUTIVE SUMMARY

Staff has completed its underwriting and with the support of the Development and Finance Committee, recommends the following actions of the Commission:

1) Approval of the Willow Manors' Financing Plan totaling approximately $101 million, funded by the following sources: a) tax exempt or a combination of both taxable and tax-exempt proceeds from the issuance of long-term bonds, to fund a permanent Mortgage Loan for acquisition and renovations and a bond reserve under the Multifamily Housing Development Bond Resolution (the "1996 Indenture" or the "Indenture"); b) LIHTC equity; c) Bridge Loan, d) subordinate County Loan; e) subordinate Seller Loan; and f) Interim Income from the Properties.
2) Approval of the feasibility and public purpose for the Property setting aside 100% of units utilizing income averaging for households earning at or below 60% AMI, and the allocation of up to $48 million in volume cap for the transaction.
3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt or a combination of tax-exempt and taxable bonds in an amount of up to $55 million under the 1996 Indenture.
4) Approval to accept and close upon recycled volume cap of up to $20 million from the Maryland Community Development Administration to finance the transaction.
5) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to $55 million.
6) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 25% and 75% of the risk for the transaction.
7) Approval for the Borrower to accept the proposed Mortgage Loan.

EXECUTIVE SUMMARY

Borrower	HOC at Willow Manor, LLC	
Units/Affordability	286 Units 100% Age-Restricted / 100% Affordable	
	57 20 189 20 None	≤ 40% AMI ≤ 50% AMI ≤ 60% AMI ≤ 80% AMI Non-Revenue
Stabilized Net Operating Income (estimated)	$2,621,202 (CY 2024)	
Bond Issuance (taxable & tax-exempt, up to)	$55,000,000 1996 Multifamily Housing Development Bond Resolution	
Volume Cap / Tax-Exempt Financing (up to)	$48,000,000 HOC	
Recycled Volume Cap / Taxable (up to)	$20,000,000 MD Community Development Administration ("CDA") Recycling	
First Mortgage (up to)	$55,000,000 FHA Risk Share Mortgage	
Permanent Mortgage Interest Rate (estimated)	3.651%	
Mortgage Insurance	FHA Risk Share - 25% HOC / 75% FHA	
Permanent Loan Amortization / Term (up to)	40 Years / 43 Years	
Debt Service Coverage Ratio	1.15	
County Participation (estimated)	(a) $13,214,669 Housing Initiative Fund Loan (b) Real Estate Tax Exemption	

Housing Opportunities Commission OF MONTGOMERY COUNTY

FINANCING SCHEDULE

Sept 2021

- Commission Approval
- Submit FHA Risk Share Application

Oct 2021

- FHA Risk Share Approval
- Close on LIHTC and Bond Financing

Oct 2021

- Begin Renovations (24 months)

Oct 2023

- Renovations Complete

July 2024

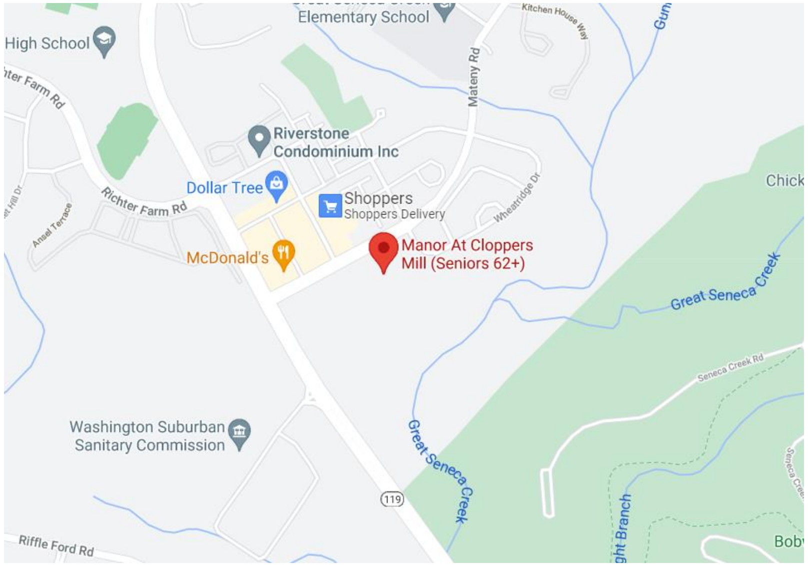
- *Outside date for Permanent Conversion*

PROPERTY OVERVIEW

Property Name	Willow Manor at Clopper's Mill
Location	18003 Mateny Rd, Germantown, MD 20874
Property Manager	Habitat America
Total Units	102
Unit Mix	16 units – 1BR/1BA 49 units – 2BR/1BA 7 units – 2 BR/1.5 BA 30 unit – 2BR/2BA

100% restricted for households aged 62+ and utilizing income averaging for households earning an average up to 60% AMI (ranging 40% - 80% of AMI).

Amenities A community with private fitness center, business/computer center, craft room, common kitchen, billiards room, theater, library, health screening room, a hospitality suite for guests, outdoor space with sundeck, grill and picnic area, and shuttle service to local grocery stores and shopping. Neighborhood amenities include Clopper's Mill Village, a grocery anchored community mall (Shoppers), CVS Pharmacy, and various retailers, services, and restaurants, nearby Seneca Creek State Park and South Germantown Recreational Park, with additional connectivity via Ride-On Service and access to I-270.



Planned Renovation The existing property is a single four-story elevator building built in 2005. Proposed renovations will modernize unit interiors, update common area amenities and building mechanical systems, and improve site conditions, to include: (a) upgrading kitchens and bathrooms with installation of energy efficient appliances, new cabinetry, countertops, fixtures, flooring, painting and lighting, bath/shower surrounds, (b) installation of modern washers and dryers, HVAC units and electric hot water heaters, (c) caulking and sealing around doors, windows, and floors to air seal units and common areas to improve energy efficiency, and (d) paving, new LED exterior lighting, and power washing of exterior siding.

PROPERTY OVERVIEW

Property Name	Willow Manor at Fair Hill Farm
Location	18301 Georgia Avenue, Olney, MD 20832
Property Manager	Habitat America
Total Units	101
Unit Mix	32 units – 1BR/1BA 39 units – 2BR/1BA 30 unit – 2BR/2BA

100% restricted for households aged 62+ and utilizing income averaging for households earning an average up to 60% AMI (ranging 40% - 80% of AMI).

Amenities

A community with private fitness center, business/computer center, craft room, common kitchen, billiards room, theater, library, health screening room, a hospitality suite for guests, outdoor space with sundeck, grill and picnic area, and shuttle service to local grocery stores and shopping. Located along Georgia Avenue, neighborhood amenities include MedStar Montgomery Medical Center, Harris Teeter and Safeway grocery stores, various retailers, services, and restaurants, with additional connectivity via Ride-On Service and access to Inter County Connector (ICC-200).

Planned Renovation

The existing property is a single four-story elevator building built in 2005. Proposed renovations will modernize unit interiors, update common area amenities and building mechanical systems, and improve site conditions, to include: (a) upgrading kitchens and bathrooms with installation of energy efficient appliances, new cabinetry, countertops, fixtures, flooring, painting and lighting, bath/shower surrounds, (b) installation of modern washers and dryers, HVAC units and electric hot water heaters, (c) caulking and sealing around doors, windows, and floors to air seal units and common areas to improve energy efficiency, and (d) paving, new LED exterior lighting, and power washing of exterior siding.

PROPERTY OVERVIEW

Amenities A community with private fitness center, business/computer center, craft room, common kitchen, billiards room, theater, library, health screening room, a hospitality suite for guests, outdoor space with sundeck, grill and picnic area, and shuttle service to local grocery stores and shopping. Neighborhood amenities include a Giant Food grocery store, US Post Office, and various retailers, services, and restaurants, with additional connectivity via WMATA and Ride-On bus service, Glenmont WMATA Metro Station (Red Line) and access to the Inter County Connecter (ICC-200).

Planned Renovation The existing property is a single three-story elevator building built in 2004. Proposed renovations will modernize unit interiors, update common area amenities and building mechanical systems, and improve site conditions, to include: (a) upgrading kitchens and bathrooms with installation of energy efficient appliances, new cabinetry, countertops, fixtures, flooring, painting and lighting, bath/shower surrounds, (b) installation of modern washers and dryers, HVAC units and electric hot water heaters, (c) caulking and sealing around doors, windows, and floors to air seal units and common areas to improve energy efficiency, and (d) paving, new LED exterior lighting, and power washing of exterior siding.

Property Name	Willow Manor at Colesville
Location	601 East Randolph Road, Silver Spring, MD 20904
Property Manager	Habitat America
Total Units	83
Unit Mix	23 units – 1BR/1BA 42 units – 2BR/1BA 18 unit – 2BR/2BA

100% restricted for households aged 62+ and utilizing income averaging for households earning an average up to 60% AMI (ranging 40% - 80% of AMI).

TRANSACTION HIGHLIGHTS

Public Purpose	All 286 units of the Properties will be restricted for those households aged 62+ and with incomes averaging 60% AMI or below (ranging 40% - 80% or below). Additional details on Property Overview slides.
County Interest	Acquisition and renovation of the Property will preserve quality, affordable housing for families in the County. The Property also will continue to benefit from a subordinate loan and real estate tax exemption from the County for the 286 units (100%).
Volume Cap Allocation	No more than $48 million in HOC volume cap will be required for tax-exempt bond financing to meet the 50% test. See page 14 for HOC's Volume Cap Need/Uses matrix. Additional Volume Cap of up to $20 million may be requested for recycling from CDA.
Bond Financing	Up to $55 million – tax-exempt private activity bonds or a combination of tax-exempt and taxable bonds will be issued under the 1996 Indenture that will fund a Mortgage Loan for the construction and permanent loans phases of the Property with a term of up to 43 years, and a bond reserve under the Indenture. Upon conversion to permanent the Mortgage Loan will begin a 40-year amortization schedule and will be repaid from property revenues.
Credit Enhancement	The Mortgage Loan will be enhanced with FHA Risk Share mortgage insurance. HOC will assume 25% of the risk for the transaction and FHA 75%.
Construction Bridge Loan	Based upon review of the Developer Draw Schedule, bridge financing will be needed during the construction.
LIHTC Equity	Approximately $30 million – The tax-credit equity will be paid in stages: 1) loan closing (10%); 2) construction completion (6%); 3) cost certification (63%); 4) stabilized occupancy and permanent mortgage conversion (35%); and, 5) issuance of the final 8609s (15%).
Developer Fee	The developer's fee will be approximately $6.7 million.
Development Team	**Owner/Developer:** HOC at Willow Manor, LLC / HOC **General Contractor:** Nastos Construction, Inc. **Architect:** Bennett Frank McCarthy **Property Management:** Habitat America **Construction Management:** JDC Construction **LIHTC Syndicator:** PNC Bank

STABILIZED PRO FORMA

Stabilized Proforma	(CY 2024)	Per Unit
Gross Residential Revenue	$ 4,955,762	$ 17,328
Vacancy, Concessions, Bad Debt	$ (355,842)	$ (1,244)
Effective Gross Income (EGI)	**$4,599,920**	**$ 16,084**
Operating Expenses	$ 1,878,618	$ 6,569
Replacement Reserves	$ 100,100	$ 350
Net Operating Income (NOI	**$2,621,202**	**$ 9,165**
Debt Service	$ 2,272,447	$ 7,946
Cash Flow Before Distributions	$ 348,755	$ 1,219
Debt Service Coverage Ratio (DSCR)	1.15	

- To facilitate renovations, vacancy at the Property of up to 29 units at a time is being requested of the Commission.
- Stabilized Vacancy and Concessions are underwritten at 7%.
- Post-renovation, the Property is expected to reach 93% occupancy by February 2023. Rent and expense annual growth rates are projected at 2% and 3%, respectively.
- Assumes a 15% reduction to utility expenses due to efficiencies from renovations.
- Initial replacement reserves will be established at $1,200 per unit from capital sources. Stabilized annual replacement reserves contribution of $350/unit is subject to confirmation from engineer to contemplate renovation scope.

- Rents for existing tenants will not be maximized, but will receive an increase according to the County's Voluntary Rent Guidelines.
- The Property has an existing PILOT agreement since its acquisition by HOC and is projected to benefit from continuing real estate tax exemption from the State and Montgomery County. Cash Flow Before Distribution will be impacted by debt service payments on the County Loan.
- Current sizing of $47,200,000 is based on an estimated interest rate of 3.65% (including Mortgage Insurance Premium ("MIP") of 25 basis points, HOC Loan Management Fee ("LMF") of 25 basis points on the original mortgage amount, and a 0.50% cushion). Subject to interest rate movements, staff anticipates that the Property will support a permanent loan of up to approximately $50.9 million with a DSCR of 1.15:1.00.

FINANCING PLAN

The Willow Manors transaction contemplates: a) Issuance of bonds up to $55 million; b) LIHTC equity; c) Bridge Loan; d) County Loan; and e) subordinate Seller Loan.

(a) The subject Indenture Bond Reserve and Mortgage Loan will be funded by way of issuing tax-exempt private activity bonds, or a combination of tax-exempt private activity bonds and taxable bond proceeds, in an approximate amount of up to $55 million. Private activity, tax-exempt, volume cap of up to $48 million will be allocated from the State for closing of the Mortgage Loan. Current sizing of a $47.2 million Mortgage Loan is based on an estimated interest rate of 3.65%, including MIP, LMF, and cushion for interest rate movements. An additional estimated $2.2 million of taxable or refunding bonds will be issued to support the 1996 Indenture bond reserve. Volume Cap of up to $20 million may be recycled from CDA and may be used for the bond reserve. Recycled cap may not be used to satisfy the 50% LIHTC test. Upon a recycling, the proceeds of refunding bonds redeem the outstanding CDA bonds, and the repayments CDA received are then used to fund the bond reserve.

(b) The transaction requires approximately $45.4 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately $29.6 million in tax credit equity, which will be contributed in stages, primarily at cost certification. The developer fee will be paid from LIHTC equity contributions. A bridge loan will be needed to bridge the receipt of LIHTC equity.

(c) Draft appraisal for the Properties total $57.8 million 'as is'. The Seller Loan from HOC will represent contributed land equity into the transaction. Proceeds will be used to payoff the existing $29.1 million senior mortgage with PNC Bank, and make a partial paydown on existing debt from the County.

(d) Re-documentation and subordination of the remaining existing County Loan to the new transaction is in process. The current County Loans to the Properties total an approximate $19.8 million.

SOURCES	AMOUNT	PER UNIT
Bonds / Mortgage Loan (a)	$ 49,430,000	$ 172,832
LIHTC Proceeds / Bridge (b)	$ 29,593,626	$ 103,474
Seller Loan / Land Equity (c)	$ 8,893,425	$ 31,096
GP Equity	$ 100	$ 0
County Loan (d)	$ 13,214,669	$ 46,205
Interim Income	$ -	$ -
Total Sources	**$101,131,820**	**$ 353,608**

USES	AMOUNT	PER UNIT
Acquisition Cost	$ 57,800,000	$ 202,098
Construction Cost	$ 17,879,375	$ 62,515
Fees Related to Construction	$ 3,047,608	$ 10,656
Relocation Costs	$ 1,601,600	$ 5,600
Financing & Legal Costs	$ 4,910,744	$ 17,170
Construction Interest	$ 3,903,537	$ 13,649
Development Fees	$ 6,689,106	$ 23,388
Indenture Bond Reserve	$ 2,230,000	$ 7,797
Initial Replacement Reserves	$ 343,200	$ 1,200
Operating Reserves	$ 2,726,650	$ 9,534
Total Uses	**$101,131,820**	**$ 353,608**

Volume Cap Explained

What is volume cap?

- The amount of tax-exempt private activity bonds that may be issued by a state or municipality as determined by the IRS annually.
- HOC as a local Housing Finance Agency is allowed a maximum amount of tax-exempt private activity bonds during any calendar year. In calendar year 2021, HOC was allocated approximately $40.6MM for both single family and multifamily use.

How has HOC attempted to solve this issue?

- HOC staff has made years long attempts to acquire additional cap from the State outlining upcoming multifamily transactions.
- HOC accumulated unused cap from prior years (most recently from 2013-201 and 2021) to fund transactions in the years needed.
- HOC has refunded and recycled volume cap in the single family programs, a common practice unlike multifamily recycling.
- To complete The Hurston's financing, HOC recycled $100MM in volume cap from CDA.

Immediate Challenge for 2021 Transactions:

- The volume cap challenge is colliding with the need to solve for financing and development of several HOC transactions, Willow Manors, Georgian Court, and Shady Grove.
- Recycling cap proceeds do not qualify to satisfy the 50% test for LIHTC transactions.

The Solution

- Staff proposes solutions that generate necessary bond financing to address both the overall volume cap need at a pace that supports the Willow Manor transaction.
- An opportunity to recycle multifamily volume cap may be part of the solution, but the timing is precise and prompt action is required.
- CDA has approximately $23 million of bonds maturing on November 1, 2021.
- The issuance of taxable bonds is expected to be necessary to complete the transaction.

Housing Opportunities Commission OF MONTGOMERY COUNTY

VOLUME CAP NEED/USES ($'000)

Year	2020	Projected 2021
Balance Carried Forward	$0	$13,125
Annual Bond Cap Allocation	$38,791	$40,638
	2.3%	4.8%
Special Allocation / Adjustment		63,700
TOTAL BOND CAP AVAILABLE	**$38,791**	**$117,464**
HOC PROGRAMS		
Single Family*	$0	$0
Bauer Park	$25,665	
Shady Grove *		$28,550
Georgian Court*		$28,815
Stewartown		$16,145
Willow Manor Properties*		$45,402
TOTAL HOC PROGRAMS	**$25,665**	**$118,912**
PRIVATE DEVELOPERS		
TOTAL PRIVATE ACTIVITY	**$0**	**$0**
TOTAL BOND CAP REMAINING (SHORTFALL)	**$13,125**	**($1,448)**

*Estimates for transactions not yet closed

- **Annual Volume Cap:** HOC carried over $13.1 million of CY2020 volume cap and received a $40.6 million allocation of volume cap in CY2021.
  - After the closing of Stewartown in June 2021, the remaining available volume cap is approximately $101.3 million.
  - The projected volume cap usage for CY2021 is approximately $118.9 million (all for HOC programs; no private deals), which exceeds estimated available bond cap for the year.
- **Requests for Additional Bond Cap:** HOC meets with Maryland's Community Development Administration ("CDA") annually to review its annual volume cap needs, and last met on March 25, 2021.
  - In 2021, HOC was awarded a Special Allocation of $63.7 million of volume cap from the Department of Housing and Community Development ("DHCD") 2021 allocation.
  - HOC may request additional bond cap from the Maryland Department of Commerce, the state agency responsible for the allocation of bond cap.
  - Prior year unused volume cap carried forward by CDA can only be used by CDA.
  - CDA has approximately $23 million of bonds maturing on November 1, 2021, which may be available for volume cap recycling.

BOND CAP MATRIX

The Bond Cap Matrix was developed to measure and compare qualitative and quantitative variables of all tax-exempt bond transactions of the Commission. The indices were first introduced in 2002 with the expectation that the analysis would gain relevance over time as more projects are compared. By itself, an index has little meaning unless it can be measured against the results for other transactions.

Qualitative variables were introduced with quantitative variables to provide support for the allocation of volume cap, should the pure numbers suggest otherwise. The variables measured relate to pricing, feasibility, and public purpose for not only this transaction, but for the preceding 24 other properties that were evaluated for HOC financing.

#	Name of Property	Year	Score
1	Willow Manors	2021	88%
2	Stewartown Homes	2021	90%
3	Bauer Apartments	2020	85%
4	900 Thayer	2019	92%
5	Elizabeth House III	2019	85%
6	Upton II	2018	81%
7	Hillside Senior Living	2018	77%
8	Greenhills	2017	83%
9	Alexander House	2017	90%
10	Waverly House	2015	94%
11	Arcola Towers	2015	94%
12	Lakeview House	2015	81%
13	Olde Towne Apartments	2015	88%
14	Churchill Senior Living Phase II	2014	85%
15	Galaxy Apartments	2010	83%
16	Victory Forest	2008	88%
17	Forest Oak Towers	2007	77%
18	Covenant Village	2006	96%
19	Oakfield Apartments	2005	85%
20	Stratford Place Apartments	(Not financed)	
21	Clopper's Mill Manor	2004	88%
22	Charter House	(No cap allocation)	
23	Blair Park Apartments	2004	94%
24	Olney Manor Apartments	2004	88%
25	Randolph Manor Apartments	2002	88%

BOND CAP MATRIX: QUALITATIVE VARIABLES

Factors	Score	Comments
Public Purpose	+	Using income averaging, all of the 286 units (100%) will be age (62+) and income restricted for households earning at or below 60% of AMI.
Fees	+	A financing fee at closing estimated at $1,004,600 and $120,000 of annual loan management fees over seventeen (17) years (15 years compliance period). Fees are another form of public purpose as HOC reinvests earned fees into other affordable housing initiatives as capital or fund its operating overhead.
Structure – Term of Affordability	+	LIHTC transaction with extended use provision for a minimum of 30 years of affordability. A Use Restriction Agreement will be executed and made effective for the term of the Mortgage Loan (40 years).
Credit Enhancement – Risk to HOC	+	The Mortgage Loan will be supported by FHA mortgage insurance pursuant to the Risk Share Agreement with HOC
Readiness to Proceed	+	Existing property; 42M and financing approvals pending. Closing planned for October 2021.
Geography	+	Located in a residential area that demonstrates a need for more senior affordable housing, convenient retail (within one mile to grocery stores and services), with transportation links (bus-stops, Glenmont WMATA Metro rail station, I-270 and ICC-200).
Developer Experience	+	Experienced regional development team with HOC as Developer.
Project Design	+	Built in 2004/2005, proposed renovations will update unit finishes and common areas, mechanical systems, building exterior. Large units with many amenities.
Apartment Type	+	Three and four Story, elevator buildings for senior residents.
Bedroom Mix	+	The unit mix of 71 one-bedroom units and 215 two-bedroom units, appropriate for demographic.
Cost per Unit	+	$357,741 per unit ($184,266 acquisition cost and $65,357 construction cost)
Delivery Date	+	Staged renovation to finish by October 2023.
Community Needs	+	High. The current supply of affordable stabilized rental units in the market area has a low vacancy rate of less than 3%, per a May 2021 market study, indicating excess demand for new rental units. There are no affordable properties within the submarket under construction to compete.

BOND CAP MATRIX: QUANTITATIVE VARIABLES

Factors	Score	Comments
Tax Exempt Savings Index	-	For every dollar of savings to the developer, we achieve $1.81 of public purpose.
Cap Usage Index	+/-	For every dollar of bond cap allocated, we achieve $0.81 in public purpose.
Public Purpose Index	-	The percentage of the total market potential that is devoted to public purpose is 26% for this transaction.
Unit Cap Cost Index	+/-	For every dollar of cost per unit, $0.53 is provided in volume cap.

- The current projections for the Property anticipate public purpose that exceeds the basic LIHTC requirement. Tax-exempt, bond financed transactions require a minimum 20% of units to be reserved for households with incomes at or below 50% of area median income **or** 40% of the units to be reserved for households with incomes at or below 60% of Washington DC/MD/VA AMI. Acquisition and renovation of the Property will preserve safe, quality, affordable housing for seniors in the County.
- The property is providing a substantial public purpose by providing 100% of its units to households earning an average 60% or less of AMI, which exceeds the minimum required for tax-exempt bond financed transactions. It also generates fees to the Commission which enable it to continue to realize its public purpose mission.
- Taken together, the combined qualitative and the quantitative variables score of 88% supports an allocation of up to $48 million of bond cap for this transaction. This is due mostly to the public purpose relative to the market, upfront fees earned by HOC, the greater than 15-year term on affordability, and a sound project in terms of design, location and staged renovation schedule.

SUMMARY OF BOND AUTHORIZING RESOLUTION

The Bond Authorizing Resolution prepared by the Commission's Bond Counsel, Kutak Rock LLP, outlines key elements of the transaction, which the Commission must authorize to enable the financing to proceed. A summary of the main approvals is outlined below:

1. Issuance of tax-exempt or combination of tax-exempt and taxable bonds, in one or more series, as applicable (the "Bonds"), in order to use the proceeds thereof to finance a mortgage loan in the name of the Borrower to be insured under the FHA Risk Sharing Program to fund the acquisition, renovation, and permanent finance of the Property in an amount not to exceed $55 million.
2. Execution and delivery of a Series Indenture, certain tax-related documents, a Disclosure Agreement and any and all related documents.
3. Approving the preparation, execution and distribution of preliminary and final offering documents relating to the financing.
4. Authorizing the execution of any other documents necessary for the issuance of the Bonds and the accomplishment of the Financing Plan described herein.
5. Authorizing the Chairman, Vice Chairman or Chairman Pro Tem and Executive Director or other authorized representative to proceed with the issuance and delivery of the Bonds.
6. Authorizing the Executive Director or other authorized representative to establish the terms relating to the Bonds and to make ongoing determinations relating thereto.
7. Selection of the Underwriters, Financial Advisor and Bond Counsel.

ISSUES FOR CONSIDERATION

Will the Development and Finance Committee join staff's recommendation to the Commission of the following actions:

- Approval of the Willow Manors' Financing Plan totaling $101 million, funded by the following sources: a) tax exempt or a combination of both taxable and tax-exempt proceeds from the issuance of long-term bonds, to fund a permanent Mortgage Loan for acquisition and renovations and a Bond Reserve under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) subordinate County Loan; e) subordinate Seller Loan; and f) Interim Income from the Properties;
- Approval of the feasibility and public purpose for the Property setting aside 100% of units utilizing income averaging for households earning at or below 60% AMI, and the allocation of up to $48 million in volume cap for the transaction;
- Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt or a combination of tax-exempt and taxable bonds in an amount of up to $55 million under the 1996 Indenture;
- Approval to accept and close upon recycled bond cap of up to $20 million from the Maryland Community Development Administration to finance the transaction;
- Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to $55 million;
- Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 25% and 75% of the risk for the transaction;
- Approval for the Borrower to accept the proposed Mortgage Loan?

TIME FRAME

For discussion at the August 20, 2021 meeting of the Development and Finance Committee and formal action at the September 1, 2021 meeting of the Commission.

FISCAL/BUDGET IMPACT

- There is no adverse impact for the Agency's FY2022 budget. The Commission will earn Development and Commitment Fees, MIP, and LMF income.
- Costs of issuing the bonds will be paid from sources of the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff requests the Development and Finance Committee join to its recommendations to the Commission to approve the following actions:

1) Approval of the Willow Manors' Financing Plan totaling $101 million, funded by the following sources: a) tax exempt or a combination of both taxable and tax-exempt proceeds from the issuance of long-term bonds, to fund a permanent Mortgage Loan for acquisition and renovations and a 1996 Indenture Bond Reserve; b) LIHTC equity; c) Bridge Loan, d) subordinate County Loan; e) subordinate Seller Loan; and f) Interim Income from the Properties;
2) Approval of the feasibility and public purpose for the Property setting aside 100% of units utilizing income averaging for households earning at or below 60% AMI, and the allocation of up to $48 million in volume cap for the transaction.
3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt or a combination of tax-exempt and taxable bonds in an amount of up to $55 million under the 1996 Indenture.
4) Approval to accept and close upon recycled bond cap of up to $20 million from the Maryland Community Development Administration to finance the transaction;
5) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to $55 million.
6) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 25% and 75% of the risk for the transaction.
7) Approval for the Borrower to accept the proposed Mortgage Loan.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County

VIA: Kayrine Brown, Acting Executive Director

FROM: Division: Real Estate
Staff: Zachary Marks, Chief Real Estate Officer Ext. 9613
Marcus Ervin, Acting Director of Development Ext. 9752
Jay Shepherd, Housing Acquisition Manager Ext. 9437

RE: **Upton II**: Approval for the Acting Executive Director to Execute Change Order with CFI Construction, Inc. to Continue Construction Management Services at Upton II Development

DATE: August 20, 2021

COMMITTEE REPORT: Consent ______ Deliberation __X____ Status Report_________

OVERALL GOAL & OBJECTIVE:

To approve a Change Order pursuant to which CFI Construction, Inc. ("CFI") will continue to provide construction management services for the construction of Upton II.

BACKGROUND:

On October 19, 2019, the Housing Opportunities Commission of Montgomery County ("HOC") issued Request for Qualifications ("RFQ") #2153 for Construction Management ("CM") firms and received five (5) responses. On April 1, 2020, the Commission approved the pool of construction managers consisting of five (5) firms. The CMs in the pool would assist HOC's staff to ensure the efficient and effective execution of the Commission's goal of providing safe, high quality, and affordable housing to its residents thereby augmenting HOC's current staff on new construction of renovation projects and ensuring the delivery of development projects in accordance with Commission approved plans and financing.

On January 9, 2019, HOC approved the Final Development Plan for HOC at the Upton II. Construction began in April 2019 and solicitations were procured from the CM Pool and CFI Construction was selected based on providing the most responsive proposal.

For Upton II, construction has proceeded as planned. Delivery is expected to occur by floors with the first floor of twelve (12) units to be delivered in October 2021, and each floor of twenty-three (23) units delivered subsequently by week. The ownership inspections required to ensure that all of the units are timely delivered is placing a strain on HOC's in-house construction staff, currently at three (3) full-time employees. Furthermore, the Low-Income Housing Tax Credit ("LIHTC") credits are predicated on ninety (90) lease signings and occupancy by December 31, 2021, which means the delivery process must have the proper resources in place to handle the workflow. Also, the impact of Covid-19 and the rise of the Delta Variant may require more resources be available in the event workers become ill. With delivery expected in late 2021 after more than 34 months of construction, CFI is uniquely qualified to help staff close out the project at the most efficient cost.

The aggregate contract for CFI at Upton II is $249,000, which is under its pool contract limit of $250,000; and as such, any additional amount in excess of this will require approval by the Commission in accordance with HOC's Procurement Policy adopted on June 7, 2017. CFI estimates the cost for the additional responsibilities required for timely LIHTC unit delivery to be approximately $140,000. CFI will be expected to manage approximately 75% of the unit owner inspections on behalf of HOC, as they have previously done at the RAD 6 and Arcola Towers renovations. To safeguard against the possibility of overruns, staff is requesting that the Commission approve an amount up to $150,000 that will include a $10,000 or seven percent (7%) contingency for small variations in contracting from any unforeseen issues that could arise before the project is completed. If approved, this change order would bring the total eligible contract value to $399,000 or $11,735 per month, which remains very competitive in today's marketplace for the level of construction management services required. For example, for its EH3 project (a larger ground up development with 600 units as compared to the Upton II number of units at 150) the cost for construction management of the new construction is approximately $55,000 per month; and for its 900 Thayer Ave project, the compensation for the CM was $13,500/month.

All services rendered during the development phase of the project are being funded from the project's development budget, which was approved at a meeting of the Commission on January 9, 2019, including the budget for hard and soft cost contingencies. The exhibit below illustrates the change within the budget that allows for the increase without altering the overall total cost. Therefore, such expenditures are not expected to have an adverse financial impact on the Commission's operating budget.

MASTER BUDGET LINE ITEM	FINAL LEGAL CLOSING BUDGET	TOTAL PRIOR REVISIONS	CURRENT REVISIONS	REVISED BUDGET	TOTAL DRAWN	AMOUNT NOT BORROWED
Acquisition: Land	**6,000,000.00**	0.00	0.00	6,000,000.00	6,000,000.00	0.00
Hard Costs	**30,858,071.00**	70,261.40	0.00	30,928,332.40	21,446,794.84	9,481,537.56
Soft Costs						
Construction Manager for Lender	**36,250.00**	0.00	103,750.00	**140,000.00**	0.00	140,000.00
Soft Cost Contingency	**323,823.00**	(198,183.83)	**(117,008.72)**	8,630.45	0.00,	8,630.45
Total SOFT COSTS	**13,228,373.00**	(70,261.40)	0.00	13,158,111.60	5,473,675.62	7,684,435.98
Lease-Up & Conversion Costs	**1,337,633.00**	0.00	0.00	1,337,633.00	21,000	1,316,633.00
TOTAL PROJECT COSTS	**51,424,077.00**	**0.00**	**0.00**	**51,424,077.00**	**32,941,470.46**	**18,482,606.54**
Construction Period Sources of Funds	**50,114,172.62**	**12,000,000.00**	**0.00**	**62,114,172.62**	**34,037,258.15**	**28,076,914.47**
Lease-Up & Conversions Sources	**1,309,904.38**	**(12,000,000.00)**	**0.00**	**(10,690,095.62)**	**(1,095,787.69)**	**(9,594,307.93)**
TOTAL PROJECT SOURCES	**51,424,077.00**	**0.00**	**0.00**	**51,424,077.00**	**32,941,470.46**	**18,482,606.54**

ISSUES FOR CONSIDERATION:

Will the Development and Finance Committee join staff's recommendation to the Commission to approve a change order for CFI Construction, Inc. in an amount up to $150,000 to continue providing construction management services for the work at Upton II, and authorization for the Acting Executive Director to execute a change order in an amount up to $150,000?

BUDGET/FISCAL IMPACT:

The CFI Construction, Inc. change order will be funded by the Upton II development budget, previously approved by the Commission for consulting services.

The estimated total cost of the change order(s) for work through completion is $150,000, which includes a contingency of $10,000.

PRINCIPALS:

CFI Construction, Inc.
HOC at the Upton II, LLC
Housing Opportunities Commission of Montgomery County

TIME FRAME:

For deliberation at the August 20, 2021 meeting of the Development and Finance Committee and formal Commission action on September 1, 2021.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Development and Finance Committee join its recommendation to the Commission to approve a change order to the CFI Construction, Inc. contract up to $150,000 bringing the aggregate contract amount to $399,000 to provide continuing services for construction management at Upton II through completion, including authorization for the Acting Executive Director to execute said Change Order.

GEORGIAN COURT APARTMENTS: Approval of the Final Development Plan and Budget or Georgian Court Apartments and Authorization for the Acting Executive Director to Execute the General Contractor Contract with Hamel Builders, Inc.

SILVER SPRING, MD

KAYRINE V. BROWN, ACTING EXECUTIVE DIRECTOR

ZACHARY MARKS
MARCUS ERVIN
HYUNSUK CHOI

August 20, 2021

Table of Contents

Executive Summary

- Georgian Court (the “Property”) was originally constructed in 1976 and is a 147-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 49 one-bedroom and 98 two-bedroom units. The Property is currently operating under an extended-use covenant which is set up expire on December 31, 2030, requiring the following set asides: 29 units (Project-Based Section 8 rental assistance) set aside at 50% of area median income (“AMI”), and 118 units set aside at 60% of AMI.
- The Property consists of eleven (11) three-story and one (1) four story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 3600 Bel Pre Rd, Silver Spring, MD 20906. After a modest rehabilitation in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior buildings, and the residents’ units. The renovation will be completed with residents in-place.
- In order to facilitate an in-place renovation, all future leasing activities will cease to achieve up to 24 vacant units. In addition, staff will temporarily relocate up to 12 currently occupied units to an off-site location. The temporary relocation plan coupled with existing 12 vacant units will allow staff to deliver one vacant building (or 24 vacant units) to the general contractor to begin the phased renovation process.
- In June 2021, the Commission approved the selection of Hamel Builders, Inc. (“Hamel”) as the general contractor for the renovation of the Property. Concurrently, the Commission authorized the request to create a maximum of 24 vacant units at the Property by allowing staff to a) freeze leasing, and b) temporarily relocate residents off-site to facilitate the renovation schedule. Finally, to complete the predevelopment phase of the development, the Commission approved an increase of $500,000 to the existing predevelopment budget to be funded with a loan from the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”).
- In July 2021, the Commission approved the selection of Boston Financial Investment Management (“Boston Financial”) as the LIHTC syndicator for the Property and authorized the Executive Director to negotiate and execute a letter of intent outlining the terms of an operating agreement with Boston Financial. The projected capital contribution from the tax credit equity investor is approximately $22.8 million.
- An application for an allocation of Low Income Housing Tax Credits was submitted to Maryland Department of Housing and Community Development and staff is expecting to receive the building permits in September 2021.

Executive Summary

- The projected Total Development Cost is approximately $71.9 million, to be funded with HOC-issued tax-exempt bonds and FHA Risk Share mortgage (appx. $18.0M), HOC-issued short-term tax-exempt bonds (appx. $10.7M), HOC seller note (appx. $18.8M), Deferred Developer's Fee (appx. $1M), Existing Residual Receipts Reserve (appx $476K), and 4% LIHTC equity (appx. $22.8M).

- The Property currently has approximately $3.4 million existing debt, consisting of a $2.2 million senior mortgage and a $1.1 million County loan. The existing debt will be repaid at the closing.

- The renovation is scheduled to begin in December 2021 and will proceed in six (6) phases, with each phase consisting of 24 to 27 units, and take approximately 70 to 90 days to complete. As each phase is completed and units are delivered for occupancy, tenants will move into the newly renovated units. The renovation includes the conversion of eight (8) units into UFAS accessible units and three (3) units to comply with requirements for hearing and visually impaired use.

- Staff herein recommends the following actions to the Development and Finance Committee:

  1. Approve the final development budget with proposed substantial renovation of the Property using tax-exempt bonds issued by HOC, equity from the sale of LIHTC, deferred developer fee, residual receipts reserve, and a seller note all totaling approximately $71.9 million.
  2. Authorize the Acting Executive Director to sign the general contractor contract with Hamel for an amount not to exceed $13.6 million.
  3. Authorize the Acting Executive Director to execute a Limited Scope Contract not to exceed $941,300 to allow Hamel to execute an agreement with subcontractors and suppliers as Hamel works to lock in pricing, prior to the final construction closing projected in November 2021.
  4. Approve the sale of Georgian Court Apartments to HOC at Georgian Court, LLC for the as-is restricted appraised value of $33,000,000.
  5. Authorize the Acting Executive Director to enter into an Operating Agreement with the Boston Financial, and permission to admit a Low-Income Housing Tax Credit Investor as a 99.99% member of the new Property owner entity.

Staff will return to the Commission at a later date to seek its approval of the Financing Plan, which in addition to tax-exempt bonds and LIHTC equity funding will include a request to approve a loan that bridges the receipt of LIHTC equity proceeds.

Project Summary

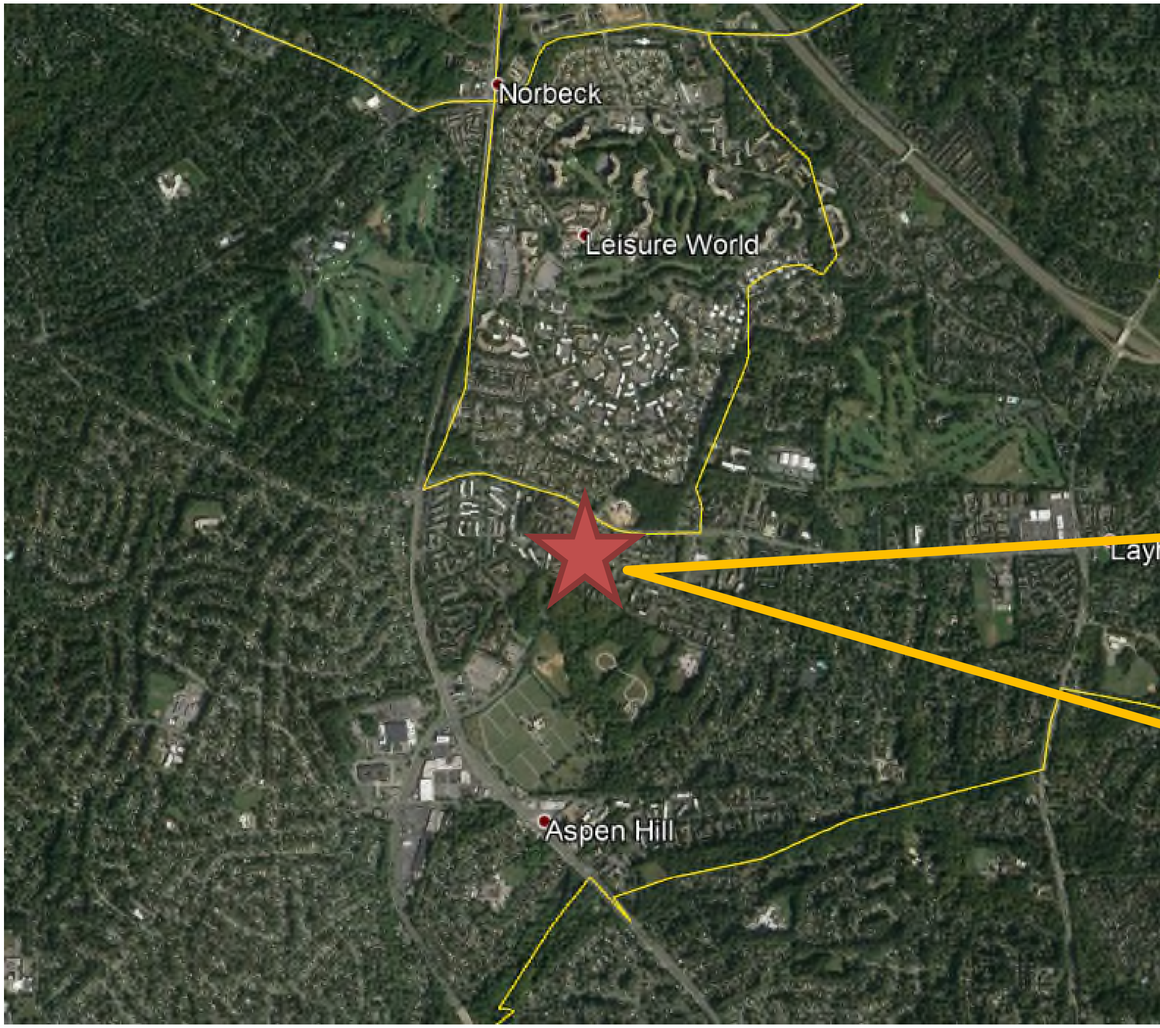
Property Name	Georgian Court	**Units**	147	**Expected Closing Date**	2nd Qtr FY22
Location	Silver Spring, MD	**Average Unit Size (SF)**	883	**Stabilization Date**	May 2024
Product Type	Garden-Style Apartment	**Occupancy (08/04/21)**	91.8%	**Recapitalization Strategy**	Rehabilitation
Year Built/Renovated	1976/2001	**Total Rentable Sqft**	129,871	**Funding Strategy**	4% LIHTC/Bonds

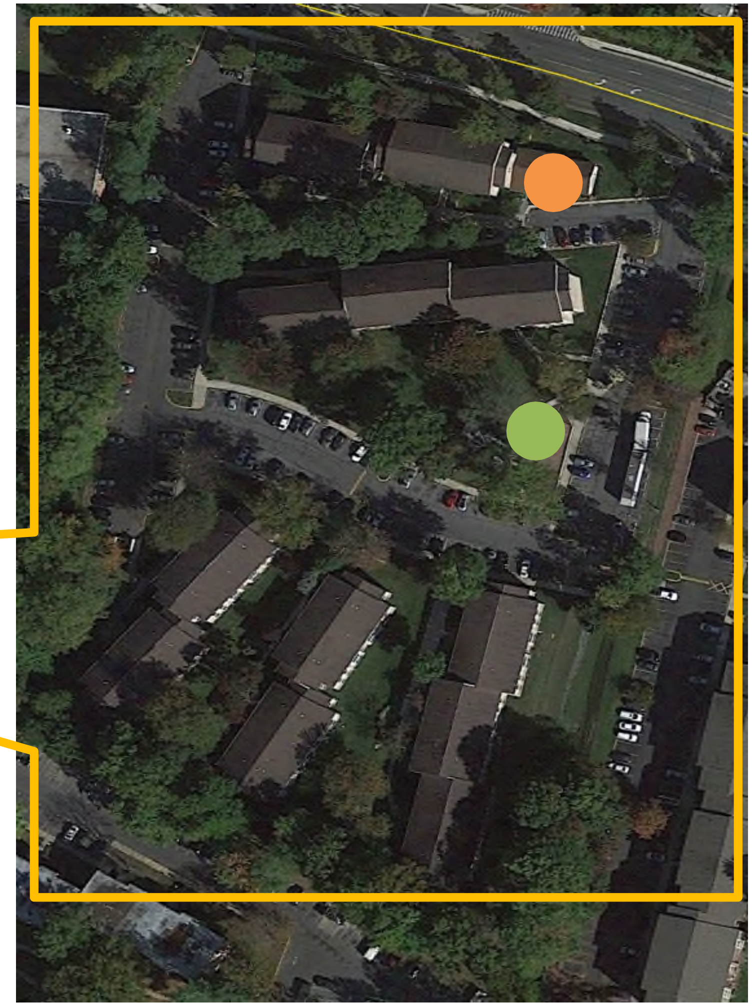
Georgian Court (the "Property") was originally constructed in 1976 and is a 147-unit Low Income Housing Tax Credit ("LIHTC") and Section 8 multifamily property that consists of 49 one-bedroom and 98 two-bedroom units. The property is currently operating under the extended-use covenant which requires the following set asides; 29 units (project-based Section 8 rental assistance) set aside at 50% of area median income ("AMI") and 118 units set aside at 60% of AMI. The Property consists of eleven (11) three-story and one (1) four story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 3600 Bel Pre Road, Silver Spring, MD 20906. After a modest rehabilitation in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior grounds, and the residents' units.

Development Plan

- Utilize (4%) LIHTC equity and HOC-issued tax-exempt bond proceeds to fund all construction costs.
- Repay an existing FHA Risk Share mortgage loan (est. balance of $3,404,913.91 as of November 2021) in the second quarter of FY2022.
- Add eight (8) Uniform Federal Accessibility Standards ("UFAS") units with roll-in showers.
    - Five (5) two-bedroom units and three (3) one-bedroom units
    - Three (3) units will be renovated to comply with requirements for the hearing and visually impaired.
- Update the existing playground equipment as staff learned through its due diligence that many residents with children limit the use of the playground areas due to outdated equipment.

Map Overview





The Property was constructed in 1976, and is located on 6.75 acres (per the tax assessment record) on the south side of Bel Pre Rd. near the intersection of Georgia Ave in Silver Spring, Maryland. Fortunately, the Property is located within a Qualified Census Tract ("QCT"), which qualifies for the 30% basis boost under the LIHTC program.

Georgian Court Apartments

Leasing Office and Community Room

Playground Area

Development Plan – Scope of Work

The renovation scope includes the following:

- Replacement of all exterior roofing, siding, gutters, downspouts, fascia, rakes, and soffits, and add entry canopies on each building.
- Upgrades to the kitchen and bathroom spaces, including but not limited to energy efficient appliances, new cabinets, countertops, fixtures and lighting.
- Install modern, energy efficient HVAC systems.
- Improve accessible paths, re-lamp existing light fixtures with LED lamps, re-stripe identified parking spaces.
- Remove and replace flooring in stair halls and landings and flight of stairs in each stair hall.
- Replace existing fire alarm detection and notification systems with new systems through-out.
- Update the existing playground.
- Create eight (8) new UFAS units with roll-in showers (five (5) two-bedroom units and three (3) one-bedroom units)
    - Three (3) units will be renovated to comply with requirements for the hearing and visually impaired.
- Install a folding counter and refinish surfaces within the common laundry rooms.
- Replace all existing domestic water piping with new brass valves.
- Removal of all Asbestos-Containing Materials.

EXISTING KITCHEN

Rendering of a finished kitchen for Georgian Court to illustrate the standard set of energy-efficient appliances.

These improvements will not only address curb appeal, but also – and more importantly – increase energy-efficiency, extend the property's useful life, and allow the property to better compete in the marketplace.

Development Plan – Scope of Work

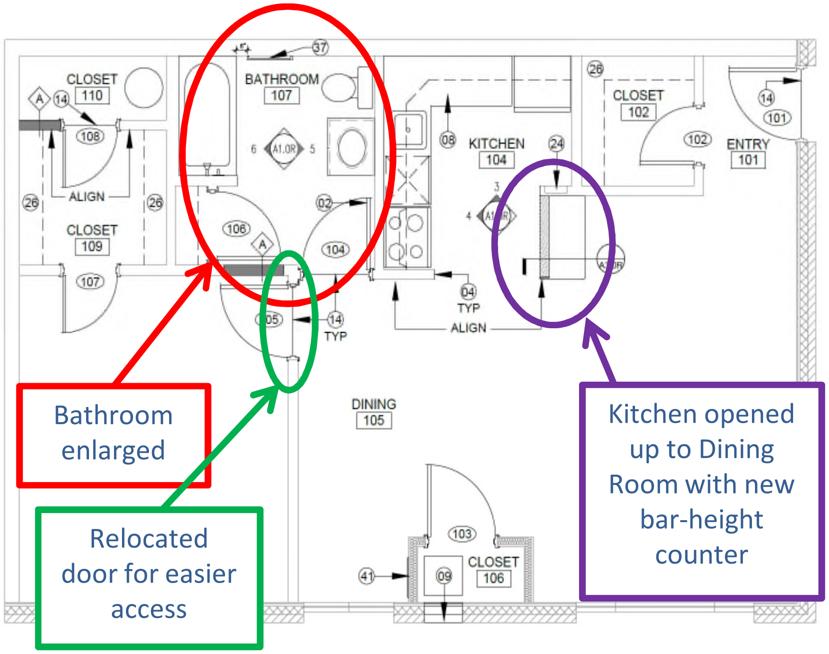
PROPOSED OPEN KITCHEN LAYOUT

KITCHEN RENOVATIONS INCLUDE:

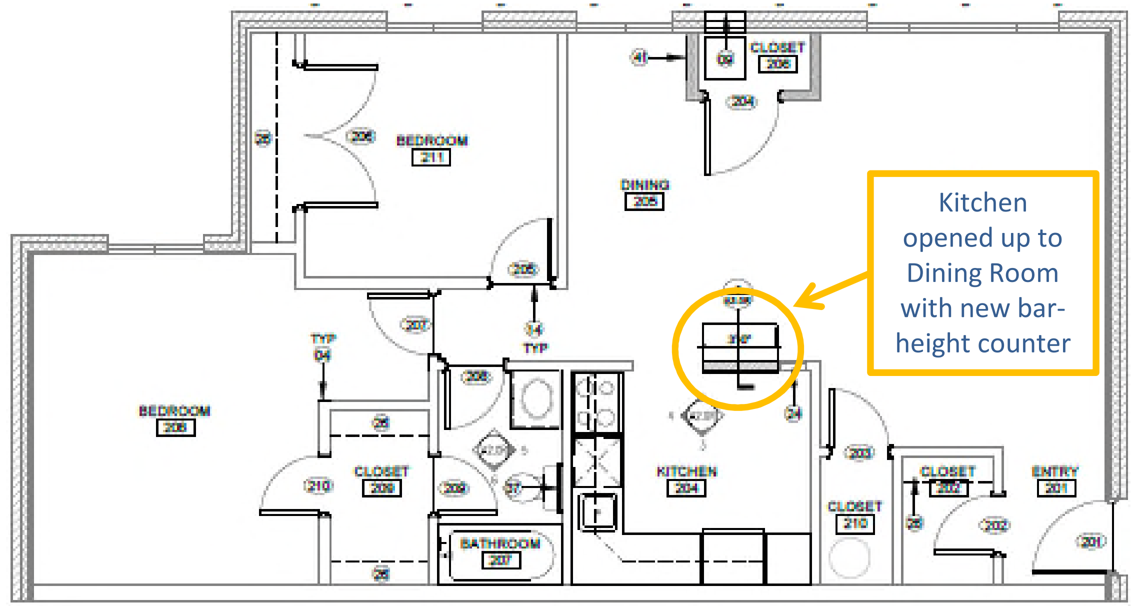
- All New Energy-Efficient Appliances
- New Wood Cabinets
- New Countertops
- New Tile Backsplash
- New Lighting
- Kitchen Walls Will Be Opened to the Living Room
- New Dining Counter

Development Plan – Scope of Work

ONE BEDROOM UNITS



TWO BEDROOM UNITS



- All New Flooring
- All New Appliances
- All New Plumbing Fixtures
- All Counters and Cabinets
- Full Interior Re-painting
- New HVAC for Greater Efficiency and Lower Operating Costs
- New Exterior Entry Doors and Frames
- New Interior Doors
- New Lighting Fixtures and More Locations

Development Plan – Scope of Work

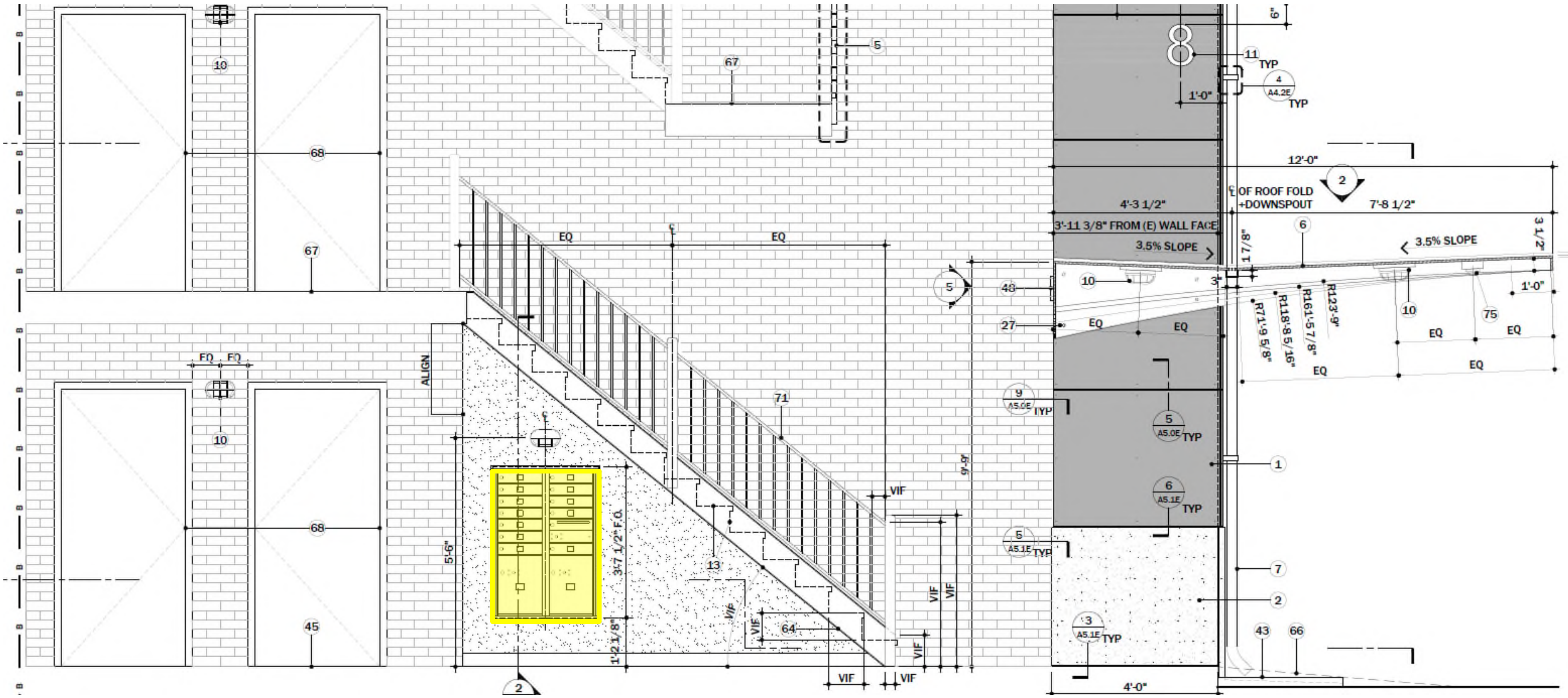
CONCEPT DESIGN

NEW STAIR HALL ENTRY CANOPY

- Covered and Lit Entry to Stair Hall
- Greater Signage Visibility
- Updated Sustainable Materials

EXISTING EXTERIOR

Development Plan – Scope of Work



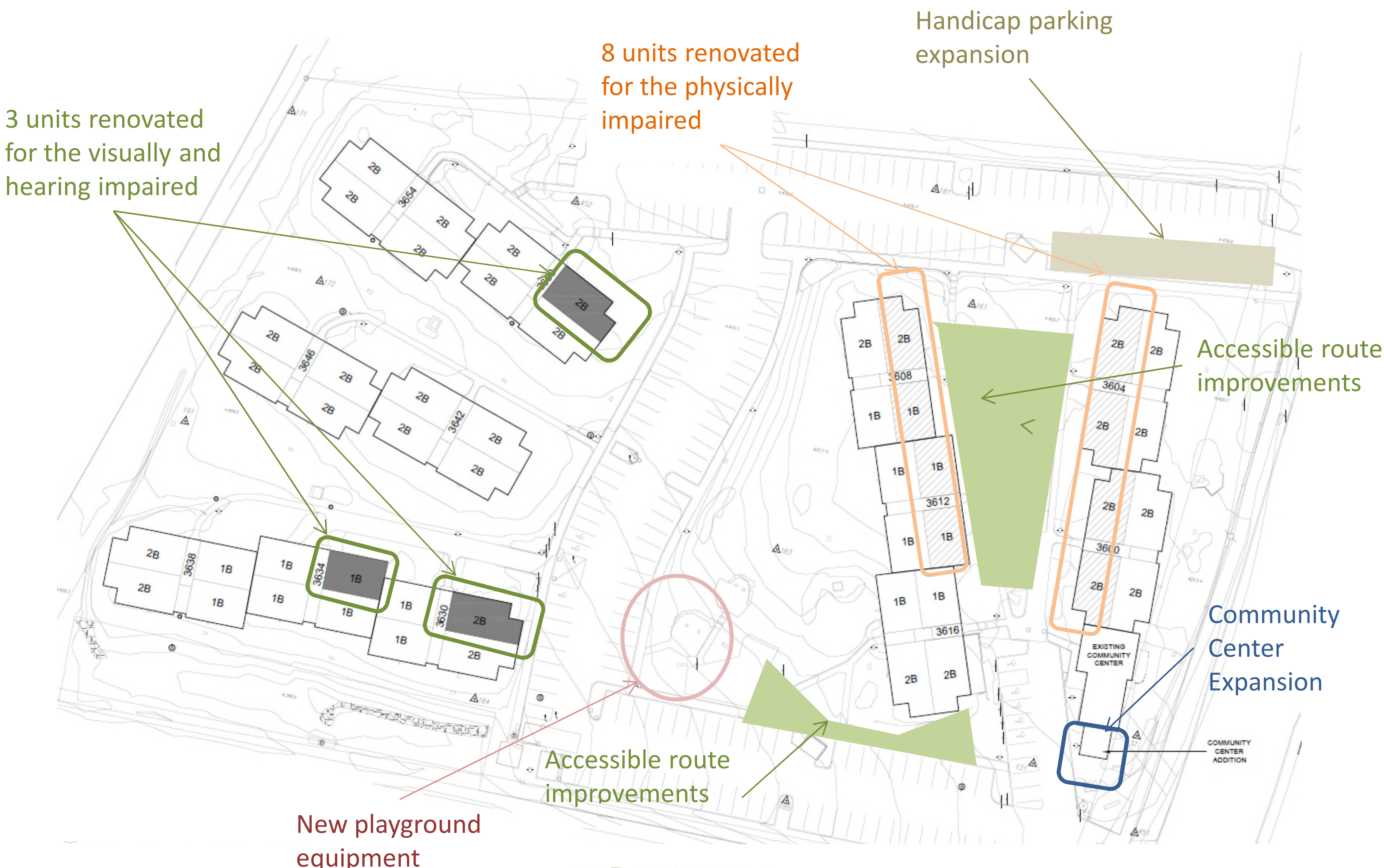
CONCEPT DESIGN

RELOCATED MAILBOXES

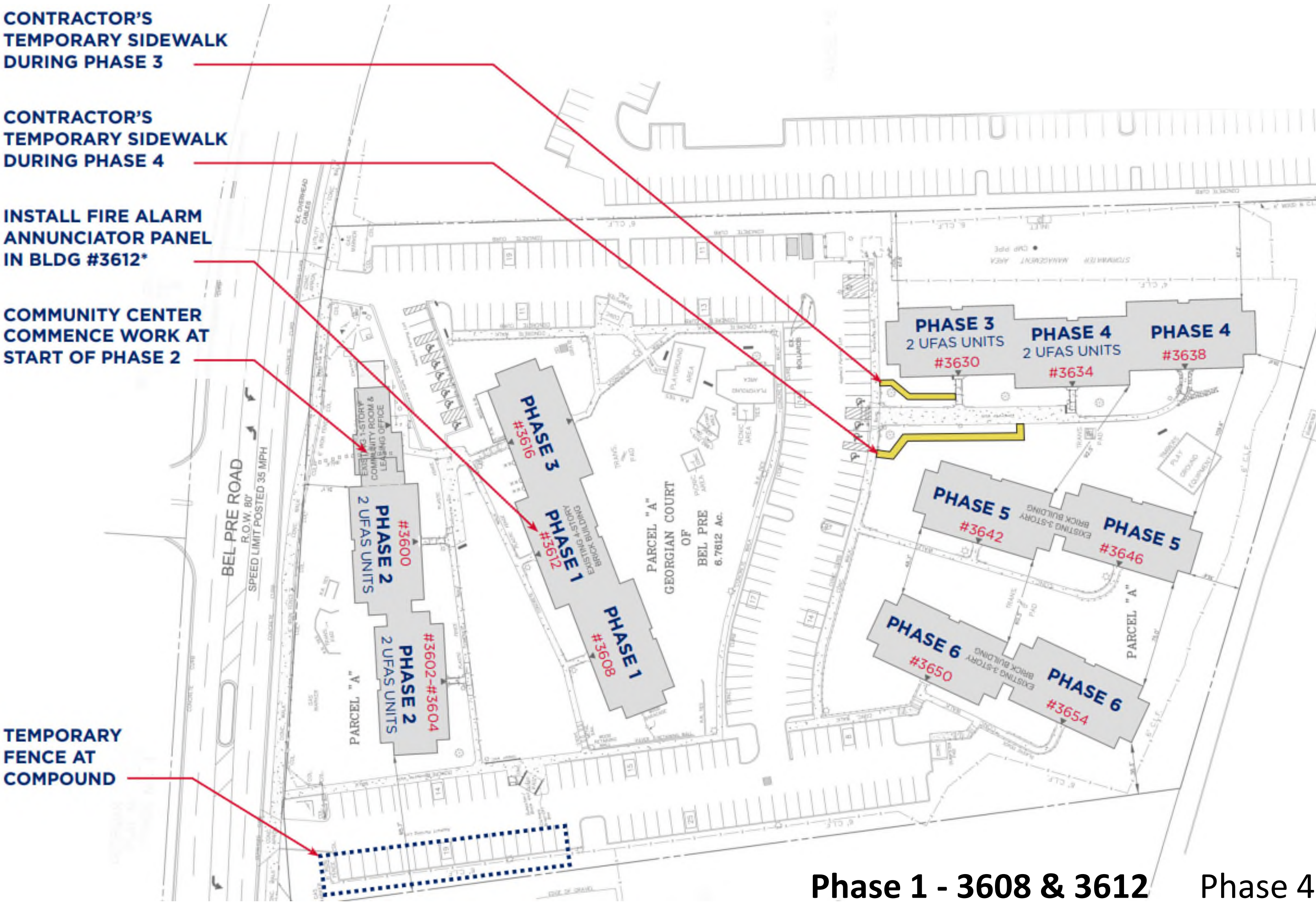
- Meets Current US Postal Service Regulations
- Includes Parcel Lockers

EXISTING MAILBOXES

Development Plan – Scope of Work



Development Plan – Renovation Phases



Phase 1 - 3608 & 3612
Phase 2 - 3600 & 3604
Phase 3 - 3616 & 3630

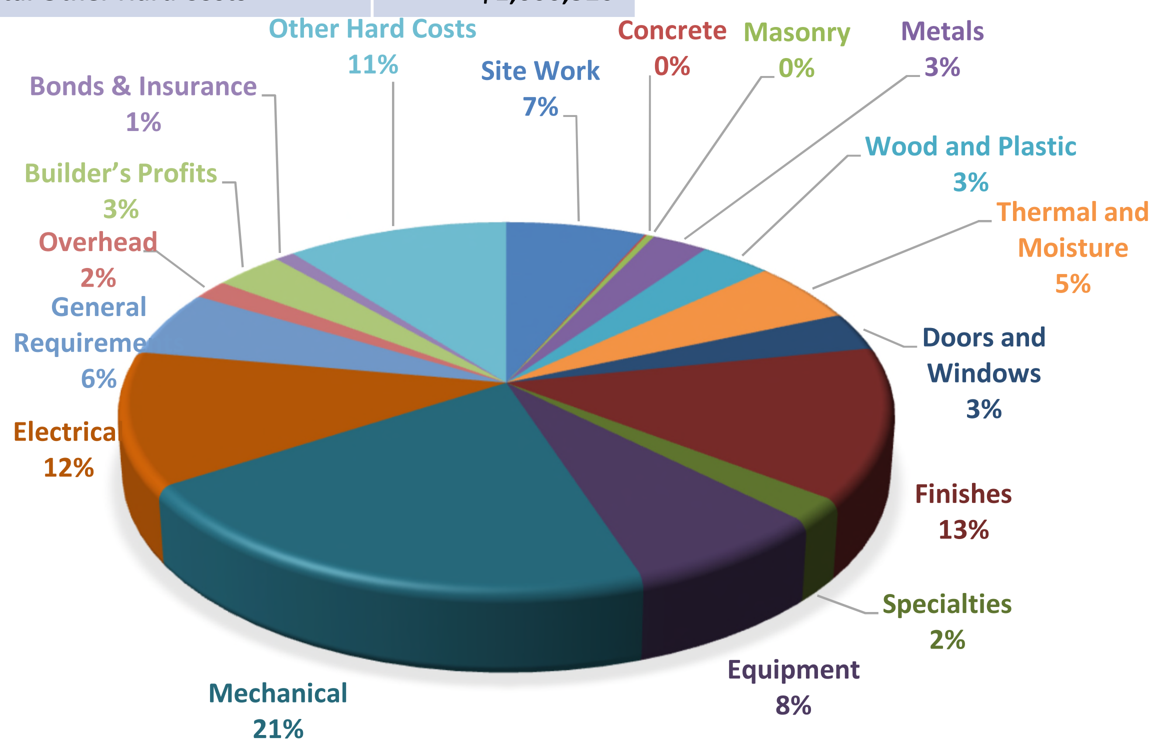
Phase 4 – 3634 & 3638
Phase 5 – 3642 & 3646
Phase 6 – 3650 & 3654

Development Plan – Construction Hard Costs

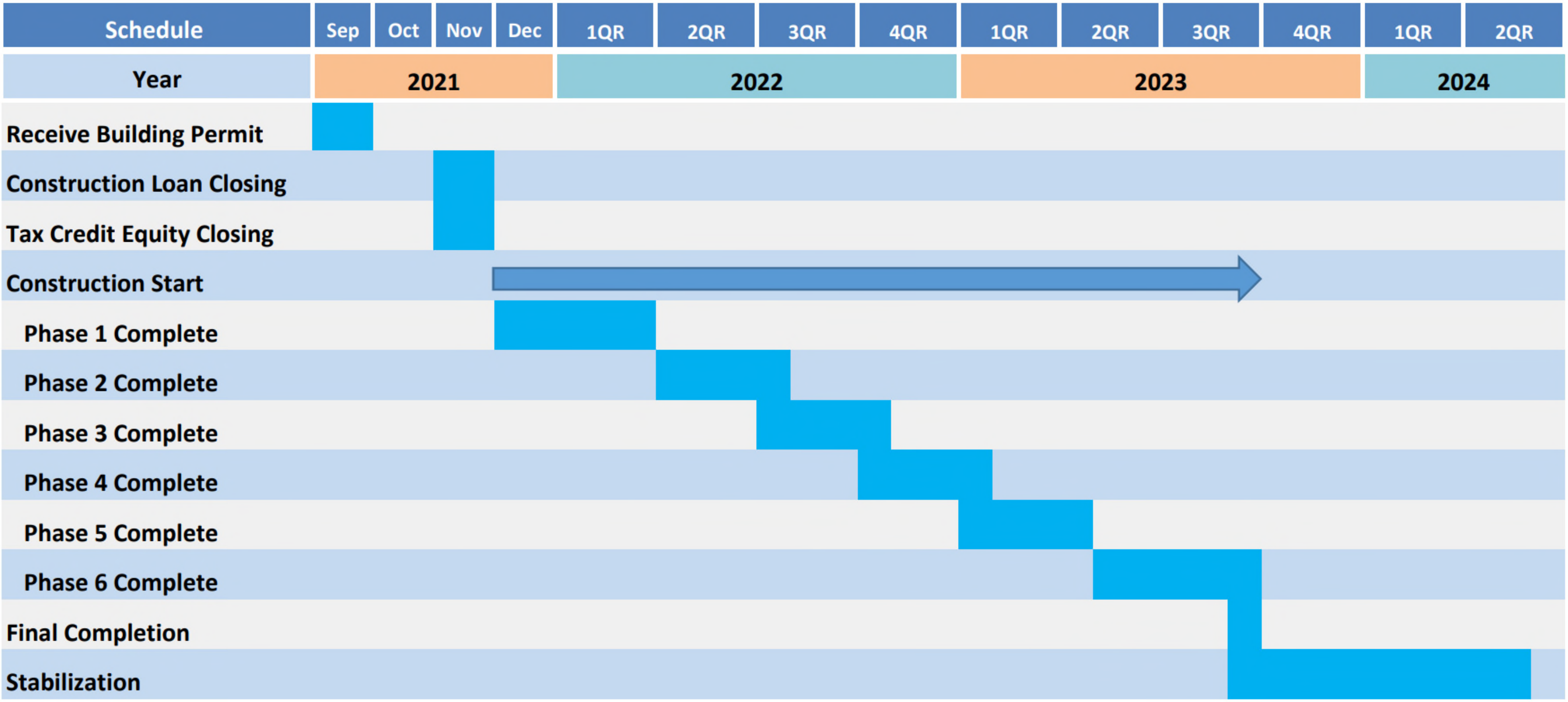
General Contractor and Other Hard Costs

Category	Amount
Site Work	$1,006,005
Concrete	$15,567
Masonry	$53,914
Metals	$407,814
Wood and Plastic	$516,468
Thermal and Moisture	$806,052
Doors and Windows	$498,568
Finishes	$2,027,623
Specialties	$310,786
Equipment	$1,136,493
Mechanical	$3,182,817
Electrical	$1,782,548
Subtotal	**$11,744,655**
General Requirements	$861,982
Overhead	$252,133
Builder's Profits	$504,265
Bonds & Insurance	$140,165
Subtotal	**$1,758,545**
Total GC Contract	**$13,503,199**

Category	Amount
Construction Contingency (10%)	$1,350,320
Playground	$80,000
HOC Builder's Risk Insurance	$150,000
FF&E	$20,000
Total Other Hard Costs	**$1,600,320**



Development Plan – Timeline and Phasing Schedule



21 Months Renovation

Development Plan – Early Release of Materials

Description	Amount
Abatement (Submittals & Plan)	$5,000
Metals (Shop Drawings & Materials Order)	$50,000
Roofing & Siding (Materials Order)	$55,000
Hollow Metal/Core Woods Doors & Hardware Vinyl Windows (Materials Order)	$97,583
Ceramic Tile, LVT Flooring, and Carpeting (Materials Order)	$65,000
Louvers, Postal Specialties, Bath Accessories, and Entry Canopies (Materials Order)	$38,380
Kitchen Cabinets, Solid Tops, Appliances (Materials & Equipment Order)	$498,568
Plumbing (Submittals, Materials & Fixtures Order)	$147,821
HVAC (Submittals, Materials & Equipment Order)	$264,000
Electrical (Submittals, Materials & Equipment Order)	$148,546
Subtotal	**$871,330**
General Requirements (2 Months)	$70,000
Total Early Release of Materials	**$941,330**

- Early Release Agreement is a concept which allows developers to incur minimal costs, before the start of construction, to help keep the project on schedule, eliminate price escalations on certain volatile construction materials, and facilitate shop drawing process for long lead items.
- This approach would allow Hamel to execute an agreement with subcontractors and suppliers as they work to lock in pricing, therefore HOC is not expecting to receive increased pricing.
- $70,000 of general requirements is part of the guaranteed maximum price amount therefore HOC will not incur additional costs from Hamel.
- These costs will cover long lead time items for materials and equipment for the 1st phase of renovation (24 units).
- If closing were not to occur, HOC would be responsible for the $941,330 in materials, which would be paid from the existing replacement reserve accounts (appx. $1.4M available balance).

Development Plan – Projected Rent

1. Average 1 BR and 2 BR rents of other properties are $1,453 and $1,708 respectively.
2. Georgian Court average rents of $618 (1 BR) and $662 (2 BR) are lower than the average rents of 6 comparable properties by 42.5% (1 BR) and 38.8% (2 BR).
3. Most rents do not include water and sewer.
4. The six (6) comparable properties have been recently renovated.
5. Georgian Court has 21 over income residents as of August 1, 2021.

	Georgian Court	Georgian Court Proposed Rent (Year 2)	Peppertree Farm & Cinnamon Run (1)	Montgomery Trace (2)	Crystal Springs (3)	Strathmore House (4)	Ridgewood (5)	Northgate (6)
1 BR & 1 Bath	$835	$921	$1,450	$1,458	$1,490	$1,500	$1,420	$1,400
2 BR & 1 Bath	$1,045	$1,152	$1,740	$1,745	$1,645	$1,725	$1,745	$1,650
Utilities Included								
Gas	N/A	N/A	No	No	No	No	No	N/A
Electric	No	No	No	No	No	No	No	No
Water/Sewer	Yes	Yes	No	No	No	Yes	No	No
Trash	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Development Plan – Projected Rent (Continued)

GEORGIAN COURT		EXISTING TENANTS (appx. 75 tenants impacted @ 60% AMI level)				EXISTING OVERINCOME TENANTS (21 tenants impacted)				LIHTC MAX RENT @ 60% AMI
		YEAR 1 (5% Increase)		YEAR 2 (5% Increase)		YEAR 1 (10% Increase)		YEAR 2 (5% Increase)		
Unit Type	Current Rent	Proposed Rent	Variance	Proposed Rent	Variance	Proposed Rent	Variance	Proposed Rent	Variance	
1 BR & 1 Bath	**$835**	$877	$42	$921	$44	$919	$84	$964	$46	$1,451
2 BR & 1 Bath	**$1,045**	$1,097	$52	$1,152	$55	$1,150	$105	$1,207	$57	$1,741

1. To adjust existing rents closer to LIHTC @ 60% AMI rent level and the market, staff proposes to increase the rent by 5% ($42 – 1BR & $52 – 2BR) when returning residents move into newly renovated units followed by an additional 5% ($44 – 1BR & $55 – 2BR) increase for the subsequent year.
2. Existing over income residents' new rent will increase by 10% ($84 – 1BR & $105 – 2BR) for first year when returning residents move into newly renovated units and 5% ($46 - 1BR & $57 – 2BR) for the following year.
3. All of the 21 over-income residents' rent burden will be lower than 30% of their total household income after the initial 10% rent increase.
4. The County Voluntary Rent Guideline ("VRG") is updated annually to represent the prior year increase in the rental component of the Consumer Price Index for the Washington Metropolitan Area. Historically, the VRG ranged from 1.5% - 4%. Staff proposes an increase to existing rents that are up to 3.5% over the anticipated VRG amount.
5. Projected rents for vacant units are $1,249 (1BR) and $1,384 (2BR).
6. Maximum Tax Credit rents are $1,451 (1 BR) and $1,741 (2 BR) at 60% AMI.

Development Plan – Sources and Uses

Sources and Uses of Funds

Sources	Amount	Per Unit
Bond Financing [1]	$18,072,928	$122,945
Tax-Exempt Bonds (ST)	$10,741,811	$73,074
LIHTC Equity [2]	$22,803,648	$155,127
Bridge Loan (HOC) [3]	$3,380,704	$22,998
Bridge Loan [3] (Redeemed with equity proceeds)	($3,380,704)	($22,998)
Other (GP Equity)	$100	$1
Property Residual Receipts Reserve	$476,346	$3,240
Seller Note [4]	$18,823,624	$128,052
Total Sources	**$71,918,457**	**$489,241**

Uses	Amount	Per Unit
Acquisition Costs[5]	$33,449,000	$227,544
Construction Costs [6]	$14,853,519	$101,044
Fees Related To Construction Costs	$2,054,335	$13,975
Financing Fees and Charges[7]	$4,579,775	$31,155
Syndication Related Costs	$177,269	$1,206
Tax-Exempt Bond (ST) (to meet 50% test)	$10,741,811	$73,074
Guarantees and Reserves [8]	$1,381,567	$9,398
Developer's Fees	$4,681,181	$31,845
Total Uses	**$71,918,457**	**$489,241**

Note: Georgian Court currently has two (2) replacement reserve accounts (appx. $970K replacement reserve and appx. $476K residual receipts reserve). The replacement reserve will be distributed to the owner which will pay back to Year 15 transactions and Newport Partners for RELOC but the residual receipts reserve will use a part of sources.

Development Budget Highlights

1. Estimated $18.0 million bond financed long-term mortgage with mortgage insurance under the FHA Risk Sharing Program.
2. Estimated Low Income Housing Tax Credits $22.8 million (based on $0.96 per credit plus the 30% basis boost).
3. The Bridge Loan of approximately $3.3M to the Partnership is payable from equity at closing. The loan will be repaid with LIHTC equity proceeds.
4. Based on an as-is restricted appraised value of $33.0 million, and the cash available to the transaction, HOC must take back a seller note to complete the closing.
5. Acquisition price is based on an as-is restricted appraised value plus relocation costs for Georgian Court Apartments.
6. HOC Construction Contingency includes a 10% of General Contractor's total contract amount.
7. Includes HOC's Origination Fee equivalent to 2% of the financing.
8. Included Soft Cost Contingency, six (6) months of Operating Reserve and Initial Replacement Reserve at $1,500/unit.

Acquisition Price	$33,000,000
(Less) Seller Note	($18,823,624)
(Less) All Outstanding Debt	($3,404,914)
Total Equity	**$10,771,462**
Existing Replacement Reserve	**$970,705**
Bridge Loan (During Construction)	($3,380,704)
(Less) Year 15 Transactions (RELOC)	($685,800)
(Less) Newport Partners (RELOC)	($236,288)
Total Equity at closing	**$7,439,375**

Development Plan – Stabilized Operations

Stabilized Proforma	CY 2024	Per Unit
Income	$1,997,664	$13,590
Expenses[(1)]	$974,103	$6,627
NOI (Net Operating Income)	**$1,023,561**	**$6,963**
Debt Service[(2)]	$890,053	$6,055
Cash Flow	**$133,508**	**$908**
Debt Service Coverage Ratio Target	**1.15**	

(1) Includes $51,450 ($350 per unit annually) in Replacement Reserves.
(2) Includes Loan Management Fee will be collected $45,182 annually (0.25% of the original mortgage amount).

Max Mortgage Amount (est.)	**$18,345,486**
Term (in years)	35
Interest Rate[1]	3.20%
Debt Service Constant	4.92%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	3.45%
Debt Service Coverage Ratio Target	1.15x
NOI (Net Operating Income)	$1,038,997
Debt Service	$903,476

[1] *As of August 6, 2021: Interest Rate 2,265% (*35 years) Plus 0.555% cushion.

- The financing plan includes a 35-year mortgage insured under the FHA Risk Sharing Program.
- Occupancy projected at 95% (Underwriting assumption), rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be $974,103 in CY 2024 including funding of annual replacement reserves contribution of $350 per unit, per year and escalating at 3% annually.
- The net operating income ("NOI") of $1,023,561 in CY 2024 supports the permanent debt which is underwritten at 3.20% plus 25 basis points for mortgage insurance premium ("MIP") costs pursuant to the FHA Risk Sharing Mortgage Insurance Program.
- Annual Contribution to Replacement Reserves: $350 Per Unit.

Development Plan - Team Assembly

Architect

Karl Riedel Architecture, P.C. ("KRA"), founded in Leesburg, VA in 2006, is a full-service architectural firm of professionals whose broad and extensive experience enables them to handle these multifamily renovation projects.

- Selected from the Architectural Pool based on its proven track record with multifamily renovations and like-kind replacements.
- KRA has been the architect of record for the project since concept planning began in 2018.

Property Management

Edgewood Management Corporation ("EMC") offers a full suite of real estate management services and specializes in developing innovative solutions and repositioning troubled assets in all areas: operations, administrative, financial, compliance, and physical. EMC has been managing properties for 50 years and has expanded services to 14 states, including the District of Columbia. EMC is recognized as the 8th largest manager of Affordable Housing by the National Affordable Housing Management Association ("NAHMA") and the 50th largest manager by the National Multi-Housing Council ("NMHC").

General Contractor

Founded in 1988, Hamel has earned a reputation for excellence in multifamily renovation and new construction in the mid-Atlantic region. Hamel has developed over 35,000 units of multifamily residential, affordable housing, adaptive reuse, senior living, historic, and mixed-use development, including about 7,000 resident-in-place renovations. Hamel's renovation experience extends to over 200 projects to date.

LIHTC Investor

- Founded in 1969 and the leader in real estate investment management for over fifty years.
- Currently manage approximately $15 billion in real estate investments for 140 institutional clients across the United States.

Summary and Recommendations

Issues for Consideration

Does the Development and Finance Committee wish to join staff's recommendation to the Commission to:

1. Approve the final development budget with proposed substantial renovation of the Property using tax-exempt bonds issued by HOC, equity from the sale of LIHTC, deferred developer fee, residual receipts reserve, and a seller note all totaling approximately $71.9 million;
2. Authorize the Acting Executive Director to sign the general contractor contract with Hamel for an amount not to exceed $13.6 million;
3. Authorize the Acting Executive Director to execute a Limited Scope Contract not to exceed $941,300 to allow Hamel to execute an agreement with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021;
4. Approve the sale of Georgian Court Apartments to HOC at Georgian Court, LLC for the as-is restricted appraised value of $33,000,000; and
5. Authorize the Acting Executive Director to enter into an Operating Agreement with Boston Financial, and permission to admit a tax credit investor as a 99.99% member of the new Property owner entity?

Staff will return to the Commission at a later date to seek its approval of the Financing Plan, which in addition to tax-exempt bonds and LIHTC equity funding will include a request to approve a loan that bridges the funding of LIHTC equity.

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY2022 budgets.

The investment will raise approximately $22.8 million of tax credit equity for the renovation of Georgian Court Apartments. The Commission will earn Development and Commitment fees, which are available to the Commission to reinvest in the expansion or preservation of affordable housing.

During the 21 months of construction period, the Project will continue to maintain 80% occupancy rate to ensure the Project does not fall into an operating deficit. The debt service interest payments during the construction period will be capitalized and paid from the development budget.

Summary and Recommendations (Continued)

Time Frame

For discussion at the August 20, 2021 meeting of the Development and Finance Committee and formal action at the September 1, 2021 meeting of the Commission.

PREVIOUS COMMISSION APPROVALS

Resolution 18-52 - Approval to Withdraw from the PNC Bank, N.A. Real Estate Revolving Line of Credit (RELOC) to Prepay Existing Mortgages for Georgian Court Apartments, Shady Grove Apartments, Stewartown Homes, and the Willows.

Resolution 18-29 - Approval of Preliminary Development Plans and Predevelopment Funding for Georgian Court Apartments, Shady Grove Apartments, and Stewartown Homes.

Resolution 19-77 - Approval to Withdraw Excess Yield Funds Under the Multifamily Housing Development Bond Resolution and to Make a Capital Contribution to Georgian Court to Fund Capital Expenditures and to Approve Selection of Edgewood Management Company, Property Manager to Project Manage the Proposed Capital Improvements Utilizing the Excess Yield Funds.

Resolution 21-57A - Approval to Select Hamel Builders as General Contractor for the Renovation of Georgian Court Apartments, Approval to Freeze Leasing to Facilitate Renovation, Approval of Request for Additional Predevelopment Funds, and Ratification of the Formation of Ownership Entities.

Resolution 21-57B - Approval to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Fund Costs Related to the Georgian Court Apartments Transaction.

Resolution 21-70 – Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Georgian Court Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement.

Resolution 21-67 – Approval to Amend and Restate Resolutions 21-57A, 21-57B, 21-58A, and 21-58B.

Summary and Recommendations (Continued)

Staff Recommendation and Commission Action Needed

Staff recommends that the Development and Finance Committee join staff's recommendation to the Commission to:

1. Approve the final development budget with proposed substantial renovations of the Property using tax-exempt bonds issued by HOC, equity from the sale of LIHTC, deferred developer fee, residual receipts reserve, and a seller note all totaling approximately $71.9 million;
2. Authorize the Acting Executive Director to sign the general contractor contract with Hamel for an amount not to exceed $13.6 million;
3. Authorize the Acting Executive Director to execute a Limited Scope Contract not to exceed $941,300 to allow Hamel to execute agreements with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021;
4. Approve the sale of Georgian Court Apartments to HOC at Georgian Court, LLC for the as-is restricted appraised value of $33,000,000; and
5. Authorize the Acting Executive Director to enter into an Operating Agreement with Boston Financial, and permission to admit a tax credit investor as a 99.99% member of the new Property owner entity.

SHADY GROVE APARTMENTS: Approval of the Final Development Plan and Budget for Shady Grove Apartments and Authorization for the Acting Executive Director to Execute the General Contractor Contract with Hamel Builders, Inc.

DERWOOD, MD

KAYRINE V. BROWN, ACTING EXECUTIVE DIRECTOR

ZACHARY MARKS
MARCUS ERVIN
HYUNSUK CHOI

August 20, 2021

Table of Contents

Executive Summary

- Shady Grove Apartments (the “Property”) was originally constructed in 1980 and is a 144-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 45 one-bedroom, 83 two-bedroom, and 16 three-bedroom units. The Property is currently operating under an extended-use covenant which is set to expire on December 31, 2028, requiring the following set aside: 144 units (100%) (project-based Section 8 rental assistance) set aside at 50% of area median income (“AMI”).

- The Property consists of twelve (12) three-story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 16125 Crabbs Branch Way, Derwood, MD 20855. After a modest rehabilitation in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior buildings, and the residents’ units. The renovation will be completed with residents in place.

- In order to facilitate an in-place renovation, all future leasing activities will cease to achieve up to 24 vacant units. In addition, staff will temporarily relocate up to 12 currently occupied units to an off-site location. The temporary relocation plan coupled with existing 12 vacant units will allow staff to deliver one vacant building (or 24 vacant units) to the general contractor to begin the phased renovation process.

- In June 2021, the Commission approved the selection of Hamel Builders, Inc. as the general contractor for the renovation of the Property. At the same time, the Commission also authorized the request to create a maximum of 24 vacant units at the property by allowing staff to a) freeze leasing, and b) temporarily relocate residents off-site to facilitate the renovation schedule. Finally, to complete the predevelopment phase of the development, the Commission approved an increase of $485,000 to the existing predevelopment budget to be funded with a loan from the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”).

- In July 2021, the Commission approved the selection of Boston Financial Investment Management (“Boston Financial”) as the LIHTC syndicator for the Property and authorized the Executive Director to negotiate and execute a letter of intent outlining the terms of an operating agreement with Boston Financial. The projected capital contribution from the tax credit equity investor is approximately $19.2 million.

- An application for an allocation of Low Income Housing Tax Credits was submitted to Maryland Department of Housing and Community Development and staff is expecting to receive the building permits in September 2021.

Executive Summary

- The projected Total Development Costs are approximately $60.5 million, to be funded with HOC-issued tax-exempt bonds and an FHA Risk Share mortgage (appx. $29.9M), HOC Seller Note (appx. $9.3M), Deferred Developer's Fee (appx. $2M), and 4% LIHTC equity (appx. $19.2M).
- The Property currently has approximately $3.7 million existing debt, consisting of a $3.4 million senior mortgage and a $253K County loan. The existing debt will be repaid at the closing.
- The renovation is scheduled to begin in December 2021 and will proceed in six (6) phases, with each phase consisting of 24 units and taking approximately 70 to 90 days to complete. As each phase is completed and units are delivered for occupancy, tenants will move into the newly renovated units. The renovation includes the conversion of eight (8) units into UFAS accessible units and three (3) units to comply with requirements for the hearing and visually impaired use.
- **Staff herein recommends the following actions to the Development and Finance Committee:**

    1. Approve the final development budget with proposed substantial renovations of the Property using tax-exempt bonds issued by HOC, equity from the sale of LIHTCs, deferred developer fee, and a seller note all totaling approximately $60.5 million.
    2. Authorize the Acting Executive Director to execute the general contractor contract with Hamel for an amount not to exceed $13.1 million.
    3. Approve the sale of Shady Grove Apartments to HOC at Shady Grove, LLC for the as-is restricted appraised value of $33,200,000.
    4. Authorize the Acting Executive Director to enter into an Operating Agreement with Boston Financial, and permission to admit a tax credit investor as a 99.99% member of the new Property owner entity.

Staff will return to the Commission at a later date to seek its approval of the Financing Plan, which in addition to tax-exempt bonds and LIHTC equity funding will include a request to approve a loan that bridges the receipt of LIHTC equity proceeds.

Project Summary

Property Name	Shady Grove	**Units**	144	**Expected Closing Date**	2nd Qtr FY22
Location	Derwood, MD	**Average Unit Size (SF)**	908	**Stabilization Date**	May 2024
Product Type	Garden-Style Apartment	**Occupancy (08/04/21)**	93.1%	**Recapitalization Strategy**	Rehabilitation
Year Built/Renovated	1980/2001	**Total Rentable Sqft**	130,716	**Funding Strategy**	4% LIHTC/Bonds

Shady Grove (the "Property") was originally constructed in 1980 and is a 144-unit LIHTC and Section 8 multifamily property that consists of 45 one-bedroom, 83 two-bedroom, and 16 three-bedroom units. The Property currently operates as a LIHTC property with 144 units/100% (project-based Section 8 rental assistance) set aside at 50% of area median income. The Property consists of five (5) three-story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 16125 Crabbs Branch Way, Derwood, MD 20855. After a modest rehabilitation in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior grounds, and the residents' units.

Development Plan

- Utilize (4%) LIHTC equity and HOC-issued tax-exempt bond proceeds to fund all construction costs.
- Repay an existing FHA Risk Share mortgage loan (est. balance of $3,700,154.83 as of November 2021) in the second quarter FY2022.
- Add eight (8) Uniform Federal Accessibility Standards ("UFAS") units with roll-in showers:
  - Four (4) one-bedroom units and four (4) two-bedroom units;
  - Three (3) units will be renovated to comply with requirements for the hearing and visually impaired.
- Create a gym adjacent to the community room and leasing office.
- Remove all Asbestos-Containing Materials ("ACM").
- Install radon mitigation systems.

Map Overview

The Property was constructed in 1980 and consists of two (2) parcels on either side of Crabbs Branch Way in Derwood, Maryland. The combined total acreage for the Property is 11.87 acres (per the tax assessment record). The western parcel is 6.06 acres and the eastern parcel is 5.81 areas.

Leasing Office and Community Room

Two Playground Areas

Development Plan – Scope of Work

The renovation scope includes the following:

- Replacement of all exterior roofing, siding, gutters, downspouts, fascia, rakes, and soffits, and addition of entry canopies on each building.
- Upgrades to the kitchen and bathroom spaces including, but not limited to energy efficient appliances, new cabinets, countertops, fixtures and lighting.
- Install modern, energy efficient HVAC systems.
- Improve accessible paths, re-lamp existing light fixtures with LED lamps, re-stripe identified parking spaces.
- Remove and replace flooring in stair halls, landings, and flight of stairs in each stair hall.
- Replace existing fire alarm detection and notification systems with new system through-out.
- Update the existing playground.
- Create eight (8) new UFAS units, including three (3) units with roll-in showers (four (4) one-bedroom units and four (4) two-bedroom units).
    - Three (3) units will be renovated to comply with requirements for the hearing and visually impaired.
- Install a folding counter and refinish surfaces within common laundry rooms.
- Replace all existing domestic water piping with new brass valves.
- Removal of all ACM and installation of radon mitigation systems.

EXISTING KITCHEN

PROPOSED OPEN KITCHEN LAYOUT

These improvements will not only address curb appeal, but also – and more importantly – increase energy-efficiency, extend the property's useful life, and allow the property to better compete in the marketplace.

Development Plan – Scope of Work

PROPOSED OPEN KITCHEN LAYOUT

KITCHEN RENOVATIONS INCLUDE:

- All New Energy-Efficient Appliances
- New Wood Cabinets
- New Countertops
- New Tile Backsplash
- New Lighting
- Kitchen Walls Will Be Opened To the Living Room
- New Dining Counter

Development Plan – Scope of Work

PROPOSED COMMUNITY ROOM

PROPOSED BATHROOM

EXISTING BATHROOM

EXISTING COMMUNITY ROOM

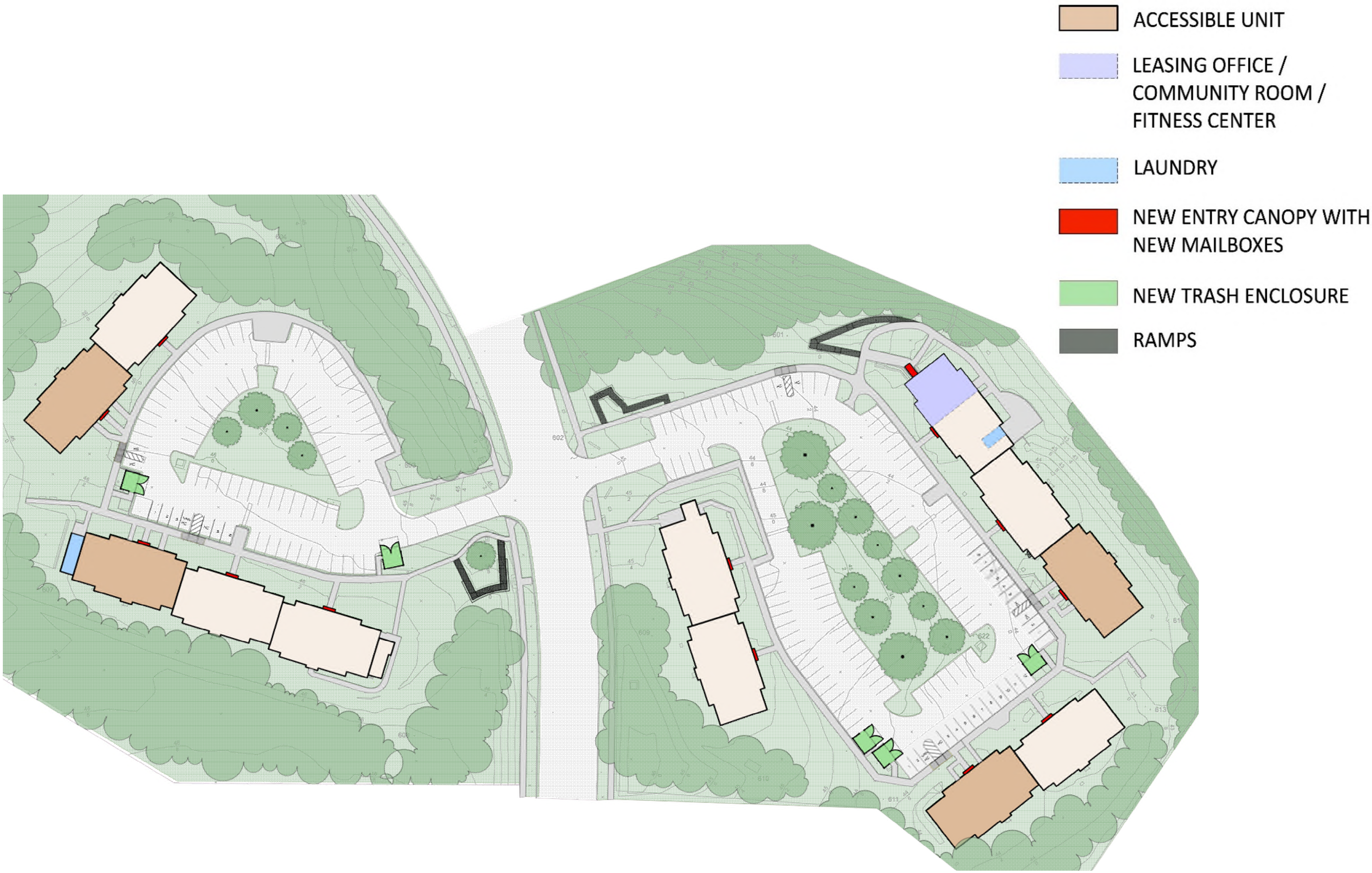
Development Plan – Scope of Work

PROPOSED BUILDING EXTERIOR

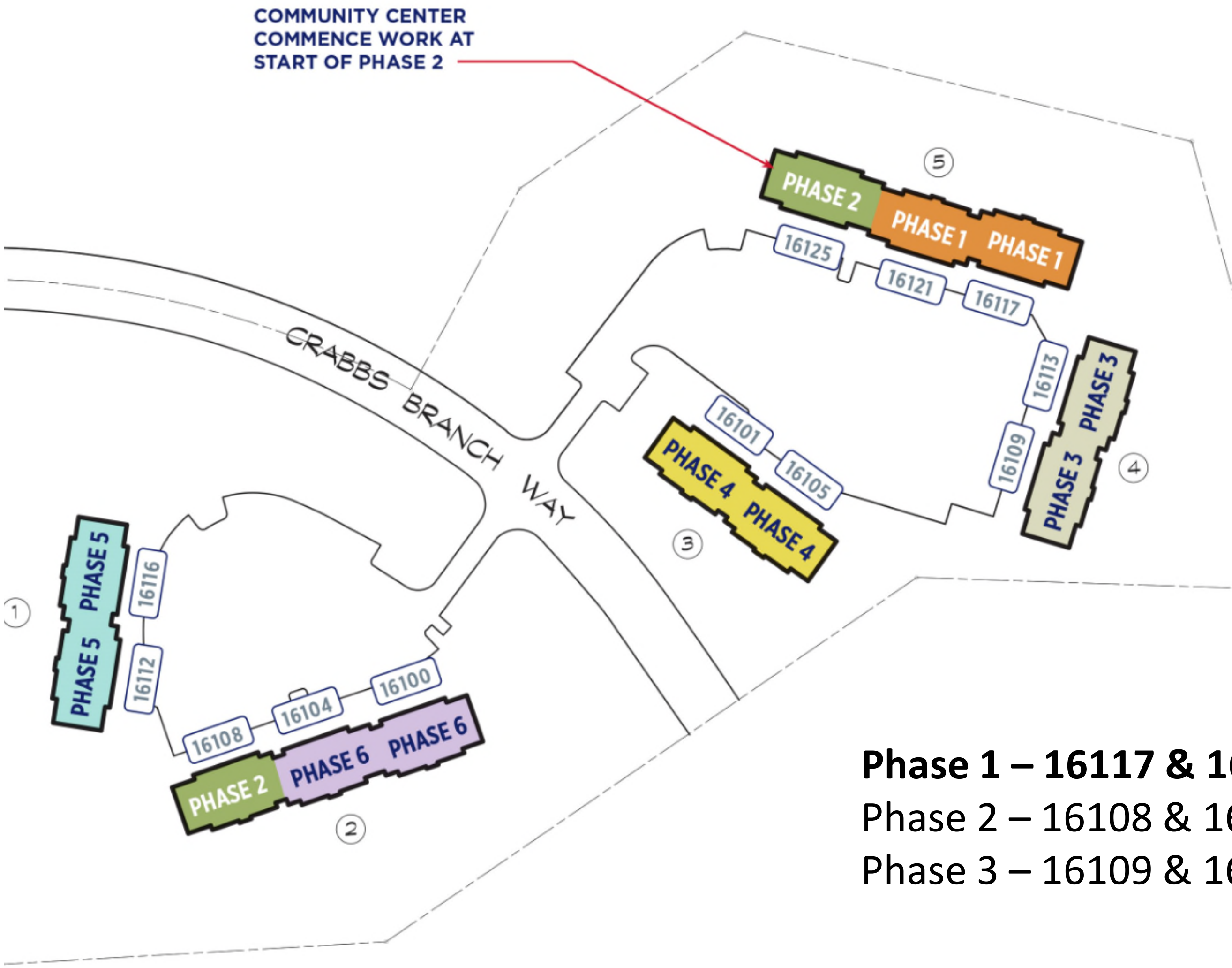
BUILDING EXTERIOR:

- New Stair Entry Canopy
- Re-Skinned/New Roof Form for the 3rd Floor Stair Bedroom Bay Projection
- New Cementitious Siding Surrounds at the Window Groups with New Juliette Balcony Rails
- New Mailbox Cluster under the New Canopy

Development Plan – Scope of Work



Development Plan – Renovation Phases



Phase 1 – 16117 & 16121
Phase 2 – 16108 & 16125
Phase 3 – 16109 & 16113
Phase 4 – 16101 & 16105
Phase 5 – 16112 & 16116
Phase 6 – 16100 & 16104

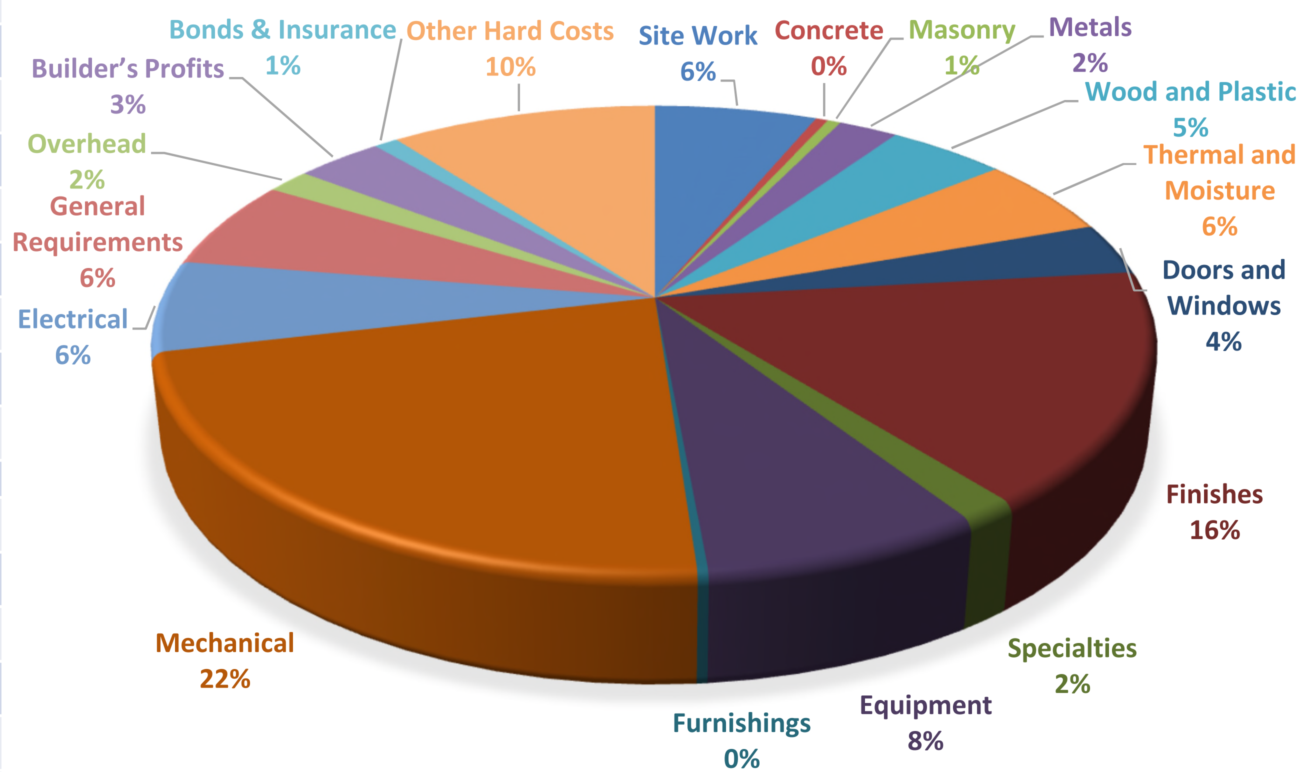
- HAND WASH STATIONS TO BE PROVIDED OUTSIDE EACH BUILDING BEING RENOVATED.
- EACH BUILDING TO BE FENCED DURING EACH PHASE OF BUILDING RENOVATION.

Development Plan – Construction Hard Costs

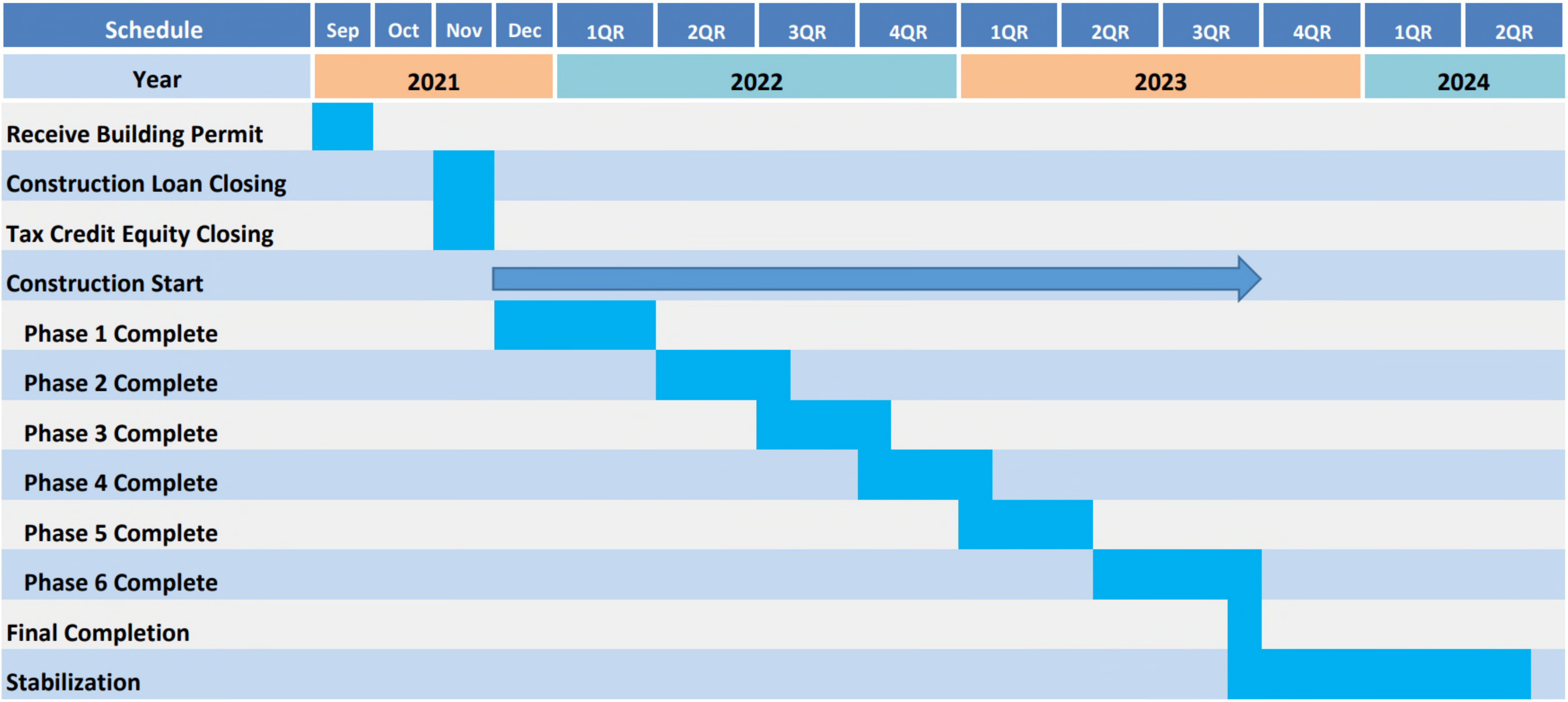
General Contractor and Other Hard Costs

Category	Amount
Site Work	$913,634
Concrete	$67,941
Masonry	$74,740
Metals	$334,129
Wood and Plastic	$668,932
Thermal and Moisture	$805,909
Doors and Windows	$524,757
Finishes	$2,360,015
Specialties	$222,226
Equipment	$1,132,778
Mechanical	$3,278,457
Furnishings	$43,127
Electrical	$925,200
Subtotal	**$11,351,845**
General Requirements	$902,495
Overhead	$245,087
Builder's Profits	$490,174
Bonds & Insurance	$136,949
Subtotal	**$1,774,705**
Total GC Contract	**$13,126,549**

Category	Amount
Construction Contingency (10%)	$1,312,655
HOC Builder's Risk Insurance	$150,000
FF&E	$40,000
Total Other Hard Costs	**$1,502,655**



Development Plan – Timeline and Phasing Schedule



21 Months Renovation

Development Plan – Early Release of Materials

Description	Amount
Abatement (Submittals & Plan)	$5,000
Metals (Shop Drawings & Materials Order)	$50,000
Roofing & Siding (Materials Order)	$55,000
Hollow Metal/Core Woods Doors & Hardware Vinyl Windows (Materials Order)	$97,583
Ceramic Tile, LVT Flooring, and Carpeting (Materials Order)	$65,000
Louvers, Postal Specialties, Bath Accessories, and Entry Canopies (Materials Order)	$38,380
Kitchen Cabinets, Solid Tops, Appliances (Materials & Equipment Order)	$498,568
Plumbing (Submittals, Materials & Fixtures Order)	$147,821
HVAC (Submittals, Materials & Equipment Order)	$264,000
Electrical (Submittals, Materials & Equipment Order)	$148,546
Subtotal	**$871,330**
General Requirements (2 Months)	$70,000
Total Early Release of Materials	**$941,330**

- Early Release Agreement is a concept which allows developer's to incur minimal costs, before the start of construction, to help keep the project on schedule, eliminate price escalations on certain volatile construction materials, and facilitate shop drawing process for long lead items.
- This approach would allow Hamel to execute an agreement with subcontractors and suppliers as they work to lock in pricing; therefore, HOC is not expecting to receive increased pricing.
- $70,000 of general requirements is part of the guaranteed maximum price amount therefore HOC will not incur additional costs from Hamel.
- These costs will cover long lead time items for materials and equipment for the 1st phase of renovation (24 units).
- The estimated cost of a proposed Early Release of Materials is $974,330 shown in the table.
- If closing were not to occur, HOC would be responsible for the $941,330 in materials, which would be paid from the existing replacement reserve account which has a balance of $1,502,196.90 as of July 31, 2021.

Development Plan – Sources and Uses

Sources and Uses of Funds

Sources	Amount	Per Unit
Bond Financing [1]	$29,934,912	$207,881
LIHTC Equity [2]	$19,233,400	$133,565
Bridge Loan (HOC) [3]	$13,444,179	$93,362
Bridge Loan [3] (Redeemed with equity proceeds)	($13,444,179)	($93,362)
Other (GP Equity)	$100	$1
Deferred Developer's Fee	$2,000,000	$13,889
Seller Note [4]	$9,383,636	$65,164
Total Sources	**$60,552,048**	**$420,500**

Uses	Amount	Per Unit
Acquisition Costs[5]	$33,600,600	$233,338
Construction Costs [6]	$14,439,205	$100,272
Fees Related To Construction Costs	$1,191,680	$8,276
Financing Fees and Charges[7]	$4,840,211	$33,613
Syndication Related Costs	$161,905	$1,124
Guarantees and Reserves [8]	$1,727,573	$11,997
Developer's Fees	$4,590,874	$31,881
Total Uses	**$60,552,048**	**$420,500**

Note: Shady Grove currently has one (1) replacement reserve account (appx. $1.5M replacement reserve). The replacement reserve will be distributed to the owner which will pay back to Year 15 transactions and Newport Partners for RELOC.

Development Budget Highlights

1. Estimated $29.3 million bond financed long-term mortgage with mortgage insurance under the FHA Risk Sharing Program.
2. Estimated Low Income Housing Tax Credits $19.2 million (based on $0.93 per credit).
3. The Bridge Loan is approximately $13.4M to the Partnership payable from equity at closing. The loan will be repaid with LIHTC equity proceeds.
4. Based on an as-is restricted appraised value of $33.2 million, and the cash available to the transaction, HOC must take back a seller note to complete the closing.
5. Acquisition price based on an as-is restricted appraised value plus relocation costs for Shady Grove Apartments.
6. HOC Construction Contingency includes a 10% of General Contractor's total contract amount.
7. Includes HOC's Origination Fee equivalent to 2% of the financing.
8. Includes Soft Cost Contingency, six (6) months of Operating Reserve and Initial Replacement Reserve at $1,500/unit.

Acquisition Price	$33,200,000
(Less) Seller Note	($9,383,636)
(Less) All Outstanding Debt	($3,700,155)
Total Equity	**$20,116,209**
Existing Replacement Reserve	**$1,502,197**
Bridge Loan (During Construction)	($13,444,179)
(Less) Year 15 Transactions (RELOC)	($685,800)
(Less) Newport Partners (RELOC)	($236,288)
Total Equity at closing	**$7,252,139**

Development Plan – Stabilized Operations

Stabilized Proforma	CY 2024	Per Unit
Income	$2,760,259	$19,168
Expenses[(1)]	$1,064,894	$7,395
NOI (Net Operating Income)	**$1,695,365**	**$11,773**
Debt Service[(2)]	$1,474,231	$10,238
Cash Flow	**$221,135**	**$1,536**
Debt Service Coverage Ratio Target	**1.15**	

[(1)] Includes $50,400 ($350 per unit annually) in Replacement Reserves.
[(2)] Includes Loan Management Fee will be collected $74,837 annually (0.25% of the original mortgage amount).

Max Mortgage Amount (est.)	**$29,934,912**
Term (in years)	35
Interest Rate[1]	3.20%
Debt Service Constant	4.92%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	3.45%
Debt Service Coverage Ratio Target	1.15x
NOI (Net Operating Income)	$1,695,365
Debt Service	$1,474,231

[1] *As of August 6, 2021: Interest Rate 2,265% (*35 years) Plus 0.555% cushion.

- The financing plan includes a 35-year mortgage insured under the FHA Risk Sharing Program.
- Occupancy projected at 95% (Underwriting assumption), rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be $1,064,894 in CY 2024 including funding of annual replacement reserves contribution of $350 per unit, per year and escalating at 3% annually.
- The net operating income ("NOI") of $1,695,365 in CY 2024 supports the permanent debt which is underwritten at 3.20% plus 25 basis points for mortgage insurance premium ("MIP") costs pursuant to the FHA Risk Sharing Mortgage Insurance Program.

Development Plan - Team Assembly

Architect

Bennett Frank McCarthy Architects, Inc ("BFM"), founded in Silver Spring, MD in 1989, is a full-service architectural firm of professionals whose broad and extensive experience enables them to handle these multifamily renovation projects.

- Selected from the Architectural Pool based on its proven track record with multifamily renovation and like-kind replacements.
- BFM has been the architect of record for the project since concept planning began in 2018.

BENNETT FRANK McCARTHY architects, inc.

Property Management

Edgewood Management Corporation ("EMC") offers a full suite of real estate management services and specializes in developing innovative solutions and repositioning troubled assets in all areas: operations, administrative, financial, compliance, and physical. EMC has been managing properties for 50 years and has expanded services to 14 states, including the District of Columbia. EMC is recognized as the 8th largest manager of Affordable Housing by the National Affordable Housing Management Association ("NAHMA") and the 50th largest manager by the National Multi-Housing Council ("NMHC").

EDGEWOOD MANAGEMENT

General Contractor

Founded in 1988, Hamel has earned a reputation for excellence in multifamily renovation and new construction in the mid-Atlantic region. Hamel has developed over 35,000 units of multifamily residential, affordable housing, adaptive reuse, senior living, historic, and mixed-use development, including about 7,000 resident-in-place renovations. Hamel's renovation experience extends to over 200 projects to date.

HAMEL BUILDERS

LIHTC Investor

- Founded in 1969 and the leader in real estate investment management for over fifty years.
- Currently manage approximately $15 billion in real estate investments for 140 institutional clients across the United States.

BOSTON FINANCIAL INVESTMENT MANAGEMENT

Summary and Recommendations

Issues for Consideration

Does the Development and Finance Committee wish to join staff's recommendation to the Commission to:

1. Approve the final development plan and budget for the proposed substantial renovation of the Property using tax-exempt bonds issued by HOC, equity from the sale of LIHTC, deferred developer fee, and a seller note all totaling approximately $60.5 million;
2. Authorize the Acting Executive Director to sign the general contractor contract with Hamel for an amount not to exceed $13.1 million;
3. Authorize the Acting Executive Director to execute a Limited Scope Contract not to exceed $941,300 to allow Hamel to execute an agreement with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021;
4. Approve the sale of Shady Grove Apartments to HOC at Shady Grove LLC for the appraised value of $33,200,000; and
5. Authorize the Acting Executive Director to enter into an operating agreement with the Boston Financial and permission to admit a tax credit investor as a 99.99% member of the new Property owner entity?

Staff will return to the Commission at a later date to seek its approval of the Financing Plan, which in addition to tax-exempt bonds and LIHTC equity funding will include a request to approve a loan that bridges the funding of LIHTC equity.

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY2022 budgets.

The investment will raise approximately $19.2 million of tax credit equity for the renovation of Shady Grove Apartments. The Commission will earn Development and Commitment fees, which are available to the Commission to reinvest in the expansion or preservation of affordable housing.

During the 21 months of construction period, the project is projected to maintain 80% occupancy rate to ensure the project does not fall into an operating deficit. The debt service interest payments during the construction period will be capitalized and paid from the development budget.

Summary and Recommendations (Continued)

Time Frame

Discussion at the August 20, 2021 meeting of the Development and Finance Committee and formal action at the September 1, 2021 meeting of the Commission.

PREVIOUS COMMISSION APPROVALS

Resolution 18-52 - Approval to Withdraw from the PNC Bank, N.A. Real Estate Revolving Line of Credit (RELOC) to Prepay Existing Mortgages for Georgian Court Apartments, Shady Grove Apartments, Stewartown Homes, and the Willows.

Resolution 18-29 - Approval of Preliminary Development Plans and Predevelopment Funding for Georgian Court Apartments, Shady Grove Apartments, and Stewartown Homes.

Resolution 21-58A - Approval to Select Hamel Builders as General Contractor for the Renovation of Shady Grove Apartments, Approval to Freeze Leasing to Facilitate Renovation, Approval of Request for Additional Predevelopment Funds, and Ratification of the Formation of Ownership Entities.

Resolution 21-58B - Approval to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Fund Costs Related to the Shady Grove Apartments Transaction.

Resolution 21-71 – Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Shady Grove Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement.

Resolution 21-67 – Approval to Amend and Restate Resolutions 21-57A, 21-57B, 21-58A, and 21-58B.

Summary and Recommendations (Continued)

Staff Recommendation and Commission Action Needed

Staff recommends that the Development and Finance Committee join staff's recommendation to the Commission to:

1. Approve the final development plan budget for the proposed substantial renovation of the Property using tax-exempt bonds issued by HOC, equity from the sale of LIHTC, deferred developer fee, and a seller note all totaling approximately $60.5 million;
2. Authorize the Acting Executive Director to execute the general contractor contract with Hamel for an amount not to exceed $13.1 million;
3. Authorize the Acting Executive Director to execute a Limited Scope Contract not to exceed $941,300 to allow Hamel to execute agreements with subcontractors and suppliers as Hamel works to lock-in pricing, prior to the final construction closing projected in November 2021;
4. Approve the sale of Shady Grove Apartments to HOC at Shady Grove, LLC for the as-is restricted appraised value of $33,200,000; and
5. Authorize the Acting Executive Director to enter into an Operating Agreement with Boston Financial, and permission to admit a tax credit investor as a 99.99% member of the new Property owner entity.

M E M O R A N D U M

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

VIA: Kayrine V. Brown, Acting Executive Director

FROM: Staff: Jennifer Hines Arrington Division: Mortgage Finance Ext. 9760

RE: Approval to Renew the Contracts of the Underwriting Team Consisting of a Senior Manager and Co-managers in Accordance with the Current Contracts and the Procurement Policy

Date: August 20, 2021

STATUS: Consent ______ Deliberation __X____ Status Report_________

OVERALL GOAL & OBJECTIVE:

To renew the terms of the underwriter services contracts with Bank of America Merrill Lynch, PNC Capital Markets, LLC, Jefferies, LLC, Morgan Stanley, RBC Capital Markets, and Wells Fargo Bank, N.A. (the "Underwriters").

BACKGROUND:

On October 12, 2018, a solicitation for Managing Underwriting Services was published and mailed to 32 investment banking firms. Sixteen (16) firms submitted proposals, and on December 18 and 19, 2018, an Evaluation Committee (the "Committee") comprised of two (2) Commissioners, the Executive Director, staff of the Mortgage Finance, Finance, and Executive divisions, and Caine Mitter & Associates Incorporated (Financial Advisor), interviewed 10 firms and recommended eight (8) firms to serve the Commission as Underwriters.

A Letter Agreement (Contract) was executed with each firm (with the exception of Citigroup Global Markets ("Citi"), which cited internal legal obstacles) providing for an initial engagement of two (2) years, expiring in January 2021, with two (2) optional one-year renewals for a maximum term of four (4) years. Each renewal to extend the contract, requires the Commission's approval in accordance with the Procurement Policy. Citi continues to participate on HOC's bond issuances as a member of the Selling Group, which does not require it to be one of the underwriters.

On June 29, 2020, M&T Securities ("M&T") notified HOC that its parent company, M&T Bank, had undertaken a thorough evaluation of its business to ensure its product and service offerings align with the strategic imperatives of both M&T Securities and M&T Bank. As a result, M&T no longer participates in the underwriting of public offerings of fixed-rate municipal bonds and has been removed from the HOC underwriting team, effective July 1, 2020.

On September 9, 2020, the Commission approved the first one-year renewal for the six (6) remaining Underwriters, which expires in January 2022. This renewal request is the second and final of the two (2) renewals, which will extend the contract through January 2023.

The Underwriters

Firm	Role
Bank of America Merrill Lynch	Senior Manger
PNC Capital Markets, LLC	Co-Senior Manager
Jefferies LLC	Co-Manager
Morgan Stanley	Co-Manager
RBC Capital Markets, LLC	Co-Manager
Wells Fargo Company	Co-Manager

The Underwriters help to structure HOC's bond issuances and market the bonds to retail and institutional investors to obtain the most favorable pricing so that the loans made with the proceeds of the bonds promote the financial feasibility of HOC's single family and multifamily financing programs. They commit to the Commission to purchase HOC bonds at an agreed upon price prior to the time of the sale regardless of whether they have successfully placed the bonds with investors.

The current group of Underwriters include a senior manager, a co-senior manager and four (4) co-managers. The senior manager leads the syndicate and, with the co-managers, sets the prices for the different series of bonds, takes orders from co-managers and the selling group, and allocates the bonds to investors and the underwriting team. This is known as "running the book" or managing the syndicate. All of the managers and the selling group are expected to sell bonds and are compensated by receiving a fee known as the "takedown" for the bonds they actually place with investors. Institutional investors generally place orders through the senior manager and designate which manager(s) will receive the takedown. Additionally, the senior manager receives a management fee and is reimbursed for certain expenses. The managers are also expected to present new financial structures and ideas that will enhance the Commission's ability to fund mortgage loans. Any member of the team that brings unique financing ideas that enhance the Commission's programs may be elevated to the role of senior manager for a bond issuance. Since the new contracts were executed, Jefferies, PNC and Wells Fargo have been elevated as senior manager for three (3) separate bond issuances.

Compensation

There are three (3) categories of compensation: 1) Management Fee, 2) Takedown, and 3) Expenses. Management fee is paid only to the senior managing underwriter; however, since the Commission's structure includes a co-senior manager, the fee is split. The management fee will be determined as part of this underwriter review process. Takedown is the fee paid to co-managers and selling group for selling the bonds. Since takedown is market driven, it is always determined based on current market conditions and negotiated at the time of a bond sale. Expenses include underwriter's counsel and pass through expenses typical for a bond issue. Determination of fees will continue unchanged through this renewal period.

Public Issuances (January 2019 to June 2021)

During the current contract period, HOC has issued the following series of bonds, totaling $337,655,000 of multifamily and single family bonds shown below.

Multifamily Housing Development Bonds (1996 Indenture)

Series	Issuance Amount	Projects Financed
2019 Series A-1, A-2	$55,000,000	Elizabeth House
2019 Series BC	$17,405,000	Barclay/Spring Garden (refunding)
2020 Series ABC	$67,345,000	Bauer Park Strathmore/MHLP IX/Forest Oaks (refunding)
2021 Series A	$99,250,000	The Hurston (West Side Shady Grove)
2021 Series B	$16,145,000	Stewartown
Total Issuance	**$255,145,000**	

Single Family Bonds

Series	Issuance Amount	Bond Resolution
2019 Series ABC	$44,110,000	2019 Program Revenue Bond Indenture
2021 Series ABC	$38,400,000	1979 Mortgage Revenue Bonds Indenture
Total Issuance	**$82,510,000**	

Performance of Underwriters (January 2019 to June 2021)

In the following table, separated by the current Underwriters and members of the Selling Group, the respective firm's performance based on the bonds sold is shown. Orders are placed and the senior manager allocates the bonds based on orders and designation rules. The Commission's financial advisor reviews allocations with staff to ensure that the bonds are allocated fairly so that there is continued interest in future HOC bond issuances.

	Total Bonds	% Total Bonds	MF Bonds	% MF Bonds	SF Bonds	% SF Bonds
Underwriters						
BofA	110,992	33%	69,167	27%	41,825	51%
Wells Fargo	117,570	35%	109,543	43%	8,026	10%
PNC	41,481	12%	29,979	12%	11,502	14%
Jefferies	5,548	2%	2,438	1%	3,110	4%
M&T	13,930	4%	9,999	4%	3,932	5%
Morgan Stanley	16,212	5%	10,011	4%	6,201	8%
RBC	17,423	5%	12,999	5%	4,424	5%
	323,155	**96%**	**244,135**	**96%**	**79,020**	**96%**
Selling Group						
Baird	50	0%	50	0%	-	0%
BB&T	135	0%	135	0%	-	0%
Citi	6,760	2%	5,460	2%	1,300	2%
Folger Nolan Fleming	1,085	0%	20	0%	1,065	1%
Janney	740	0%	430	0%	310	0%
Lafayette	710	0%	425	0%	285	0%
Raymond James	2,170	1%	1,940	1%	230	0%
Stifel	200	0%	200	0%	-	0%
UBS	2,650	1%	2,350	1%	300	0%
	14,500	**4%**	**11,010**	**4%**	**3,490**	**4%**
	337,655	**100%**	**255,145**	**100%**	**82,510**	**100%**

Projected FY 2022 Bond Issuances

The table below shows the projected Fiscal Year 2022 transactions and notably includes the planned re-syndication of six (6) existing Low Income Housing Tax Credit multifamily properties to raise new capital for a fresh round of renovation, and the construction of one (1) new multifamily senior development. While constrained by the availability of private activity volume cap, the Commission will need a strong team of underwriters to ensure successful execution.

Transaction	Anticipated Date	Amount
Willow Manor Properties (3)	10/31/21	$45,402,000
Shady Grove Apartments	11/30/21	$28,550,000
Georgian Court	11/30/21	$28,815,000
Hillandale Gateway - Senior	2/28/22	$37,000,000
The Metropolitan	3/31/22	$100,000,000
Single Family Program (est.)	6/30/2022	$30,000,000
Estimated Total Issuance		**$269,767,000**

Conclusion

Based on their performance since the commencement of the current contract period and the projected volume of issuances in FY 2022, it is requested that the current Underwriters continue to represent the Commission on upcoming issuances for a second and final renewal term of one year.

ISSUES FOR CONSIDERATION:

Will the Development and Finance Committee join staff's recommendation to the Commission to grant its approval to renew the current contracts with Bank of America Merrill Lynch, PNC Capital Markets, LLC, Morgan Stanley, RBC Capital Markets, Jefferies, LLC, and Wells Fargo Bank, N.A. for one year?

Staff proposes that the current structure remain in place with each firm having the opportunity to be elevated to senior manager based on proposal of innovative and executable ideas.

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Bank of America Merrill Lynch
Jefferies, LLC
Morgan Stanley
PNC Capital Markets, LLC
RBC Capital Markets
Wells Fargo Company

BUDGET IMPACT:

There is no direct impact on HOC's operating budget. Underwriters are compensated from the proceeds of a bond issuance or from revenues in the respective bond indentures.

TIME FRAME:
For discussion at the meeting of the Development and Finance Committee on August 20, 2021 and for formal action at the September 1, 2021 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff requests that the Development and Finance Committee join its recommendation to the Commission to approve the final one-year renewal of the contracts with Bank of America Merrill Lynch, PNC Capital Markets, LLC, Morgan Stanley, RBC Capital Markets, Jefferies, LLC, and Wells Fargo Bank, N.A. to continue to serve as Underwriters to the Housing Opportunities Commission pursuant to the terms of the original contract of January 2019 and in accordance with the Procurement Policy.

This is the final renewal permitted under the 2018 solicitation; therefore, a new procurement must be completed prior to expiration of this renewal term in January 2023.

Wheaton Gateway: Discussion of Wheaton Gateway Development Approach - i) Approach to Sustainability and Building Resiliency; ii) Approach to Building Construction Technologies; and iii) Key Site Layout Components

Wheaton, MD

KAYRINE V. BROWN, ACTING EXECUTIVE DIRECTOR

ZACHARY MARKS
MARCUS ERVIN

August 20, 2021

Table of Contents

Development Program

TOTAL PROGRAM

Residential - 30% Affordable Target

800 +/-Units over 3 Phases.

854,872sqft

Commercial/Retail

50,000sqft over 2 Phases

Public Space & Parking

PHASE I

Residential

350 +/-Units

Commercial/Retail

25,000sqft

Potential Food Hall – contingent upon the impacts of COVID.

Public Space & Parking

PHASE II

Residential

340+/-Units

Commercial/Retail

25,000sqft

Parking Garage

PHASE III

Residential

110+/-Units

No Planned Retail

Parking Garage

Development Program

Development Vision

Wheaton Gateway, a vibrant new mixed-use residential and retail property on 5+ acres in Wheaton, MD, featuring mixed-income, multifamily housing, and exciting public and commercial spaces;

- Incorporating the highest levels of sustainability;

- A variety of unit types (i.e. 1, 2, and 3-bedroom units) offered at a variety of prices (target of 70% market-rate and 30% MPDU);

- Commercial space concentrated on first floor; and Underground parking.

Development Goals

Complement the Wheaton Sector Plan;

- Build a Comfortable, Healthy & Durable Environment.

- Constructed and Operated Affordably:

- - Low utility bills. Predictability:
  - Maximize Value..
  - Avail ourselves of incentives. (e.g. tax credits, utility incentives)
  - Long term view on value (e.g. durability)

Sustainability Goals

Earn Third Party Certifications:

- LEED: MoCo . High Performance Tax Credits
- Energy Star: Occupant Recognition
- Passive House Institute US: PHIUS (a design framework to reduce energy consumption & improve resiliency)

Development Program

Aerial view illustrating the enhanced building articulation at the corner of Veirs Mill Rd. & University Blvd with the retail being brought closer to the street.

Mixed-Use & Mixed-Income
800+--units

- 30% Sitewide Affordability Target.
- *Sustainability Targets*
  - LEED H Platinum
  - Energy Star Multifamily
  - Passive House Target

Multi-Phase: Multi-Building Program

PHASE 1 -

350 +/- Units &
30k +/- s.f Commercial

- **PHASE 2 -**
  - 350 +/- Units &
  - 30k +/- s.f Commercial
- **PHASE 3 -**
  - 100 +/- Residential Units (Age Restricted?)

Housing Opportunities Commission OF MONTGOMERY COUNTY

Development Program

Aerial view illustrating the rear of the site that is comprised of Phase III (foreground) along University of Blvd and East Ave.

WHY BUILD BETTER THAN CODE MINIMUM?

TRIPLE
BOTTOM
LINE

WHY BUILD BETTER THAN CODE MINIMUM?

PASSIVE HOUSE

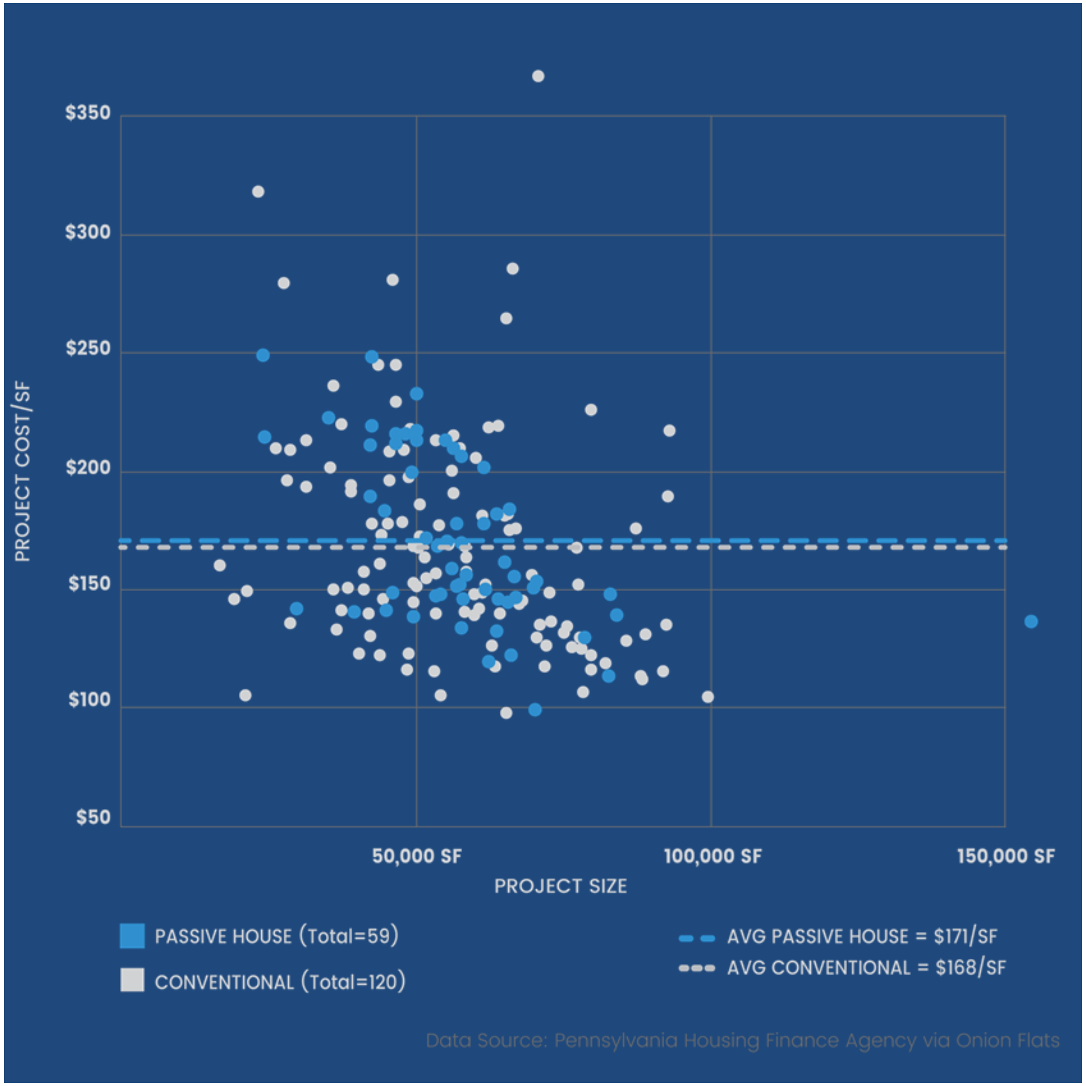
PHFA Data: Cost Comparable?

Proposed PHFA Projects

2015-2016 Construction Cost (Projected)

Passive House vs Conventional –

Less than 2% cost difference.



Approach to Sustainability: High Performance v. Typical Construction

HILLANDALE GATEWAY

COST PER RESIDENTIAL SQUARE FOOT COMPARISON ACROSS BOZZUTO PROJECTS

	Prescient Mid-Grade Steel			*Wood over Concrete*	*Wood over Concrete*	*Wood over Concrete*
	Hillandale Gateway		Bozzuto Average	Shady Grove	Silver Spring	College Park
Items	**Cost per Unit**	**Delta from Avg**	**Cost**	**Cost**	**Cost**	**Cost**
Metal Panel */ sf*	-	-	$ 45.50 */ sf*	-	$ 51.00 */sf*	$ 40.00 */sf*
Windows */ sf*	$ 68.03	$ 30.90	$ 37.14 */ sf*	$ 35.76 */ sf*	$ 40.99 */ sf*	$ 34.65 */ sf*
Appliances */ unit*	$ 5,705.00	$ 2,140.33	$ 3,564.67 */ unit*	$ 3,207.00 */ unit*	$ 3,780.00 */ unit*	$ 3,707.00 */ unit*
Plumbing */ fixture*	$ 2,353.00	$ 112.00	$ 2,241.00 */ fixture*	$ 2,720.00 */ fixture*	$ 1,703.00 */ fixture*	$ 2,300.00 */ fixture*
HVAC */ unit*	$ 6,999.78	$ (2,361.88)	$ 9,361.67 */ unit*	$ 11,045.00 */ unit*	$ 9,179.00 */ unit*	$ 7,861.00 */ unit*
Electrical */ unit*	$ 29,594.00	$ 6,960.33	$ 22,633.67 */ unit*	$ 23,009.00 */ unit*	$ 23,789.00 */ unit*	$ 21,103.00 */ unit*
Finishes */ unit*	$ 14,753.00	$ 332.34	$ 14,420.66 */ unit*	$ 17,220.97 */ unit*	$ 17,505.00 */ unit*	$ 19,230.00 */ unit*
Cost / GSF	**$ 149.13**	$ 2.72	**$ 146.41** */ sf*	**$ 158.09** */ sf*	**$ 144.07** */ sf*	**$ 137.07** */ sf*
Variance from Average	**1.86%**			**7.98%**	**-1.60%**	**-6.38%**

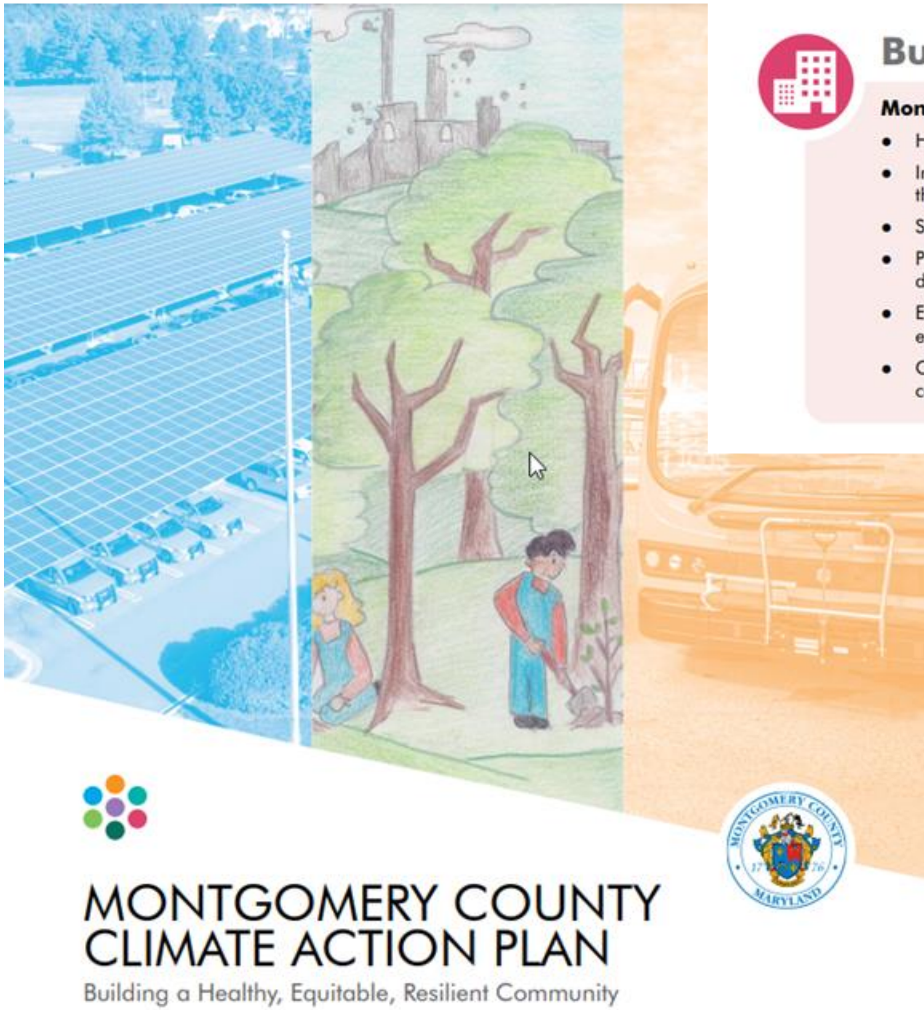
Approach to Sustainability: High Performance v. Code Minimum

HILLANDALE GATEWAY

PASSIVE HOUSE COST ANALYSIS

			463	308	155
			Total HG	NAR	AR
HARD COST	**Qty**	**Rate by DU**	**Cost Delta**		
EIFs	463	$ 2,524	$ 1,168,830	$ 777,537	$ 391,293
Enhanced Air Seal	463	$ 1,300	$ 601,900	$ 400,400	$ 201,500
Thermal Breaks	463	$ 1,067	$ 494,031	$ 311,293	$ 182,739
Appliances	463	$ 2,140	$ 990,973	$ 659,222	$ 331,751
Doors / Windows	463	$ 6,110	$ 2,828,927	$ 1,881,878	$ 947,049
Water Heaters	463	$ 800	$ 185,200	$ 123,200	$ 62,000
HVAC +	463	$ (2,362)	$ (1,093,550)	$ (727,459)	$ (366,091)
Roof Insulatation	463	-	$ 17,584	$ 11,697	$ 5,887
Below Slab/Footing Insulation	463	-	$ 146,857	$ 97,693	$ 49,164
		Subtotal	*$ 5,340,751*	*$ 3,535,461*	*$ 1,805,291*
GC MARKUP					
Total Markup	28.56%	-	$ 1,525,419	$ 1,014,750	$ 510,670
SOFT COST					
Design Premium			$ 30,000	$ 19,957	$ 10,043
Verification			$ 60,000	$ 39,914	$ 20,086
Phius Certification Fees			$ 49,746	$ 33,092	$ 16,654
		Subtotal	*$ 139,746*	*$ 92,963*	*$ 46,783*
		Total	**$ 7,005,916**	**$ 4,643,173**	**$ 2,362,743**

Approach to Sustainability: MoCo Climate Action



Buildings

Montgomery County is home to resilient and efficient buildings.

- High-performance buildings should be equitably available to all County residents.
- Increase energy conservation and efficiency and decrease fossil fuel use in all buildings, with the County leading by example with its own building portfolio.
- Support sustainable, carbon neutral building design, improvements, and energy sources.
- Phase in building requirements while providing transparency to residents and businesses and developing the market knowledge to best meet those requirements.
- Expand access to incentives, financing, and programs to construct or upgrade to resilient, efficient commercial and residential buildings.
- Create demand for jobs and grow the workforce by transitioning to resource-efficient, low-carbon, resilient buildings.

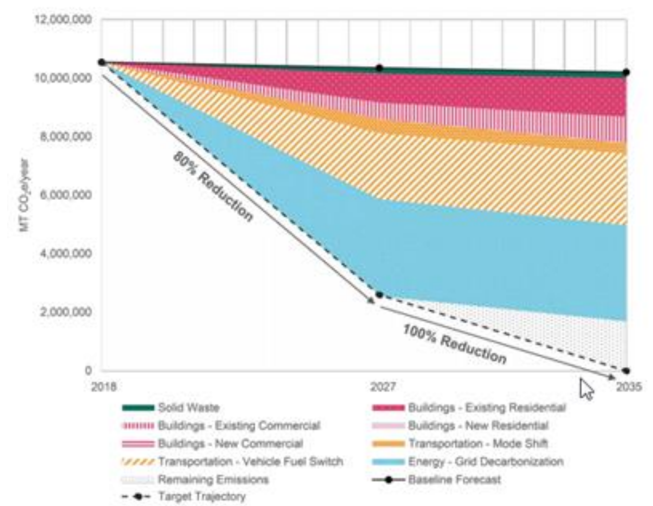


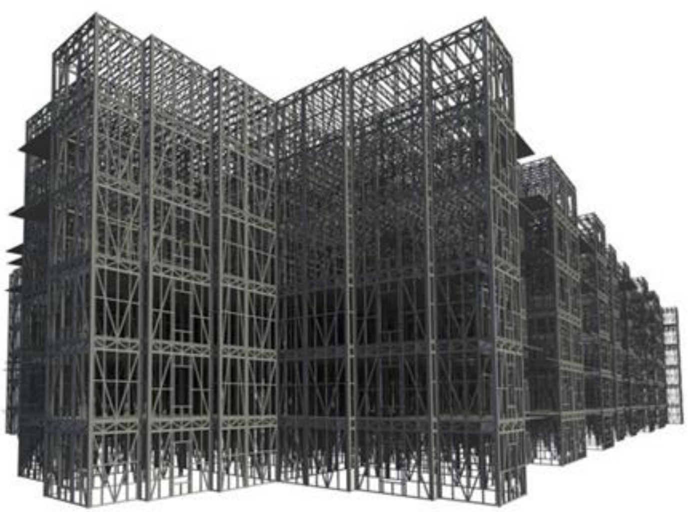
Figure ES-2: Montgomery County GHG emissions reduction pathway across the County's major GHG emissions sectors

Construction Technologies: Prescient

PRESCIENT®

Revolutionize the Building Environment

- Design-Building Information Modeling (BIM)
- Fabricate
- Erect
- Non-Combustible
- Combine with conventional EIFS “Exterior Insulation Finishing System”
- Up to 12-stories



Construction Technologies: Mass Timber

- Sustainable building material with lower carbon footprint than alternatives.
- Can match or exceed the performance of concrete and steel.
- Faster and easier to assemble onsite when compared with concrete.
- Less energy intensive to produce versus steel or concrete.
- Rapidly developing, but still new (added to code in 2018)
- Aesthetically appealing.