Housing Opportunities Commission
Development & Finance Committee
December 18, 2020
10:00 a.m. – via Zoom

Minutes

	Topic		Page #
Minutes	Approval of Development and Finance Committee Minutes of November 20, 2020		**03**

Discussion Items

Project	Topic	Staff Presenter	Page #
Missing Middle at Sandy Spring Meadow	**Missing Middle**: Approval for the Executive Director to Execute Task Order to Engage Selzer Gurvitch Rabin Wertheimer & Polott, P.C. for Legal Services	Shepherd	**08**
Procurement	**Bond Counsel Contracts**: Renewal with Kutak Rock LLP and Ballard Spahr LLP in Accordance with the Current Contract and Procurement Policy	Brown	**11**
Metropolitan	**Metropolitan**: Approval to Select Miner Feinstein Architects as Architect, Authorization for the Executive Director to Negotiate and Execute a Contract, and Authorization to Make Loans to Metropolitan Bethesda Limited Partnership and Metropolitan Development Corporation	Choi	**15**
Stewartown Homes	**Stewartown Homes**: Financing Plan, Feasibility, and Public Purpose for Stewartown Homes; Issuance of a Commitment, and Loan to HOC at Stewartown Homes, LLC for Acquisition, Construction, and Permanent Financing; and Borrower Acceptance of Loan in Accordance with the Finance Plan	Dixon	**26**
West Side Shady Grove	**WSSG**: Approval to Authorize the Executive Director to Execute a Guaranteed Maximum Price ("GMP") contract with Bozzuto Construction Company	Ervin	**47**

Minutes

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

Development and Finance Committee Minutes

November 20, 2020

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, November 20, 2020, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:04 a.m. Those in attendance were:

Present

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

Also Attending

Stacy Spann, Executive Director	Kayrine Brown, Deputy Director
Aisha Memon, General Counsel	Zachary Marks
Eamon Lorincz, Deputy General Counsel	Jennifer Arrington
Christina Autin	Vivian Benjamin
Kristyn Greco	Ellen Goff
Nicolas Deandreis	Kathryn Hollister
Cornelia Kent	Jay Shepherd
Terri Fowler	Gio Kaviladze
Eugenia Pascual	Victoria Dixon
Charnita Jackson	Patrice Birdsong, Spec. Asst. to Commission

Executive Director Spann opened the Development and Finance Committee meeting with a roll call of participants, and Commissioner Simon convened as Committee Chair.

DISCUSSION ITEMS

1. **Fenwick and Second - HOC Headquarters: Approval for the Executive Director to Execute Task Order to Engage Lerch, Early and Brewer for Legal Services**

Kayrine Brown, Deputy Director, introduced Jay Shepherd, Senior Financial Analyst, who provided the presentation. The team requested that the Development and Finance Committee join staff's recommendation that the full Commission authorize the Executive Director to approve and execute a legal consulting task order to Lerch, Early and Brewer to provide land use and development entitlement services for the headquarters development through completion.

The team responded to the Commissioners questions in regards to contingency cost and experience with Mandatory Referral.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend the item for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

2. <u>Stewartown Homes - Stewartown:</u> Approval of Final Development Plan; Formation of Ownership Entities, Admission of Investor Limited Partner, and Authorization for the Executive Director to Execute a Limited Partnership Agreement and General Contractor Contract for the Stewartown Homes Development

Kayrine Brown, Deputy Director introduced Gio Kaviladze, Senior Financial Analyst, who provided the presentation. The team requested that the Development and Finance Committee join staff's recommendation that the full Commission approve the final development plans for Stewartown Homes.

Mr. Kaviladze began his presentation with a summary of the overall objective of the development plan for the renovations. He provided an explanation of financial benefit of the transaction.

Commissioner Simon informed that there is playground equipment that's available to accommodate children with disabilities and is attractive to children. She suggested that we consider this design for future playground areas.

The team addressed the Commissioners concerns regarding rents, utilities and contingency plans.

A motion was made by Commissioner Priest and seconded by Commissioner Nelson to recommend the item for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

3. **<u>West Side Shady Grove – Phase II at Shady Grove:</u> Approval of a Final Development Plan to Authorize the Executive Director to Execute a Guaranteed Maximum Price ("GMP") Contract with Bozzuto Construction; Accept the Assignment of Third-party Contracts for the Development; Authorize the Formation of Additional Legal Entities; and Accept a Montgomery County Housing Initiative Fund ("HIF") Short-Term Bridge Loan**

Kayrine Brown, Deputy Director introduced Marcus Ervin, Housing Acquisitions Manager, who provided a summary overview of the development plan of Phase II. The team requested that the Development and Finance Committee join staff's recommendation that the full Commission approve the final development plan for West Side Shady Grove.

Commissioner Priest noted the impressive work done by HOC in its approach of providing a positive economic impact in Montgomery County.

Commissioner Nelson inquired whether HOC has received a commitment from DHCA on the HIF loan and options if denied. Mr. Ervin informed that the team is working on the application and is having positive dialogue with official at DHCA and also exploring options if funds are not available.

Commissioner Simon noted the rising cost in labor and material due to COVID and the impact on development.

Commissioner Nelson expressed his appreciation on behalf of the Commission on the team's efforts in prioritizing and accommodating the request of the Commission and motioned for approval. Commissioner Priest seconded the motion to recommend the item for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson

4. **<u>West Side Shady Grove – WSSG:</u> Final Financing Plan, Feasibility, Public Purpose and Bond Authorizing Resolution for West Side Shady Grove Apartments; to Issue a Commitment and Loan to HOC at West Side Shady Grove, LLC for Development and Permanent Financing; and to Accept a Loan in Accordance with the Finance Plan**

Kayrine Brown, Deputy Director introduced Jennifer Arrington, Assistant Director of Bond Management, who provided a presentation on the West Side Shady Grove Final Financing Plan. The team requested that the Development and Finance Committee join staff's recommendation that the full Commission approve the final financing plan for West Side Shady Grove.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest, acknowledging the impact of the Bond Financing in creating all sources of financing in making this transaction happen, and for recommendation for approval at the December 9, 2020 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

Commissioner Simon thanked the staff for thorough packet of information. The meeting adjourned at 11:09 a.m. upon a motion by Commissioner Nelson and seconded by Commissioner Priest. Affirmative votes cast by Commissioners Simon, Priest, and Nelson.

Next scheduled meeting is December 18, 2020.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Discussion/Action Items

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Development and Finance Committee			
VIA:	Stacy L. Spann, Executive Director			
FROM:	Division:	Real Estate		
	Staff:	Kayrine V. Brown, Deputy Executive Director	Ext. 9589	
		Zachary Marks, Chief Real Estate Officer	Ext. 9613	
		Jay Shepherd, Senior Financial Analyst	Ext. 9437	
RE:	Sandy Spring Missing Middle Initiative: Approval for the Executive Direction to Execute Task Order to Engage Selzer, Gurvitch, Rabin, Wertheimer & Polott, P.C. for Legal Services			
DATE:	December 18, 2020			

STATUS: Consent _____ Deliberation ___X___ Status Report ____ Future Action ____

OVERALL GOAL & OBJECTIVE:

To approve legal consulting task order to Selzer Gurvitch Rabin Wertheimer & Polott, P.C. ("Selzer Gurvitch"), to provide land use and development entitlement services for the Sandy Spring Missing Middle Initiative development through completion, without interruption.

BACKGROUND:

Sandy Spring Missing Middle is a proposed initiative at Sandy Spring Meadow (Resolutions 20-25AS and 20-55), ("Sandy Spring Missing Middle", or "SSMM") to design, approve and build a range of multi-unit or clustered housing types that are compatible in scale with the surrounding suburban/village residential neighborhood. This project will provide to the County a Missing Middle prototype for other parcels, providing a rich and dense experience, while maintaining the scale of lower density suburban neighborhoods. This is an intensive land use exploration that will require experienced land use counsel.

On February 8, 2019, HOC issued RFQ #2150 for Real Estate Legal Services and received thirteen (13) responses. On April 3, 2019, the Commission approved the pool of legal counsel consisting of twelve (12) firms. The attorneys in the pool assist HOC's staff in addressing legal issues pertaining to real estate development and financing and work to ensure that the Commission proceeds successfully amidst the complexities of regulation, compliance, and contractual obligations. The pool was created in lieu of adding full time staff to handle the legal work load. Legal counsel is engaged as needed under Task Orders. If services are rendered during the development phase of a project, expenses would be funded from the project's development budget, which would be approved by the Commission through its normal review and approval process. If services are rendered before a development budget is approved, expenses would be funded from the revolving Real Estate Working Capital Operating Fund ("RE Fund"), which includes a $350,000 budget for legal services. Once a development budget is approved, any funds used from the RE Fund would be repaid. Therefore, such expenditures are not expected to have an adverse financial impact on the Commission's operating budget.

For the Sandy Spring Missing Middle Initiative, a proposed R-60 development in Sandy Spring, Maryland, staff solicited four (4) firms with the applicable expertise to provide legal counsel under its pool contract.

The firm, Selzer, Gurvitch, Rabin, Wertheimer & Polott, P.C. ("Selzer Gurvitch") provided the most responsive and responsible bid. Their bid and resultant task order(s) will exceed $250,000 and as such, in accordance with HOC's Procurement Policy adopted on June 7, 2017, the Commission must approve the Task Order. Selzer Gurvitch has estimated the cost to complete the associated land use work to be approximately $251,381.25, but Staff is requesting that the Commission approve an amount up to $280,000 to account for any unforeseen issues that could arise before the project is approved.

A summary of the proposals received is below.

Project:	**Sandy Spring Missing Middle**						
		Hours Expected		**Time (in months)**	**Firms**		
Item	Activity	Low	High		Ballard Spahr	Schnader Harrison	Selzer Gurvitch
A.	Pre-Application, Preparation and filing phase through action on the pre-preliminary plan	75	90	3	$36,713	$36,000	lump sum
B.	Pre-Application, Preparation and filing phase through approval for submission of materials, and acceptance of applications for preliminary plan of subdivision and site plan	140	160	4	$62,300	$54,000	lump sum
C.	Drafting, negotiating and processing through the District Council to adoption, a Zoning Text Amendment ("ZTA") to allow triplexes in the R-60 Zone under the MPDU Optional Method of Development.	60	75	6	$33,375	$30,000	lump sum
D.	Post acceptance processing of preliminary plan and site plan	160	210	8	$89,000	$84,500	lump sum
E.	Preparing, filing, and processing certified site plan	10	30	3	$13,350	$11,500	lump sum
F.	Preparation of Post-Approval Documents	50	70	3	$26,700	$24,000	lump sum
G.	Internal Team Coordination and Communication	30	50	0	$22,250	$22,000	lump sum
	Total	**525**	**685**	**27**	**$283,688**	**$262,000**	**$251,381.25**

On July 1, 2020, the Commission approved a loan of $330,000 from the OHRF to fund the second phase of predevelopment costs for the Missing Middle concept at the aggregated 617 O-SS & Sandy Spring Meadow development, which included an estimated $100,000 for legal work.

With the Commission's desire to approve the total Task Order, staff recommends that the Commission authorize the Executive Director to execute purchase orders up to the budget approval amount of $100,000 for the Sandy Spring Missing Middle Initiative. Approval does not obligate the Commission for the full $251,381 of the proposed contract. Instead, approval will get the progress of the entitlement most likely through the Preliminary Plan Application, at which time Staff plan to return to the commission for additional budget authorization which will include the authorization for the balance of the Selzer Gurvitch Task Order.

ISSUES FOR CONSIDERATION:

Will the Development & Finance Committee join staff's recommendation to the Commission to approve a Task Order for Selzer, Gurvitch, Rabin, Wertheimer & Polott, P.C. to provide legal land use service for the entitlement of the SSMM Initiative and for the Executive Director to execute the Task Order of up to the current budget authority of $100,000 for legal services?

BUDGET/FISCAL IMPACT:

There is no adverse impact on the Commission's FY 2021 operating budget. The Selzer, Gurvitch, Rabin, Wertheimer & Polott, P.C. task order will be funded by the Sandy Spring Missing Middle development budget. Purchase orders will be executed in accordance with funding previously approved by the Commission for consulting services.

The estimated total cost of the task order plus work through completion is $280,000, which includes a 10% contingency.

PRINCIPALS:

Selzer, Gurvitch, Rabin, Wertheimer & Polott, P.C.
Housing Opportunities Commission of Montgomery County

TIME FRAME:

For formal action at the January 6, 2021 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Development and Finance Committee joins staff's recommendation to the Commission to approve a Task Order under the current pool contract with Selzer, Gurvitch, Rabin, Wertheimer & Polott, P.C. for approximately $280,000 for legal land use services for the entitlement of the SSMM Initiative development, including authorization for the Executive Director to execute purchase orders of up to the current budget authority of $100,000 for legal services.

M E M O R A N D U M

TO:	Housing Opportunities Commission, Development & Finance Committee		
VIA:	Stacy L. Spann, Executive Director		
FROM:	Division: Mortgage Finance	Staff: Arrington	Ext: 9760
RE:	Bond Counsel Contracts: Renewal with Kutak Rock LLP and Ballard Spahr LLP in Accordance with the Current Contracts and Procurement Policy		
DATE:	December 18, 2020		

STATUS: Consent ____ Deliberation __X__ Status Report___ Future Action____

OVERALL GOAL & OBJECTIVE:
Renewal of the bond counsel contracts with Kutak Rock LLP and Ballard Spahr LLP in accordance with the current contracts and procurement policy, thereby, enabling the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") to meet its affordable housing goals.

BACKGROUND:
On April 5, 2017, the Housing Opportunities Commission of Montgomery County (the "Commission" or "HOC") approved the selection of Kutak Rock LLP ("Kutak Rock") and Ballard Spahr LLP ("Ballard") to serve as bond counsel for a new contract term, initially for three years, with two additional one year renewals for a maximum contract term of five years. The contract term commenced on April 10, 2017 and the initial three-year term ended April 9, 2020. The first renewal term which was approved by the Commission on January 8, 2020 will end on April 9, 2021. Each renewal must be approved by the Commission; therefore, to allow sufficient to complete a new procurement should the Commission so directs, this item is being brought forward at this time.

<u>Bond Counsel</u>
Bond counsel to a municipal housing bond issuer such as HOC provides legal advice specific to the issuance of tax-exempt bonds or other securities issued to finance its housing programs. Most importantly, it provides legal opinion to the marketplace that addresses among other things: (1) the validity of the bonds and (2) the excludability of interest on the bonds from gross income for federal income tax purposes. Without an accompanying opinion of nationally recognized bond counsel, the bonds are not normally marketable.

More specifically, bond counsel participates in the structuring of bond transactions, prepare, review and assemble documents that serve as the transcript for the issued debt. They also provide interpretative services to HOC on an ongoing basis and assist with related covenant and tax compliance matters. They may also assist with continuing disclosure as well as arbitrage rebate compliance if requested, including ad hoc consulting services to address Internal Revenue Service ("IRS"), Securities and Exchange

Commission ("SEC") issues, and other matters that arise from HOC's financing activities.

Though not mandatory, bond counsel is expected to be or become familiar with HOC's affordable housing goals and mission, thereby, enabling HOC to balance profitability goals with public purpose. A stable bond counsel relationship provides continuity for the issuer as it experiences staff turnover throughout the years; therefore, the selected firm (or firms) must possess the breadth, depth and industry presence to enhance its ability to provide related services for HOC to respond to industry changes, market factors, and changes in governing laws.

Current Bond Counsel Relationships

In 2017, both Kutak Rock and Ballard were awarded the same contract terms (three (3) years, initially, with two (2) additional one-year extensions); however, Kutak Rock was selected as the Commission's sole bond counsel for the Single Family Mortgage Revenue Bond Resolution (the "1979 Parity Indenture") and its Single Family Housing Bond Resolution (the "2009 NIBP Parity Indenture").

Kutak Rock has assisted HOC with the issuance of approximately $3.47 billion in 197 bond series throughout its 37-year relationship with HOC, including approximately $267 million covering 12 transactions since 2017. This experience with HOC involved issuance under its single family and multifamily parity indentures, as well as stand-alone (conduit) indentures.

Ballard is a Philadelphia-based law firm of more than 500 lawyers practicing throughout the United States in the areas of litigation, business and finance, intellectual property, public finance, and real estate. Ballard's primary area of practice includes its public finance practice specializing in the area of general housing bond finance with its lawyers having served as bond counsel in every form of traditional municipal debt, including tax-exempt, taxable, new money and all forms of financings involving many forms of credit enhancement.

Ballard is new in its representation as bond counsel to the Commission and both Ballard and Kutak Rock were selected in 2017 as bond counsel for HOC's multifamily issuances with Ballard initially serving as bond counsel for selected stand-alone transactions, as they become experienced with HOC and demonstrate their ability to perform on other transactions. Kutak Rock would serve the Commission initially as bond counsel for all its multifamily bond issuances. Since the contract was awarded, Ballard has not represented the Commission on any private developer transaction because there has only been one traditional private developer transaction which required quick execution.

Additionally, neither Kutak Rock nor Ballard represented the Commission as bond counsel for the West Side Shady transaction, both due to a conflict of interest with the Maryland Community Development Administration.

Parity versus Conduit Bond Counsel Representation

Until recently, HOC's single family bond programs operate pursuant to two parity (open) single family Bond Resolutions. One, the 1979 Indenture, created in that year, embodies all of the complexities of 36-year tax law, industry, and market changes. The second, the 2009 NIBP Indenture, created in 2009 to allow for participation in the U.S. Treasury Initiative for Housing Finance Agencies, is less complex.

The multifamily program operates a little differently, but most of the activities are conducted pursuant to the 1996 Housing Development Bond Resolution (the "1996 Indenture") and the 2002 Multiple Purpose Bond Resolution (the "Multiple Purpose Indenture"). One older parity indenture—the 1984 indenture—

is no longer used for new multifamily issuances and only has two series of bonds outstanding. As with the single family parity indentures, the firm selected to represent the Commission as bond counsel for the multifamily programs must be knowledgeable about all of the issues inherent in similar programs.

On July 10, 2019, the Commission approved the creation of a new indenture, the General Trust Indenture ("GTI"), which is a multiple program indenture that authorizes the Commission to issue taxable or tax-exempt bonds or other evidences of indebtedness to finance homeownership programs and rental housing programs, or to finance or reimburse the related Commission's capital expenditures. The bonds issued under the GTI are revenue bonds, and may be private activity bonds or governmental bonds. The bonds will be secured by rental housing and/or single family home mortgage loans. The GTI authorizes the issuance of new money and refunding bonds. It is a parity indenture, but subordinate bonds are authorized to be issued. Individual bond issues will be via supplemental indentures, which establish funds and accounts as may be necessary for the individual bond issuances.

In addition to these parity indentures, from time to time, HOC issues bonds that finance private developer transactions on a stand-alone basis. Those may be characterized as conduit issuances. While experience in multifamily parity bond issues might be helpful, conduit issuances are different in structure and documentation.

Contract Renewal

As stated previously, the Commission's current contract with Kutak Rock and Ballard is for a term of three (3) years (through April 17, 2020), initially, with two (2) additional one-year extensions. The Commission approved the first renewal, one-year extension, on January 8, 2021. This request is for the final renewal of the contract. Based upon the long history with Kutak Rock and the continued desire to work with Ballard for selected stand-alone multifamily transactions, staff proposes the renewal of both contracts for a one-year term in accordance with provisions of the existing contracts. Staff further proposes that Kutak Rock be designated as sole bond counsel for the new General Trust Indenture with its fees charged based upon the type of issuance outlined below.

Fees:

Kutak Rock's average hourly rate is $350. A flat fee of $52,000 is for HOC's single family bond issuance under its parity indentures, and for multifamily issuances funding developments that are owned by HOC or its affiliates, the per-transaction fee under a parity indenture is $60,000. Private developer stand-alone issuances are proposed at $60,000-$70,000 based on complexity.

Ballard's hourly rate is $477 for its partners and associates with annual increases of $25 for partners and $20 for associates. Additionally, a flat fee of $60,000 is for stand-alone multifamily conduit issuances. Per the contract, these fees are fixed for the first three (3) years with 3% annual escalations thereafter.

The use of para-professionals is anticipated by both firms to reduce overall costs. Given HOC's real estate and financing pipeline, staff proposes the fee under each contract to not exceed $600,000 annually.

	Ballard Spahr[1]	Kutak Rock	Comments
Hourly Fee (Partners & Associates)			
Partners	$506	$350	
Associates	$394	$250	
Paralegal	$216	$175	
Single Family Parity	N/A	$52,000	
Multifamily Parity	N/A	$60,000	HOC-owned or sponsored
Multifamily Stand-alone	$61,800	$60,000 - $70,000	Private developers
Reimbursable Expenses	Actual cost	Actual cost	

ISSUES FOR CONSIDERATION:

Will the Development and Finance Committee join staff in its recommendation to the Commission to approve the renewal of the contract with Kutak Rock LLP and Ballard Spahr LLP as its bond counsel for a in accordance with the provisions of the existing bond counsel contracts and the current procurement policy?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Ballard Spahr LLP
Kutak Rock LLP

BUDGET IMPACT:

There is no impact for the Commission's FY21 operating budget. Bond counsel fees are built into the cost of issuance budget for each issuance and paid from the development budget for a multifamily transaction, the indenture for a single family issuance, or from the Mortgage Finance Division's budget for routine non-transactional hourly costs, all of which are approved by the Commission.

TIME FRAME:

For formal action at the January 6, 2021 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

1. Staff recommends that the Development and Finance Committee joins staff in its recommendation that the Commission approve the renewal the bond counsel contracts with Kutak Rock LLP and Ballard Spahr LLP and extend for one (1) year in accordance with the current contracts and procurement policy.
2. Staff further recommends approval of an annual aggregate contract amount of up to $600,000 for both contracts.

[1] *Renewal fees for Ballard reflect a 3% increase in accordance with the existing contract.*

The Metropolitan: Approval to Select Miner Feinstein Architects as Architect, Authorization for the Executive Director to Negotiate and Execute a Contract with Miner Feinstein Architects, and Authorization to Make Loans to Metropolitan Bethesda Limited Partnership and Metropolitan Development Corporation

Bethesda

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
HYUNSUK CHOI

December 18, 2020

Table of Contents

Executive Summary

- The Metropolitan Apartments ("Metropolitan" or the "Property") was constructed in 1997. The Property is a 14-story, 308-unit high-rise apartment building located at 7620 Old Georgetown Road, Bethesda. Metropolitan currently provides 92 affordable units and 216 market rate units.
- The 216 market rate units underwent minor renovations in 2013, but the affordable units have not been updated since they were initially placed in service.
- The Property is built above the Montgomery County-owned Metropolitan Public Parking Garage 49 and legal title is structured as an air rights condominium. The County receives a portion of cash flow at the end of each fiscal year based on the formula set forth in the Air Rights lease documents.
- Since the Property was first occupied, the market and affordable units have integrated seamlessly, and there have not been any issues raised by residents on either side. This is merely one of the success stories of HOC's history of mixed-income development in Montgomery County.
- HOC issued a solicitation for Architectural Services for the renovation of The Metropolitan on October 28, 2020 from the Architecture and Accessibility Consultant Pool (established under RFQ #2080).
- Based on the evaluation of the five responses, staff recommends Miner Feinstein Architects as architect for the renovations of Metropolitan.
- Staff requests $799,622 to be funded with a loan from the Opportunity Housing Reserve Fund ("OHRF") for design services; which includes Schematic, Design Development, Permit and Construction documents from concept through construction documents; and is necessary for the preparation of a LIHTC application for submission to the Maryland Department of Housing and Community Development ("DHCD").

Waverly House

Avondale Properties

Property Overview

Location	7620 Old Georgetown Road, Bethesda MD 20814
Owner	Metropolitan Development Corporation & Metropolitan of Bethesda Limited Partnership
Property Manager	Bozzuto Management Company
Property Type	High-rise apartments (14 stories)
Total Units	308 (216 MKT & 92 AFF)
Occupancy	93% (MKT) & 99% (AFF) as of August 16, 2020
Property Amenities	Rooftop pool with lounge seating and stunning views, community room, fitness center, business center, onsite storage, 24-hour concierge, one-story parking garage, courtyard, and balconies (available in select apartment homes).
Neighborhood Amenities	Moments from the shops and entertainment of Bethesda Row, one block from Bethesda Metro Station, and numerous on-site retail shops, including Bethesda Metro Hair (barber shop), &Pizza, Chipotle, Geste Beer & Wine, Kohler, and Next Phase Fitness Studio
School District	Bethesda Elementary School, Westland Middle School, and Bethesda-Chevy Chase High School

- The 216 market rate units benefitted from minor renovations in 2013 but are in need of more significant renovations to remain competitive with other market rate units today. The 92 affordable units have not had any renovations.
- Staff is proposing to achieve National Green Building Standard ("NGBS") Silver certification.

Property Overview – Unit Mix & Retail

Unit Mix – Affordable

Unit Type	# of Units
Efficiency	23
1BR	43
2BR	24
3BR	2
Total	**92**

% of AMI	# of Units
25% AMI	20
30% AMI	23
40% AMI	30
50% AMI	19
Total	**92**

Unit Mix – Market

Unit Type	# of Units
Efficiency	13
1BR	113
2BR	78
3BR	12
Total	**216**

Retail Space – List of Tenants

Name	Square Feet
Chipotle Mexican Grill	3,027
Geste Café Beer and Wine	1,619
IMA Pizza	807
Bethesda Woodmont Barber Shop	1,030
Next Phase Inc	3,029
Kohler	3,933
Total	**13,445**

- Average occupancy of Affordable units was 99.3% in 2019
- Average occupancy of Market units was 92.6% in 2019
  - There is room for revenue growth from market units.
- Retail space is currently 100 % occupied
- 100% parking space leased
  - $175 per parking space/month

Market Study - Product

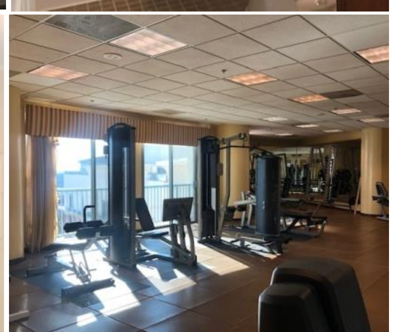
The Metropolitan

- Built: 1997
- Updates: 2013 (minor renovations to market rate units)
- Amenities: rooftop pool, club room, fitness room
- Advantage: location to Metro, price point

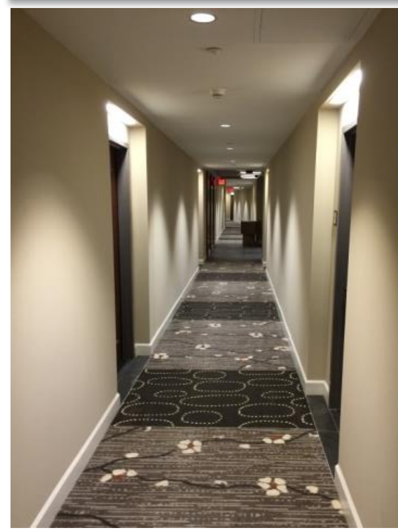
Market Rate Properties

- Built: 2015-2020
- Current design, finishes shown below
- Amenities: rooftop pools, outdoor space, rooftop social areas, fitness, dog wash station
- Advantage: Location, age, lifestyle



Existing Condition




Market Condition

Housing Opportunities Commission OF MONTGOMERY COUNTY

Selection of Architect - Qualifications

HOC issued a solicitation for Architectural Services for the renovation of Metropolitan on October 28, 2020, from the Architecture and Accessibility Consultant Pool (established under RFQ #2080). Staff received five proposals from Hord Coplan Macht ("HCM"), Kishimoto Gordon Dalaya ("KGD"), KTGY Architecture + Planning ("KTGY"), Miner Feinstein Architects ("MFA"), and Zavos Architecture + Design ("ZA+D") ,(Sort A to Z), on November 18, 2020. The scoring team (consisting of staff from Finance, Property Management, and Real Estate Development) completed its review of the responses on December 1 and 2, 2020, based on the following criteria:

- **Experience** (30 points)
  - Key Factors: Demonstrated experience as architect on projects located in the Washington DC metropolitan area and Maryland specifically with a preference for Montgomery County and specifically with affordable housing and local building codes.
  - High-rise multifamily rental (above 10 stories) projects (rehab or new construction) in the past three years.
  - Strong track record of completed LIHTC projects in the State of Maryland (rehab or new construction) in the past five years.
  - Strong track record of completed renovation projects with residents in place or phased around residents in the past five years
- **Price** (30 points)
  - An evaluation of the value of the services provided at the proposed pricing structure.
- **Qualifications** (20 points)
  - Key Factors: Ability of the organization/team to undertake and complete successfully projects of comparable size, scope and product type
  - Multifamily apartments & energy efficiency and sustainability improvements
  - Renovation projects with residents in place or phased around residents
- **Schedule** (10 points)
  - Anticipated schedule in detail for production of each phase of architectural documents
- **MFD Status** (10 points)
  - Certification as a minority-, female-, or disabled-owned business

Scope of Work - Summary

Existing Kitchen (Affordable Unit)

Scope of Work

- Update and upgrade The Metropolitan so that The Metropolitan remains attractive, marketable and competitive with comparable properties
- Increase the efficiency of the building to reduce operating costs to both property and residents
- Replace roof & mechanical systems; including HVAC, hot water heaters, and water pipes
- Improve sustainability and energy efficiency through improvements such as a Trigeneration or Cogeneration system.
- Replace elevator cab finishes, equipment, and software
- Upgrade pool equipment & surface

- Update and upgrade clubroom , fitness room, penthouse bathrooms (showers, saunas and locker)
- Update common corridors with new finishes and lighting
- Upgrade unit kitchen & bathrooms (inclusive of new floor finishes, entry door, appliances, low-flow plumbing fixtures, and lighting fixtures)
- Update and upgrade fountain and exteriors, such as canopy and lighting

❑ 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.

❑ Ensure a pragmatic and cost-effective approach to the renovation program.

Existing Club Room

Selection of Architect – Scoring Summary

There were five respondents to Metropolitan's Task Order. Of the five qualified responses, Miner Feinstein Architects has the highest average score at **82.3%.** Included in their experience is a proven history of successful work for HOC, including successful work at Alexander House and Arcola Towers. Miner Feinstein also had the least expensive proposal; therefore, staff proposes the selection of Miner Feinstein Architects.

Rank	Architect	Experience (30%)	Qualifications (20%)	Price (30%)	Schedule (10%)	MFD Status (10%)	Total AVG. %	Price
1	**Miner Feinstein Architects**	**28.7**	**19.0**	**28.7**	**6.0**	**0.0**	**82.3**	**$946,368**
2	KTGY Architecture + Planning	27.7	18.2	27.3	6.3	0.0	79.5	$1,006,975
3	Kishimoto Gordon Dalaya	27.3	17.5	26.0	8.0	0.0	78.8	$1,027,597
4	Hord Coplan Macht	28.3	16.7	24.0	8.3	0.0	77.3	$1,060,530
5	Zavos Architecture + Design	26.0	15.0	22.3	6.3	0.0	69.7	$1,190,444

* Evaluated by: Finance, Property Management, and Real Estate Development
* Price included MEP and Structural services and estimated 18 months construction period (based on Alexander House)

As part of HOC's continuing effort to provide its residents with higher quality and amenity-rich affordable housing, staff proposes a renovation similar in scope to Alexander House apartments, which MFA completed, and is projected to increase the efficiency of the building.

Predevelopment Budget

- On September 9, 2020, the Commission approved feasibility funding of $120,000 to engage third-party professionals/consultants to investigate and document the existing condition of the building to develop a renovation scope for Metropolitan.
- Staff requests $699,622 for the predevelopment phase of architectural services to be funded with a loan from the OHRF. Services for this phase include several components to move design development from concept through construction documents and to prepare a LIHTC application for submission to the DHCD.

MFA – Proposal Detail	Cost	Projected Schedule
Existing Conditions/Pre Design	$41,836	February 17, 2021
Schematic Design	$90,258	March 31, 2021
Design Development	$118,278	June 1, 2021
Construction Documents	$184,810	October 4, 2021
Bidding and Negotiation	$22,810	
Other Services (*)	$241,048	
SUBTOTAL	**$699,622**	
Construction Administration (Monthly)	*$11,073*	
Construction Administration (18 Months)	*$199,320*	
Punch Out Services/Closing Out	*$47,426*	
SUBTOTAL	***$246,746***	
TOTAL	**$946,368**	

- In addition, staff requests $100,000 for to be funded with a loan from the OHRF for interior design services to cover concept development through construction documents.
- MFA is projecting to produce permit documents by August 11, 2021.
- Staff will discuss with MFA to try to reduce its overall schedule.
- Metropolitan Development Corporation – total loan portion would be $559,735 (70% of $799,622)
- Metropolitan of Bethesda Limited Partnership total loan portion would be $239,887 (30% of $799,622)

* Anticipated reimbursables; conversion of PDF As-Built drawings to CAD files; CDA LIHTC application and processing; field measuring; 3D renderings; Fair Housing Assessment; property signage; site visit for mechanical electrical, and plumbing engineer; and Section 3 Compliance.

Summary and Recommendations

Issues for Consideration

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

1. Approval of the selection of Miner Feinstein Architects as architect for the renovation of The Metropolitan Apartments and
   - Authorization of the Executive Director to enter into architect contract negotiations,
   - Authorization of the Executive Director to execute architect contracts for the renovation of The Metropolitan Apartments.
2. Approval of $799,622 for architectural and interior design services for the predevelopment phase of the rehabilitation of The Metropolitan Apartments to be funded from the OHRF. The loan will be interest free and repaid from the proceeds of the renovation financing at closing.

Time Frame

For formal action at the January 6, 2021 meeting of the Commission.

Budget/Fiscal Impact

There is no impact on the FY2021 Operating Budget; however, if approved, these loans totaling $799,622 would reduce the available balance of the OHRF from $4,605,566 (December 10, 2020) to $3,805,944.

Staff Recommendation and Commission Action Needed

Staff requests that Development and Finance Committee join its recommendation to the Commission to approve the selection of Miner Feinstein Architects as the architect of record for the renovation of The Metropolitan Apartments and funding of $799,622 for architectural and interior design services for the predevelopment phase of the rehabilitation of The Metropolitan to be funded from the OHRF. The loan will be interest free and repaid from the proceeds of the renovation financing at closing.

FINANCING PLAN, FEASIBILITY, AND PUBLIC PURPOSE FOR STEWARTOWN HOMES; ISSUANCE OF A COMMITMENT AND LOAN TO HOC AT STEWARTOWN HOMES, LLC FOR ACQUISITION, CONSTRUCTION, AND PERMANENT FINANCING; AND, BORROWER ACCEPTANCE OF LOAN IN ACCORDANCE WITH THE FINANCE PLAN

STEWARTOWN HOMES, GAITHERSBURG, MD

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
VICTORIA DIXON
LEN VILICIC

December 18, 2020

TABLE OF CONTENTS

Stewartown Homes(“Stewartown” or the “Property”) is an existing 94-unit, income restricted apartment community, in Gaithersburg, MD. The Property was originally built in 1976 and financed under HUD’s Section 236 Program (“236 Program”) and refinanced in 2000 with Low Income Housing Tax Credit (“LIHTC”) equity and an FHA Risk Share permanent mortgage funded via bond proceeds under the 1996 Multifamily Housing Development Bond Resolution (the “1996 Indenture”). In January 2020, HOC as managing member acquired the limited partnership interests in the LIHTC entity, MV Affordable Housing Associates Limited Partnership, from Wells Fargo.

The Property is an important component of HOC’s affordable housing portfolio, as it will continue to serve households with low income and offer nine (9) units with four-bedrooms. Previous U.S. Department of Housing and Urban Development (“HUD”) Rental Assistance Payment (“RAP”) subsidies were converted under Component 2 of HUD’s Rental Assistance Demonstration (“RAD”) Program to secure Project Based Rental Assistance (“PBRA”) for 19 units. For those units not covered by RAP, it is anticipated that 15 units will receive Low Vacancy Vouchers (“LVV”), subject to tenant eligibility and certification. All 94 units at the Property will be restricted to serve households with incomes up to 60% of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area Median Income (“AMI”).

On December 9, 2020, staff presented to the Commission a Final Development Plan (“Development Plan”) at an estimated total cost of $38.2 million to acquire and renovate the Property with in-unit upgrades of finishes and equipment, conversion of five (5) units to Uniform Federal Accessibility Standards (“UFAS”) accessible, and expansion of select half baths to full baths, as well as external improvements to lighting, paving, landscaping, building envelope, and an upgraded playground. Completion of renovations is projected to take up to 16-months for completion by August 2022.

As part of the Development Plan, the Property will be acquired by HOC at Stewartown Homes, LLC (the “Borrower”), controlled by HOC MM Stewartown Homes, 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 December and Boston Capital approved as LIHTC Syndicator. Staff may return with a request to amend LIHTC syndication.

The proposed Financing Plan totals $38.2 million and will include the following combined sources: (a) private activity short-term and long-term, tax-exempt bonds proceeds will fund a FHA Risk Share mortgage loan (“Mortgage Loan”) to finance acquisition, and renovation costs of the transaction; (b) LIHTC equity; (c) a subordinate loan from the Montgomery County Department of Housing and Community Affairs (“DHCA”) Housing Initiative Fund, representing assignment of previous funds in the property (“County Loan”); and, (d) a subordinate loan from MV Affordable Housing Associates Limited Partnership, representing contributed land equity (“Seller Loan”). Closing is expected to occur by March or April 2021. Stabilization of the Property is expected to occur by August 2022 with conversion to permanent debt to occur by January 2023.

EXECUTIVE SUMMARY

Date	Res.	Description of Commission Resolutions
April 5, 2017	17-23	Approval to advance $150,000 from the Opportunity Housing Reserve Fund ("OHRF") to fund Predevelopment Expenses for Stewartown Homes through the submission of Low Income Housing Tax Credit Applications.
May 2, 2018	18-29	Approval of Preliminary Development Plans and Predevelopment Funding of $250,000 from the OHRF for Stewartown Homes.
July 11, 2018	18-52	Approval to withdraw up to $1,817,646 from the PNC Bank, N.A. Real Estate Revolving Line of Credit ("RELOC") to prepay existing fixed rate mortgage for Stewartown Homes.
January 8, 2020	20-07	Authorization to select Harkins Builders as General Contractor for the renovation of Stewartown Homes in accordance with RFQ #2121 and RFP #2121-01; Approval to freeze leasing to hold up to 16 Vacant Units to facilitate renovation; and Approval of request for additional Predevelopment Funds of $350,000 from the OHRF for a total authorized of $700,000 to be repaid from renovation financing of the Property.
April 1, 2020	20-30	Authorization to select Boston Capital as LIHTC syndicator for the renovation of Stewartown Homes and authorization for the Executive Director to negotiate an Operating Agreement.
December 9, 2020	20-85	Approval of Final Development Plan, ratification of formation of Borrower and General Partner entities, purchase and sale of the Property to new entities, authorization to negotiate with the DHCA, authorization to negotiate and execute an Operating Agreement with new LIHTC investor and a contract with the General Contractor.

EXECUTIVE SUMMARY

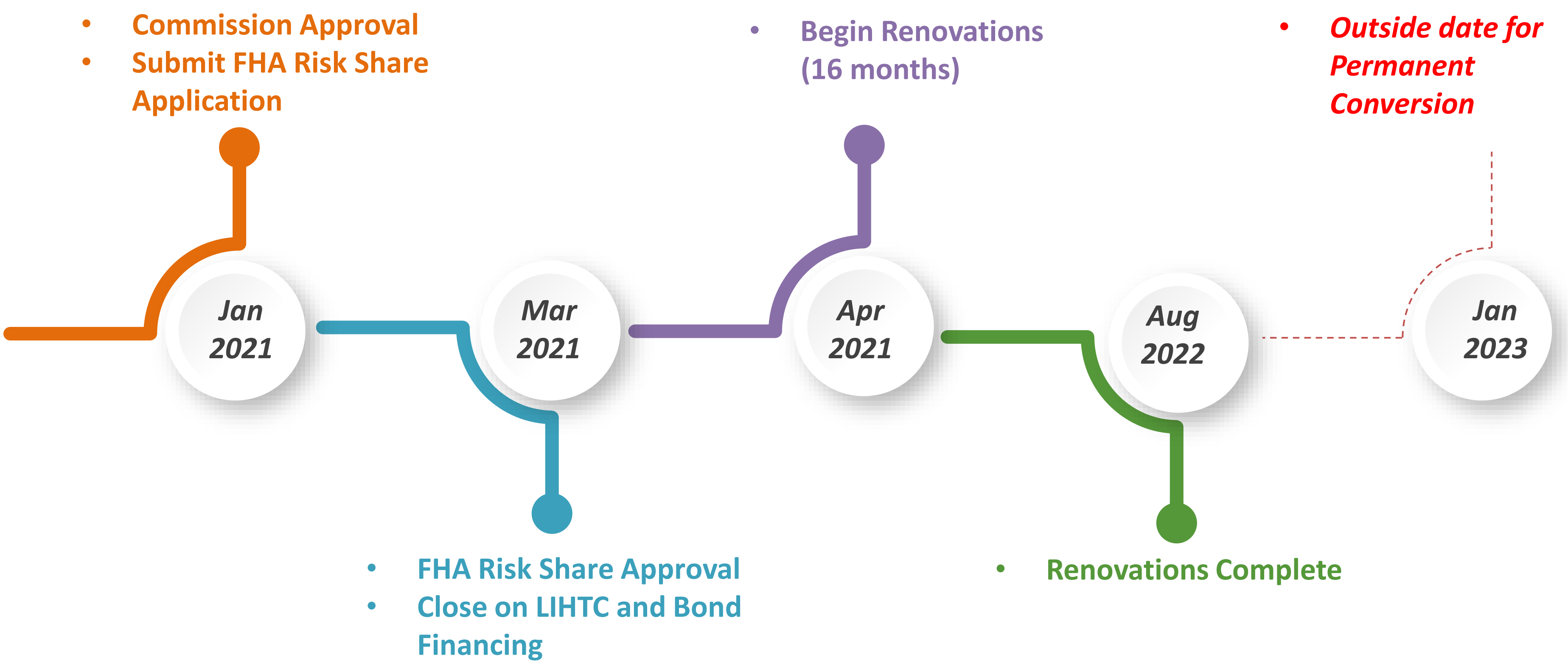
Staff has completed its underwriting and recommends the Development and Finance Committee join its recommendation to the Commission of the following actions:

1) Approval of Stewartown's Financing Plan totaling $38.2 million that includes the following sources: a) tax-exempt construction to permanent mortgage loan to fund acquisition and renovation, which will be funded by the issuance of short-term and long-term tax-exempt bonds; b) LIHTC equity; c) subordinate County Loan; and d) a subordinate Seller's Note from MV Affordable Housing Associates Limited Partnership.
2) Approval of the feasibility and public purpose for Stewartown setting aside 100% of units at 60% AMI, and the allocation of up to $16 million in volume cap for the transaction.
3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt bonds in an amount of up to $16 million under the 1996 Indenture.
4) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to $16 million.
5) 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.
6) Approval for MV Affordable Housing Associates Limited Partnership, a wholly owned entity of HOC, to provide a Seller Loan of approximately $12 million to the Borrower.
7) Approval for the Borrower to accept the proposed Mortgage Loan, County Loan, and Seller Loan.

EXECUTIVE SUMMARY

Borrower	HOC at Stewartown Homes, LLC	
Units/Affordability	94 Units 100% Affordable	
	93 1	≤ 60% AMI, age-restricted Non-Revenue
Stabilized Net Operating Income (estimated)	$733,390	
Volume Cap / Tax-Exempt Financing (up to)	$16,000,000 1996 Multifamily Housing Development Bond Resolution	
First Mortgage (up to)	$16,000,000 FHA Risk Share Mortgage	
Permanent Mortgage Interest Rate (estimated)	4.58%	
Mortgage Insurance	FHA Risk Share - 25% HOC / 75% FHA	
Seller Loan (approx.)	$11,585,152	
Permanent Loan Amortization / Term (up to)	40 Years / 42 Years	
Debt Service Coverage Ratio	1.15	
County Participation	(a) $2,107,503 Housing Initiative Fund Loan (b) Real Estate Tax Exemption	

FINANCING SCHEDULE



PROPERTY OVERVIEW

Location 9310 Merust Lane, Gaithersburg, MD 20879

Owner HOC at Stewartown Homes, LLC

Property Manager Edgewood Management Corporation

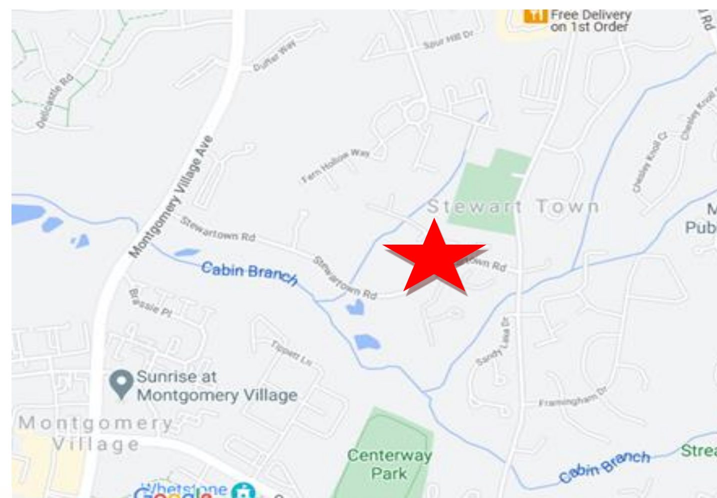
Total Units 94

Unit Mix
2 units – 1BR/1BA
14 units – 2BR/1BA
64 units – 3 BR/1.5 BA
13 unit – 4BR/2BA
1 unit – 3 BR/1.5 BA (non-revenue)

Stewartown is an income restricted community with all units for households earning up to 60% of AMI. Nineteen (19) households will qualify for RAD PBRA subsidies and up to 15 units for LVVs. At least five (5) units will meet UFAS. One (1) non-revenue unit will be the on-site residence of maintenance personnel.

Amenities A townhome style community with private playground. Neighborhood amenities include Giant Food and Montgomery Village Farmers grocery markets, Stewartown Local Park, and various restaurants, services, and retailers with additional connectivity via Ride-On service and Metrobus access to the Shady Grove WMATA Station (Red Line).

Planned Renovation The existing property is comprised of fourteen two-story buildings built in 1977. Renovations will include: (a) upgrading interior kitchens and bathrooms, including energy efficient appliances, washers and dryers, new cabinetry, countertops, fixtures, flooring, painting and lighting; (b) installation of modern HVAC units and electric hot water heaters; (c) conversion of half baths in four-bedroom units to full baths; (d) replacement of roofs not previously replaced in schedule capital improvements; (e) replacement of siding, gutters, windows, and doors; and (f) conversion of five (5) existing units to UFAS accessible units; (g) improvements to the site including paving, lighting, landscaping, and signage; and, (h) installation of a new playground.



Housing Opportunities Commission OF MONTGOMERY COUNTY

TRANSACTION HIGHLIGHTS

Public Purpose	Stewartown provides 94 affordable units with incomes at or below 60% of the AMI. Nineteen (19) households will qualify for RAD PBRA subsidies and up to 15 units for LVVs. At least five (5) units will meet UFAS. Additional details on slide 10.
County Interest	Acquisition and renovation of the Property will preserve quality, affordable housing for senior individuals and households in the County. The real estate tax exemption from the County for 94 (100%) of the restricted units is estimated to be valued at $126,424 at stabilization (CY 2022).
Volume Cap Allocation	No more than $16 million in volume cap will be required for tax-exempt bond financing. See page 14 for HOC's Volume Cap Need/Uses matrix.
Bond Financing	Up to $16 million – the private activity, short-term and long-term tax-exempt 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 42 years. Upon conversion to permanent the Mortgage Loan will begin a 40-year amortization schedule and will be repaid from property operations.
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	None. Based upon review of the Developer Draw Schedule, bridge financing does not appear to be needed.
LIHTC Equity	Approximately $8.4 million – The tax-credit equity will be paid in stages: 1) loan closing (20%); 2) construction completion (20%); 3) cost certification, stabilized occupancy, and permanent mortgage conversion (55%); and, 4) issuance of the final 8609s (5%). Staff may return with a request to amend LIHTC syndication.
Developer Fee	The developer's fee will be approximately $3.1 million.
Development Team	**Owner/Developer:** HOC at Stewartown Homes, LLC / HOC **General Contractor:** Harkins Builders **Architect:** Zavos Architecture & Design, LLC **Property Management:** Edgewood Management Corporation **Construction Management:** TBD **LIHTC Syndicator/Investor:** Boston Capital / Fannie Mae

PUBLIC PURPOSE

- The availability of two-story townhouses in a residential setting to address the housing needs of families with children.
- Preserving the availability of 3 and 4 bedroom units to serve larger families at affordable rates.
- All 94 units will serve households earning up to 60% of AMI, below is a snapshot comparison of proposed affordable rents compared to market rents.

Subsidized Unit Rents (34 units):

	RAD2 PBV Units	RAD2 PBV Rents*	RAD LVV Units	RAD LVV Rents*
2 Bedrooms	4	$1,513	4	$1,382
3 Bedrooms	10	$1,749	9	$1,585
4 Bedrooms	5	$1,926	2	$1,776
Total	**19**	**$1,746**	**15**	**$1,556**

**** These rents include tenants' rent payments and PBV subsidy payments. The actual tenants' rent payments will be limited to 30% of their gross annual income.***

Non-Subsidized LIHTC Unit Rents (60 units) compared to Market:

	# of UFAS Units	# of Other Units	Unit Size	Existing Net Rents	Utility Allowances	Existing Gross Rents	Max Supportable Tax Credit Rents	Market Rents
1 Bedrooms	2	0	854	NA	NA	NA	$1,234	$1,600
2 Bedrooms	2	4	854	$1,218	$131	$1,349	$1,507	$1,700
3 Bedrooms	1	45	948	$1,384	$164	$1,548	$1,729	$1,900
4 Bedrooms	0	6	1200	$1,536	$186	$1,722	$1,926	$2,150
Total	**5**	**55**	**972**	**$1,382**	**$162**	**$1,544**	**$1,725**	**$1,907**

* Utility Allowances for converted 1 bedroom units will be based on the HUD utility allowance amounts at the time these units are placed in service.

STABILIZED PRO FORMA

Stabilized Proforma		Per Unit
Gross Residential Revenue	$ 1,640,628	$ 17,453
Vacancy, Concessions, Bad Debt	$ (122,393)	$ (1,302)
Effective Gross Income (EGI)	$ 1,518,235	$ 16,151
Operating Expenses	$ 751,945	$ 7,999
Replacement Reserves	$ 32,900	$ 350
Net Operating Income (NOI	$ 733,390	$ 7,802
Debt Service	$ 637,734	$ 6,784
Cash Flow Before Distributions	$ 95,656	$ 1,018
Debt Service Coverage Ratio (DSCR)	1.15	

- To facilitate renovations, vacancy at the Property of up to 16 units at a time is permitted.
- Stabilized Vacancy and Concessions are underwritten at 7%.
- Post-renovation, the Property is expected to reach 93% occupancy by August 2022. Rent and expense annual growth rates are projected at 2% and 3%, respectively.
- Initial replacement reserves will be established at $1,200 per unit from capital sources.

- The Property has an existing PILOT agreement and is projected to benefit from continuing real estate tax exemption from the State and Montgomery County. The County exemption is estimated at a year-one value of $126,424.
- Cash Flow Before Distribution in the amount of $95,656 will be impacted by debt service payments on the County Loan.
- Current sizing is based on an estimated interest rate of 4.58% (including Mortgage Insurance Premium ("MIP") of 25 basis points, HOC Loan Management Fee ("LMF") of 25 basis points on the original mortgage amount, and 1.36% cushion). Subject to interest rate movements, staff anticipates that the Property will support a permanent loan of approximately $11,694,000 with a DSCR of 1.15:1.00.

FINANCING PLAN

The Stewartown transaction contemplates: a) Mortgage Loan of up to $16 million funded from the issuance of private activity bonds; b) LIHTC equity, which will mostly be contributed upon conversion to the permanent debt; c) subordinate Seller and CIP Loan(s) for up to 42 years; and d) available Property Cash.

(a) The subject Mortgage Loan will be funded by way of issuing short-term and long-term private activity, tax-exempt bonds in an approximate amount of up to $16 million. Private activity bond volume cap of approximately $16 million will be allocated at the outset for closing of the Mortgage Loan. Current sizing of a $11.7 million permanent loan is based on an estimated interest rate of 4.58%, including MIP, LMF, and cushion for interest rate movements.

(b) Bauer requires approximately $16 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately $8.4 million in tax credit equity, which will be contributed in stages. Upon initial closing, construction completion, permanent conversion, and issuance of the 8609s, the developer fee will be paid from LIHTC equity contributions. Staff may return with a request to amend LIHTC syndication.

(c) The Property has an appraised "as is" value of $15.4 million. The Seller Loan from HOC will represent contributed land value to the transaction. Excess proceeds of approximately $1.2 million will be used to repay HOC for intercompany and existing note payables including funds of the RELOC used to payoff the existing senior mortgage.

(d) Assignment and subordination of the existing $2.1 million County Loan to the new transaction will be pursued.

SOURCES	AMOUNT	PER UNIT
Tax-Exempt Mortgage Loan (a)	$ 11,694,000	$ 124,404
Tax-Exempt Bonds (Short Term)	$ 4,215,995	$ 44,851
LIHTC Proceeds (b)	$ 8,359,978	$ 88,936
Seller Loan (c)	$ 11,858,152	$ 126,151
GP Equity	$ 100	$ 1
County Loan (d)	$ 2,107,503	$ 22,420
Total Sources	**$38,235,728**	**$ 406,763**

USES	AMOUNT	PER UNIT
Tax-Exempt Bonds (ST)	$ 4,215,995	$ 44,851
Acquisition Cost	$ 15,400,000	$ 163,830
Construction Cost	$ 10,688,646	$ 113,709
Fees Related to Construction	$ 1,064,655	$ 11,326
Relocation Costs	$ 329,000	$ 3,500
Financing & Legal Costs	$ 1,464,477	$ 15,580
Construction Interest	$ 1,009,930	$ 10,744
Development Fees	$ 3,061,003	$ 32,564
Initial Replacement Reserves	$ 112,800	$ 1,200
Operating Reserves	$ 889,222	$ 9,460
Total Uses	**$38,235,728**	**$ 406,763**

PERMANENT FINANCING PLAN: FIRST MORTGAGE

	Fannie Mae Loan	Tax-Exempt Bond Loan
Amount	$11,694,000	$11,694,000
Term	15	40
Amortization	30	40
Base Interest Rate	3.780%	2.594%
MIP	0.00%	0.25%
Custodian Fee	0.02%	0.03%
Loan Management Fee	0.35%	0.34%
Cushion	1.36%	1.36%
All-In Rate	**5.502%**	**4.576%**
Stabilized Operations		
Stabilized NOI	$733,390	$733,390
Annual Debt Service	$796,943	$637,734
DSCR	0.92	1.15
Total Interest Payments (10 years)	**$5,928,322**	**$5,079,154**
T-E Interest Savings (over 10 years)		**$849,168**
Estimated Financing Costs		
Cost of Issuance	$233,880	$233,880
Upfront MIP	$29,235	$29,235
Financing Fee	$116,940	$233,880
Total Financing Costs	**$380,055**	**$496,995**
T-E Financing Cost Savings		**-$116,940**
Total Costs of Financing	**$6,308,377**	**$5,576,149**
T-E Net Savings or Income		**$732,228**

Staff has evaluated two (2) options for funding of the first mortgage: (a) Fannie Mae debt; and (b) use of traditional tax-exempt Private Activity Bonds with a 40-year amortization and maturity.

- For calculation of interest savings, the loan amounts for each scenario are represented as the same and including cushion against interest rate movements. The mortgage loan sizing is subject to satisfying a 1.15:1.00 DSCR.

- Fannie Mae is constrained by its length of amortization and 1.20 DSCR requirements, providing the least in loan proceeds, thus making the loan uncompetitive.

- Given the interest rate environment, staff requests approval to pursue a 40-year tax-exempt bond issuance, which is expected to result in higher loan proceeds and net savings for economics of the transaction.

VOLUME CAP NEED/USES ($'000)

Year	2020	Projected 2021
Balance Carried Forward	$0	$13,125
Annual Bond Cap Allocation	$38,791	$39,179
	2.3%	1.0%
TOTAL BOND CAP AVAILABLE	**$38,791**	**$52,304**
HOC PROGRAMS		
Single Family*	$0	$30,000
Bauer Park	$25,665	
Metropolitan*		$20,000
Shady Grove *		$24,000
Georgian Court*		$18,000
Stewartown *		$16,000
Willow Manor at Clopper's Mill*		$19,000
Willow Manor at Fair Hill Farm*		$20,000
Willow Manor at Colesville*		$15,000
Hillendale Gateway*		$48,000
TOTAL HOC PROGRAMS	**$25,665**	**$210,000**
PRIVATE DEVELOPERS		
TOTAL PRIVATE ACTIVITY	**$0**	**$0**
TOTAL BOND CAP REMAINING (SHORTFALL)	**$13,125**	**($131,696)**

*Estimated allocations for transactions not yet closed

- **Available Volume Cap:** HOC will carry over $13,125 of CY2020 volume cap. Staff estimates the Commission will receive an allocation of $39.2 million in volume cap in CY2021. After the closing of Stewartown, the remaining available bond cap will be approximately $36.3 million.
- The projected volume cap usage for CY2021 is approximately $200 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 Association ("CDA") annually to review its annual volume cap needs, and last met on March 16, 2020.
- 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.
- In 2019, HOC was awarded a Special Allocation of approximately $57 million of volume cap from CDA's 2019 allocation.

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 Bauer, but for the preceding 23 other properties that were evaluated for HOC financing.

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

BOND CAP MATRIX: QUALITATIVE VARIABLES

Factors	Score	Comments
Public Purpose	+	All of the 94 units (100%) will be income restricted for households earning at or below 60% of AMI of which one is currently a non-revenue unit. Nineteen (19) units (20%) will be supported by PBRA units, and approximately fifteen (15) of the units will be for Low Vacancy Vouchers, subject to tenant qualifications. The transaction will spur economic activity in the County and boost economic impact state-wide. Renovations will result in nearly $22.9 million total economic output in the County and create approximately 130 jobs (direct, indirect, induced). This activity is estimated to generate $430,000 in tax revenue for the County, as well as $950,000 and $1.8 million in state/local and federal taxes, respectively, through the multiplier effect of these investments.
Fees	+	A financing fee at closing estimated at $318,200 and $29,235 of ongoing loan management fees over seventeen (17) years (15 years compliance period).
Structure – Term of Affordability	+	LIHTC transaction with extended use provision for 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	Neutral	Existing property; permits and financing approvals pending. Closing planned for March 2021.
Need to Use Bond Cap	N/A	Volume cap supports the development of the project and generates fees for HOC.
Geography	+	Located in a residential area near schools demonstrating excess demand vs. supply for affordable housing, convenient retail (within one mile to grocery stores and services), 3.0 miles from downtown Gaithersburg with transportation links (bus-stop on Goshan Road, Shady Grove MARC/WMATA Metro rail station, I-270 and County Road 355).
Developer Experience	+	Experienced regional development team with HOC as Developer.
Project Design	Neutral	Built in 1977 proposed renovations will update unit finishes, increase handicap accessibility, upgrade existing playground, and improve mechanical systems, building envelope, and public areas.
Apartment Type	+	Townhome community.
Bedroom Mix	+	The unit mix of 2 one-bedroom units, 14 two-bedroom units, and family sized units with three bedrooms (65 units) and four-bedrooms (13 units).
Cost per Unit	+	$406,763 per unit ($163,830 acquisition cost and $113,709 construction cost)
Delivery Date	+	Staged renovation to finish by August 2022.
HOC Ownership	N/A	HOC will retain managing ownership; majority ownership by limited partner investors.
Community Needs	+	High. The current supply of affordable stabilized rental units in the Stewartown market area has a low vacancy rate of less than 2%, per a January 2020 market study, indicating excess demand for new rental units.

BOND CAP MATRIX: QUANTITATIVE VARIABLES

Factors	Score	Comments
Tax Exempt Savings Index	+/-	For every dollar of savings to the developer, we achieve $2.22 of public purpose.
Cap Usage Index	+/-	For every dollar of bond cap allocated, we achieve $0.62 in public purpose.
Public Purpose Index	-	The percentage of the total market potential that is devoted to public purpose is 25% for this transaction.
Unit Cap Cost Index	+	For every dollar of cost per unit, $0.42 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. Of the 94 units, 100% of units at the property will be restricted for households earning an average 60% or less of the AMI. Acquisition and renovation of the Property will preserve safe, quality, affordable housing for families in the County.

The property is providing a substantial public purpose by providing 100% of its units to households earning 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 90% supports an allocation of up to $16 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 bonds, in one or more series, as applicable (the "Bonds"), in order to use the transferred 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 $16 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 that the Commission to approve the following:

- Approval of Stewartown's Financing Plan totaling $38.2 million that includes the following sources: a) tax-exempt indebtedness to fund acquisition and renovation, which will be funded by the issuance of bonds; b) LIHTC equity; c) subordinate County Loan; and d) a subordinate Seller's Note from MV Affordable Housing Associates Limited Partnership;
- Approval of the feasibility and public purpose for Stewartown setting aside 100% of units at 60% AMI, and the allocation of up to $16 million in volume cap for the transaction;
- Approve a Bond Authorizing Resolution for the issuance and delivery of tax-exempt bonds in an amount of up to $16 million under the 1996 Indenture;
- Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to $16 million;
- Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, for HOC to assume 25% of the risk and HUD to assume 75% for the transaction;
- Approval for MV Affordable Housing Associates Limited Partnership, a wholly owned entity of HOC, to provide a Seller Loan of approximately $12 million to the Borrower; and,
- Approval for the Borrower to accept the proposed Mortgage Loan, County Loan, and Seller Loan?

TIME FRAME

For discussion at the December 18, 2020 Development and Finance Committee and formal action at the January 6, 2021 meeting of the Commission.

FISCAL/ BUDGET IMPACT

- HOC's FY2021 budget currently projects collection of $240,888 in Commitment Fees, $13,395 loan management fees, $11,639 mortgage insurance premiums, and $31,760 of Development Fees, and $12,000 of asset management Fee to HOC. HOC did not include property cash in its budget.
- Closing of the subject transaction is expected to occur in February 2021. Based on current debt sizing staff projects a $318,200 Commitment Fee, $9,943 of mortgage insurance premiums, and $612,201 of the earned Development Fee to be collected for this transaction, combined $630,662 higher than income budgeted for the fiscal year. Collection of a loan management fee and asset management Fee to HOC will delayed until permanent conversion in 2022.
- As is customary, the Commission's Commitment Fee and HOC's share of the Developer Fee will be divided, 40% to the Commission's General Fund and 60% to the Opportunity Housing Reserve Fund ("OHRF").
- At closing of the subject transaction, the transaction will return all predevelopment funds provided from the OHRF to the Commission in an approximate amount of $408,590.
- As of November 2020, the seller ownership entity currently holds approximately $1,205,558 of available cash and recognizes liabilities of $1.78 million comprising an intercompany payable to HOC of $335,820, HOC Note of $178,371 (excluding predevelopment costs), and an existing senior mortgage balance of $1,594,187.
- Staff projects receipt of approximately $1.2 million of net sale proceeds which combined with the $1.2 million of available cash, will be used to repay the Commission for intercompany payables, HOC Note, and funds from the RELOC used to repay the existing senior mortgage on the property, leaving approximately $660,980 of excess cash.
- Costs of issuance are expected to be a maximum of $320,000 and will be paid from sources of the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff requests the Development and Finance Committee join its recommendation to the Commission to approve the following actions for Stewartown Homes:

1) Approval of Stewartown's Financing Plan totaling $38.2 million that includes the following sources: a) tax-exempt construction to permanent mortgage loan to fund acquisition and renovation, which will be funded by the issuance of short-term and long-term tax-exempt bonds; b) LIHTC equity; c) subordinate County Loan; and d) a subordinate Seller's Note from MV Affordable Housing Associates Limited Partnership.
2) Approval of the feasibility and public purpose for Stewartown setting aside 100% of units at 60% AMI, and the allocation of up to $16 million in volume cap for the transaction.
3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt bonds in an amount of up to $16 million under the 1996 Indenture.
4) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to $16 million.
5) 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.
6) Approval for MV Affordable Housing Associates Limited Partnership, a wholly owned entity of HOC, to provide a Seller Loan of approximately $12 million to the Borrower.
7) Approval for the Borrower to accept the proposed Mortgage Loan, County Loan, and Seller Loan.

APPROVAL TO AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE A GUARANTEED MAXIMUM PRICE ("GMP") CONTRACT WITH BOZZUTO CONSTRUCTION COMPANY

PHASE II AT SHADY GROVE

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE BROWN
ZACHARY MARKS
MARCUS ERVIN
GIO KAVILADZE

December 18, 2020

Table of Contents

Executive Summary

Westside Shady Grove Apartments ("WSSG" or the "Property") will be a 268-unit mixed-income, mixed-use residential rental community located in Rockville, Maryland, steps from a Washington Metropolitan Area Transit Authority ("WMATA") Red Line Station. The Property will feature a 30% affordable component, including 25% of its units (or 67 units) set aside for households earning no more than 50% of the AMI and 5% of its units (or 13 units) set aside for households earning no more than 65% AMI. The remaining 188 units will be market rate.

The Commission closed on the land on December 18, 2019, with a modified development concept that resulted in a reduction in residential units from the originally proposed 270 units after discussions with EYA, Bozzuto to ensure a balanced unit distribution and affordability mix to incorporate three-bedroom units, a combined 19 UFAS and Audio Visual units, and the Up County HOC Service Center.

The Commission approved the Final Development Plan for the Development during the Open Session at the December 9, 2020 meeting including authorization for the Executive Director to accept the assignment of third-party contracts for the development and approve certain other actions for the development of Phase II at Westside Shady Grove. At that time, staff and its development partners were continuing to refine the construction budget and communicated to the Commission that it would bring forth a request at the January 6, 2021 to authorize approval for the Execute Director to enter into a GMP contract with Bozzuto Construction Company. Since that time, the team has come to an agreement of the final construction costs totaling approximately $76.4M as presented in this packet.

To continue to advance the development to closing on January 28, 2021, staff recommends the Development and Finance Committee join staff's recommendation to the Commission that the Commission approve the authorization for the Executive to execute a Guaranteed Maximum Price ("GMP") contract with Bozzuto Construction Company in an amount not to exceed amount of $76.4MM.

Previous Commission Approvals

Date	Res.	Description
September 4, 2019	19-92AS	Approval to Assume all Rights and Obligations Under the Terms of the Purchase and Sale Agreement for the Acquisition of the Underlying County Land Currently Under Contract by EYA/CSP Associates, LLC, an EYA Affiliate; Approval to Complete the Acquisition and Fund the Predevelopment Expenditures; and Authorization to Establish a Single Asset Entity to Own the Development.
December 5, 2019	19-110AS	Approval to Enter into a Joint Pre-Development Agreement and Agreement to Assign with EYA/CSP Associates LLC and EYA BA/SGS Mf D, LLC for the Development of the West Side Shady Grove Multifamily Development known as Building D.
January 8, 2020	20-09	Approval of a Resolution Declaring the Official Intent of the Housing Opportunities Commission of Montgomery County to Reimburse itself with the Proceeds of a Future Tax-Exempt Borrowing for Certain Capital Expenditures to be Undertaken in Connection with the Acquisition and Development of the Property.
July 1, 2020	20-59AS	Authorization to Approve Additional Pre-Development Funding ($1.07 million) from the County Revolving Opportunity Housing Development Fund.
July 1, 2020	20-56	Adoption of an Authorizing Resolution for the Selection of PNC Bank, National Association, as the Lender of a Tax-Exempt Obligation for the Purpose of Financing West Side Shady Grove.
December 9, 2020	20-86	Approval of a Final Development Plan; Authorization for the Executive Director to Accept Assignment of Third-Party Contracts for the Development, Ratification of Formation of Additional Legal Entities, Authorization to Accept a Montgomery County Housing Initiative Fund Short-Term Bridge Loan of up to $15M, and Authorization to Advance Funds in an Amount Up to $1.6M for the Payment to Secure Building Permits and Bind the Builder's Risk Insurance.
December 9, 2020	20-87	Approval of the Financing Plan, Feasibility, Public Purpose and Bond Authorizing Resolution for West Side Shady Grove Apartments; Approval to Issue a Commitment and Loan to HOC at Westside Shady Grove, LLC for Development and Permanent Financing; and, Approval for the Borrower to Accept a Loan in Accordance with the Finance Plan.

Development Overview

Development Summary

Highlights

- Number of Units..268
- Gross Square Feet.. 300,223 SF
- Amenity Space.. 10,830 SF
- Retail Space.. 30,438 (includes 7,268 SF HOC Service Center)
- **Subtotal GSF.. 341,491 SF**
- **Parking Garage... 165,485 SF**
- **Grand Total SF.. 506,976 SF**
- **Est Total Project Costs.. $119.35M (incl. HOC Financing Fee, Davis Bacon Wage Premium, HOC Service Center Buildout, & Construction Cost increases)**
- **Total Construction Contract.. $76.41M**

Development Timeline

Milestones

- Construction Start.. February – 2021
- No. of Months in Const. Period... 24 Months
- First Unit Delivery (prior to completion).............................. November - 2022
- Const. Period End... January - 2023
- Lease-up - # of Units per Month... 18 units
- Stabilized Year - Rents.. February - 2024
- Stabilized Year – Expenses.. February - 2024

Development Overview

Development History: A Storied History, A Bright Future

- The vision to dramatically create a vibrant, transit-oriented community in Shady Grove, MD, can be traced back to the creation of the Shady Grove Sector Plan, in which EYA played a central role.
- In 2010, EYA and Montgomery County executed a Master Planning and Real Estate Purchase Agreement granting EYA the exclusive right to purchase and redevelop the western side of Crabbs Branch Way. This opportunity accounts for almost two-thirds of the residential density, with EYA serving as the master planner for the entire 90-acre site.
- Since that time, Bozzuto and EYA have worked to secure the necessary entitlements to make the dream of a modern, livable community in Shady Grove a reality.
- Montgomery County has committed to invest approximately $24 million in public infrastructure improvements. This investment has resulted in reconstructing Crabbs Branch Way into an urban boulevard, as well as utility and pedestrian upgrades, all of which will serve the future residents of the Project and the community at large for years to come.

Master Development Plan

- The Westside master development includes 45 acres of land, totaling approximately 1,014 multifamily units, 100 for-sale condominiums, 406 townhomes, up to 82,000 square feet of retail, and a public library.
- Bozzuto was selected by EYA to be co-developer of the first multifamily phases, which includes The Daley (completed in 2017) and Phase II at Shady Grove.
- Phase II will build upon the success of The Daley and will be a critical component in the transformation of the master-planned community.
- In 2019, EYA completed the 148 townhomes in Phase I and sold the remaining townhome and condominium ground to Stanley Martin and Lennar, both of which opened for sales in the first half of 2020.

Development Plan – Interior Renderings

LEASING LOBBY

LEASING LOBBY

LOBBY LOUNGE

THEATRE

Development Plan – Development Team

Phase II at Shady Grove is being managed by a highly-experienced development team that combines an extensive multifamily and mixed-use development track record. The additional third-party contracts that the Commission will assume were team members previously procured by the Development team prior to HOC's involvement.

Co-Developer: EYA, co-developer is one of the largest and most successful residential infill developers in the DC region, delivering over 5,000 high-quality townhomes, condominiums and apartments since its founding in 1992. Over 25 years EYA has earned an excellent reputation for creating high-quality neighborhoods that deliver the brand promise of "life within walking distance." EYA has built second to none relationships with elected officials, planning staffs, and community groups through thoughtful planning, high-quality execution, and fair business dealings. It has been honored with over 300 local and national awards, including America's Best Builder from Builder Magazine in 2000 and 2009, the ULI Award of Excellence, Professional Builders' 2015 National Housing Quality Gold Award, and Smart Growth America's Locus 2018 Company of the Year Award.

THE NEIGHBORHOODS OF EYA

Co-Developer, Property Manager, and General Contractor: Established in 1988, The Bozzuto Group consists of integrated real estate companies that are active in development, management, homebuilding, and construction. While The Bozzuto Group's operations are focused geographically in the Mid-Atlantic and Northeast regions, its companies and its principals have won the nation's highest honors, including the National Association of Home Builders ("NAHB") Pillars of the Industry Multifamily Development Firm of the Year (2016 and 2003), Property Management Company of the Year (2017, 2009 and 2000), and Builder of the Year (1998) awards.

BOZZUTO

Architect: KTGY Architecture + Planning is a leading international full-service architecture design and planning firm delivering innovation, artistry and attention to detail across multiple offices and studios, ensuring that its clients and communities get the best they have to offer no matter the building type or location. KTGY's architects and planners combine big picture opportunities, modern sustainable practices and impeccable design standards to help create developments of enduring value. KTGY designed the Daley at Shady Grove, Bozzuto's Anthem House in Baltimore, and HOC's most recent mixed-income & mixed-use development Fenton Silver Spring.

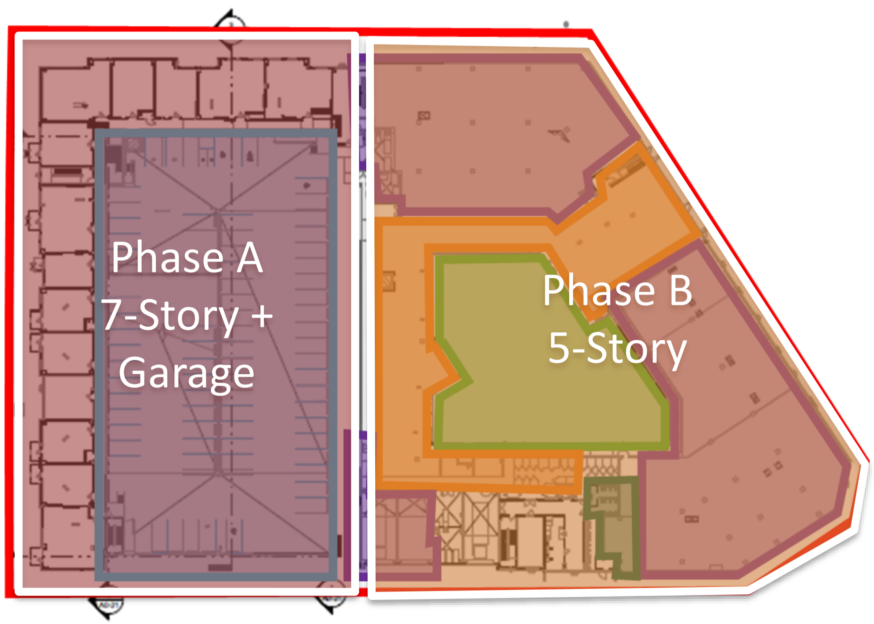
ktgy

Development Plan – Construction Costs

	CURRENT BUDGET SUMMARY					
	Percent	CURRENT	496,146	300,499	219,814	268
Section	TOTAL	10/6/2020	$/TGSF	$/ResGSF	$/NRSF	$/DU
General Conditions	4.11%	$2,870,777	$5.79	$9.55	$13.06	$10,712
Site Improvements	3.09%	$2,156,442	$4.35	$7.18	$9.81	$8,046
Residential	68.53%	$47,862,083	$96.47	$159.28	$217.74	$178,590
Amenity	6.49%	$4,531,474	$9.13	$15.08	$20.62	$16,908
Garage	9.77%	$6,825,517	$13.76	$22.71	$31.05	$25,468
Retail	5.93%	$4,143,821	$8.35	$13.79	$18.85	$15,462
HOC Office	2.07%	$1,447,447	$2.92	$4.82	$6.58	$5,401
Subtotal	**100.00%**	**$69,837,561**	**$140.76**	**$232.41**	**$317.71**	**$260,588**
Other Soft Costs (Insurance & Fees)		$2,113,061	$4.26	$7.03	$9.61	$7,885
Construction Contingency	3.03%	$2,153,006	$4.34	$7.16	$9.79	$8,034
Payment & Performance Bond	0.66%	$502,731	$1.01	$1.67	$2.29	$1,876
Cost Certification	0.03%	$20,000	$0.04	$0.07	$0.09	$75
Subtotal (COW)		**$74,626,359**	**$150.41**	**$248.34**	**$339.50**	**$278,457**
Fee		$3,290,686	$6.63	$10.95	$14.97	$12,279
Total Budget		**$77,917,045**	**$157**	**$259**	**$354**	**$290,735**
Recommended Value Engineering (VE)		**($1,500,000)**	**$ (3.02)**	**$ (4.99)**	**$ (6.82)**	**$ (5,597)**
Total Budget w/ VE		**$76,417,045**	**$154**	**$254**	**$348**	**$285,138**

- The construction costs and related fees represent a market shift in the construction sector necessary to complete the Development including increased costs in the lumber market, utilities, apartment and amenity finishes, and retail/commercial improvements among other trades, and a 3% construction contingency. The continues to seek savings in the construction budget, and is holding potential value engineering savings of approximately $1.5M.

Development Plan - Construction Schedule



Residential

- 268 wood-framed residential units
- Includes 13 workforce housing and 67 MPDU units

Entrance, Leasing Office, and Amenity

- 10,830 SF of ground-floor amenity space including fitness club, e-lounge, pet spa, entertainment kitchen and more.

Retail

- 23,045 SF of retail space

HOC Office Space

- 7,393 SF office space to be leased by HOC, including an at-grade lobby and second floor space

Courtyard

- 9,600 SF first floor outdoor space
- Includes pool, grilling area, and lounge

Garage

- 6-story above-grade parking garage
- 476 automobile spaces and 9 motorcycle spaces

CONSOLIDATED CONSTRUCTION SCHEDULE

Feb-21
Construction Commencement

Mar-21 – Oct-21
Concrete Work (Garage & Cast-in-Place)

Mar-21 – Nov-22
Phase A

7-story bldg. Start & Substantial Completion

(Framing & related activities)

Jun-21 – Jan-23
Phase B

5-story bldg. Start & Substantial Completion

(Framing, Retail, and First Residential Units ready)

Summary and Recommendations

ISSUES FOR CONSIDERATION

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

- Authorize the Executive Director to execute a Guaranteed Maximum Price ("GMP") contract with Bozzuto Construction Company in an amount not to exceed amount of $76.4MM.

TIME FRAME

For formal action at the January 6, 2021 meeting of the Commission.

BUDGET / FISCAL IMPACT

There is no adverse impact for the Agency's FY2021 or FY2022 budgets. The cost of the construction will be funded by the development budget, which has been approved by the Commission in a Final Development Plan on December 9, 2020.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff requests that the Development and Finance Committee join its recommendation to the Commission to:

- Authorize the Executive Director to execute a Guaranteed Maximum Price ("GMP") contract with Bozzuto Construction Company in an amount not to exceed amount of $76.4MM.