

SPECIAL SESSION EXPANDED AGENDA

**February 22, 2019
Hearing Room**

			<u>Res. #</u>
12:00 p.m.	I. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>		
Page 3	A. Approval to Amend the Financing Plan for the Upton II Development (“the Property”); Authorization to Increase the Acquisition Financing for HOC at the Upton II, LLC (the “Borrower”); Authorization to Increase the Commitment for Permanent Financing; and, Authorization for the Borrower to Accept Increased Financing		19-23 _(pg. 7)
10	B. Approval to Amend the Final Development Plan for the HOC at the Upton II		19-24 _(pg 15)
12:30 p.m.	<u>ADJOURN</u>		

NOTES:

1. This Agenda is subject to change without notice.
2. Public participation is permitted on Agenda items in the same manner as if the Commission was holding a legislative-type Public Hearing.
3. Times are approximate and may vary depending on length of discussion.
4. *These items are listed "For Future Action" to give advance notice of coming Agenda topics and not for action at this meeting.
5. Commission briefing materials are available in the Commission offices the Monday prior to a Wednesday meeting.

If you require any aids or services to fully participate in this meeting, please call (240) 627-9425 or email commissioners@hocmc.org.

Deliberation and/or Action

APPROVAL TO (1) AMEND THE FINANCING PLAN FOR THE UPTON II DEVELOPMENT (“THE PROPERTY”); (2) AUTHORIZATION TO INCREASE THE ACQUISITION FINANCING FOR HOC AT THE UPTON II, LLC (THE “BORROWER”); (3) AUTHORIZATION TO INCREASE THE COMMITMENT FOR PERMANENT FINANCING; AND, (4) AUTHORIZATION FOR THE BORROWER TO ACCEPT INCREASED FINANCING

February 22, 2019

- On January 9, 2019 and February 6, 2019 via Resolutions 19-09 and 19-15, the Commission approved the Financing Plan for the Upton II, which included, among other sources (1) issuing a short-term, tax-exempt note to be funded by M&T Bank that would be refinanced with a FHA Risk Share permanent mortgage loan, (2) a bridge loan, (3) a HOC acquisition loan to finance construction of the property, and (4) a County Loan. The Commission also approved contracting with a Counterparty to hedge interest rate risk via two (2) swap agreements.
- Amendments to the Financing Plan are being requested, as (a) the Master Developer has presented increased development costs for the transaction, and, (b) by entering into a forward interest rate swap for the permanent loan, the Commission is able to underwrite the transaction to a lower fixed interest rate, which supports a higher permanent loan amount.
- Due to increased development costs requiring additional capital contributions and the ability to underwrite the transaction at a lower interest rate on the permanent loan, staff recommends (1) increasing the HOC acquisition loan up to \$7.8 million, a \$1.8 million increase, and (b) issuing a revised Financing Commitment for a FHA Risk Share insured permanent loan amount of \$27.5 million, a \$3.5 million increase.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM:	Staff: Kayrine V. Brown	Division: Mortgage Finance	Ext. 9480
	Jennifer H. Arrington	Mortgage Finance	Ext. 9589
	Victoria Dixon	Mortgage Finance	Ext. 8981

RE: Approval to Amend the Financing Plan for the Upton II Development (“the Property”); Authorization to Increase the Acquisition Financing for HOC at the Upton II, LLC (the “Borrower”); Authorization to Increase the Commitment for Permanent Financing; and, Authorization for the Borrower to Accept Increased Financing

DATE: February 22, 2019

STATUS: Consent _____ Deliberation X Status Report _____ Future Action _____

OVERALL GOAL & OBJECTIVE:

To amend the Financing Plan for the Upton II, as described and approved in Resolutions 19-09 and 19-15, to (1) increase the HOC loan by \$1.8 million for a revised total up to \$7.8 million, and (2) issue a revised Financing Commitment to fund a FHA Risk Share permanent loan of up to \$27 million, a \$3.0 million increase.

BACKGROUND:

Upton II (“Upton II” or the “Property”) is a 150-unit, age-restricted, apartment community which will be constructed in Rockville Town Center, Rockville, Maryland, as part of a larger master development. The master development sponsored by Duball (“Master Developer”), is entitled for 400 apartments (including Upton II), retail, and public parking. HOC and Victory Housing, Inc. (“VHI”), through a single purpose entity called HOC at Upton II, LLC (the “Owner” or “Borrower”), will own and operate Upton II.

On January 9, 2019 and February 6, 2019, the Commission via Resolutions 19-09 and 19-15, approved the Financing Plan for the Property, which totaled approximately \$49.5 million at the time and includes the following combined sources: a) privately placed tax-exempt loan to fund construction, which will be repaid by a FHA Risk Share permanent loan; b) bridge funding during construction by way of draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit; c) LIHTC equity; d) a subordinate County Loan; e) an acquisition loan from HOC (“HOC Loan”); and f) deferred developer fees.

To mitigate interest rate risk, the Financing Plan contemplates hedging interest rates via two interest rate swaps with a counterparty, which would be used to hedge the floating interest rate exposure on the respective construction and permanent loans.

In late January, the Master Developer advised HOC of increased development costs. The General Contractor (“GC”) has bid subcontracts and due to tariffs impacting material costs and tight labor supply in the area, the construction costs have come in higher by approximately \$2 million for HOC’s portion of the development. These costs are expected to be partially offset by a higher LIHTC contribution to the transaction, resulting in a lower net financing gap of \$1.4 million. In order to anticipate any variance in calculation of the LIHTC equity or further increases prior to closing, staff requests to increase the HOC Loan by \$1,800,000 for a final amount up to \$7,800,000, which will be funded from the Commission’s FHA Risk Share account until such time funds have been replaced or unobligated in the Opportunity Housing Reserve Fund (“OHRF”). The short-term, tax-exempt indebtedness of \$24,000,000 for construction of the property will remain unchanged.

However, by entering into the forward swap on the permanent loan, operations of the property are projected to support a permanent loan amount of up to \$27,500,000, which is \$3,500,000 more than the previously approved commitment of \$24,000,000.

Interest rates for the forward swap on the permanent loan have come in at an all-in rate of 4.18% (inclusive of a 50bps cushion), lower than the 5.50% originally used to underwrite the transaction. Therefore, staff requests approval to amend the HOC financing commitment to increase the permitted FHA Risk Share permanent loan amount up to \$27,500,000. Upon completion of construction, staff will return to the Commission to request approval of a final permanent finance plan, including the issuance of refunding bonds to retire the construction debt.

ISSUES FOR CONSIDERATION:

Does the Commission wish to amend the Financing Plan for the Upton II, to allow for (1) a \$1.8 million increase to the HOC Loan from \$6,000,000 to \$7,800,000 and (2) a \$3,500,000 increase to the FHA Risk Share permanent loan commitment from \$24,000,000 to \$27,500,000?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
HOC at the Upton II, LLC

BUDGET IMPACT:

No FY2019 impact. The commitment fee of \$480,000 remains unchanged based on the initial \$24,000,000 short-term loan amount. The additional commitment fee of \$60,000 for the larger permanent loan amount of \$27,000,000 would not be collected until permanent conversion in FY2022.

Commencing in FY2022, the Commission will begin collecting loan management fees, revised at \$67,500 annually, totaling \$1,012,500 over the required 15-year period, an increase of \$6,700 and \$112,500 over prior estimates respectively.

The Commission's 2% permanent commitment fee will be divided, 40% to the Commission's General Fund and 60% to the OHRF.

TIMEFRAME:

For action at a Special Session of the Commission on February 22, 2019.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve: (1) amending the Financing Plan for the Upton II, (2) increasing the HOC Loan by \$1.8 million for a revised total up to \$7.8 million, (3) issuing a revised financing commitment to fund a FHA Risk Share permanent loan of up to \$27.5 million, a \$3.5 million increase, and (4) the Borrower to accept the amended Financing Plan, HOC Loan, and FHA Risk Share permanent loan.

RESOLUTION No.: 19-23

RE: Approval to Amend the Financing Plan for the Upton II Development (“the Property”); Authorization to Increase the Acquisition Financing for HOC at the Upton II, LLC (the “Borrower”); Authorization to Increase the Commitment for Permanent Financing; and, Authorization for the Borrower to Accept Increased Financing

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission” or “HOC”) is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of multifamily rental housing properties which provide a public purpose; and

WHEREAS, Upton II is a planned development in Rockville that is entitled by Duball (the “Master Developer”) under current zoning and planning requirements for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. will own and operate a condominium unit containing 150 apartments, which will be a mixed-income, age restricted community (the “Property”) and the remaining 250 units will be controlled by the Master Developer or its affiliates; and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the “Managing Member”), which in turn is the sole member of HOC at The Upton II, LLC (“Borrower”); and

WHEREAS, on January 9, 2019, the Commission approved Resolution 19-09, which included the approval of the Financing Plan for the Property; and

WHEREAS, the approved Financing Plan totaling \$49.5 million for the acquisition, construction and permanent financing for the Property, includes the following sources: a short-term, tax-exempt loan to fund construction by way of a Commission conduit loan from M&T Bank to be passed through to the Borrower (“Construction Loan”), which will be repaid by a FHA Risk Share Permanent Loan (“Permanent Loan”); bridge funding during acquisition/construction by way of draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit; LIHTC equity; a subordinate loan from Montgomery County, Maryland; acquisition financing in the form of a loan from the Commission (“HOC Loan”); and, deferred developer fees; and

WHEREAS, on February 6, 2019, to protect the transaction from potential interest rate increases the Commission authorized the execution of two interest rate hedges, one for the Construction Loan and one for the Permanent Loan; and

WHEREAS, the Master Developer has advised HOC of increased development costs of \$2 million above the previously approved budget for a total of \$51.5 million for the development of the Property; and

WHEREAS, the increased development costs are expected to be partially offset by a higher tax credit equity contribution, for a remaining financing gap of \$1.4 million; and

WHEREAS, interest rates for the forward starting swap have come in lower than originally underwritten, allowing the operations of the property to support a higher permanent loan amount of up to \$27,500,000.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the Financing Plan and authorizes increasing the HOC Loan by up to \$7,800,000 from \$6,000,000, a \$1,800,000 increase, to cover increased construction and transaction costs and to be funded from the Commission's FHA Risk Share account until such time funds have been replaced or unobligated in the Opportunity Housing Reserve Fund.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes restating the three year forward commitment for a permanent loan up to \$27.5 million from \$24,000,000, a \$3,500,000 increase, which will be credit enhanced by FHA Risk Share Mortgage insurance, pursuant to the Risk Sharing Agreement between the Commission and the U.S. Department of Housing and Urban Development ("HUD"), of which the Commission shall assume 25% of the risk and HUD shall assume 75% for the transaction.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that the Managing Member and Borrower approve corresponding changes to the Financing Plan.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting in its own capacity and for and on behalf of the Managing Member and the Borrower, that the Executive Director is hereby authorized, without any further action on their respective parts, to execute such documents and to take any and all other actions, in each case as necessary and proper, in the Executive Director's judgement, to carry out the Financing Plan and the transaction and action contemplated herein.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a Special Session conducted on February 22, 2019.

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Patrice Birdsong
Special Assistant to the Commission

APPROVAL TO AMEND FINAL DEVELOPMENT PLAN FOR HOC AT THE UPTON II

February 22, 2019

- On January 9, 2019, the Commission approved a Final Development Plan (“Final Development Plan”) for the Upton II development, which estimated the total development cost of \$49.5MM to be funded with a combination of HOC-issued tax-exempt bonds, LIHTC equity, subordinate financing from Montgomery County, deferred developer fee, and an HOC subordinated loan.
- Subsequently, the development team, led by Duball LLC, negotiated a cost-plus fee guaranteed maximum price contract in early February 2019 with Paradigm Contractors, and due to cost drivers in the market, realized a \$2,175,671 increase in construction materials and labor costs for the HOC portion of the master development. After value engineering, total construction costs increased by \$1,822,629 above the Final Development Plan.
- Other soft costs and fees associated with the GMP also increased and therefore, HOC staff is seeking authorization to amend the total development budget for Upton II from \$49.5MM to \$51.5MM.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County

VIA: Stacy L. Spann, Executive Director

FROM: Division: Mortgage Finance and Real Estate
Staff: Kayrine V. Brown, Chief Investment & Real Estate Officer Ext. 9589
Zachary Marks, Director of New Development Ext. 9613
Jay Shepherd, Senior Financial Analyst Ext. 9437

RE: Approval to Amend Final Development Plan for HOC at the Upton II.

DATE: February 22, 2019

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To obtain the Commission’s approval to amend the Final Development Plan for HOC at the Upton II.

BACKGROUND:

Upton II is a planned development in Rockville that is entitled under current zoning and planning requirements for retail, public parking, and up to 400 apartments of which HOC and Victory Housing, Inc. ("VHI") will own and operate a condominium unit containing 150 apartments and a share of parking and general common elements in a single purpose entity known as HOC at The Upton II, LLC ("Borrower"). Duball LLC or an affiliate ("Master Developer") will own and operate additional condominium units comprising the remainder of the development.

On October 3, 2018, the Commission approved the Development Plan for The Upton II (the "Property") as a 150-unit, mixed-income, new construction, age-restricted community containing 15 unrestricted units and 135 income and rent restricted units (the "LIHTC Units"), and on January 9, 2019 the Commission approved the Final Development Plan ("Final Development Plan") for the Property.

The approved plan detailed a variety of sources for the estimated \$49.5 million acquisition, construction and permanent financing for the Property including: 1) a short-term, tax-exempt loan to fund construction by way of a Commission conduit loan from M&T Bank to be passed through to the Borrower ("Construction Loan"), which will be repaid by a FHA Risk Share permanent loan; 2) bridge funding during acquisition/construction by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit ("Bridge Loan"); 3) Low Income Housing Tax Credit ("LIHTC") equity; 4) a subordinate loan from Montgomery County, Maryland ("County Loan"); 5) acquisition financing in the form of a loan from the Commission ("HOC Loan"); and 6) deferred developer fees.

Subsequent to the January 2019 Commission approval, the Master Developer negotiated final construction costs with the General Contractor and advised HOC staff of increased costs to HOC’s development budget by \$1,822,629, mainly due to uncontrollable factors in the marketplace. Of the \$1,822,629, 89% or \$1,614,385 was due to the Guaranteed Maximum Price (GMP) cost increase.

Additionally, the increase in hard costs subsequently caused increases in corresponding soft costs related to the overall budget, which in turn increased the Construction Basis of the Low Income Housing Tax Credit (LIHTC) calculation allowing more equity to be raised to offset the increase.

REVISED DEVELOPMENT SOURCES & USES

Sources to Fund Development	Amount As of 1/09/19	Amount As of 2/22/19	Variance
Tax-Exempt Bonds(1)	\$24,000,000	\$24,000,000	\$0
Housing Initiative Fund(2)	\$5,000,000	\$5,000,000	\$0
GP Equity	\$0	\$100	\$100
LIHTC Equity(3)	\$11,603,931	\$11,829,654	\$225,723
Deferred Developer’s Fee(4)	\$2,140,993	\$2,478,853	\$337,860
Developer Loan(5)	\$5,919,996	\$6,000,000	\$80,004
Interim Income	\$1,124,624	\$725,475	(\$399,149)
(Excess) / Gap	\$0	\$1,437,266	\$1,437,266
Total Sources	\$49,508,570	\$51,471,348	\$1,962,778
Uses of Fund Development	Amount As of 1/09/19	Amount As of 2/22/19	Variance
Hard Cost	\$28,862,743	\$30,858,071	\$1,995,328
Fees Related To Construction Costs	\$3,878,784	\$3,562,999	(\$315,785)
Acquisition Costs	\$6,242,753	\$6,387,741	\$144,988
Financing Fees and Charges	\$4,594,667	\$4,468,519	\$126,148
Developer’s Fees	\$4,707,844	\$4,957,705	\$249,861
Syndication Related Costs	\$192,000	\$192,000	\$0
Guarantees and Reserves	\$1,029,779	\$1,044,313	\$14,534
Total Uses	\$49,508,570	\$51,471,348	\$1,962,778

1. Permanent loan may be sized up to \$27.5 million based on expected hedged interest rate at closing and funded from bond proceeds with mortgage insurance under FHA Risk Share program. The construction loan will be funded by a privately placed tax-exempt loan by M&T Bank. While the permanent HOC Upton Development loan is expected to be funded with tax-exempt bond proceeds, if the Federal Financing Bank loan program is extended, staff would pursue a permanent loan via the program with FHA Risk Share mortgage insurance.
2. Unchanged is the Housing Initiative Fund Conditional Commitment letter from Montgomery County Department of Housing and Community Affairs for \$5 million.

3. Estimated Low Income Housing Tax Credit \$11.6 million (based on \$1.01 per credit) increased to \$11.8 million due to the additional basis eligible costs.
4. Deferred Fee is projected to be \$2.47 million, an increase from the \$2.14 million previously accepted.
5. Developer (HOC) Loan of \$7.8 million is projected to be funded by the Opportunity Housing Reserve Fund (“OHRF”).
6. Though not part of the permanent financing source, it is anticipated that temporary funds up to \$12 million will be needed to bridge the receipt of the LIHTC equity.

EXAMINATION OF GMP COST INCREASES:

The overall cost of construction in the market place over the last year escalated faster than inflation due to several uncontrollable factors. Duball and Paradigm Construction spent much of December 2018 – February 2019 working with subcontractors to mitigate cost increases while optimizing the quality of the to-be built buildings for both owners. The original HOC development budget included a projected 3.82% compounded construction cost escalation line item during the pre-construction phase. However, the actual escalation rate equaled 7.1% over that same time span. Construction costs in the market have risen for several reasons:

- Tariffs: Actual and perceived trade tariffs resulting from the current Administration’s trade war.
- Construction demand: The metro Washington D.C. market is growing strongly. There are new construction projects in the market, including a recent surge in new office building construction. Subcontractors have increased their markups due to the volume of work that is available.
- Tight labor market: The strong metro Washington D.C. economy has led to a 3.1% unemployment rate, which is much lower than the national average.
- Select trade pricing: As a testament to the above factors, over the past year the General Contractor’s estimating cost data shows cost increases in the following major subcontractor trades:
 - Windows/Metal Panel Building Skin: \$1,400 increase per residential unit.
 - Drywall: \$1,900 increase per residential unit.
 - HVAC/Plumbing: \$3,000 increase per residential unit.
 - Electrical: \$4,600 increase per residential unit.

The chart below provides the cost breakdown reflecting:

- Overall project GMP with Duball and HOC breakdown columns.
- Total cost increase of \$2,175,671 to the HOC Budget before savings due to value engineering.
- Targeted value engineering savings. Paradigm worked through an extensive VE list to identify project savings for both entities.
- The HOC final GMP of \$29,327,987 includes \$353,042 of VE savings that included bulk purchase savings by aggregating joint purchasing power and through selection of finishes that match between Duball’s units and HOC’s, and discounts due to subcontractor renegotiations for large material purchase suppliers, including concrete and gypsum board.

Construction Budget	TOTAL BUDGET	DUBALL BUDGET	HOC BUDGET	Duball VE	HOC VE	Total Budget After VE	Duball Budget After VE	HOC Budget After VE	Previous HOC Budget
Subtotal Construction Costs	\$95,002,736	\$66,688,016	\$28,314,720	(\$751,958)	(\$353,042)	\$93,897,736	\$65,936,058	\$27,836,678	\$26,222,293
CCIP	\$841,329	\$590,578	\$250,751			\$831,543	\$583,919	\$246,517	\$232,219
Subcontractor Default Insurance	\$892,700	\$626,639	\$266,061			\$882,317	\$619,573	\$261,569	\$246,398
Fee	\$2,908,148	\$2,041,400	\$866,748			\$2,874,323	\$2,018,382	\$852,114	\$821,699
TOTAL	\$99,644,913	\$69,946,633	\$29,698,280			\$98,485,919	\$69,157,932	\$29,196,879	\$27,522,609

CCIP: Contractor Controlled Insurance Program

The GMP cost increase created approximately 90% of the budget increase with the remaining 10% increase (approximately \$218,000) associated mainly with the following expense categories:

1. Hard Cost contingency: increased approximately \$81,000 and equivalent to 5% of GMP costs as required by the lender.
2. Other third-party consultants: increased approximately \$112,000 driven higher primarily in the vender categories of MEP plan review, Utility Expediter, Security and Audio/Visual consultants. Mitigating these increases, HOC's budget decreased by \$139,000 in the categories of Architecture and Interior Design compared to the Preliminary Budget forecast.
3. Development Fees: increased approximately to maintain 4% of Base Costs.

In summary, the total increase of approximately \$2MM over the Final Development Plan was driven primarily by the GMP cost increases. Additional soft cost increases based on the total GMP costs added to the total increase and in tandem, these costs were partially offset by additional equity raised by the LIHTC.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve the amended Final Development Plan for HOC at the Upton II?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Duball, LLC
HOC at The Upton II, LLC

BUDGET/FISCAL IMPACT:

None

TIME FRAME:

For action at the February 22, 2019 Special Session of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve the amended Final Development Plan for HOC at the Upton II.

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, is authorized thereby to effectuate the purpose of providing affordable housing, including providing financing for the construction of rental housing properties which provide a public purpose; and

WHEREAS, Upton II is a planned development in Rockville Town Center that is entitled under current zoning and planning requirements of the City of Rockville for retail, public parking, and up to 400 apartments, of which HOC and Victory Housing, Inc. (“VHI”) will own and operate a condominium unit containing 150 apartments and a share of parking and general common elements (the “HOC Upton Development”) in a single purpose entity known as HOC at The Upton II, LLC (the “Owner”) and Duball LLC or an affiliate will own and operate a second condominium unit comprising the remainder of the development; and

WHEREAS, HOC is currently the sole member of HOC MM Upton II, LLC (the “Managing Member”), which in turn is the sole member of the Owner; and

WHEREAS, it is expected that the ownership structure will be modified to admit a tax credit investor as a non-managing member of the Owner and to admit VHI as a non-managing member of the Managing Member, with HOC remaining in control of the Owner as the managing member of the Managing Member entity; and

WHEREAS, the HOC Upton Development proposes to serve seniors 62 years and older across a wide income range through the implementation of the new income averaging component of the Low Income Housing Tax Credit (“LIHTC”) program, which will allow households with income from 40% up to 80% of the Washington DC Area Median Income (“AMI”) to enjoy rent protection without impairing the LIHTC equity for the development; and

WHEREAS, on October 3, 2018, the Commission approved the Development Plan for HOC at the Upton II as a 150-unit, mixed-income, new construction, age-restricted community containing 136 one-bedroom and 14 two-bedroom units; and

WHEREAS, on January 9, 2019, HOC approved a Final Development Plan (“Final Development Plan”), which estimated the total development cost of the HOC Upton Development of \$49.5MM to be funded with a combination of HOC-issued tax-exempt bonds, LIHTC equity, subordinate financing from Montgomery County, deferred developer fee, and an HOC subordinated loan; and

WHEREAS, also as part of the Final Development Plan, HOC at the Upton II would contain 28 Project Based Rental Assistance (“PBRA”) units, 80 Rental Assistance Payment (“RAP”) units through conversion of 112 units at Town Center Apartments via the Second Component of the Rental Assistance Demonstration (“RAD”) program, 27 units under LIHTC restrictions, and 15 market rate units; and

WHEREAS, in accordance with the Final Development Plan, HOC intends for the Owner to acquire the condominium unit that will comprise the HOC Upton Development (the “HOC Upton Condominium”) and enter into a construction contract for the HOC Upton Development; and

WHEREAS, a development team led by Duball LLC has been assembled, construction permit drawings finalized and submitted with required building permit expected to be issued in early 2019, and the HOC Upton Development is projected to take 29 months and deliver in the Fall of 2021; and

WHEREAS, HOC and Duball negotiated a cost-plus fee guaranteed maximum price contract in early February 2019 with Paradigm Contractors and due to cost drivers in the market, realized a \$2,175,671 increase in construction materials and labor costs and after value engineering a total increase of \$1,822,629 over the Final Development Plan for the HOC portion of the development; and

WHEREAS, soft cost increases pegged to the GMP cost increases also were included raising the total increase to the development budget from \$49.5 million to \$51.5 million. Total cost increases were partially offset by additional equity raised by the participation in the Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development; and

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Amended Final Development Plan for the construction of HOC Upton Development is hereby approved to include a total development cost of approximately \$51.5MM, the delivery of 150 apartment units which will serve seniors 62 years and older and of which 90% (135 units) will be restricted to those earning 40% to 80% of the area median income.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself that the Executive Director is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a Special Session meeting on February 22, 2019.

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Patrice Birdsong
Special Assistant to the Commission