



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



DEVELOPMENT AND FINANCE COMMITTEE

October 22, 2021
10:00 a.m.

YouTube Link: <https://youtu.be/A9rSHjXJFy8>

Approval of Minutes:

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Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

September 24, 2021

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Development and Finance Committee was conducted via an online platform and teleconference on Friday, September 24, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:02 a.m., available for viewing [here](#). Those in attendance were:

Present

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

Also Attending via Online

Kayrine Brown, Acting Executive Director
Zachary Marks
Timothy Goetzinger
Cornelia Kent
Claudia Wilson
Charnita Jackson
Marcus Ervin
Leidi Reyes
Fred Swan
Eugenia Pascual
Hyunsuk Choi

Aisha Memon, General Counsel
Victoria Dixon
Jennifer Arrington
Nathan Bovel
Christina Autin
Jay Shepherd
Vivian Benjamin
Olutomi Adebo
Darcel Cox
Terri Fowler
Gail Willison

IT Support

Aries Cruz

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

Commissioner Simon opened the meeting with a welcome and introduction of the Commissioners participating on the Committee.

APPROVAL OF MINUTES

The minutes of the August 20, 2021 Development and Finance Committee were approved upon a motion by Commissioner Nelson and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

DISCUSSION ITEMS

- 1. Georgian Court: Approval of the Financing Plan, Feasibility and Public Purpose; Authorization to Issue Loans at HOC at Georgian Court, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan**

Jennifer Arrington, Acting Director of Mortgage Finance, introduced Victoria Dixon, Senior Multifamily Underwriter, who provided a presentation on recommending to the full Commission approval of the financing plan, approval of the feasibility and public purpose, approval of a bond authorization resolution for the issuance and delivery of a combination of short-term and long term tax exempt private activity bonds and taxable bonds, authorization for HOC to issue a financing commitment for a mortgage loan, approval to provide credit enhancement via FHA Risk Share Mortgage Insurance, approval to set sales proceeds, approval to issue a bridge loan, approval to release available cash held by the Seller, and approval for the borrower to accept the proposed Mortgage Loan and Bridge Loan.

There was discussion among the Commissioners and Staff. A motion was made by Commissioner Nelson to move the item forward to the full Commission, with modification as discussed, for approval at the October 6, 2021 monthly meeting. Commissioner Merkowitz seconded the motion. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

- 2. Shady Grove: Approval of the Financing Plan, Feasibility and Public Purpose; Authorization to Issue Loans at HOC at Shady Grove, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan**

Jennifer Arrington, Acting Director of Mortgage Finance, introduced Victoria Dixon, Senior Multifamily Underwriter, who provided a presentation to recommend to the full Commission approval of financing plan, approval of the feasibility and public purpose, approval

of a bond authorization resolution for the issuance and delivery of a combination of short-term and long term tax exempt private activity bonds and taxable bonds, authorization for HOC to issue a financing commitment for a mortgage loan, approval to provide credit enhancement via FHA Risk Share Mortgage Insurance, approval to set sales proceeds, approval to issue a bridge loan, approval to release available cash held by the Seller, and approval for the borrower to accept the proposed Mortgage Loan and Bridge Loan.

Commissioners and Staff discussed the recommended actions. A motion was made by Commissioner Nelson, with suggested changes, and seconded by Commissioner Merkowitz to recommend to the full Commission at the October 6, 2021 monthly meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

3. **Upton II: Approval to Remove Cap of \$6.5MM and Restore the Maximum Bridge Loan of \$12MM Approved from Draws on the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) for the Upton II Financing**

Marcus Ervin, Acting Director of Development, provided the presentation requesting action of the Development and Finance Committee to recommend to the full Board the approval to amend the Bridge Note, removing the balance cap on the Bridge Loan.

Staff addressed Commissioners questions. A motion was made by Commissioner Merkowitz and seconded by Commissioner Nelson to recommend to the full Commission at the October 6, 2021 monthly meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

4. **Westside Shady Grove: Approval to name the property The Hurston**

Kayrine Brown, Acting Executive Director, provided an overview of the presentation, introducing Marcus Ervin, Acting Director of Development, and Christina Autin, Director of Legislative and Public Affairs. Staff recommended that the Development and Finance Committee recommend to the full Board approval of permanently naming the property The Hurston. Ms. Autin provided a background on the suggested guidelines for naming of properties.

There was discussion among Commissioners and Staff. A motion was made by Commissioner Nelson to move the item forward to the full Commission with no recommendation from the Development and Finance Committee. The motion was seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

5. **Upton II: Approval to name the property Ten Gibson**

Kayrine Brown, Acting Executive Director, introduced Christina Autin, Director of Legislative and Public Affairs, who provided a presentation requesting the Development and Finance Committee to recommend to the full Board approval of permanently naming the property Ten Gibson. Ms. Autin provided a background on the suggested guidelines for naming of property.

There was discussion among Commissioners and Staff. A motion was made by Commissioner Nelson to move the item forward to the full Commission with no recommendation from the Development and Finance Committee. The motion was seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

There was a request by Chair Simon for future discussion the process used to determine location of MPDUs.

There being no further discussion to come before this open session of the Development and Finance Committee a motion was made by Commissioner Merkowitz and seconded by Commissioner Nelson to adjourn. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz. The meeting adjourned at 11:42 a.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

Deliberation and/or Action

**GARNKIRK APARTMENTS: APPROVAL OF A PREDEVELOPMENT
BUDGET AND FUNDING OF PREDEVELOPMENT EXPENDITURES
FOR GARNKIRK APARTMENTS**

MIXED-INCOME RENTAL HOUSING IN CLARKSBURG



**KAYRINE BROWN, ACTING EXECUTIVE
DIRECTOR**

**Zachary Marks, Chief Real Estate Officer
Marcus Ervin, Director of Real Estate
Gio Kaviladze, Senior Financial Analyst**

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Executive Summary

HOC staff introduced the proposed 184-unit Garnkirk Farms Apartments (“Garnkirk”), an unsolicited opportunity on February 3, 2021, which was in the form of a letter of intent (“LOI”) received on December 4, 2020 (“LOI”) and subsequently approved on March 3, 2021. Multifamily rental development opportunities are limited in Clarksburg, and community opposition can be strong. Already entitled by the owner of the property, the Duffie Companies (“Duffie”), developing Garnkirk would allow HOC to enter into the transaction having avoided that political and entitlement risk.

On the strength of Duffie’s relationship with HOC, Duffie approached HOC staff to gauge HOC’s interest in taking over the development and owning the improvements. With HOC’s involvement, the number of restricted affordable units provided at Garnkirk would not only grow from 25-units (~13.5%) to 57-units, but 20% of these 57 units would be restricted to 50% AMI. Additionally, the development would be enhanced with close attention and investigation into sustainable development techniques and accessibility features where feasible.

The Commission formally closed on the 99-year Ground Lease on September 17, 2021. In order to advance the design and predevelopment efforts, staff is requesting authorization of a predevelopment budget and funding in the amount of **\$5,344,731** to be paid from the **PNC Bank, N.A. Real Estate Line of Credit (“RELOC”)**, and repaid at the closing of the construction loan financing in approximately May-2023.

As design and development progresses, staff will return to the Commission at a future date for approval of a Final Finance Plan and Final Development Plan that may include a combination use of LIHTC equity, debt, and potential use of the Housing Production Fund (“HPF”) as temporary construction bridge financing given the number of proposed affordable housing units.



UNIT MATRIX*						
Total Units	Bedroom Type	Baths	Type	Square Feet	Collected Rent	Rent (/SF)
63	1	1	MKT	665	1775	\$2.67
9	1	1	MPDU	665	1285	\$1.93
18	1	1	50%	665	1181	\$1.78
21	2	1	MKT	1148	1995	\$1.74
3	2	1	MPDU	1148	1535	\$1.34
6	2	1	50%	1148	1332	\$1.16
43	2	2	MKT	1148	2128	\$1.85
7	2	2	MPDU	1148	1620	\$1.41
14	2	2	50%	1148	1417	\$1.23

*The project will operate as a mix of market-rate and affordable units with a total of 57-affordable units inclusive of 19 MPDU units and 38 units restricted at 50% of AMI.

Executive Summary

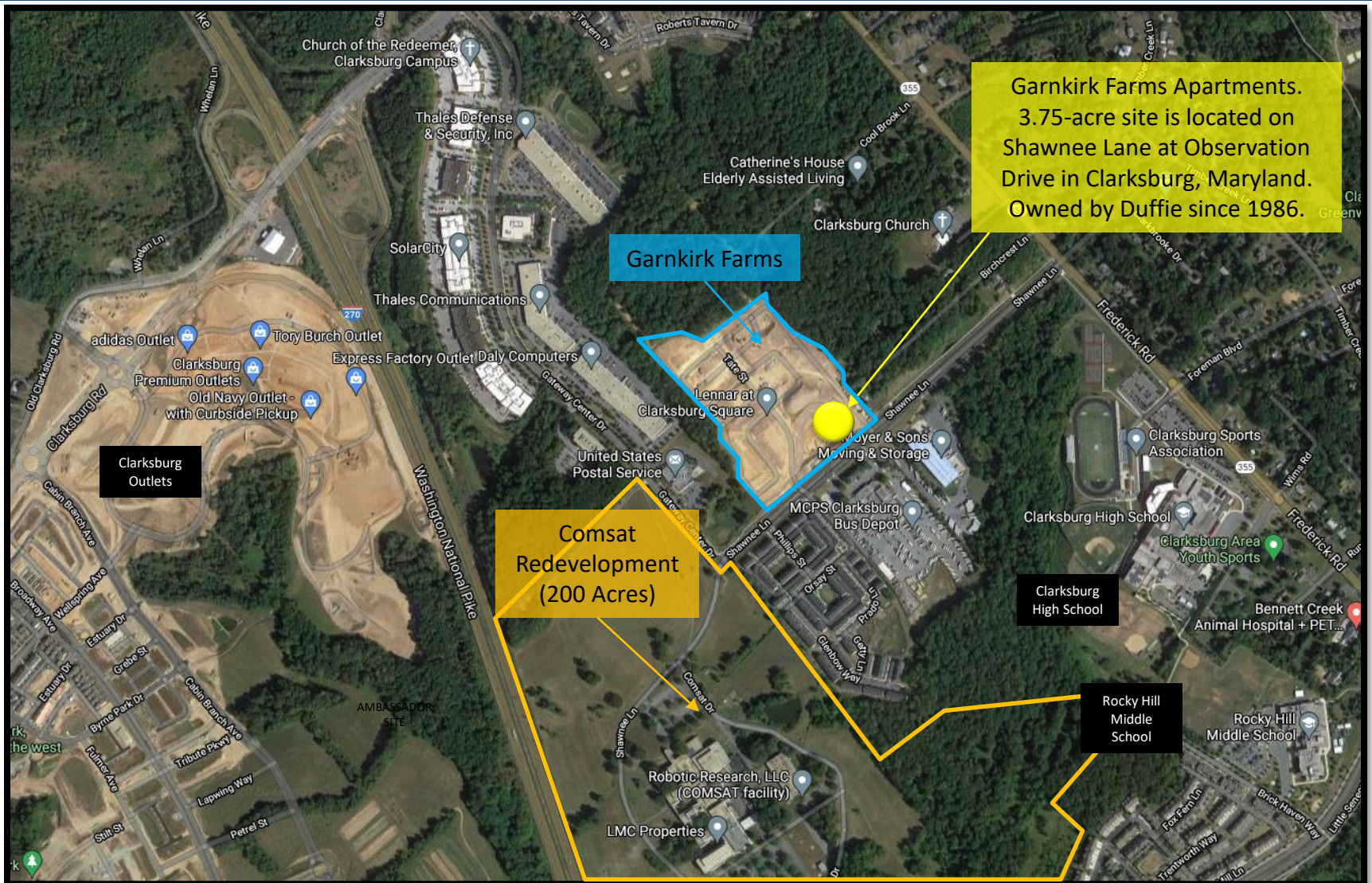
Garnkirk farms is a community of 392 residential dwelling units (including a minimum of 12.5% MPDUs) consisting of 18 one-family detached units, 190 townhouses, and 184 multi-family units. The multifamily component of the community is the final phase of development.

The proposed 184-unit mixed-income family rental property will be located at Shawnee Lane and Observation Drive in Clarksburg, Montgomery County, Maryland. The property will be comprised of one- and two-bedroom garden-style units. **The project will operate as a mix of market-rate and affordable units with a total of 57-affordable units inclusive of 19 MPDU units and 38 units restricted at 50% of AMI. The MPDU units will target households earning up to 65% of Area Median Household Income (AMHI) under the Moderately Priced Dwelling Unit (MPDU) program.** The project will offer garden-style units within a four-story, elevator-served building and 254 space parking structure.

The project is fully-entitled with an approved site plan and storm water management concept. Preliminary market analysis reports favorably confirmed the demand for additional general occupancy and age-restricted multifamily units in the Clarksburg market as well as the feasibility of the target rents proposed.



Background - Garnkirk Farms Apartments



Design | Sustainability | Universal Design



ARCHITECTURE

The 184 residence Garnkirk Farms Apartments will be the final phase of construction in a broader site plan including the Clarksburg Square community comprised of 18 single-family homes and 190 townhouses. As the arrival point to the community, **Garnkirk Farms apartments looks to compliment the classic and current architecture of the Clarksburg Square community while introducing modern elements and amenities.** Among the designers' guiding principles is a prevailing theme of connection, sustainability, and the creation of long-term value.



SUSTAINABILITY

Designed to meet LEED Platinum and Energy Star Indoor Air Quality Plus certifications the Garnkirk Farms team has focused on creating a highly efficient property without sacrificing comfort or value. Rather than build “code-minimum” and pushing investments in sustainability down the road, the Garnkirk Farms design team is performing the analysis from the onset to optimize construction and maximize long-term value.

At the leading edge of sustainability, the Garnkirk Farms project **is conceived as a fully electric Net Zero Energy Ready development.** Early energy modeling by Jay Hall and Associates and photovoltaic design by Aurora Energy confirm the project's viability to be among the largest Net Zero Energy multifamily projects in Montgomery County and the broader DC Metro area.



ACCESSIBILITY AND UNIVERSAL DESIGN

Marx|Okubo, the project's Accessibility consulting team, serves as an impartial reviewer of accessibility compliance. While the Americans with Disabilities Act (“ADA”) and Federal Fair Housing Act (“FFHA”) are more than 25 years old, accessibility compliance remains a challenging prospect for many property owners. The project team understands that the projects function must go hand-in-hand with its form.

An early focus on the elements of Universal Design and accessibility will position Garnkirk Farms as a project designed for equitable enjoyment by all residents. No matter how beautiful, a property will not be comfortable or appealing if a resident cannot move freely through its rooms and independently perform the basic tasks of life. In addition to life-long accessibility needs, sudden accident or the long-term effects of illness can create mobility problems, visual and auditory impairments, or cognitive decline. The Garnkirk Farms designers hope to limit the impacts of these challenges.

Examples of Universal Design elements incorporated into the project include, but are not limited to, elevator access to all levels, enlarged door widths, enlarged hallway and travel paths, in wall blocking for grab rails and seats, and solid rollable flooring surfaces.

Sustainability Continued: Garnkirk Farms Apartments & Thrive 2050

Garnkirk meets many of the goals outlined in Thrive Montgomery 2050 (Montgomery County's draft update to its General Plan, which is the blueprint and guiding policy document for future growth and development in the County). The vision for Thrive Montgomery 2050 is that:

"In 2050, Montgomery County is a vibrant and welcoming place where all people thrive with equitable access to attainable housing, healthy food, opportunities for physical activity, parks and open spaces, employment, education, services and a variety of travel options. No longer a suburban bedroom community, Montgomery County has diversity in population, in living and working experiences, in modes of travel, and in natural and built resources. People from all over the world choose to live, work, grow and age here."

Thrive Montgomery 2050 goals achieved by Garnkirk Farms Apartments:

- ✓ Compact form of development/urbanism.
- ✓ Corridors are the place for new growth.
- ✓ Stop planning for cars.
- ✓ Attainable housing for all income levels.
- ✓ A diverse county.



Other Thrive Montgomery 2050 goals:

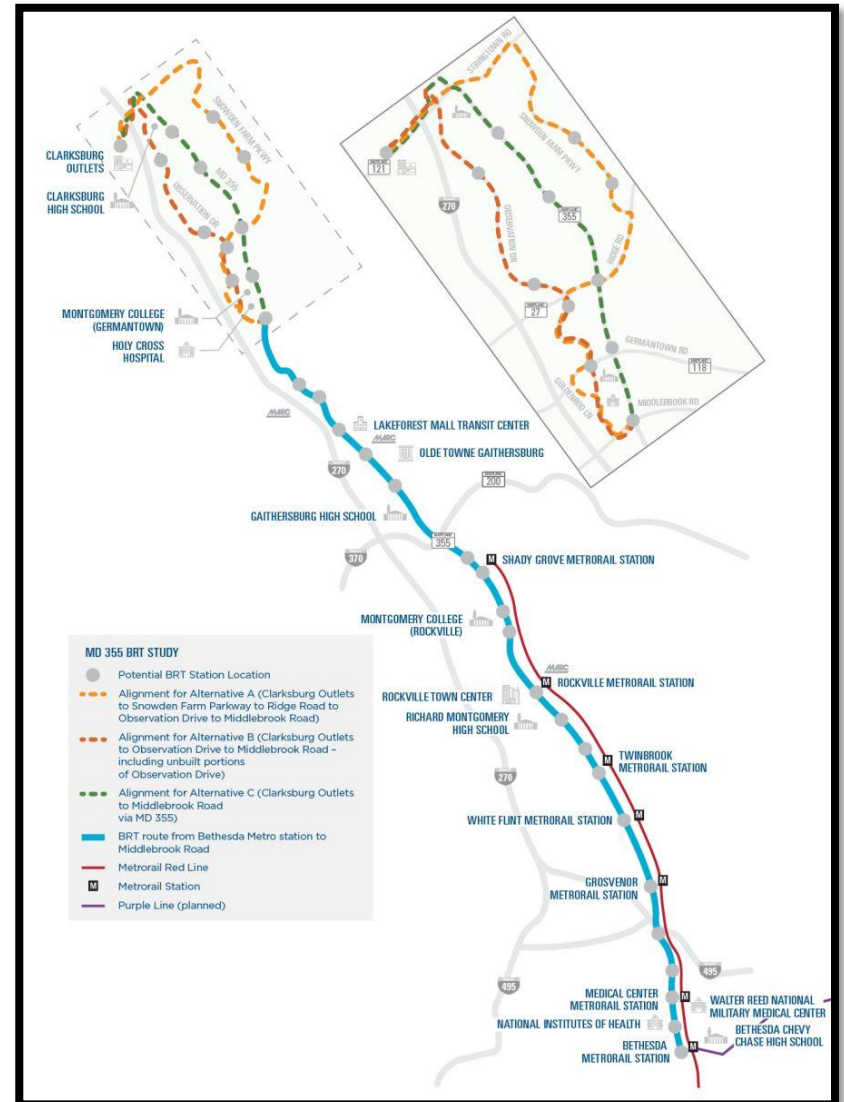
- Eradicate greenhouse gas emissions.
- Evolution of single-family neighborhoods near transit.
- Champion the importance of place.
- Regional solutions and strategies.

Garnkirk – Automobile Reliance & Transit

Thrive Montgomery 2050 proposes that all new residential and non-residential growth be located in existing and planned population and business centers near existing and planned transit such as the Metro rail stations and the bus rapid transit (“BRT”) corridors. Various housing types at a mix of price points along rail and BRT corridors accommodate diverse populations and help achieve equity and integration on a neighborhood scale. The County is evaluating three potential BRT routes through Clarksburg, two of which (the Observation Drive and MD 355 routes) would include stops within 1/3 mile of Garnkirk Farms.

While Clarksburg is highly auto-centric, residents of the proposed 50% AMI units and MPDUs will not be unduly burdened by the need for automobile ownership as they likely already own cars. Despite the need to continue to rely upon them for primary transportation, the nearby RideOn bus stop and potential future BRT station will afford the residents of Garnkirk some level of multimodality. Still, the primary transit benefit to the residents of the affordable units will be the new availability of affordable rental housing in a part of the County without much of it.

Greenhills Apartments, which sits about five miles further from I-270 and BRT service than Garnkirk, has proven to be just such a success story. With 70% of units restricted under the LIHTC program, Greenhills has nevertheless maintained high occupancy of about 96 percent, demonstrating that required automobile ownership doesn’t always outweigh the benefits of geographical location. With the I-270 Transit Plan and BRT planning underway, Garnkirk will fill a major geographical gap in HOC’s portfolio and may ultimately evolve into a more transit rich location.



Garnkirk – Racial Equity & Inclusion

A central outcome that both Thrive Montgomery 2050 and HOC drive to achieve is racial equity and inclusion: creating communities where all residents have equal access to attainable housing, healthy foods, employment, transportation, education and more. A key development policy that specifically supports racial equity and inclusion is creating more affordable housing in areas of opportunity. Staff believes the Garnkirk opportunity can be leveraged to meet both the County's and HOC's goals.

While low-income households make up 28% of the County, Clarksburg and the surrounding areas are about 1 standard deviation below the County average (see map to the right). Clarksburg also carries less of the County-wide average on poverty, rental housing, and Low- and Moderate-income households (see stats below).

From a racial perspective, Clarksburg is highly unrepresentative of Montgomery County – with the lack of rental housing as a core contributor. Census Tract 7003.11, the census tract for Clarksburg, is 38% Asian, 33% White, 16% Black, and 10% Hispanic. This is compared to 43% White, 19% Black, 15% Asian, and 20% Hispanic for the County as a whole.

HOC's development of Garnkirk would deliver much-needed rental housing product and increase access to Clarksburg for households unable to afford homeownership. Garnkirk's location within the Garnkirk Farms master development, near schools, and next to the future Comsat development lends itself to better neighborhood and socioeconomic integration.

Methodology: Datasets

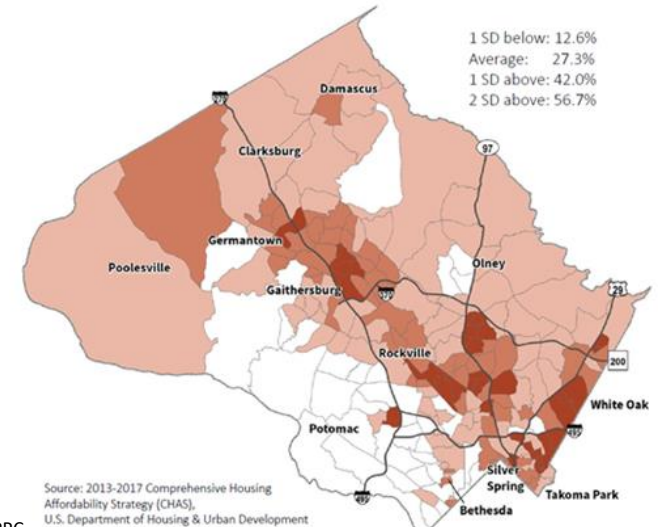
Low-income households:

- 103,200 households, 28% of the County

% of Low-Income Households*

0	0 - 12.5% (42 Tracts)
1	12.6 - 27.3% (77 Tracts)
2	27.4 - 42.0% (58 Tracts)
3	42.1%+ (38 Tracts)

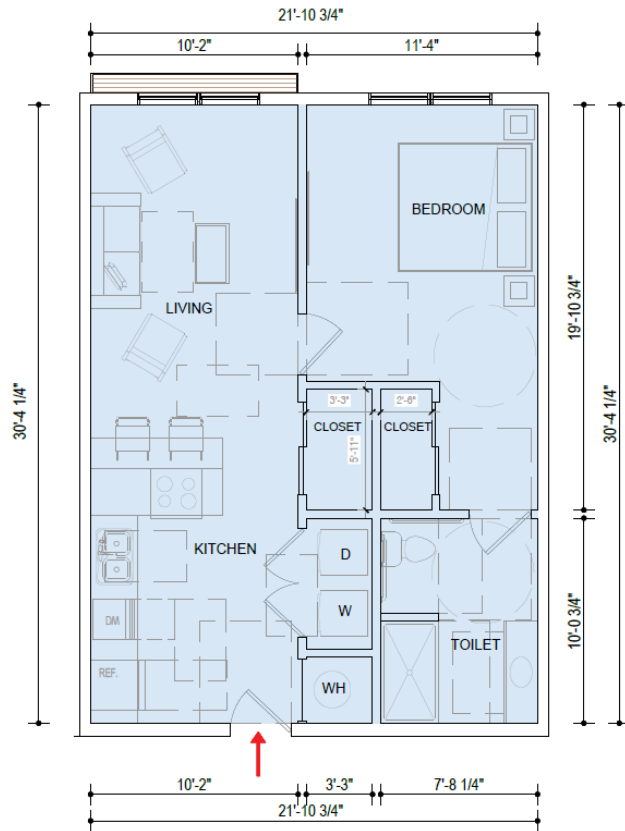
* Percent of households in the Census Tract at or below 80% of the HUD Area Median Family Income adjusted for household size



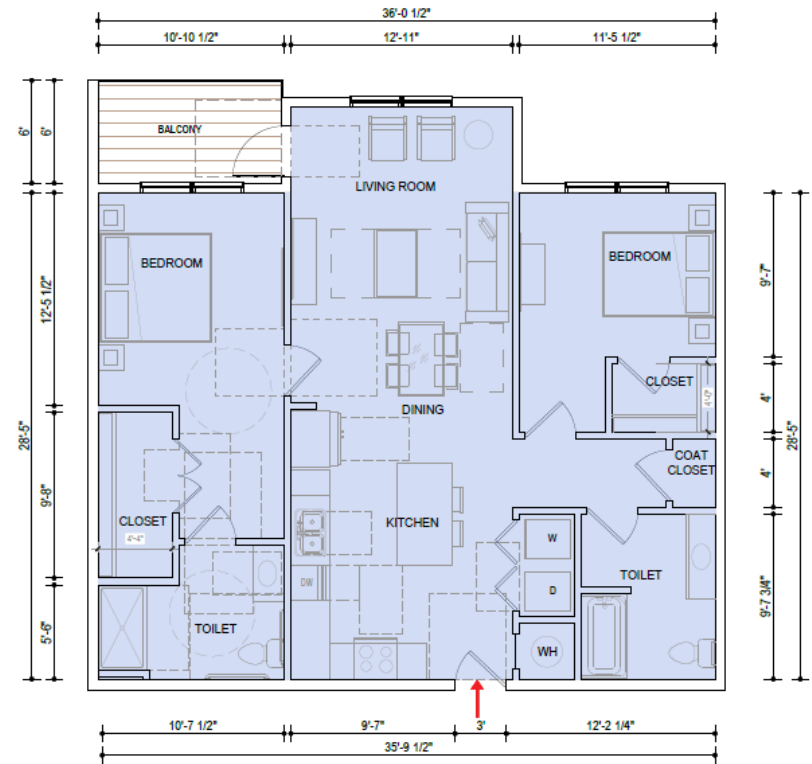
Equity Focus Areas Presentation By M-NCPPC

	Montgomery County	Clarksburg	Variance
Median Household Income, 2015-2019	\$108,820	\$147,070	\$38,250
Person in Poverty	7.3%	4.9%	(2.4%)
Owner Occupied Housing Unit Rate, 2015-2019	65.4%	86.4%	21%
Bachelors Degree or Higher, percent of persons 25+, 2015-2019	58.9%	69.4%	10.5%

Sample Unit Layouts



1BR|1BA - Unit - 665SF



2BR|2BA-Unit w/ Balcony - 1,089SF

Featured Amenities

In addition to those typical amenities incorporated into multifamily developments throughout Montgomery County, DAS Architecture has been engaged to provide specialized expertise in place making and improving the resident experience.

Considered amenities include, but are not limited to:

In-Unit Amenities

- Electric Ranges
- Refrigerator w/Icemaker
- Garbage Disposal
- Dishwasher
- In-Unit Washer/Dryer Machines
- Central Air Conditioning
- Vinyl & Composite Flooring
- Window Blinds
- Ceiling Fans
- Controlled Access/Key Fob
- Patio/Balcony
- High-Quality Finishes/Selections
- Walk-in Closets

Community-Wide Amenities

- Bike Racks/Storage
- Car Charging Station
- Common Patio
- Conference Room
- Firepit
- Computer Center
- Elevators
- Community Room with Kitchen
- Study Lounge
- Fitness Center
- Outdoor Swimming Pool
- Game Room/Billiards

Community-Wide Amenities

- Dog Washing Station
- Copy/Print/Fax
- On-Site Management
- Clubhouse
- TV Lounge
- Picnic Area with Grills
- Community Wide Wi-Fi
- Dog Park with Clean-Up Stations
- Package/Receiving
- Parking Garage (254 Spaces)



Design Precedent: Images from nearby Axiom at Cabin Branch (located opposite of I-270)

Predevelopment Budget

The Commission is being asked to approve an initial predevelopment budget of \$5,344,731 to include costs for completing the design of the development, entitlements, permitting, professional fees, and deferred ground lease payments that are deferred until the earlier of the construction financing closing or January 1, 2023. Additionally provided below is a summary of the RELOC showing the current projected unobligated available balance through FY25.

Design & Development Budget	Amount
Remaining Design - (Design through Construction Documents)	\$ 1,882,148
Building Permits & Fees	\$ 1,598,026
Legal (Development Agmt & Land Use)	\$ 204,691
Misc Fees (Govt/Financing Fees)	\$ 90,766
Professional Consultants (Precon Mgmt - 16-mos @ \$30k split 50/50 HOC & Duffie)	\$ 480,000
Site Research (Third-Party Reports)	\$ 24,302
Ground Lease Payments (Payments deferred until January-23)	\$ 576,489
Third Party Consultants (Branding, Marketing, Addtl Consultants)	\$ 268,310
Soft Cost Contingency (~4%)	\$ 220,000
Total	\$ 5,344,731

RELOC	
as of	17-Sep-21
Current Fiscal Year	
Cash Balance	121,779,399
Commitments	(47,642,299)
Available Balance	74,137,100
Projected FY22	
Inflows / Outflows	(207,620)
Avail Balance	73,929,480
Projected FY23	
Inflows / Outflows	(9,338,844)
Avail Balance	64,590,636
Projected FY24	
Inflows / Outflows	17,689,770
Avail Balance	91,619,250
Projected FY25	
Inflows / Outflows	2,712,903
Avail Balance	67,303,539

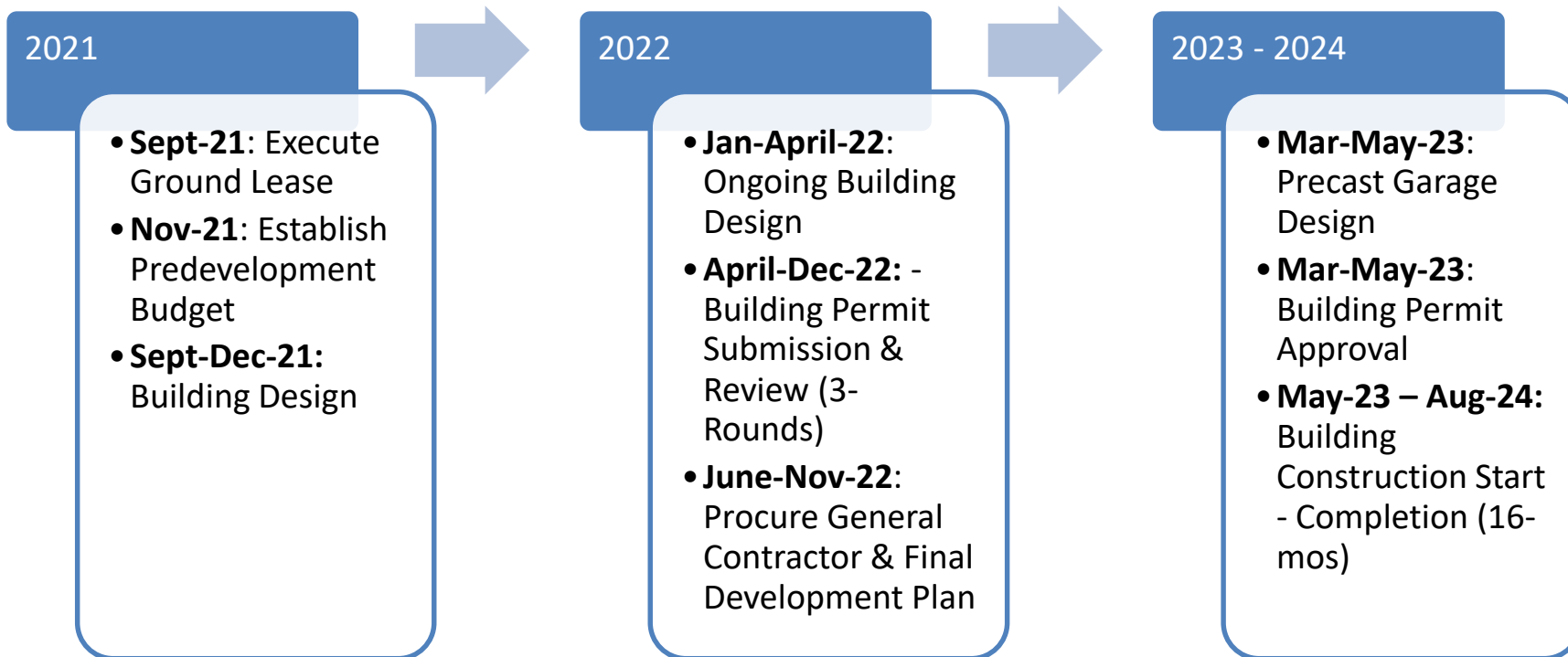
Predevelopment Draw Schedule

Provided below is the estimated 20-month draw schedule for the anticipated predevelopment expenses to be incurred during the period prior to the commencement of construction.

Design & Development Budget	Amount	Q42022	Q12022	Q22022	Q32022	Q42022	Q12023	Q22023	Total
Remaining Design - (Design through Construction Documents)	\$ 1,882,148	\$ 268,878	\$ 268,878	\$ 268,878	\$ 268,878	\$ 268,878	\$ 268,878	\$ 268,878	\$ 1,882,148
Building Permits & Fees	\$ 1,598,026	\$ -	\$ 266,338	\$ 266,338	\$ 266,338	\$ 266,338	\$ 266,338	\$ 266,338	\$ 1,598,026
Legal (Development Agmt & Land Use)	\$ 204,691	\$ 29,242	\$ 29,242	\$ 29,242	\$ 29,242	\$ 29,242	\$ 29,242	\$ 29,242	\$ 204,691
Misc Fees (Govt/Financing Fees)	\$ 90,766	\$ 12,967	\$ 12,967	\$ 12,967	\$ 12,967	\$ 12,967	\$ 12,967	\$ 12,967	\$ 90,766
Professional Consultants (Precon Mgmt - 16-mos @ \$30k split 50/50 HOC & Duffie)	\$ 480,000	\$ 68,571	\$ 68,571	\$ 68,571	\$ 68,571	\$ 68,571	\$ 68,571	\$ 68,571	\$ 480,000
Site Research (Third-Party Reports)	\$ 24,302	\$ 3,472	\$ 3,472	\$ 3,472	\$ 3,472	\$ 3,472	\$ 3,472	\$ 3,472	\$ 24,302
Ground Lease Payments (Payments deferred until January-23)	\$ 576,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 576,489	\$ -	\$ 576,489
Third Party Consultants (Branding, Marketing, Addtl Consultants)	\$ 268,310	\$ 38,330	\$ 38,330	\$ 38,330	\$ 38,330	\$ 38,330	\$ 38,330	\$ 38,330	\$ 268,310
Soft Cost Contingency (~4%)	\$ 220,000	\$ 31,429	\$ 31,429	\$ 31,429	\$ 31,429	\$ 31,429	\$ 31,429	\$ 31,429	\$ 220,000
Total	\$ 5,344,731	\$ 452,888	\$ 719,226	\$ 719,226	\$ 719,226	\$ 719,226	\$ 1,295,715	\$ 719,226	\$ 5,344,731

Development Timeline

Accounting for Budget Approval, Design, Local Reviews, and Procurements the project timeline currently is estimated at 16 months for Preconstruction and 20 months for construction of the 184 unit residential building and attached precast parking garage.



Summary and Recommendations

ISSUES FOR CONSIDERATION

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

1. Approval of a predevelopment budget amount \$5,344,731 to account for the costs necessary to complete the predevelopment and entitlement phases of the development through construction financing closing?
2. Approval of a draw from the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") to fund the predevelopment budget, which will be repaid from the proceeds of the construction financing?
3. Approval for the interest payments for all draws on the RELOC to be made from the General Fund and reimbursed at the closing of the construction financing.

BUDGET/FISCAL IMPACT

As the outstanding balance of the RELOC will gradually increase over the course of the predevelopment period, the outstanding interest of approximately \$80k would be paid from the General Fund and reimbursed at the closing of the construction financing. The PNC Bank, N.A. Real Estate Line of Credit ("RELOC") has a current available balance of \$74,137,100, and the development is slated to close on the construction financing in FY23, which will have a projected unobligated balance of \$73,929,480 at that time.

TIME FRAME

For review by the Development and Finance Committee during the October 22, 2021 committee meeting, and for formal action at the November 3, 2021, meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

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

1. A predevelopment budget of \$5,344,731 to account for the costs necessary to complete the predevelopment and entitlement phases of the development through construction financing closing.
2. A draw from the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") to fund the predevelopment budget, which will be repaid from the proceeds of the construction financing.
3. Payments from the General Fund for outstanding interest incurred from the RELOC during the predevelopment period through the closing of the construction or permanent loan.

MEMORANDUM

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

VIA: Kayrine V. Brown, Acting Executive Director

FROM: Staff: Tim Goetzinger, Chief Development Funds Officer Ext. 4836

RE: **Westside Shady Grove:** Approval of a Subordinate Loan from the Housing Production Fund to HOC at Westside Shady Grove, LLC

Date: October 22, 2021

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To obtain approval of a \$14.3 million loan from the Housing Production Fund (“HPF”) for the 268-unit mixed-income & mixed-use Westside Shady Grove development, which upon completion will contain 187-market rate units (70%), 80-affordable housing units (30%), 21,000 square feet of retail, and 7,400 square feet designated to the UpCounty Service Center.

BACKGROUND:

On August 17, 2021, the Housing Opportunities Commission (“HOC”) closed on the issuance of \$50,000,000 in Limited Obligation Bonds (Housing Production Fund) Series 2021 (Federally Taxable) sold by the Commission to PNC Capital Markets, LLC and Wells Fargo Bank, National Association, as underwriters.

The net lendable proceeds (after payment of Cost of Issuance) are \$49,787,500. Developments funded by the HPF will incur interest costs at 5% of the loan and such interest will be remitted to the County annually. The County will pay all bond debt service for 20 years. The interest payments will help to reduce the cost to the County. Once all funds are loaned, the projected annual cost to the County is less than \$600,000.

The bond issuance was unique in that it was the first-ever collaboration of its kind between the County and HOC that created an innovative revolving source of construction financing that will help to expand affordable housing in the County, and is replicable for other localities.

The HPF is utilized in conjunction with additional HOC investment, private investment, and conventional construction debt to finance construction and lease-up phases for new-construction developments. Permanent financing repays the initial HPF investment, which is subsequently returned to the fund for investment into the next HPF development. Developments funded by the HPF are “30/70” new construction developments, so that no less than thirty percent of a project’s total units are affordable to low- and moderate-income residents and no more than seventy percent are market-rate units. The affordable units are set at two (2) affordability levels. Ten percent (10%) of a project’s units are at

Moderately Priced Dwelling Unit (“MPDU”) rents, which are affordable to a family of four (4) making approximately \$85,000 or less, and twenty percent (20%) of project’s units are at 50% of the AMI, which are affordable to a family of four (4) making \$64,500 or less per year.

The goal of the HPF is to produce 2,500-3,000 newly constructed units over a twenty-year period. With \$50 million available, it is anticipated that two (2) or more development projects can be undertaken at any given time. On average, each transaction will yield at least 150-180 affordable units and approximately 500-600 total units. At the end of five (5) years, HPF financing is repaid at the permanent financing of the development back to the HPF.

Housing in Montgomery County is in high-demand. The HPF is an innovative financing tool, which produces new, mixed-income communities for Montgomery County residents. It becomes a permanent source of construction financing for HOC free of County encumbrance after twenty (20) years of appropriations. The HPF is projected to revolve every five (5) years resulting in \$250 million of construction loans over a twenty-year period and will provide committed capital for part of HOC’s 5,500-unit pipeline.

As indicated to the Commission at the May 5, 2021 Commission meeting, the following two (2) developments have been targeted to be recommended for initial HPF funding:

Westside Shady Grove:

\$14.3M in HPF for 268 newly constructed units adjacent to the Metro at Gramercy Boulevard in Rockville.

Hillandale Gateway:

~\$35M in HPF for 463 newly constructed units at New Hampshire Avenue in Silver Spring. This will be the first Passive House multifamily development in Maryland.



This request represents the first use of the Housing Production Fund and is to provide a \$14.3 million loan to Westside Shady Grove.

Westside Shady Grove

Westside Shady Grove is a \$118 million, 268-unit, transit-oriented, new construction development located next to the Shady Grove Metro Station. Of the 268 units, 30% (80-units) will be affordable, including 67-units at 50% AMI and 13-units at 65% AMI (MPDU income limit). The development predominantly consists of one- and two-bedroom units with a few studios and three-bedroom units. On January 28, 2021, HOC accepted a \$14.3 million short-term Housing Initiative Fund (“HIF”) loan from the County.

Proposed HPF Loan Terms	
14,300,000	Loan Amount
5.0%	Interest Rate (payable monthly)
5	Maximum Term (years)

Proceeds from the HPF loan would be used to repay the County’s short-term loan. Per HPF guidelines, the loan would carry a term of no more than five (5) years with an interest rate at five percent (5%). The HPF loan would be repaid at the permanent financing to be reused for a future HOC mixed-income housing development.

Construction is expected to be completed at the end of January 2023, and lease-up is expected to be completed by the end of February 2024, at which time the project would convert to permanent financing; therefore, it is expected that the \$14.3 million HPF loan will be returned to the HPF for a future project at the end of February 2024.

The loan would be evidenced by a Deed of Trust, Loan Agreement, Regulatory Agreement and Promissory Note.

Sources of Construction and Permanent Financing

Sources of Funds	Construction	Permanent
Senior Debt	99,250,000	99,250,000
HOC Equity	5,486,300	5,486,300
EYA / Bozzuto Equity	2,235,944	2,235,944
County Development Loan (HPF / HIF)	14,300,000	-
Mezzanine Loan / Private Equity	-	15,067,832
Funding Gap / (Surplus)	(2,578,684)	-
Total	118,693,560	122,040,076

Summary of past approvals for the Westside Shady Grove development and the HPF

Note that Resolution 20-86 identified the Housing Production Fund as a possible source financing to repay the County’s short-term HIF loan.

Date	Res.	Description
4-Sep-19	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.

5-Dec-19	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.
8-Jan-20	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.
1-Jul-20	20-59AS	Authorization to Approve Additional Pre-Development Funding (\$1.07 million) from the County Revolving Opportunity Housing Development Fund.
1-Jul-20	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.
9-Dec-20	20-86	Approval of a Final Development Plan; Authorization for the Executive Director to Accept the 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 for the Payment to Secure Building Permits and Bind the Builder's Risk Insurance
5-May-21	21-46	Approval of a Revolving Housing Production Fund Program; Authorizing Resolution for a New Master Resolution to Implement the Revolving Housing Production Fund Program; Approval of Structure, Cost of Issuance Budget, and Adoption of Series Resolution for the Issuance of Limited Obligation Bonds, Series 2021 to Provide Funding for the Revolving Housing Production Fund

ISSUES FOR CONSIDERATION:

Does the Development and Finance Committee wish to join staff's recommendation that the Commission approve a loan from the Housing Production Fund in an amount not to exceed \$14.3 million for the Westside Shady Grove development?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
HOC at Westside Shady Grove, LLC

FISCAL/BUDGET IMPACT:

There is no impact on the agency's 2022 operating budget.

TIMEFRAME:

For review by the Development and Finance Committee during the October 22, 2021 committee meeting and for formal action at the November 3, 2021 open meeting of the Commission.

STAFF RECOMMENDATION:

Staff recommends that the Development and Finance Committee join staff's recommendation to the Commission to approve a loan from the Housing Production Fund in an amount not to exceed \$14.3 million for the Westside Shady Grove project.

MEMORANDUM

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

VIA: Kayrine V. Brown, Acting Executive Director

FROM: Staff: Aisha Memon, General Counsel Ext. 9740
Zachary Marks, Chief Real Estate Officer Ext. 9613
Marcus Ervin, Acting Director of Development Ext. 9752
Kathryn Hollister, Senior Financial Analyst Ext. 9551

RE: **Westwood Tower:** Approval of an Emergency Procurement Pursuant To Section 5.6(ii) of HOC's Procurement Policy for the Continuation of Litigation Services

DATE: October 22, 2021

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To authorize an emergency procurement, pursuant to Section 5.6(ii) of HOC's Procurement Policy, for the continuation of litigation services.

BACKGROUND:

In December 2019, staff solicited quotes pursuant to Section 5.2(a) of HOC's Procurement Policy ("Small Purchase Procedures") for legal consultation services for potential litigation regarding Westwood Tower Apartments ("Westwood Tower" or the "Property"). Staff received three written quotes and awarded the work to Douglas & Boykin PLLC ("Douglas"), the vendor that submitted the lowest price. On January 8, 2020, HOC entered into an agreement for services ("Agreement") with Douglas. The Agreement included HOC's ability to request that Douglas represent HOC in the event any litigation was filed.

On July 2, 2021, the Commission authorized the sale of Westwood Tower to a private purchaser. On August 10, 2021, HOC was named as a defendant in a Complaint for Writ of Mandamus filed in the Circuit Court for Montgomery County, Maryland (Case No. 486734-V) by the Bethesda African Cemetery Coalition, Reverend Olusegun Adebayo, Darold Cuba, Geneva Nanette Hunter, and Montani Wallace (the "Plaintiffs"). Shortly thereafter, staff engaged Douglas to represent HOC in the litigation.

Plaintiffs allege that HOC violated Md. Code, Bus. Reg. § 5-505 and Md. R Prop. Sales Rule 14-401 by not petitioning the court before attempting to sell Westwood Tower. As of October 18, 2021, HOC is awaiting the court's ruling on its motion to dismiss. With the litigation still ongoing, staff anticipates needing additional litigation services beyond the Small Purchase Procedure limit of \$150,000. Section 5.6(ii) of HOC's Procurement Policy ("Section 5.6(ii)") provides for procurement by noncompetitive proposals when the award of contract is not feasible using competitive proposals and an emergency exists that threatens to cause serious injury to HOC. Given the ongoing developments in the litigation, the potentially serious legal and financial ramifications of the lawsuit, and in order to maintain continuity in HOC's legal strategy, staff requests Commission approval of an emergency procurement pursuant to Section 5.6(ii) for the continuation of litigation services provided by Douglas. A pause or break in the litigation strategy for a competitive proposal procurement is not feasible and poses an emergency to HOC as it endangers HOC's ability to defend itself in the case.

Funding

Douglas estimates that their legal fees and cost to see the current litigation through its conclusion is \$225,000. To date, legal fees and cost which have been incurred for HOC’s defense have been paid by the property.

Staff proposes that the projected future legal fees and cost of \$225,000, plus a \$45,000 (20%) contingency, for a total of \$270,000, be paid from the Commission’s Opportunity Housing Reserve Fund (“OHRF”). The Commission had previously approved the use of up to \$300,000 from the OHRF to fund feasibility costs, under a refinance scenario. With the sale of the Property, those funds are no longer needed for feasibility expenditures; therefore, staff proposes that the remaining balance of \$210,000 be released and a new amount of \$270,000 be authorized to fund the anticipated costs.

ISSUES FOR CONSIDERATION:

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

1. Approve an emergency procurement for the continuation of litigation services provided by Douglas & Boykin PLLC pursuant to Section 5.6(ii) of HOC’s Procurement Policy?
2. Approve the release of unused feasibility funding for the Property in the amount of \$210,000 and authorize new funding from the OHRF in the amount of \$270,000 for future litigation expenses?

BUDGET IMPACT:

There is no adverse impact on the agency’s FY2022 operating budget. The simultaneous release of previously obligated feasibility funding in the amount of \$210,000 and approval of a new obligation in the amount of \$270,000 would reduce the OHRF’s unobligated balance by \$60,000. As of August 31, 2021, the OHRF had an unobligated balance of \$1,922,374.

OHRF	
	as of 31-Aug-21
Current Fiscal Year	
Cash Balance	16,142,003
Commitments	(14,219,629)
Available Balance	1,922,374
Projected FY22	
Inflows / Outflows	11,918,361
Avail Balance	13,840,735
Projected FY23	
Inflows / Outflows	9,812,533
Avail Balance	23,653,268

TIME FRAME:

For review by the Development and Finance Committee during the October 22, 2021 committee meeting and for action by the Commission at the November 3, 2021 open meeting of the Commission.

STAFF RECOMMENDATION:

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

1. Approve an emergency procurement for the continuation of litigation services provided by Douglas & Boykin PLLC pursuant to Section 5.6(ii) of HOC's Procurement Policy.
2. Approve the release of unused feasibility funding for the Property in the amount of \$210,000 and authorize new funding from the OHRF in the amount of \$270,000 for future litigation expenses.

**4527 AVONDALE STREET: AUTHORIZATION FOR THE ACTING
EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE A PURCHASE
AND SALE AGREEMENT FOR THE DISPOSITION OF 4527
AVONDALE TO THE NATIONAL CENTER FOR CHILDREN AND
FAMILIES, AND AUTHORIZATION TO COMPLETE THE SALE**

BETHESDA, MD



KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

KATHRYN HOLLISTER, SENIOR FINANCIAL ANALYST
ZACHARY MARKS, CHIEF REAL ESTATE OFFICER

October 22, 2021

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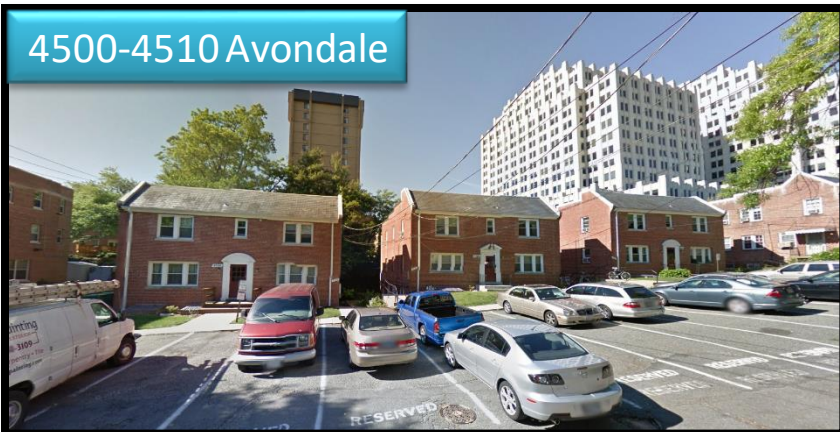
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Executive Summary

- On April 14, 2015, HOC acquired 25-units located in four (4) two-story rental properties, located at 4500-02, 4504-06, 4508-10, and 4527 Avondale Street, in downtown Bethesda (“Avondale Street Properties”) under Montgomery County’s Right of First Refusal Ordinance (“ROFR”) for \$6.9MM.
- HOC financed the acquisition using proceeds drawn on its PNC Bank, NA Real Estate Line of Credit (“RELOC”).
- Three (3) of the Avondale Properties (4500-02, 4504-06, and 4508-10 Avondale Street) sit on contiguous parcels on the southeast side of Avondale Street. One (1) of the Avondale Properties, 4527 Avondale Street (“4527 Avondale” or “Property”), sits on the northeast side of Avondale Street.
- The National Centers for Children and Families (“NCCF”), a Bethesda-based nonprofit dedicated to providing housing to low-income families, many who would otherwise be at risk of homelessness, owns two (2) neighboring rental apartment buildings, 4519 and 4523 Avondale Street, directly to the east of 4527 Avondale. NCCF utilizes these properties for the purpose of providing housing options to households with income at or below 50% of the area median income (“AMI”) in support of the needs of the diverse children, youth, and families it serves.
- NCCF is in discussions with Montgomery County’s Department of Housing and Community Affairs (“DHCA”) regarding DHCA’s contract to purchase 4531 Avondale Street (“4531 Avondale”), the neighboring rental property directly to the west of 4527 Avondale. DHCA has indicated that it would like to transfer the property to NCCF at closing, and to close on the transaction on or before December 31, 2021.
- On October 6, 2021, the Commission authorized the Acting Executive Director to enter into a non-binding letter of intent (“LOI”) with the NCCF for the purchase and sale of 4527 Avondale, for a purchase price of \$1,225,000, requiring no earnest money deposit, and with a closing date on or before the date which 4531 Avondale closes.
- NCCF’s acquisitions of 4531 and 4527 Avondale would allow the organization to expand its spectrum of affordable housing options in the downtown Bethesda neighborhood where it is already established.
- Staff is requesting Commission approval to authorize the Acting Executive Director to negotiate and execute a purchase and sale agreement (“PSA”) for the disposition of 4527 Avondale, pursuant to the aforementioned LOI terms, and authorization to complete the sale. Staff recommends that proceeds from the sale go to pay down the PNC RELOC, which was used to finance the acquisition of the 4527 Avondale in 2015.

Property Background

4500-4510 Avondale



On October 24, 2014, HOC received a ROFR package regarding the \$6.9MM purchase of 25-units located in four (4) two-story rental properties in downtown Bethesda (“Avondale Street Properties”). Rents at these properties were exceedingly affordable for the area; thus, preservation of these units was critical – particularly being located in the Central Business District and proximate to public transportation, including the Bethesda Metro Station.

4527 Avondale



HOC closed on the acquisition of Avondale Street Properties on April 14, 2015, using funds drawn from its PNC RELOC. Three (3) of four (4) properties sit on the eastern end and southern side of Avondale Street (“East End”). The East End properties are adjacent to HOC’s Waverly House and are zoned Commercial Residential (CR 1.5). The fourth property – 4527 Avondale – is on the north side, near the west end, of Avondale Street.

The East End buildings each have seven (7) units ranging in rent from \$900-\$1,425 and are efficiencies and one-bedroom units. The four (4) units at 4527 Avondale range in rent from \$1,600-\$1,700 and are 1,000-SF, two-bedroom units. Unlike the East End properties, 4527 Avondale is zoned CRN 0.75, for much lower density development.

There is one (1) current vacancy and one (1) notice to vacate at 4527 Avondale (January 2022) and two (2) vacancies at the East End Properties.

Transaction Background and Next Steps

Bethesda-based NCCF recently made HOC aware of its interest to expand its housing and services along Avondale Street. NCCF owns 4519 and 4523 Avondale Street (“4519 & 4523 Avondale”), which are adjacent to HOC’s 4527 Avondale. NCCF’s properties are leased to families making less than 50% of the AMI. DHCA has recently accepted a ROFR offer for the acquisition of 4531 Avondale, which is also adjacent to 4527 Avondale, and intends to transfer the property to NCCF at closing.

NCCF initiated discussions with DHCA to fund the acquisition of both 4527 Avondale and 4531 Avondale. DHCA similarly led and funded the acquisition of 4519 & 4523 Avondale on behalf of NCCF in 2015. DHCA has indicated it would like to close on these transactions on or before December 31, 2021.

Just as in its 2015 and 2019 transactions, NCCF is entirely reliant on the support of DHCA to acquire and renovate 4527 Avondale and 4531 Avondale. The County recently received on September 24, 2021, \$7,310,978 in American Rescue Plan grant money targeting the prevention and ending of homelessness.

DHCA will formally approve funding for 4531 and 4527 Avondale at its November 10, 2021 loan committee. Given that the sale of 4527 Avondale is subject to the ROFR statute, including the requirement to provide tenants 45 days to organize should they wish to purchase the property, staff is requesting Commission approval to negotiate and execute a PSA prior to DHCA’s loan committee so that there is sufficient time to close on or before December 31, 2021. Staff proposes that the PSA be contingent on NCCF obtaining financing, in the event DHCA does not approve the loan (which staff believes is an extremely unlikely scenario).



ROFR Fulfillment

In exercising its ROFR, HOC acquired 4527 Avondale to preserve the four (4) naturally occurring affordable housing units present then and now. The units at 4527 Avondale rent at near-MPDU levels. Rents at 4531 Avondale are similar.

NCCF seeks to add these two (2) properties to expand its spectrum of affordable housing options in the downtown Bethesda neighborhood where it is already established. The primary plan would be to simply duplicate the success at 4519 and 4523 by adding eight (8) affordable rental homes through comprehensive renovation.



NCCF has also indicated it may explore a cooperative living model integrated with affordable home ownership through adaptive renovation to create a continuum of service along Avondale Street. Either way, there would be a deepening of affordability at these locations.

NCCF's use would require the permanent relocation of existing residents at 4527 Avondale and 4531 Avondale. Both DHCA and HOC will work with the NCCF, pre- and post-closing, to ensure existing families are presented acceptable options for relocation. Given the small number of total households involved and HOC's extensive holdings in downtown Bethesda, HOC staff is confident that the existing households can be provided satisfactory permanent relocation housing.

One (1) of four (4) units at 4527 Avondale is currently vacant, one (1) unit has provided notice to vacate, and there are two vacancies within the East End properties. The existing residents of 4527 Avondale may have options to remain on Avondale Street in similar housing.

Buyer Profile: NCCF

NCCF has been providing housing to low-income families, many who would otherwise be at risk of homelessness, since 1915. NCCF's current headquarters has been located in Bethesda since 1931. For more than a century, NCCF has evolved from an owner and operator of orphanages to a responsive and flexible community institution which changes to meet the needs of the diverse children, youth, and families it serves.



Currently, NCCF's residential programs serve homeless families, victims of domestic violence, and children and adolescents who have been removed from their families due to abuse and neglect and/or behavioral challenges. A nationally accredited organization, NCCF now propels more than 4,000 children, youth, and families annually into an improved quality of life through a wide continuum of 24 local programs: emergency shelters and transitional housing, therapeutic residential care, foster care and adoption, teen parent services, and community-based prevention services, while relying on community education and training, volunteerism, and advocacy.

NCCF has been working specifically with Montgomery County for more than 40 years. In that capacity, NCCF and Montgomery County have collaborated to address emergency family and permanent housing needs and ensure access to the resources that build family self-sufficiency. NCCF's most recent housing development endeavor was at 7906 Flower Avenue, which was the preservation of a vacant 10-unit rental property acquired by DHCA and transferred to NCCF. Four of the units receive HHS rental assistance as these units serve domestic violence victims. Four additional units are being provided to families with incomes between 30% and 50% of the area median income. The adaptive renovation of the 10-unit property ultimately yielded eight units to achieve modern code compliance. The acquisition and renovation was fully funded by the Montgomery County Housing Initiative Fund ("HIF").

Buyer Profile: Recent Acquisition/Renovation.

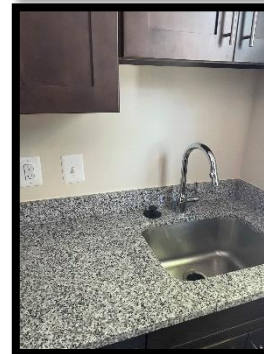
Avondale Street

2015



Flower Avenue

2019



Summary and Recommendations

ISSUES FOR CONSIDERATION

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

1. The Acting Executive Director to negotiate and execute a PSA for the disposition of 4527 Avondale, pursuant to HOC's non-binding letter of intent with the National Center for Children and Families ("NCCF")?
2. The completion of the sale of 4527 Avondale to NCCF?
3. That proceeds from the sale of 4527 Avondale be used to pay down the PNC RELOC draw that was used to acquire the Property?

BUDGET & FISCAL IMPACT

The disposition of 4527 Avondale would reduce cash flow and asset management fees to the Agency in the approximate amount of \$30,063 per year. However, the property is currently financed by the PNC RELOC, an interim source, and permanent sources of financing would come with higher debt service payments and result in reduced, perhaps negative, cash flow. The proceeds from the sale of 4527 Avondale would be used to reduce the \$7,037,704 draw against the PNC RELOC for the original acquisition of the Avondale Street Properties by approximately \$1,210,000, which is the purchase price of \$1,225,000 less anticipated closing costs of approximately \$15,000, which would increase HOC's borrowing capacity by said amount and eliminate interest carry costs pro rata of approximately \$5,886 per year.

TIME FRAME

For review by the Development and Finance Committee during the October 22, 2021 committee meeting and for formal action at the November 3, 2021, meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Commission authorize:

1. The Acting Executive Director to negotiate and execute a PSA for the disposition of 4527 Avondale, pursuant to HOC's non-binding letter of intent with NCCF.
2. The completion of the sale of 4527 Avondale to NCCF.
3. That proceeds from the sale of 4527 Avondale be used to pay down the PNC RELOC draw that was used to acquire the Property.

HOC HEADQUARTERS: DESIGN & BUDGET UPDATE

RELOCATING 10400 DETRICK TO PURPOSE-BUILT HQ



**KAYRINE BROWN, ACTING EXECUTIVE
DIRECTOR**

**Zachary Marks, Chief Real Estate Officer
Marcus Ervin, Director of Real Estate
Jay Shepherd, Housing Acquisitions Manager
Daejuana Donahue, Project Manager**

October 22, 2021
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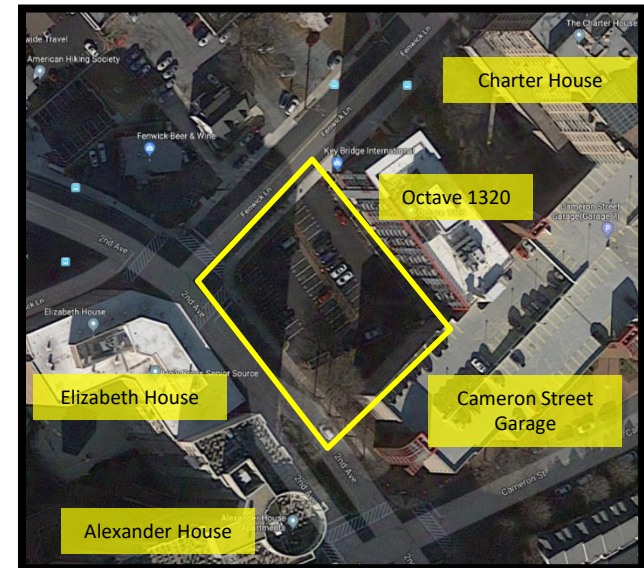
Executive Summary

The Housing Opportunities Commission of Montgomery County Maryland ("HOC" or the "Commission"), a public body subject to the statutory provisions for mandatory referral review under Sections 20-301, et. of the Land Use Article of the Maryland Code (2012, as amended), is planning to construct its new headquarters office building ("Building" or "HOC HQ") at the southeast corner of the intersection of Second Avenue and Fenwick Lane in Downtown Silver Spring. The property contains approximately 20,555 sq. ft. (tract area) and is zoned Commercial/Residential, CR-5.0, C-4.0, R.4.75, H-145T (the "Property"). The Property is currently used as a surface parking lot. The Property will be developed in accordance with the optional method of development provisions of Section 59.4.5.4 of the Zoning Ordinance to the extent applicable through mandatory referral.

On April 3, 2019, HOC authorized the Executive Director to execute a Development Agreement and Ground Lease with Promark for the joint development of Property, engaged Design Collective, Inc. for architectural services to design and entitle, and administer construction for the HOC HQ, and subsequently on May 6, 2020, approved pursuing site development approval for the New HQ under Mandatory Referral.

On August 7, 2020, the first application of the two-step Mandatory Referral process, the Location Review Application, was submitted to Montgomery County Planning Board and on November 12, 2020, it was unanimously approved. Subsequently, the Mandatory Referral Site Design and Architecture Application was approved on April 15, 2021 and the Administrative Subdivision Plan was approved on May 17, 2021.

Currently, the design team has completed Design Development documents, and is poised to begin Construction Documents, with the goal of finalizing permitting and starting construction sometime in June 2022.



Site Context



AREA PLAN



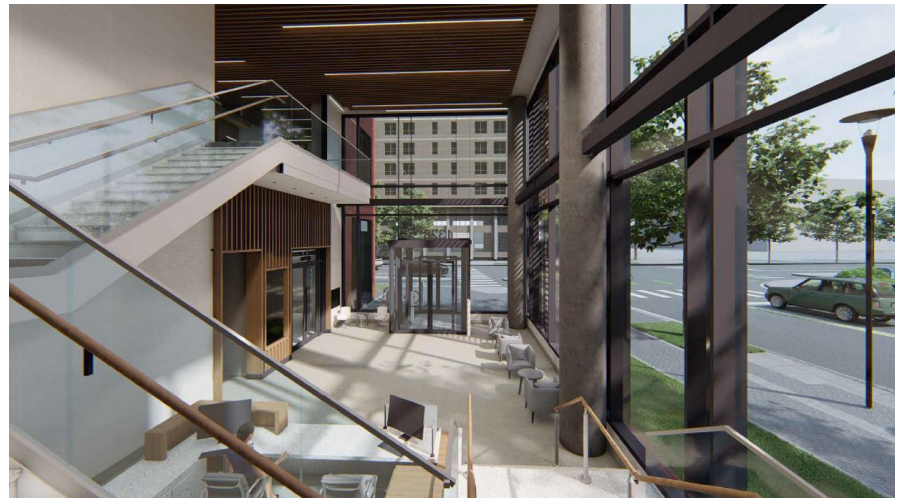
KEY PLAN

Aerial context illustrating the HQ's relation to nearby sites including: Alexander House, EH-III, and the Cameron St. Garage.

HOC HQ – Exterior Design

The nine story building is designed with the top floor as a +/- 3,500 square foot amenity floor for all building occupants. The main entrance to the lobby is at the corner of Fenwick Lane & Second Avenue. The allowable building mass is sculpted multiple times to respond to surrounding conditions as described in more detail below. While allowed to reach 145 feet, the overall building height is set to be approximately 132 feet. Even then, the top level reaching 132 feet is a partial floor to further reduce the building height and mass for views from the street and the surrounding buildings.

Facing Second Avenue, the Building massing is cut back from the façade and from the corner to enhance compatibility and to create a focal point for the building entry. Facing Fenwick Lane, the main Building façade rotates clockwise to pull back a triangular area that opens up access for views outward and entry of sunlight for the adjacent building. Also facing Fenwick Lane, above the third level, the upper floors are set back to provide a more limited street wall and establish scale at the pedestrian level. On the east, facing the adjacent condominium, the front section of the building is recessed westward to create more separation between the two structures.



HOC HQ – Exterior Design

The Exterior Façade includes a mix of the following materials:

- Clear Glass
- Metal panel and mullions
- Terracotta Tile (red and white)
- Granite Stone
- Decorative CMU



HOC HQ – Elevation Study

-  RED TERRACOTTA
MEDIUM COMBED
-  GREY METAL FRAME
-  GREY METAL FRAME
-  STONE



SOUTH ELEVATION



HEARING ROOM & BASE



HOC HQ – Elevation Study



GREY MULLIONS

WHITE TERRACOTTA
FINE COMBED

RED TERRACOTTA
NATURAL FINISH



VERTICAL SLOT

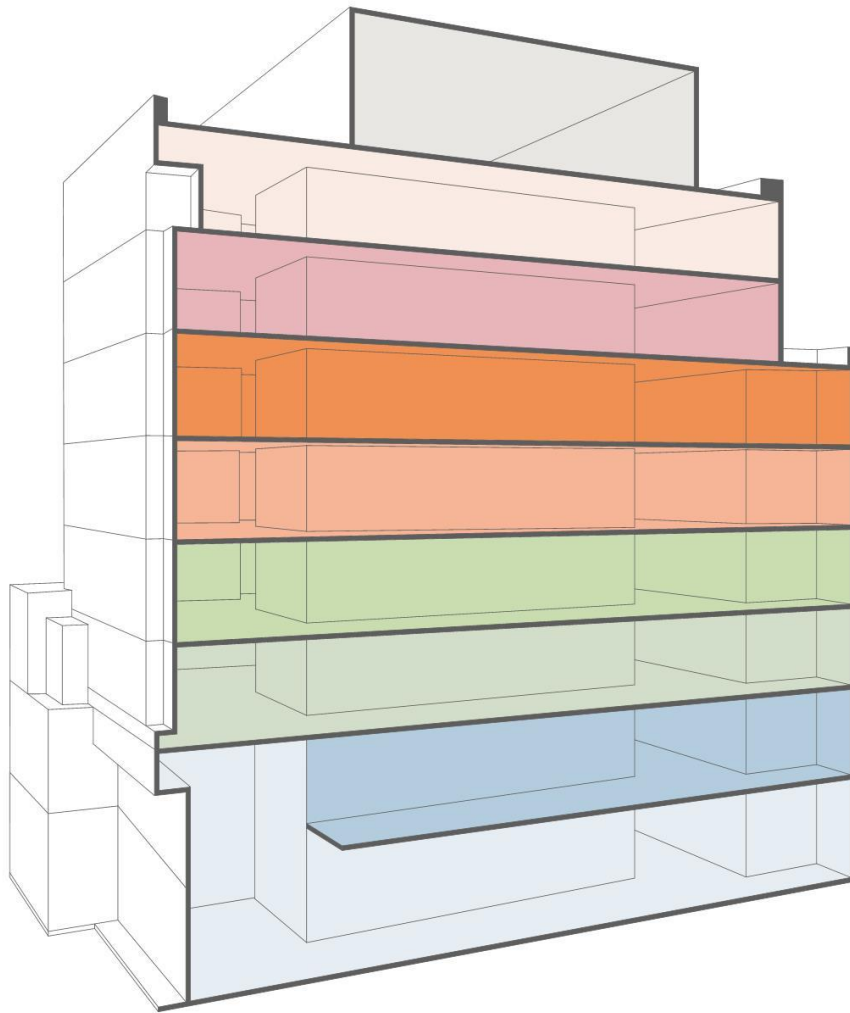


EAST ELEVATION

HOC HQ – Current Design



HOC HQ - Program



- 9 - Employee Lounge & Kitchenette

- 8 - Exec Director Suite
- Deputy Executive Suite
- Sp Asst to the Commissioner Suite
- Legal Suite
- LPA (without Graphics)
- Copy, Pantry, Meeting, Storage
- Total: 10 private offices, 10 workstations

- 7 - Real Estate Development Suite
- Mortgage Finance Suite
- Copy, Pantry, Meeting, Storage
- Total: 13 private offices, 17 workstations

- 6 - Finance
- Copy, Pantry, Meeting, Storage, Phone Room
- Total: 13 private offices, 41 workstations

- 5 - Resident Services Suite
- IT Suite
- Copy, Pantry, Meeting, Storage, Phone Room
- Total: 13 private offices, 32 workstations, 8 small workstations

- 4 - Human Resources & Payroll
- Compliance
- Facilities
- LPA Graphics
- Copy, Pantry, Meeting Rooms, Storage, Mothers' Room
- Total: 15 private offices, 16 workstations

- 3 - Multipurpose & Training Rooms
- HRD (Offices & Workstations)
- Inspections Suite
- Property Management Suite
- Copy, Pantry, Meeting Rooms, Storage
- Server Room, Mothers' Room, Showers
- Total: 10 private offices, 15 workstations

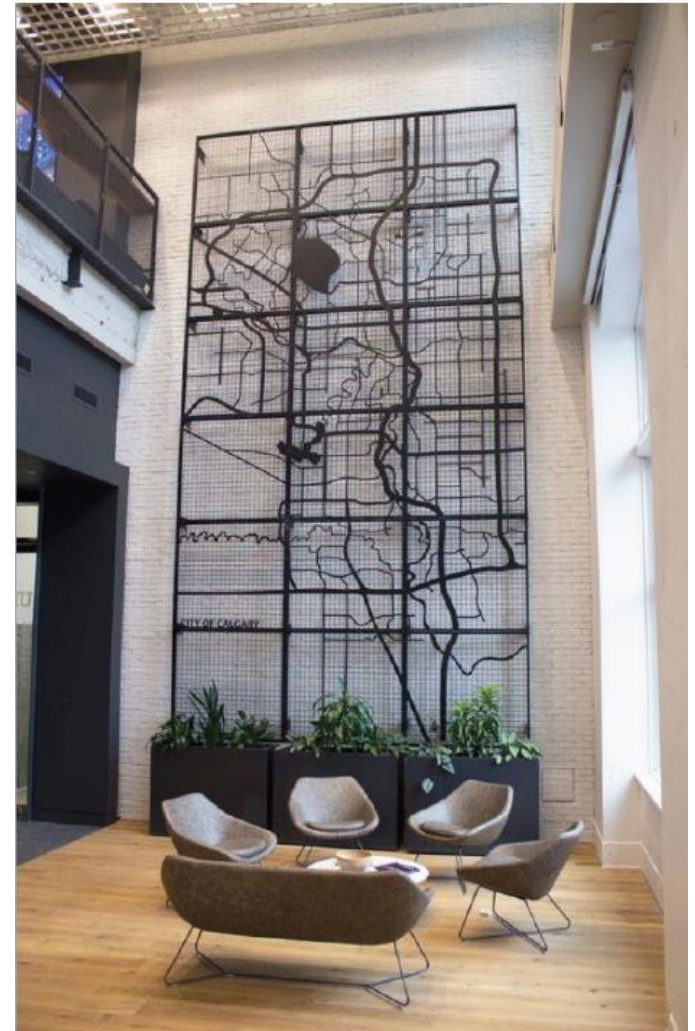
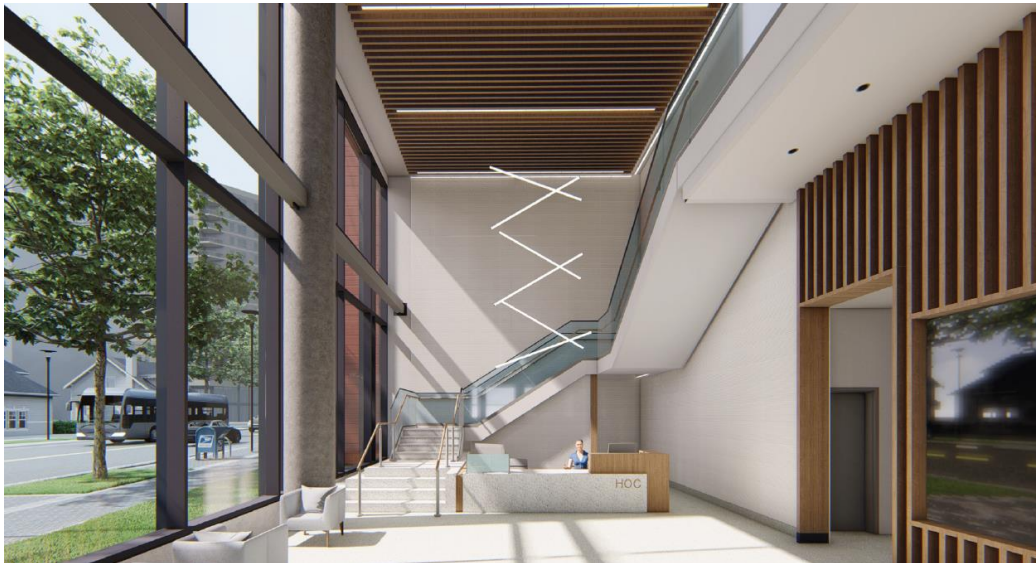
- 2 - Hearing Room & Prefunction space
- Commissioners Lounge & Adjacent support spaces
- HRD (Housing Specialist, FSS, Meeting rooms, Storage)
- Total: 5 private offices, 15 workstations

- 1 - Main Lobby
- HRD Service Center (Consultation, Kiosks, Meeting, Storage)
- Base Building support space (Water, Fire pump, Elec, etc.)
- Loading Dock
- Bike Storage

Building stacking diagram illustrating the various departments that would be included within the HQ building.

HOC HQ - Plan

The provided images illustrate designs for the main lobby and grand staircase to the second floor chamber areas. The Building is entered from the corner of Second Avenue and Fenwick Lane, with the entry doors facing Second Avenue. A two-story glass lobby connects visitors by public stair to the Hearing Room on level two. Levels three through eight are office space for general HOC operations. Level nine is a partial floor, providing employee common space and connecting to the outdoor roof terrace. The mechanical penthouse sits above level nine. Level one is a taller floor with 18 foot height. Level two is 16 feet floor to floor, while Levels three through nine measure fourteen feet floor to floor.



1. Approach A: Cut metal map linework. Metal framework applied to wall.

HOC HQ – Accessibility & Circulation (1st Floor)

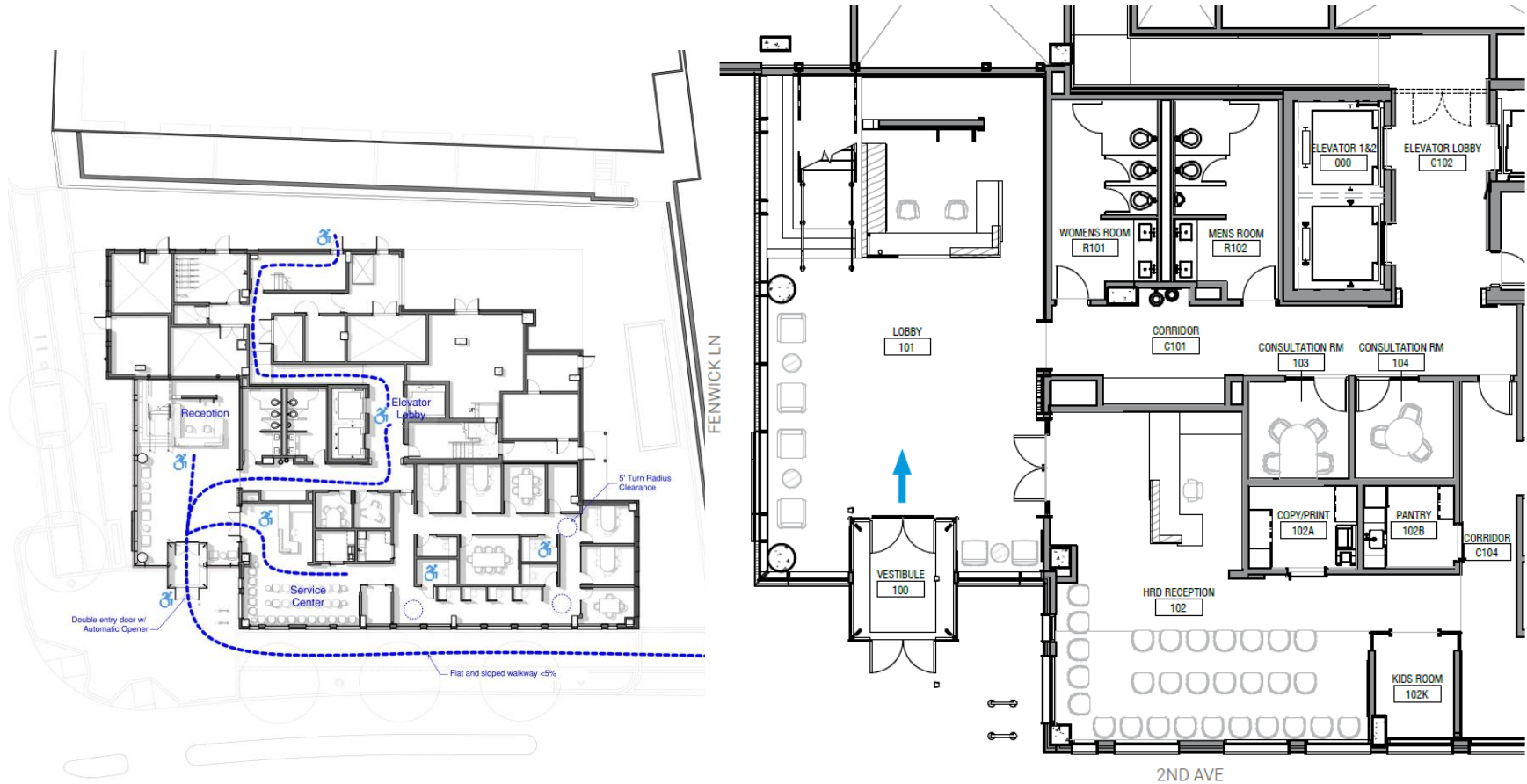
The Ground Floor includes the following spaces:

- Main Lobby
- Housing Resources Division (“HRD”) Service Center
- Facilities Storage



Rendering Illustrating the main entrance into the Housing Resources Division (“HRD”) Service Center

HOC HQ – Accessibility & Circulation (1st Floor)



HOC HQ – Accessibility & Circulation (2nd Floor)

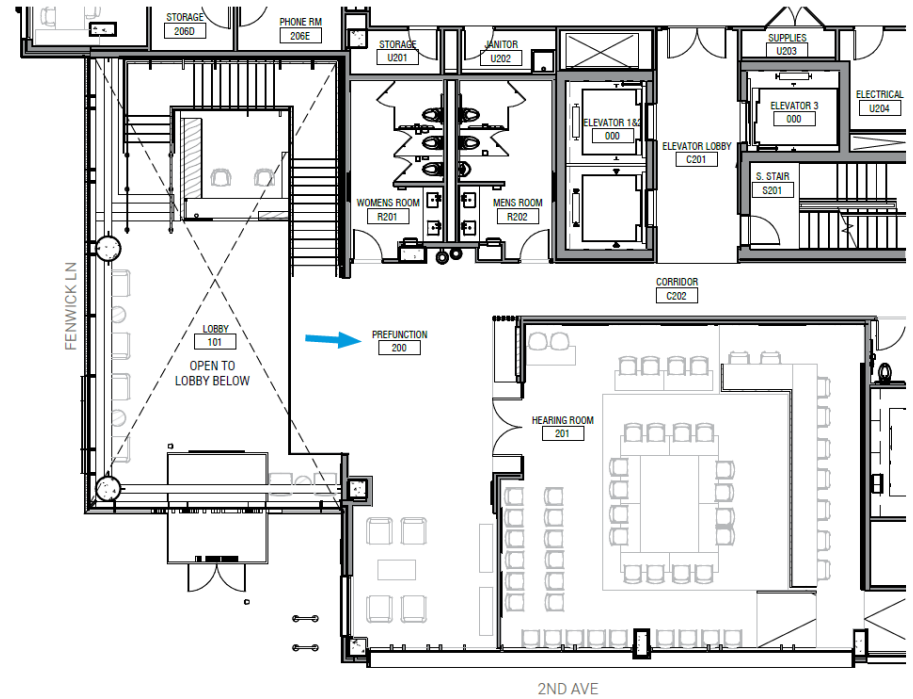
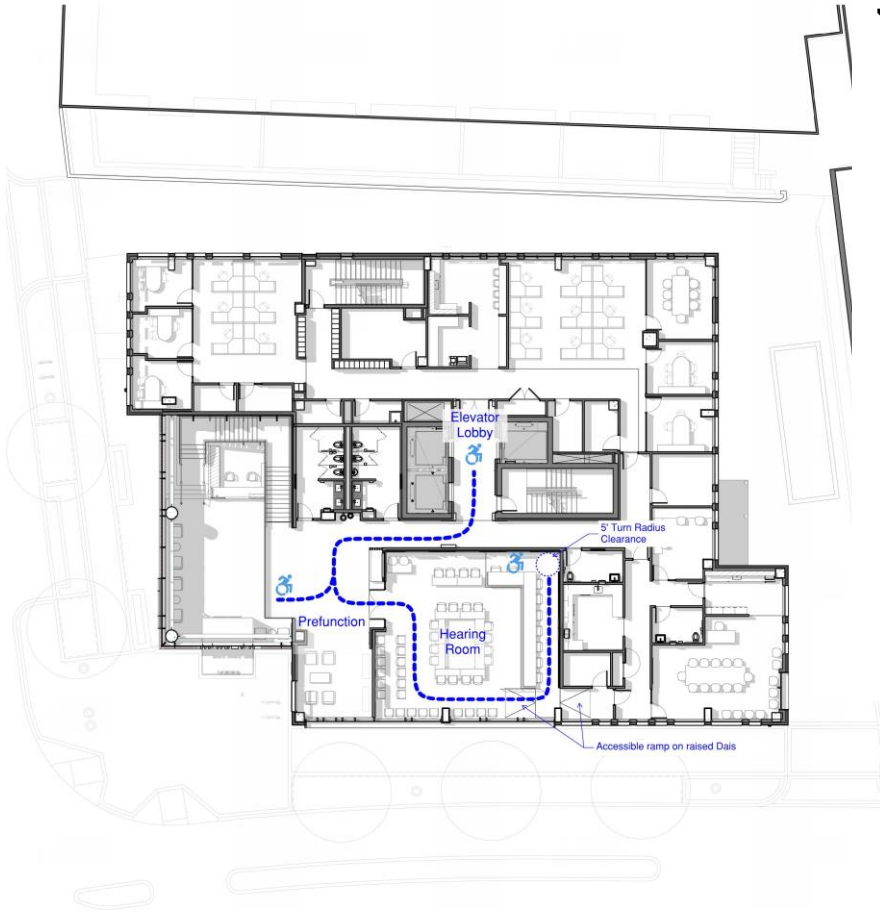
The 2nd Floor includes the following spaces:

- Pre-function Space
- Hearing Room
- Commissioner’s Lounge
- Housing Resources Division (“HRD”) Offices



Rendering Illustrating the 2ND Floor Hearing Room

HOC HQ – Accessibility & Circulation (2nd Floor)



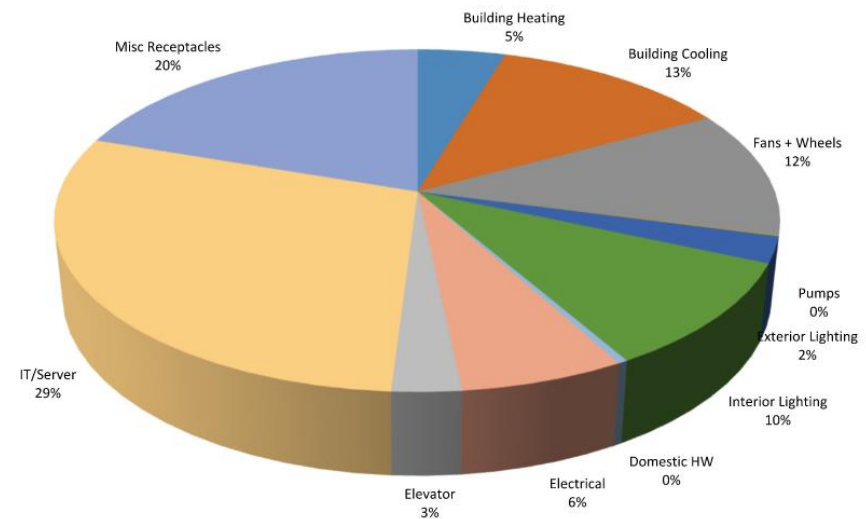
HOC HQ - Sustainability

Sustainability Considerations:

- Priority to deliver energy-efficient office spaces with considerations in flexibility, comfort, health & wellness, and low-carbon impact.
- **Energy Efficiency:**
 - DOAS + VRF system
 - LED to reduce Lighting Power Density
 - Occupancy & Daylight sensors
 - High-performance envelop
 - EnergyStar equipment & appliances
- **Occupant Centered Comfort Design:**
 - Individual controllability via VRF system
 - Daylight design & multi level lighting control
- **Health & Wellness:**
 - Natural materials palette
 - Encourage the use of stairs by music & lighting
 - Low VOC
 - Access to daylight, view & accessible roof terrace
 - Green roofs to manage storm water & provide environmental benefits to the ecosystem
- **Low Carbon Impact:**
 - Design for flexibility
 - Centralized support spaces, such as copy/pantry/meeting rooms to reduce building footprint
 - Specify Low Embodied Carbon materials
- **The Project is planned to attain a LEED certification level of Silver or higher, or an equivalent evaluation other than LEED.**



BUILDING ENERGY CONSUMPTION BY COMPONENT



Development Budget – Hard Costs

DEVELOPMENT BUDGET

			<i>Total</i>	<i>Per GSF</i>
LAND VALUE AND COSTS				
LAND VALUE				
County Triangle Purchase	863,800	total	863,800	10.51
Total LAND VALUE			863,800	10.51
CLOSING COSTS				
Total CLOSING COSTS			43,256	0.53
TOTAL LAND VALUE AND COSTS			907,056	11.03
PRELIMINARY STUDIES				
Other Studies	50,000	total	50,000	0.61
TOTAL PRELIMINARY STUDIES			50,000	0.61
HARD COSTS				
CONSTRUCTION				
Base Building & Site Work	29,250,000	total	29,250,000	355.75
Equipment - Low Voltage	850,000	total	850,000	10.34
FF&E	2,150,000	total	2,150,000	26.15
FF&E - Artwork	\$2.25	per sqf	184,995	2.25
Signage (outside GC contract)	150,000	total	150,000	1.82
Total CONSTRUCTION			32,584,995	396.31
OFF-SITE WORK				
County ADA and other work	1,000,000	total	1,000,000	12.16
Total OFF-SITE WORK			1,000,000	12.16
UTILITY FEES				
Total UTILITY FEES			953,541	11.60
Hard Cost Contingency	6.00%		2,072,312	25.20
Hard Cost Escalation	3.00%		1,036,156	12.60
TOTAL HARD COSTS			37,647,004	457.88

- The current budget is a very preliminary estimate based upon current design considerations, which will be further vetted by a third-party CM prior to the General Contractor solicitation. The approximate \$37.64MM total hard cost figure includes both a hard cost contingency of 6% and hard cost escalation 3% to account for unknowns in construction pricing. The triangle parcel is an additional County acquisition being negotiated with the County.
- The original base construction hard cost estimate of \$23MM in 2018 was a rough order of magnitude (“ROM”) budget that did not account for an actual conceptual design, material cost increases, nor was the design team fully on-board. Today’s budget, represents a closer estimate as it has evolved with the progression of the design documents and development program; further refinement will be undertaken to prior to presentation of approval of the final development plan and plan of finance.
- The current preliminary Total Development Costs (“TDC”) inclusive of Soft Costs (See Slide 18) are \$47.25MM.

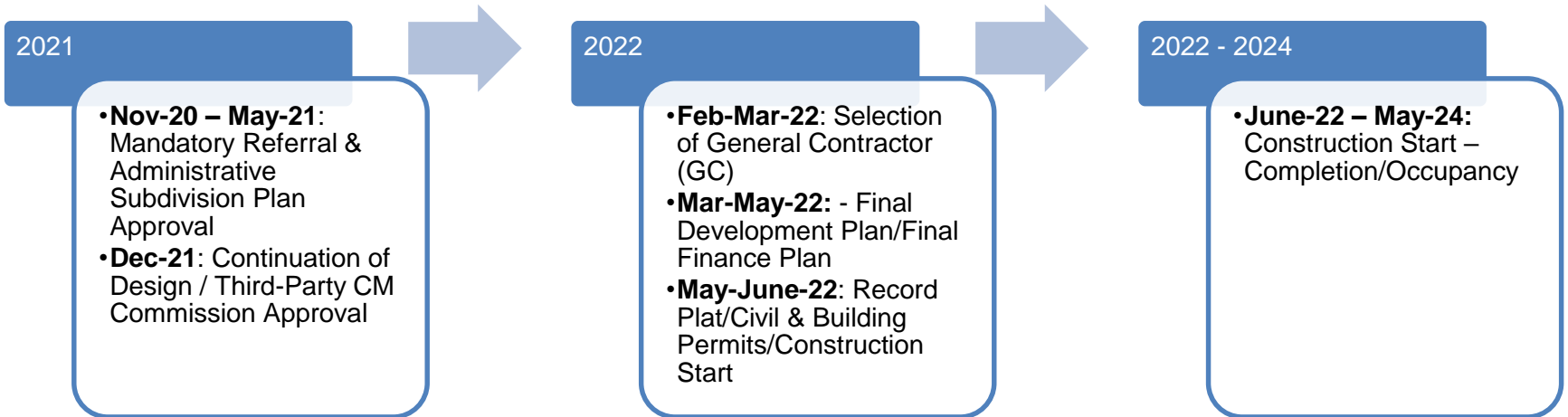
Development Budget – Soft Costs

DEVELOPMENT BUDGET

			<i>Total</i>	<i>Per GSF</i>
SOFT COSTS				
ARCHITECTURAL & ENGINEERING, CONSULTANTS				
			2,314,156	28.15
PERMITS & FEES				
			1,072,633	13.05
INSPECTIONS & TESTING				
Testing	150,000	total	150,000	1.82
			150,000	1.82
OTHER SOFT COSTS				
Field Supervision/ Construction Admin	3350,000	total	350,000	4.26
			350,000	4.26
LEGAL				
Legal - Zoning	2250,000	total	250,000	3.04
Legal - Organizational and Transactional	75,000	total	75,000	0.91
			325,000	3.95
GENERAL & ADMINISTRATIVE				
Other G&A	10,000	total	10,000	0.12
			10,000	0.12
INSURANCE				
Builder's Risk Insurance	\$0.15	per \$100 insurable cost/ year	120,000	1.46
General Liability Insurance	\$1.25	per \$1,000 hard costs-annual 23 months construction	100,000	0.38
			220,000	2.68
TAXES DURING CONSTRUCTION				
			160,209	1.95
Soft Cost Contingency	6.00%	of soft costs excl. development fees	276,120	3.36
Total Soft Costs Before Development Fee			4,878,118	59.33
Development Fee	5.00%	of hard & soft costs	2,126,256	25.86
TOTAL SOFT COSTS BEFORE FINANCING			7,004,375	85.19
TOTAL DEVELOPMENT COSTS BEFORE FINANCING			\$ 45,608,435	554.71
FINANCING COSTS				
TOTAL FINANCING COSTS			1,646,295	20.02
TOTAL DEVELOPMENT COSTS			47,254,730	574.74

- Soft Costs are inclusive of Design, Engineering, Inspections/Testing, Legal and Insurance. The Developer Fee of 5% is payable to Promark in conjunction with the Development Services Agreement.
- Following completion of the Construction Documents by the Architect (est. Dec/Jan-2022), an RFP will be released for solicitation of a General Contractor to obtain updated and real-time pricing prior to approval of the Final Development Plan and Final Finance Plan in early 2022.

Development Timeline



Prior Commission Actions and Next Steps

Prior Commission Actions:

- **RESOLUTION No. 18-69AS**– On September 5, 2018, the Commission approved the Predevelopment Budget in the Amount of \$2,116,000 for the Design and Entitlement of Fenwick & Second; Approval to Draw on the \$60 million PNC Bank, N.A. Line of Credit (the “PNC \$60MM LOC”) to Fund a First Installment of Predevelopment Funding in the Amount of \$264,500.
- **RESOLUTION No.: 19-45AS₁** On April 3, 2019, the Commission approved to Enter into a Ground Lease with Fenwick Silver Spring, LLC and a Development Services Agreement with Promark Development, LLC for the Development and Ownership of HOC’s New Headquarters Building and Approval of the Architect Selected to Complete Design and Construction Management for the Development. The resolution also authorizes the Executive Director to negotiate and enter into a contract with Design Collective, Inc. for architectural services in an amount not to exceed \$1,100,000 from the \$60MM PNC Bank, N.A. Line of Credit.
- **RESOLUTION No. 20-37A** – On May 6, 2020, the Commission approved submission of a Mandatory Referral Application for the New HQ, revised the FY21 predevelopment budget for the New HQ to \$2,650,150, and approved the expenditures for CY20 under a second installment of predevelopment funding for \$793,800. **Approximately \$1.6MM remains available for design and entitlement expenditures under the revised budget, which subject to final communications from the County regarding required site-wide ADA improvements, should be sufficient.**

• Future Commission Approvals

- Selection of a Third-Party Construction Manager (CM) (Dec-2021/Jan-2022)
- Selection of a General Contractor (Feb/Mar-2022)
- Final Finance Plan (Mar-May-2022)
- Final Development Plan (Mar-May-2022)
- Other Commission Approvals (as needed)

Questions & Comments