



**DEVELOPMENT AND FINANCE COMMITTEE**

**March 25, 2022**

**10:00 a.m.**

**YouTube Link: <https://youtu.be/qCLQnKGmLs>**

**Approval of Minutes:**

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1. <b>Minutes:</b> Approval of Development and Finance Committee Minutes of February 18, 2022	3

**Discussion/Action Items:**

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1. <b>Hillandale Gateway:</b> Approval of a Preliminary Development Plan for the Non Age-Restricted Building and Approval of a Revised Affordability Mix for the Age-Restricted Building	7
2. <b>Garnkirk Farms:</b> Authorization to Approve and Execute a Construction and Development Service Agreement Between HOC at Garnkirk Farms, LLC and RJD Real Estate Advisors for Garnkirk Farms Apartments	18

**Closing Statement:**

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Vote to Close Meeting	32

**Closed Session:**

Title	
<i>The closed committee meeting will be called to order pursuant to Section 3-305(b)(3) of the General Provisions Article of the Annotated Code of Maryland</i>	

# Minutes

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Development and Finance Committee Minutes**

**February 18, 2022**

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, February 18, 2022, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:01 a.m., available for viewing [here](#). Those in attendance were:

**Present**

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

**Also Attending via Online**

Kayrine Brown, Acting Executive Director	Heather Grendze, Assoc. General Counsel
Zachary Marks	Timothy Goetzinger
Jennifer Arrington	Kathryn Hollister
Paige Gentry	Nathan Bovel
Eugenia Pascual	Darcel Cox
Charnita Jackson	Terri Fowler
Marcus Ervin	Ellen Goff
John Broullire	Jocelyn Cruz
Gio Kaviladze	Hyunsuk Choi
Ian-Terrell Hawkins	

**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 January 21, 2021 Development and Finance Committee open and closed session meetings were approved upon a motion by Commissioner Merkowitz and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

## **DISCUSSION ITEMS**

### **1. Hillandale Gateway: Design Update; Approval of a Preliminary Development Plan; Approval to Select CBG Building Company as General Contractor; and Approval to Select Lambis Rank for Construction Management Services**

Kathryn Hollister, Senior Financial Analyst, provided a presentation on recommending to the full Commission the proposed preliminary development and finance plan, selecting CBG Building Company as the general contractor and authorizing the Acting Executive Director to negotiate a contract, and the selection of Lambis Rank as the third-party construction manager and authorizing the Acting Executive Director to execute a contract with the firm.

There was discussion among the Commissioners and staff regarding the affordability mix of the age restricted and non-age restricted units.

With no further questions, a motion was made by Commissioner Nelson to recommend to the full Commission at the March 2, 2022 monthly meeting, to approve the proposed Preliminary Development and Finance Plan for the age restricted building at Hillandale Gateway; 2) the selection of CBG Building Company as general contractor for the construction of the Hillandale Gateway and approval for the Acting Executive Director to negotiate a contract with CBG Building Company, and 3) selection of Lambis Rank as third-party construction manager, and authorization for the Acting Executive Director to execute a contract that binds HOC to pre-construction costs only. The motion was seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

### **2. Bond Counsel: Approval of Firm to Serve the Commission as its Bond Counsel in Accordance with RFP #2288**

Jennifer Arrington, Acting Director of Mortgage Finance, provided a presentation to recommend to the full Commission approval to select Kutak Rock LLP, as HOC's bond counsel for both its single family and multifamily parity bond programs for three (3) years term with two (2) additional one-year extensions in accordance with the Commission's Procurement Policy.

A motion was made by Commissioner Merkowitz and seconded by Commissioner Nelson to recommend to the full Commission at the March 2, 2022 monthly meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

There being no further items to come before this open session of the Development and Finance Commission, a motion was made by Commissioners Nelson and seconded by Commissioner Merkowitz to adjourn the meeting. Affirmative votes by Commissioners Simon, Nelson, and Merkowitz. The meeting adjourned at 11:16 a.m.

[NOTE: The closed portion of the committee meeting was cancelled prior to the start of the open portion of the meeting]

Kayrine Brown  
Acting Secretary/Treasurer

/pmb

# Discussion/Action Items

# HILLANDALE GATEWAY: APPROVAL OF A PRELIMINARY DEVELOPMENT PLAN FOR THE NON-AGE RESTRICTED BUILDING AND APPROVAL OF A REVISED AFFORDABILITY MIX FOR THE AGE RESTRICTED BUILDING

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10100, 10110, 10120 AND 10140 NEW HAMPSHIRE AVE, SILVER SPRING, MD



**KAYRINE BROWN, ACTING EXECUTIVE  
DIRECTOR**

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

**March 25, 2022**  
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# Executive Summary

- Hillandale Gateway **will be a new mixed-use, mixed-income, multigenerational community** located at 10100, 10110 and 10120 New Hampshire Avenue in Silver Spring, MD, on the site of Holly Hall Apartments (“Holly Hall”), a former 96-unit Public Housing community.
- Hillandale Gateway **will include a total of 463 residential units**. Hillandale Gateway will comprise **two residential buildings – one, a 155-unit Net Zero Energy, age-restricted (age 62+) senior building (“AR Building”)**; the other, **a 308-unit Passive House, non-age restricted multifamily building (“NAR Building”)**. In addition to residential units, the site will have a drive-thru Starbucks, above-ground parking garage, commercial/retail/restaurant space, and public and private green space.
- Hillandale Gateway **will be the first major multifamily investment in the East County** in decades and will create its first destination mixed-use community. Hillandale Gateway will also set the bar for innovation and energy efficiency in residential development in the mid-Atlantic.
- HOC is developing Hillandale Gateway as part of a joint venture (“Joint Venture” or “Hillandale Gateway, LLC”) with The Duffie Companies (“Duffie”). Duffie is a third-generation, Montgomery County-based, family-owned real estate owner, developer, and asset manager. Duffie has extensive experience developing high-performance green buildings and is one of the largest real estate owners in the Hillandale submarket of Silver Spring, owning 10140 New Hampshire Avenue (the site of the future Starbucks at Hillandale Gateway) and all of the properties along the east side of New Hampshire Avenue directly across from the Hillandale Gateway site.
- **On March 2, 2022, staff presented a design and development update for Hillandale Gateway, and the Commission approved a Preliminary Development Plan for the AR Building. It also approved the selection of a CBG Building Group as General Contractor and Lambis Rank as Construction Manager for the construction of the development.**
- **Staff is requesting that the Development and Finance Committee join staff’s recommendation to the Commission to:**
  - **Approve a Preliminary Development Plan for the NAR Building**, which includes restricting 93-units (30%) to households earning 30%, 40%, 50% and 80% AMI, and financing the restricted units as a LIHTC transaction utilizing the income average set aside.
  - **Approve a revised affordability mix for the AR Building** to provide a broader range of affordability levels. On March 2, the Commission approved an affordability mix for the AR Building, in which 113 units (73%) are affordable to households earning 50% AMI and 42 units (27%) are affordable to households earning 80% AMI. Staff is proposing a revised affordability mix that would provide a greater range of affordability, by restricting units to households earning 30% to 80% AMI.
- **Approval of the above items would provide a full spectrum of affordability at Hillandale Gateway, not only site-wide, but in the AR and NAR Buildings individually.**

# Development Highlights

- **Affordability:** Hillandale Gateway will be a contemporary mixed-income development in a location with convenient access to major arterials, services, recreational activities and amenities. Hillandale Gateway will provide a full spectrum of affordability, not only site-wide, but in the AR and NAR Buildings individually.
- **Economic Development:** Hillandale Gateway will bring worthy new amenities and improvements to the Hillandale neighborhood and eastern Montgomery County, and is intended to be the catalyst for achieving broader transformations in Hillandale, attracting the new restaurants, new shops, new residents, new businesses, and new jobs that the White Oak Science Gateway Master Plan specifically seeks to encourage.
- **Sustainability:** Hillandale Gateway will incorporate a variety of methodologies in an effort to set new benchmarks for sustainability and high-performance development in Montgomery County. By using Passive House construction methodologies, the energy consumption of the buildings will be significantly reduced. At the same time, the site will include a renewable energy system (in the form of rooftop solar on both the senior and multifamily building and on the parking garage), which the Development Team anticipates will be sufficient to allow the AR building to become a Zero-Net Energy building – producing as much energy as it consumes. Thus, Hillandale Gateway will promote energy efficiency while supporting the energy needs of its residents.
- **Resiliency:** During periods of grid outage, Hillandale Gateway’s solar plus energy storage will be used to provide a resiliency center for residents and the surrounding neighborhood. Resiliency hubs are designed to provide emergency heating and cooling capability; refrigeration of temperature sensitive medications; plug power for charging of cell phone and computer batteries; certain durable medical equipment, as well as emergency lighting.
- **Public Open Space:** At the entrance of Hillandale Gateway will be a centralized green space (“Central Green”), usable by the public as well as residents, consisting of approximately 17,000 square feet of contiguous open space. This public open space will include an amphitheater and will be a centerpiece and foreground for the development, establishing a focal point for the multi-building project. The site will provide additional open space, walkable sidewalks, a "loop path", streetscaping, a programmable “Festival Street”, landscaping and other site improvements, all of which will be dispersed throughout the entirety of the site.
- **Transportation:** Instead of taking the “pay and go” approach and paying a Local Area Transportation Improvement Program (“LATIP”) fee associated with the development, the Development Team intends to design and construct more than \$1 million in transportation improvements along the frontage of the site on Powder Mill Road. The Development Team has worked closely with MCDOT to design a new bus transit center featuring a pedestrian-friendly drop-off area, bus shelters, restroom facilities for bus drivers, and other related infrastructure improvements. Another transportation feature is that the site will provide electric vehicle (“EV”) charging stations.
- **Digital Equity:** HOC is partnering with the County to provide MoCoNet (free internet service) to residents in the AR Building; staff is also exploring providing this service to low-income residents at the NAR Building.

# Site Plan



## KEY

### Buildings:

1. 155-unit Senior Building "AR"
2. 308-unit Multifamily Building "NAR"
3. Parking Garage
4. Retail Pads
5. Drive-thru Starbucks

### Site:

6. Transit station
7. Open green with amphitheater/event stage
8. Urban plaza and natural area
9. Festival street with removable bollards
10. Flexible lawn space and dining terraces
11. Perimeter loop path

# Affordability

Staff proposes the affordability mix shown to the right, which includes the NAR affordability mix and revised AR affordability mix (together, the “Proposed Affordability Mix”). The Proposed Affordability Mix will meet and exceed a number of entitlement and financing requirements:

- Hillandale Gateway’s site plan approval requires a minimum site-wide affordability of 25% MPDUs (116 MPDUs), of which 96 MPDUs (83%) are in the AR Building (for a building-wide affordability of 62%) and 20 MPDUs (17%) are in the NAR Building (for a building-wide affordability of 6%). This requirement stems from the White Oak Science Gateway Master Plan, which required that any redevelopment of the Holly Hall site include a one-to-one replacement of Holly Hall’s former 96 affordable, age-restricted units (“Holly Hall Replacement Units”).
- Additionally, Montgomery County’s Housing Production Fund (“HPF”), a construction financing source for Hillandale Gateway, requires a 30% site-wide affordability (20% of units at 50% AMI and 10% of units at MPDU).
- Site-wide, the Proposed Affordability Mix **exceeds site plan and HPF requirements**. The site also qualifies for FHA Risk Share financing.
  - The Development Team has already begun community outreach regarding the change in affordability and will continue to work with the community to deliver the Proposed Affordability Mix.
- Of **the net new units** (all units beyond the Holly Hall Replacement Units), **26% (96 units) will be MPDUs**, and **15% (56 units) will be affordable to households earning 80% AMI**.
- For the NAR Building, staff proposes that **93 units (30%) are restricted to households earning 30%, 40%, 50% and 80% AMI**.
  - This affordability mix includes 62 units (20%) at or below 50% AMI, allowing for the NAR Building to separately qualify for FHA Risk Share financing. This is beneficial should the AR and NAR buildings need to convert to permanent financing at different times.
- For the AR Building, staff proposes a revised affordability mix. On March 2, 2022, the Commission approved 113 units at 50% AMI and 42 units at 80% AMI. The revised affordability mix to the right would provide a **wider range of affordability levels, including units at extremely low income levels**.
  - Not only does this affordability mix provide a wider range of affordability, it also results in **more permanent debt proceeds**, which **reduces the need for deferred developer fees by approximately \$1.5 million**.
- In summary, the Proposed Affordability Mix provides a full spectrum of affordability, not only site-wide, but in the AR and NAR Buildings individually.**

Hillandale Gateway Affordability (Site-wide)		
30%	25	5%
40%	25	5%
50%	67	14%
60%	50	11%
70%	25	5%
80%	56	12%
Market	215	46%
<b>TOTAL</b>	<b>463</b>	<b>100%</b>
NAR Building		
30%	10	3%
40%	10	3%
50%	42	14%
60%	0	0%
70%	0	0%
80%	31	10%
Market	215	70%
<b>TOTAL</b>	<b>308</b>	<b>100%</b>
AR Building		
<i>Revised Affordability Mix</i>		
30%	15	10%
40%	15	10%
50%	25	16%
60%	50	32%
70%	25	16%
80%	25	16%
Market	0	0%
<b>TOTAL</b>	<b>155</b>	<b>100%</b>

# Preliminary Development and Finance Plan – NAR Building

Staff is seeking Commission approval of a Preliminary Development and Finance Plan for the NAR Building, so that it can proceed with the preparation and submission of financing applications. Staff will return to the Commission for approval of a Final Development and Finance Plan in July 2022. Staff has analyzed various development and financing scenarios and recommends the following framework:

- Staff proposes financing the affordable portion of the NAR Building as a Low Income Housing Tax Credit (“LIHTC”) transaction. Given the range of affordability, staff recommends utilizing the income averaging set aside.
  - A LIHTC transaction for the NAR Building will require additional volume cap from the state, beyond HOC’s annual allocation. Staff has been building its relationship with CDA and has been successful in securing additional volume cap to meet HOC’s pipeline needs. The likelihood of receiving additional volume cap for CY22 (beyond what will be required for the AR building) has become a real possibility in recent months due to the efforts of HOC staff and leadership.
  - Without additional volume cap, LIHTC financing would not be possible. **In a non-LIHTC scenario, the transaction would require approximately \$7.5M in additional HOC equity or other permanent financing sources** to make the depth and breadth of affordability possible.
- Staff proposes utilizing a conventional construction loan and HPF as a construction financing sources for the NAR Building. The site meets HPF affordability requirements.
  - Using non FHA construction sources saves the development more than \$11M in Davis Bacon wages.
- Staff proposes an FHA Risk Share permanent loan at conversion.
- Hillandale Gateway is also a competitive candidate for a number of grants and loans related to high performance, energy efficiency and resiliency, which the Development Team intends to apply for. The development is also eligible for a number of rebates for solar and electric vehicle charging infrastructure, which will be provided to the transaction after installation.
- Staff and the Development Team will continue to analyze and evaluate financing products and strategies, and development cost savings and efficiencies, as it works toward a final development and finance plan.

NAR Building Affordability Mix		
AMI	# of Units	Percent of Total
30%	10	3%
40%	10	3%
50%	42	14%
60%	0	0%
70%	0	0%
80%	31	10%
Market	215	70%
<b>TOTAL</b>	<b>308</b>	<b>100%</b>

LIHTC Income Limits for 2021 (Based on 2021 MTSP Income Limits)						
Household Size	30.00%	40.00%	50.00%	60.00%	70.00%	80.00%
1 Person	27,090	36,120	45,150	54,180	63,210	72,240
2 Person	30,960	41,280	51,600	61,920	72,240	82,560
3 Person	34,830	46,440	58,050	69,660	81,270	92,880
4 Person	38,700	51,600	64,500	77,400	90,300	103,200
5 Person	41,820	55,760	69,700	83,640	97,580	111,520
6 Person	44,910	59,880	74,850	89,820	104,790	119,760
7 Person	48,000	64,000	80,000	96,000	112,000	128,000
8 Person	51,090	68,120	85,150	102,180	119,210	136,240

*Income Averaging allows LIHTC owners to elect to serve households with incomes of up to 80% of area median income (AMI) and have these household qualify as LIHTC units, so long as the average income/rent limit in the project remains at 60% or less of AMI. HOC has utilized income averaging on four previous transactions: Fenton Silver Spring (formerly 900 Thayer), Residences on The Lane (formerly Upton II), Elizabeth House III, and the Willow Manor Properties. In total, these transactions have financed the development or rehabilitation of 783 income- and rent-restricted units that are affordable to households with incomes ranging from 30% to 80% AMI, as well as 44 market-rate units.*

# Sources and Uses – NAR Building

## CONSTRUCTION FINANCING

USES OF FUNDS - DEVELOPMENT	AMOUNT	PER UNIT	% OF TOTAL
Construction Contract	\$97,496,867	\$316,548	67.81%
Additional Construction Hard Costs	\$4,473,114	\$14,523	3.11%
Construction Contingency	\$5,098,499	\$16,554	3.55%
Construction Related Costs	\$5,972,110	\$19,390	4.15%
Design & Engineering	\$4,963,956	\$16,117	3.45%
Developers Costs	\$4,024,853	\$13,068	2.80%
Financing Fees & Charges	\$1,000,000	\$3,247	0.70%
Bond Issuance Costs	\$0	\$0	0.00%
HOC Financing Fee	\$0	\$0	0.00%
Construction Period Interest	\$7,649,337	\$24,836	5.32%
HPF Loan Interest	\$5,260,363	\$17,079	3.66%
Capitalized Operating Costs	\$989,194	\$3,212	0.69%
Guarantees & Reserves	\$1,000,000	\$3,247	0.70%
Developer Fee	\$5,842,278	\$18,968	4.06%
<b>TOTAL USES OF FUNDS</b>	<b>\$143,770,571</b>	<b>\$466,788</b>	<b>100%</b>

SOURCES OF FUNDS - DEVELOPMENT	AMOUNT	PER UNIT	% OF TOTAL
Senior Construction Loan	\$93,450,871	\$303,412	65.00%
HOC Equity	\$5,950,000	\$19,318	4.14%
Tax Credit Equity	\$14,691,733	\$47,700	10.22%
HPF Loan	\$29,677,966	\$96,357	20.64%
Permanent Mezz Loan	\$0	\$0	0.00%
<b>Funding Gap / (Surplus)</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$143,770,571</b>	<b>\$466,788</b>	<b>100%</b>

## PERMANENT FINANCING

USES OF FUNDS - PERMANENT	AMOUNT	PER UNIT	% OF TOTAL
Construction Contract	\$97,496,867	\$316,548	62.81%
Additional Construction Hard Costs	\$4,473,114	\$14,523	2.88%
Construction Contingency	\$5,098,499	\$16,554	3.28%
Construction Related Costs	\$5,972,110	\$19,390	3.85%
Design & Engineering	\$4,963,956	\$16,117	3.20%
Developers Costs	\$4,604,853	\$14,951	2.97%
Financing Fees & Charges	\$6,637,091	\$21,549	4.28%
Bond Issuance Costs	\$500,000	\$1,623	0.32%
HOC Financing Fee	\$2,394,269	\$7,774	1.54%
Construction Period Interest	\$7,649,337	\$24,836	4.93%
HPF Loan Interest	\$5,260,363	\$17,079	3.39%
Capitalized Operating Costs	\$989,194	\$3,212	0.64%
Guarantees & Reserves	\$3,353,629	\$10,888	2.16%
Developer Fee	\$5,842,278	\$18,968	3.76%
<b>TOTAL USES OF FUNDS</b>	<b>\$155,235,561</b>	<b>\$504,012</b>	<b>100%</b>

SOURCES OF FUNDS - PERMANENT	AMOUNT	PER UNIT	% OF TOTAL
FHA Risk Share Permanent Financing	\$119,713,469	\$388,680	77.12%
HOC Equity	\$5,950,000	\$19,318	3.83%
Tax Credit Equity	\$14,691,733	\$47,700	9.46%
HPF Loan	\$0	\$0	0.00%
Permanent Mezz Loan	\$14,880,358	\$48,313	9.59%
<b>Funding Gap / (Surplus)</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$155,235,561</b>	<b>\$504,012</b>	<b>100%</b>

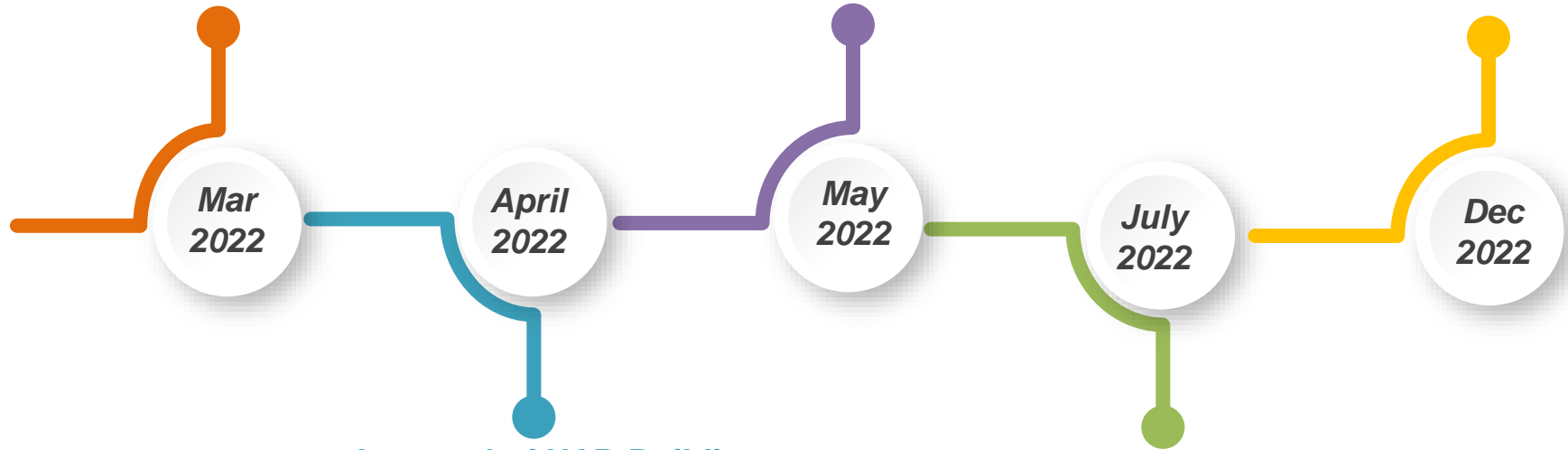
- The sources and uses above are for the construction and permanent financing of the NAR Building residential units (LIHTC and non LIHTC), parking garage and retail spaces.
- Sources for construction include: a conventional construction loan, HPF, LIHTC equity and HOC equity.
- Upon stabilization and conversion, the construction loan and HPF will be taken out by a permanent FHA Risk Share loan and mezzanine debt.
  - The transaction will also have \$5.7M in interim income upon permanent conversion, which could be used as a permanent financing source (which would reduce the need for mezzanine debt), or to service the mezzanine debt (to provide a more attractive return).

# Development Timeline

- Approval of AR Building Preliminary Development Plan
- Approval of General Contractor and Construction Manager

- Select LIHTC Syndicator

- Close on LIHTC and Construction Financing



- Approval of NAR Building Preliminary Development and Finance Plan
- Approval of Revised AR Affordability Mix
- Submit LIHTC and Financing Applications

- Present Final Development and Financing Plan to Commission
- Potential Early Start Agreement
- Additional Predevelopment Funding, if needed

# Prior Commission Actions

**RESOLUTION 15-79:** On October 7, 2015, the Commission approved a predevelopment budget to fund the first 15 months of predevelopment activity related to the redevelopment of Holly Hall.

**RESOLUTION 17-18:** On March 1, 2017, Staff provided a Hillandale design update to the Commission and the Commission approved a revised budget for 12 months of predevelopment activity related to the redevelopment of Holly Hall.

**RESOLUTION 19-10:** On January 9, 2019, Staff presented a Hillandale design update to the Commission and the Commission approved a revised budget to fund predevelopment work.

**RESOLUTION 19-56:** On May 8, 2019, the Commission approved the site design and authorized the submission of an application to the Planning Board for Site and Subdivision Plan approval.

**RESOLUTION 20-13:** On February 5, 2020, the Commission approved the redesigned site plan for submission to the Planning Board, a revised predevelopment budget, and CY2020 predevelopment funding.

**RESOLUTION 20-78:** On November 4, 2020, the Commission approved a revised budget to fund predevelopment work through closing of construction financing.

**RESOLUTION No. 21-18:** On February 3, 2021, the Commission approved the demolition of Holly Hall.

**RESOLUTION No. 22-20:** On March 2, 2022, the Commission approved a preliminary development plan for the AR Building and approved the selection of a general contractor and construction manager for Hillandale Gateway.



# Summary and Recommendations

## Issues for Consideration

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

1. The proposed Preliminary Development Plan for the NAR Building at Hillandale Gateway, which includes restricting 93-units (30%) to households earning 30%, 40%, 50% and 80% AMI, and financing the restricted units as a LIHTC transaction utilizing the income average set aside?
2. The revised affordability mix for the AR Building, which includes restricting 155 units (100%) to households earning 30%, 40%, 50%, 60%, 70% and 80% AMI?

## Budget/Fiscal Impact

Approval of these items has no budget or fiscal impact.

## Time Frame

For discussion at the March 25, 2022 meeting of the Development and Finance Committee and action at the April 6, 2022 meeting of the Commission.

## Staff Recommendation and Commission Action Needed

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

1. The proposed Preliminary Development Plan for the NAR Building at Hillandale Gateway, which includes restricting 93-units (30%) to households earning 30%, 40%, 50% and 80% AMI, and financing the restricted units as a LIHTC transaction utilizing the income average set aside.
2. The revised affordability mix for the AR Building, which includes restricting 155 units (100%) to households earning 30%, 40%, 50%, 60%, 70% and 80% AMI.

- On March 2, the Commission approved an affordability mix for the AR Building, in which 113 units (73%) are affordable to households earning 50% AMI and 42 units (27%) are affordable to households earning 80% AMI. Staff is proposing a revised affordability mix that would include 15 units (10%) at 30% AMI, 15 units (10%) at 40% AMI, 25 units (16%) at 50% AMI, 50 units (32%) at 60% AMI, 25 units (16%) at 70% AMI and 25 units (16%) at 80% AMI. The revised affordability mix would provide a greater range of affordability.

**GARNKIRK APARTMENTS: AUTHORIZATION TO EXECUTE A  
CONSTRUCTION AND DEVELOPMENT SERVICES AGREEMENT  
BETWEEN HOC AT GARNKIRK FARMS, LLC AND RJD REAL ESTATE  
ADVISORS FOR GARNKIRK FARMS APARTMENTS**

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**MIXED-INCOME RENTAL HOUSING IN CLARKSBURG**



**KAYRINE BROWN, ACTING EXECUTIVE  
DIRECTOR**

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

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# Executive Summary

HOC staff introduced the proposed 184-unit Garnkirk Farms Apartments (“Garnkirk”), an unsolicited development opportunity on February 3, 2021, which was in the form of a letter of intent (“LOI”) received on December 4, 2020 (“LOI”) that was subsequently approved on March 3, 2021. As multifamily rental development opportunities are limited in Clarksburg and community opposition can be strong, the already entitled project by the owner of the property, the Duffie Companies (“Duffie”), 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 (~13.59%) to 57-units(30.98%), 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 and subsequently approved a predevelopment budget and funding at the November 3, 2021 meeting of the Commission, for \$5,344,731, using the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) as the funding source. Repayment of the RELOC will occur at the closing of the construction loan financing in approximately Q2-Q3 2023.**

Execution of the Ground Lease permitted HOC and RJD Real Estate Advisors, LLC (“RJD”), a Duffie affiliate to enter into a Predevelopment Services Agreement to allow RJD to continue providing vertical design management consulting services during the predevelopment period. **To advance the future development and construction oversight efforts, staff seeks authorization and approval to enter into a Construction and Development Services Agreement with RJD with terms similar to those presented in this packet.**

**March 25, 2022**



Total Units	Bedroom Type	Baths	Type	Square Feet	Collected Rent	Rent (/SF)
63	1	1	MKT	665	\$1,775	\$2.67
9	1	1	MPDU	665	\$1,285	\$1.93
18	1	1	50%	665	\$1,181	\$1.78
21	2	1	MKT	1,148	\$1,995	\$1.74
3	2	1	MPDU	1,148	\$1,535	\$1.34
6	2	1	50%	1,148	\$1,332	\$1.16
43	2	2	MKT	1,148	\$2,128	\$1.85
7	2	2	MPDU	1,148	\$1,620	\$1.41
14	2	2	50%	1,148	\$1,417	\$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 single-family detached units, 190 townhouses, and 184 multi-family units. The multifamily component of the community is the final phase of the 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 development 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.



# Executive Summary

As noted on the prior slide, the **Commission approved the Letter of Intent (“LOI”) on March 3, 2021, which included key terms that would form the foundation and provisions under the 99-year Ground Lease between Duffie and HOC.** Under the Ground Lease, **Duffie would lease the ground to HOC and also act as lead developer on the project through permitting, construction and lease-up.** The structure provides numerous benefits to HOC including 1.) removing the land cost from development basis, 2.) provides HOC 100% ownership of the improvements, 3.) activates development deal with a trusted partner and frees up HOC RED bandwidth , and 4.) adds a development deal with refined predevelopment spending needs.

**Lastly, under the terms of the Ground Lease, Duffie or its affiliates would be afforded the right to receive a right of first offer to perform development and construction management services for the Development,** provided the parties are able to negotiate mutually agreeable terms for such services, which represent the actions being brought forth to the Commission in this request.

## Ground Lease Key Terms

HOC Receives Purchase Option as End-of-lease Recourse

Duffie is Responsible for Pre-existing Environmental Conditions

HOC Holds Right of First Refusal Should Duffie Sell Land\*

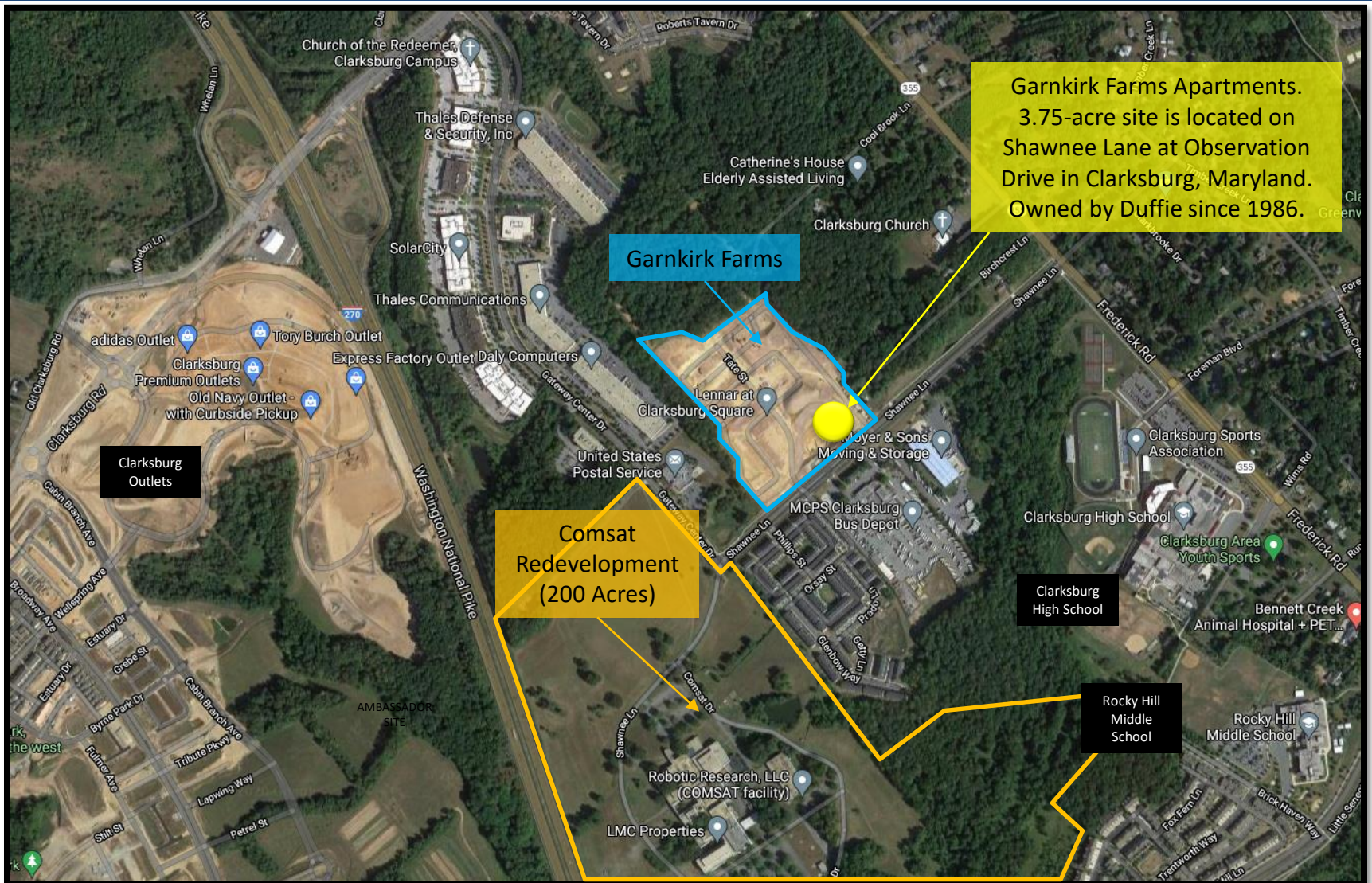
HOC Maintains Unfettered Right to Renovate/Redevelop

Duffie receives right of first offer to perform development and construction services for the Development.

\*If Duffie were to enter into a contract to sell the land, HOC would retain a right of first refusal (ROFR) to purchase the Property on the same terms and conditions as set forth in the Third-Party Offer.



# Background - Garnkirk Farms Apartments



# Design | Sustainability | Universal Design



## ARCHITECTURE

The 184 residence of 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 look 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 and meet 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).** 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.

# 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)*

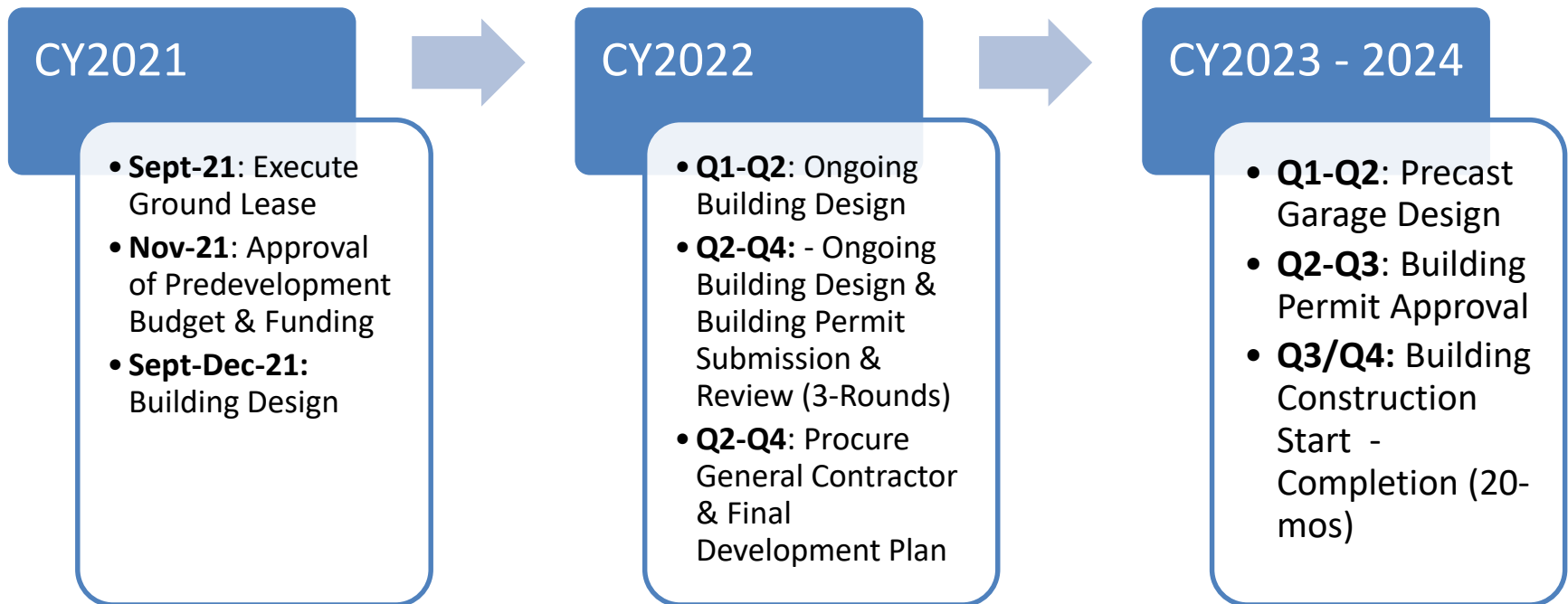
# Construction & Development Services

As addressed in the Executive Summary, through the execution of a Construction and Development Agreement with RJD, RJD will serve as Lead Developer for the Garnkirk Farms project with assistance from and oversight by HOC, and will be responsible for the continued day-to-day project management, design, procurement, and general development for the project while sharing a total project development fee of 5% of the base Development Costs, approximately \$2.9M with 80% of such fee payable to the Developer (\$2.3m) and 20% to payable to HOC (\$580k). As Duffie has already achieved a major milestone of securing the entitlements for the Development, HOC's role will be to broadly provide daily project management support, identify project financing tools and guarantees, and develop leasing protocols. **Provided below are the detailed key Duffie responsibilities under the proposed Agreement within the various phases of Development.**

<b>PREDEVELOPMENT</b> <b>Q4 2021 – Q3 2023</b>	<b>CONSTRUCTION (est. 20 months)</b> <b>Q4 2023 - 2024</b>	<b>POST CONSTRUCTION / LEASE-UP</b> <b>Est. 2025</b>
<b>RJD [DEVELOPER]</b>	<b>RJD [DEVELOPER]</b>	<b>RJD [DEVELOPER]</b>
<ul style="list-style-type: none"> <li>•Assisting Owner in establishing a Project budget.</li> <li>•Managing the design and entitlement process, including obtaining any and all necessary local approvals. <b>(Site previously entitled by Duffie)</b></li> <li>•Reviewing the Project budget prepared by the general contractor for the Development, subject to Owner review and comment.</li> <li>•Consulting with Owner and the general contractor regarding any proposed changes to the Plans and Specifications, budget and schedule.</li> <li>•Advising HOC and Owner during any procurement process related to the Project.</li> </ul>	<ul style="list-style-type: none"> <li>•Monitoring the general contractor's and subcontractor's construction progress through weekly site visits, identifying/addressing problems encountered, and consulting with HOC to resolve any issues that arise.</li> <li>•Coordinating inspections with the general contractor and Owner to monitor compliance of the work with Plans and Specifications and the Construction Contract.</li> <li>•Reviewing and assisting Owner with review and approval of Construction Requisitions.</li> <li>•Keeping the Owner apprised of any potential delays and cost-overruns and coordinating with the general contractor and consultants to mitigate impacts.</li> <li>•Coordinating with utilities companies to ensure timely service connection and delivery.</li> </ul>	<ul style="list-style-type: none"> <li>•Compiling and delivering to Owner manuals, technical information, as-built drawings, and warranties provided by general contractor relating to the Project.</li> <li>•If requested by Owner, assisting Owner in establishing leasing guidelines, rents, an operating budget, capital repair schedule and budget, and/or the selection of a management company.</li> </ul>
<b>HOC [OWNER   DEVELOPER]</b>	<b>HOC [OWNER   DEVELOPER]</b>	<b>HOC [OWNER   DEVELOPER]</b>
<ul style="list-style-type: none"> <li>•Ongoing project accounting, oversight &amp; coordination of the design &amp; permitting as assisted by Developer, addtl. procurements as required, and managing/negotiating the Project Financing.</li> </ul>	<ul style="list-style-type: none"> <li>•Ongoing project management &amp; oversight, project accounting, &amp; coordination with Lender(s).</li> </ul>	<ul style="list-style-type: none"> <li>•Developing leasing protocols for the market rate and restricted units.</li> <li>•Maintaining and managing the property on an ongoing basis upon construction completion.</li> </ul>

# Development Timeline

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



# Prior Commission Actions

**RESOLUTION 21-63AS:** On June 18, 2021, the Commission approved at a Special Session Meeting authorization to enter into a 99-year Ground Lease with the Duffie Companies for the Garnkirk Farms Property. This approval also offered Duffie or its affiliate a right of first offer to perform development or construction management services for the Development.

**RESOLUTION 21-105A:** On November 3, 2021, the Commission approved a Predevelopment Budget in the amount of \$5,344,731 and Funding of Predevelopment expenditures, and approved a draw on the PNC Bank, N.A. Real Estate Line of Credit to fund the predevelopment expenditures, which would be repaid at the closing of the construction financing.

**RESOLUTION 21-105B:** On November 3, 2021, the Commission approved a draw up to \$5,344,731 on the PNC Bank, N.A. Real Estate Line of Credit to provide Predevelopment Funding for the development.

# Summary and Recommendations

## ISSUES FOR CONSIDERATION

Does the Development and Finance Committee wish to join staff's recommendation that the Commission authorize the execution of a Construction and Development Services agreement with RJD Real Estate Advisors, LLC for the development of the Garnkirk Farms Apartments in Clarksburg?

## BUDGET/FISCAL IMPACT

Approval of this action has no budget or fiscal impact for FY2022. The Commission will earn an approximate total Development Fee in an approximate amount of \$580K. The fee would be payable in installments with 5% upon issuance of a notice to proceed with the construction, 85% in twenty (20) monthly installments and continuing during the duration of the project, 5% upon substantial completion, and the remaining balance payable in twelve (12) monthly installments commencing after the date of Substantial Completion.

## TIME FRAME

For discussion at the March 25, 2022 meeting of the Development and Finance Committee and formal action at the April 6, 2022 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 authorize the execution of a Construction and Development Services agreement with RJD Real Estate Advisors, LLC for the development of the Garnkirk Farms Apartments in Clarksburg.

# Closing Statement

Written Statement for Closing a Meeting (“Closing Statement”)

Date: March 25, 2022

A. Pursuant to Section 3-305(b) and (d) of the General Provisions Article of the Annotated Code of Maryland, I move to adjourn this open session to a closed session only:

3.  X  “To consider the acquisition of real property for a public purpose and matters directly related thereto.”

B. For each provision checked above, the topic to be discussed and the reason for discussing that topic in closed session is provided below.

Statutory Citation	Topic	Reason for closed-session discussion
§3-305(b)(3)	The potential acquisition/purchase (via either a ground lease or purchase and sale agreement) of real property located in Silver Spring, Maryland for redevelopment into multifamily housing.	The meeting must be closed in order to protect HOC’s ability to purchase the property. Public discussion of this item could harm HOC’s ability to negotiate and/or could result in HOC not being able to purchase the property.

C. This statement is made by Jackie Simon, Chair of the Development & Finance Committee.

D. Recorded vote to close the meeting:

- Date: March 25, 2022 Time: \_\_\_\_\_ Location: (LiveStream on YouTube)
- Motion to close meeting made by: \_\_\_\_\_
- Motion seconded by: \_\_\_\_\_
- Commissioners in favor: \_\_\_\_\_
- Commissioners opposed: \_\_\_\_\_
- Commissioners abstaining: \_\_\_\_\_
- Commissioners absent: \_\_\_\_\_

Officer’s Signature: \_\_\_\_\_



# Closed Session