



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



DEVELOPMENT AND FINANCE COMMITTEE

October 27, 2023
10:00 a.m.

Livestream: <https://youtube.com/live/A5Rom9rmOak?feature=share>

HOC's offices are now open to the public. The public is invited to attend HOC's October 27, 2023 Development and Finance Committee meeting in-person. HOC's Board of Commissioners and staff will continue to participate through a hybrid model (a combination of in-person online participation).

Approval of Minutes:

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6. Hillandale: Approval of the Financing Plan, Feasibility and Public Purpose; Authorization to Issue Loans to Hillandale Gateway, LLC, HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and Authorization for the Borrowers to Accept Loans in Accordance with the Finance Plan

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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 22, 2023

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Development and Finance Committee was conducted via a hybrid platform (with some participating in-person and some participating online/via teleconference) on September 22, 2023, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:09 a.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

Present

Jeffrey Merkowitz – Chair
Robin Salomon- Commissioner

Via Zoom

Rick Y. Nelson- Commissioner

Also Attending

Chelsea Andrews, Executive Director	Kayrine Brown, Deputy Executive Director
Aisha Memon, General Counsel	John Wilhoit
Monte Stanford	Zachary Marks
Alex Laurens	Richard Congo
Kathryn Hollister	Jay Shepherd

Via Zoom

Paulette Dudley	Timothy Goetzinger
Kai Hsieh	Claudia Wilson
John Broullire	Eugenia Pascual
Ellen Goff	Jeremiah Battle
Vivian Benjamin	Alex Torton
Matt Husman	Terri Fowler

IT Support

Aries “AJ” Cruz

Commission Support

Jocelyn Koon, Senior Executive Assistant
Morgan Tucker, Assistant

Commissioner Merkowitz opened the meeting with a welcome and introduction of Commissioner Salomon. Commissioner Merkowitz began the meeting with the approval of the minutes. Commissioner Nelson was necessarily absent and did not participate in the vote.

APPROVAL OF MINUTES

The open session and closed session minutes of September 1, 2023 Development and Finance Committee meeting were approved as submitted with a motion by Commissioner Salomon and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Merkowitz and Salomon. Commissioner Nelson was necessarily absent and did not participate in the vote.

ACTION/DISCUSSION ITEMS

1. MPP: Approval of New Participating Lender for Single Family Mortgage Purchase Program

Chair Merkowitz introduced Chelsea Andrews, Executive Director, to provide an overview of the presentation. Executive Director, Chelsea Andrews, introduced Director of Mortgage Finance, Monte Stanford, who provided the detailed presentation. Staff recommended that the Development and Finance Committee join staff's recommendation for the Commission to approve First Savings Mortgage Corporation for participation in the Single Family Mortgage Purchase Program. A motion was made to support staff's recommendation by Commissioner Salomon and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioner Merkowitz and Salomon. Commissioner Nelson was necessarily absent and did not participate in the vote.

2. HOC Headquarters: Approval to Negotiate and Execute a Guaranteed Maximum Price Contract with Paradigm Construction Company

Chair Merkowitz introduced Chelsea Andrews, Executive Director, to provide an overview of the presentation. Executive Director, Chelsea Andrews, introduced Jay Shepherd, Housing Acquisitions Manager, and Zachary Marks, Chief Real Estate Officer, to provide the detailed presentation. Commissioner Nelson joined the meeting virtually during the presentation. Staff recommended that the Development and Finance Committee review and join its recommendation that the Commission grant its approval for the Executive Director to negotiate and execute a Guaranteed Maximum Price Contract for the amount of \$50,109,878 with Paradigm Contractors, LLC as the General Contractor for the HOC HQ and issue a notice to proceed. Staff addressed questions by the Commission. A motion was made to support staff's recommendation by Commissioner Salomon and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioner Merkowitz, Nelson, and Salomon.

3. HOC Headquarters: Approval of the Financing Plan for Construction and Permanent Financing; and Approval of Bond Authorizing Resolution

Chair Merkowitz introduced Chelsea Andrews, Executive Director, to provide an overview of the presentation. Executive Director, Chelsea Andrews, introduced Victoria Dixon, Senior Multifamily Underwriter, and Monte Stanford, Director of Mortgage Finance, to provide the detailed presentation. Staff recommended that the Development and Finance Committee join in recommending to the Commission approval of the following actions:

- 1) Approval of the HOC HQ Financing Plan and budget totaling approximately \$76.9 million, funded by the following sources: (a) tax-exempt proceeds from the issuance of governmental bonds under the 2002 Multiple Purpose Indenture to fund acquisition, construction, and equipping of the Property, and (b) use of available cash held by the Commission.
- 2) Approval of a Bond Authorizing Resolution for the issuance and delivery of long-term tax-exempt governmental bonds with a term of up to 43 years, under the 2002 Multiple Purpose Indenture in an amount up to \$75 million which proceeds will be funded into a subaccount of the Multiple Purpose Indenture Program Fund and invested in a guaranteed investment contract or other eligible investment until such proceeds are drawn by the Commission to pay costs of the development and may be used for other eligible costs of the Commission; selection of Bank of America, among the Commission's bond underwriters, as the Senior Manager of the bond issuance with PNC Bank N.A. as Co-Senior Manager; and authorization of Kutak Rock as bond counsel.
- 3) Authorize the Executive Director or her designee, to negotiate and execute all related transactional documents to effectuate closing, including any and all related tax documents.

Staff addressed questions by the Commission. A motion to support the staff's recommendation was made by Commissioner Salomon and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioner, Merkowitz, Nelson and Salomon.

4. MetroPointe: Approval to Acquire Limited Partner Interest in Wheaton Metro Limited Partnership

Chair Merkowitz introduced Chelsea Andrews, Executive Director, to provide an overview of the presentation. Executive Director, Chelsea Andrews, introduced John Wilhoit, Director of Asset Management, and Zachary Marks, Chief Real Estate Officer, to provide the detailed presentation. Staff recommended that the Development & Finance Committee support its recommendation that the Commission:

- 1) Approve the acquisition of the limited partner interest from Wells Fargo for Wheaton Metro LP for \$100 plus legal fees.

- 2) Approve the assignment of the limited partner interest for Wheaton Metro LP to HOC YR15 LLC, of which HOC is the sole member
- 3) Authorize the Executive Director to take any and all actions necessary and proper to carry out the acquisition of the limited partner interest for Wheaton Metro LP.
- 4) Approve a draw of up to \$6,000 from the Opportunity Housing Reserve Fund for the acquisition costs.

Staff addressed questions by the Commission. A motion to support the staff's recommendation was made by Commissioner Salomon and seconded by Commissioner Merkwotiz. Affirmative votes were cast by Commissioners Merkwowitz and Salomon. Commissioner Nelson was necessarily absent and did not participate in the vote.

Based upon this report and there being no further business to come before this session of the Development and Finance Committee, the Committee adjourned the open session at 10:54 a.m.

Respectfully submitted,

Chelsea Andrews,

/jlk

APPROVAL TO CREATE A POOL OF ARCHITECTS AND ACCESSIBILITY CONSULTANTS PURSUANT TO REQUEST FOR QUALIFICATIONS #2383

PREQUALIFICATION OF PROJECT ARCHITECTS



CHELSEA ANDREWS, EXECUTIVE DIRECTOR

ZACHARY MARKS, CHIEF REAL ESTATE OFFICER
PAUL VINCIGUERRA, CONSTRUCTION MANAGER

October 27, 2023

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Executive Summary

- The current Architects and Accessibility Consultants Pool expired on October 15, 2023.
- In accordance with HOC’s current Procurement Policy, on June 13, 2023, Request for Qualifications for Architectural Services and Accessibility Consultants Pool (“RFQ”) #2383 was issued, with responses due on July 26, 2023.
- RFQ #2383 expanded the services requested from the original RFQ. Some key additions to scope included:
 - Supporting staff throughout the life of a project to maintain continuity (whether development or interior renovation),
 - Ability to engage consultants with specialized tasks that are required for acquisitions and complex mixed-use developments, as well as to assess both existing and proposed conditions for accessibility requirements.
- Upon receipt of the 17 responses to the RFQ, staff reviewed and evaluated the proposals to make a recommendation for the selection of 14 firms to be included in the pool, in order to maintain a variety of architects with different specialties available on short notice to perform services as needed.
- Staff further identified strengths for each firm and created categories by: Building Type (Townhome/Garden, Low to Mid-Rise, High-Rise); Construction Type (Acquisition, Entitlement & Zoning, New Construction, Renovation); and Participation (in previous Low Income Housing Tax Credit (“LIHTC”) Transactions, Accessibility Consulting, and Licensed Minority Female Disabled (“MFD”) firms).
- Once the pool is formed, staff will solicit pool architects that best fit the projects specifications via Task Orders. Task Order requests will require that the architect participates in an interview and site visit(s) with staff as well as the submission of concept drawings and pricing if needed.
- Staff recommends approval of the selection of the 14 architects listed in the table below to a new pool of Architects and Accessibility Consultants. These 14 architects surpassed the 75-point threshold established by RFP #2383.

Firm Name	Firm Name	Firm Name
Axis Architects	Design Collective	Moya Design
Bennett Frank McCarthy Architects, Inc.	Karl Riedel Architecture, P.C.	Sorg & Associates
BKV Group	KGD Architecture	Torti Gallas and Partners
Collimore Architects	Miner Feinstein Architects, LLC	Zavos Architecture and Design, LLC
Cunningham Quill Architects	Moseley Architects	

- Members of this pool would be given contracts for a period of one year from the date of Contract Award with up to four one-year renewals in accordance with the Commission’s Procurement Policy.

Qualification Categories

HOC issued a Request for Qualifications for Architectural Services and Accessibility Consultants #2383 to assist on an as-needed basis with architectural activities either part of or throughout the life of a transaction to include (but not limited to): feasibility; entitlement; zoning; design; and construction documents, bidding, and administration.

Key Qualifications:

Experience with Affordable Projects, Firm & Personnel Resumes (20%)

Particularly desired

- Experience with Affordable and Special Needs Housing
- Experience with publicly funded projects including LIHTC transactions; and
- Sustainability experience with LEED, Enterprise Green Communities, Passive House or similar

Initial Programming and Entitlements Process (20%)

- Quality of and experience with design of new construction or renovation of multifamily properties, including but not limited to: townhouses, garden style apartments, podium and high-rise buildings;
- Experience with Acquisition & Redevelopment of Land Parcels;
- Experience with site plan evaluation; and
- Demonstrated knowledge of Montgomery County Building Code and zoning.

Construction Administration & Observation (15%)

- Demonstrated ability to meet schedules with firm deadlines and budgets; and
- Experience with construction administration.

Staffing and Management Plan (10%)

- Each Firm shall provide the appropriate staff to perform the work in a timely manner.
- The ability to create a management plan for their projects.

Qualification Categories (Cont.)

Minority Female Disabled (5%)

- Each firm should commit to use MFD subcontractors

Schematic Design & Design Development (15%)

- Experience with preliminary sketches for site plans, layouts, floor plans;
- Successful coordination with MEPF Design and Low Voltage Vendors; and
- Accessibility Consultant Services may include (but are not limited to) the following:
 - Provide technical assistance on all aspects of accessibility compliance;
 - Collaborate with engineers, interior designers, and other design team professionals from schematic design through construction documents to help achieve full compliance with regulatory and building code;
 - Review plans, specifications, submittals, and related documentation, and work with the design team to ensure that final design and construction documents comply fully with applicable accessibility requirements;
 - Conduct field inspections during all phases of new construction and alterations projects to ensure compliance with regulatory and building code requirements for accessible design and construction;
 - Perform inspections of existing buildings and sites to identify noncompliance with regulatory requirements for accessible design and construction;
 - Familiarity with required all accessibility codes applicable to Montgomery County, which include (but are not limited to): The Fair Housing Amendments Act (“FHA”), Section 504 of the Rehabilitation Act of 1973 (Section 504), Architectural Barriers Act (“ABA”), The Americans with Disabilities Act (ADA), State and Local Human Rights Laws, International Building Code (“IBC”); and State and Local Building Codes.

Construction Documents and Bidding (15%)

- Experience with Montgomery County Department of Permitting Services and current building codes;
- Experience with interior and exterior accessibility requirements under Section 504 of the Rehabilitation Act of 1973; Americans with Disabilities Act; Uniform Federal Accessibility Standards (UFAS); and Fair Housing Act Design Requirements; and
- Experience with bid package completion.

Proposed Categories by Specialty

While the RFP does not create specific categories, staff wants to ensure that there is a diverse set of architects with different skill sets to respond to a wide variety of project needs.

New Construction – Low-mid rise	New Construction – High-rise	Accessibility	Renovation
Axis Architects*	Design Collective, Inc.	Axis Architects*	Axis Architects*
Bennett Frank McCarthy Architects, Inc.	Sorg & Associates*	Bennett Frank McCarthy Architects, Inc.	Bennett Frank McCarthy Architects, Inc.
Design Collective, Inc.	Moya Design*	Sorg & Associates*	Design Collective, Inc.
Sorg & Associates*	KGD Architecture	Moya Design*	Moya Design*
Moya Design*	Torti Gallas & Partners	Miner Feinstein Architects, LLC	Miner Feinstein Architects, LLC
Miner Feinstein Architects, LLC	Cunningham Quill Architects	Karl Riedel Architecture, PC	Karl Riedel Architecture, PC
Karl Riedel Architecture, PC	BKV Architects	KGD Architecture	KGD Architecture
KGD Architecture		Torti Gallas & Partners	Torti Gallas & Partners
Torti Gallas & Partners		Cunningham Quill Architects	Mosley Architects
Cunningham Quill Architects		Collimore Architects*	Collimore Architects*
Zavos Architecture & Design, LLC		Zavos Architecture & Design, LLC	Cunningham Quill Architecture
BKV Architects			Zavos Architecture & Design, LLC
*MFD Certified			

Funding and Contracts

Funding

Similar to the previous architectural services engagement, and consistent with past practice, staff will request project specific pre-development funding at the appropriate time that will include an architectural component. While staff intends to charge the costs for these consulting services to specific projects in pre-development, in the event a project does not go forward after due diligence, and if there is no other identified source of repayment, the cost of the consulting services would be borne by the Real Estate Division, which carries \$200,000 in annual general consulting funding. This pool of architects is available to all of HOC's other divisions and, if used, will be paid for from the respective property or development budgets.

Contracts

- Prior architectural pools limited the scope to feasibility tasks (requiring a new solicitation for Design Development, Schematics, and Permit Drawings, etc.).
- With the increased development and renovation needs, HOC expanded on the services requested in RFQ #2383 from the original RFQ.
- Staff requests approval to retain the same architect for all phases of a transaction, under the same terms of the pool contract, in order to maintain continuity and provide for a more timely completion of tasks. Staff proposes the assignment of zero-dollar contracts with an annual aggregate cap of \$2,500,000. If an Architect's proposed aggregate scope per transaction exceeds the Executive Director's \$250,000 authorization limit, staff must return to the Commission for approval prior to awarding a contract.
- Architects shall be solicited from the appropriate category and are expected to compete for the requested task or scope of work.
- HOC has the sole option and discretion to solicit for new qualified firms or individuals during the life of the contract to expand this pool. Firms that responded to the RFQ and awarded a contract will not need to respond if HOC solicits any expression of interest to continue to serve HOC as an Architecture and Accessibility consultant.

Pool Solicitation Protocol

New Task Requests

Each proposal request will include:

- Detailed Scope of work to include pre-construction, actual and post phase items
- MFD Participation
- Davis Bacon requirements (based on funding and dollar amount)
- Section 3 / HOC Works
- Insurance requirements

Selection Process

Staff will refer to the approved categories by specialty when requesting pricing based on transaction needs and will ensure that each proposal includes the following criteria listed below. Special consideration will be given to the extent and quality of the proposed participation by minority owned firms, minority persons in non-minority owned firms, and persons who are disabled.

- Concept Drawing(s)
- Pricing
- MFD Participation
- Interviews
- Site Visits
- Background Checks
- Section 3 / HOC Works Opportunity Plan (based on funding and dollar amount)
- Insurance

Summary & Recommendations

ISSUES FOR CONSIDERATION

Does the Development & Finance Committee join staff in recommending to the Commission, approval to:

1. Select the firms listed in the table below to create a pool of 14 Architects and Accessibility consultants?

Firm Name	Firm Name	Firm Name
Axis Architects	Design Collective	Moya Design
Bennett Frank McCarthy Architects, Inc.	Karl Riedel Architecture, P.C.	Sorg & Associates
BKV Group	KGD Architecture	Torti Gallas and Partners
Collimore Architects	Miner Feinstein Architects, LLC	Zavos Architecture and Design, LLC
Cunningham Quill Architects	Moseley Architects	

2. Approve the ability to retain an architect from this pool for all phases of a transaction under the same terms of the pool contract to maintain continuity and provide for more timely completion of tasks?
2. Authorize the Executive Director to execute zero-dollar contracts with each member of the pool for an annual aggregate cap of \$2,500,000? (If an Architect's proposed aggregate scope per transaction exceeds the Executive Director's \$250,000 authorization limit, staff must return to the Commission for approval prior to awarding a contract.) Contracts will be issued for a period of one year from the date of Contract Award with up to four one-year renewals in accordance with the Commission's Procurement Policy.

BUDGET IMPACT

There is no direct impact on HOC's operating budget. Services will be sought on as needed transaction specific basis and paid for from respective real estate development budgets or other funds that have been approved by the Commission.

TIME FRAME

For discussion at the meeting of the Development & Finance Committee on October 27, 2023, and formal action in an open session of the Commission on November 15, 2023.

10/27/2023

Summary & Recommendations

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

This pool has been a critical tool for the Real Estate Development division to staff high-quality architects and accessibility consultants to development transactions. Staff asks the Development & Finance Committee to join staff in recommending to the Commission approval to:

1. Select the following architectural firms to create a pool of 14 Architects and Accessibility consultants :

Firm Name	Firm Name	Firm Name
Axis Architects	Design Collective	Moya Design
Bennett Frank McCarthy Architects, Inc.	Karl Riedel Architecture, P.C.	Sorg & Associates
BKV Group	KGD Architecture	Torti Gallas and Partners
Collimore Architects	Miner Feinstein Architects, LLC	Zavos Architecture and Design, LLC
Cunningham Quill Architects	Moseley Architects	

1. Approve the ability to retain an architect from this pool for all phases of a transaction under the same terms of the pool contract to maintain continuity and provide for more timely completion of tasks.
1. Authorize the Executive Director to execute zero-dollar contracts with each member of the pool for an annual aggregate cap of \$2,500,000.
 - If an Architect's proposed aggregate scope per transaction exceeds the Executive Director's \$250,000 authorization limit, staff must return to the Commission for approval prior to awarding a contract. Contracts will be issued for a period of one year from the date of Contract Award with up to four one-year renewals in accordance with the Commission's Procurement Policy.

APPROVAL TO CREATE A POOL OF REAL ESTATE DEVELOPMENT AND FINANCING CONSULTANTS

Real Estate Development Division - RFQ #2386



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

**ZACHARY MARKS, CHIEF REAL ESTATE OFFICER
ALEX LAURENS, HOUSING ACQUISITION MANAGER**

October 27, 2023

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Executive Summary

MEETING GOALS

This meeting seeks the support of the Development and Finance Committee to obtain the approval of the Commission to establish a pool of twenty-two (22) firms to provide Real Estate Development and Financing services to the Commission.

Applicants from this pool may be engaged for pre-development work and approved for participation in future development projects. Firms may compete for specific assignments during which staff will evaluate each firm's suitability and proposed pricing.

AGENDA

- Executive Summary
- Response Summary
- List of Respondents
- Minimum Qualifications
- Evaluation Criteria
- Recommended Firms for the Pool
- Summary and Recommendation

Executive Summary

- In March 2014, the Commission approved the creation of its first pool of Real Estate Development and Financing Consultants to supplement its staff in the undertaking of the rehabilitation and redevelopment of a significant portion of properties under ownership or that it planned to acquire.
- In March 2018, HOC issued RFQ #2108 and in September 2018, HOC issued RFQ #2125 for Real Estate Development and/or Financing Consultant services to strengthen and revitalize the pool due to natural attrition and shifting needs of the agency. The Commission approved the new pool of firms in November 2018 in addition to the following:
 - Approval of a \$1.5 million aggregate amount for engagements that fall below the Executive Director’s approval limit of \$250,000 to be funded from Commission-approved predevelopment, capital, or other budgets.
 - Approval of a maximum contract term of four years consisting of an initial two-year term with two additional one-year renewal options.
- On June 16, 2023, HOC issued RFQ #2386 for Real Estate Development and/or Financing Consultant services and received twenty-three (23) responses. After review, staff recommends recreating a pool of professionals consisting of twenty-two (22) firms.
- This pool of consultants will assist HOC’s staff in the real estate development and financing activities to ensure that the Commission achieves its affordable housing goals and that the best housing options are delivered to its residents. The pool will be created to supplement staff and in lieu of adding full time staff at HOC to handle the real estate workload.
- Consultants would be engaged on an “as-needed” basis and funded from respective real estate development budgets that would be approved by the Commission through its normal Committee and Commission review process; therefore, it is not expected to have any adverse financial impact on the Agency’s operating budget.
- Staff recommends that the Development and Finance Committee join staff in its recommendation to the Commission to approve the 22 firms selected to form a pool of consultants to provide Development and Financing services to the Commission. Applicants from this pool may be engaged for pre-development work and approved for participation in future development projects. Firms may compete for specific assignments during which staff will evaluate each firm’s suitability and proposed pricing.

Response Summary

Twenty-three (23) firms responded as of July 14, 2023:

- Two firms that were selected for the 2018 Development and Finance Consultant pool responded to the current RFQ – Forefront Company and The Concourse Group
- Most responses were from firms who demonstrated full-service development and financing capabilities
- There were five broad categories with which firms demonstrated expertise that could be utilized by the Commission, with most firms experienced in more than one category:
 - Development – New Construction
 - Development – Rehabilitation
 - Development – Advisor/Owner’s Representative
 - Finance
 - Entitlements
- Over half of respondents demonstrated prior experience with Low Income Housing Tax Credits (“LIHTCs”) or other creative financing vehicles for affordable or mixed-income projects
- Three firms are certified a Minority-, Female-, or Disabled-owned (“MFD”) Business in the State of Maryland or District of Columbia. Eight (8) other firms included MFD partners and senior leadership while another four firms demonstrated a commitment to MFD participation.
- Ten firms have previous experience overseeing development projects in Montgomery County with another Eleven firms having experience in the DMV area.
- Two firms are out-of-market offering full-service affordable and mixed-income development services on a national scale

List of Respondents

Firms (A-H)	Firms (J-Z)
Align Capital Solutions	JDC
Catalyst Projects	Lincoln Avenue Capital
Concourse Group	MHP LLC
Concourse Housing Partners	No Little Plans LLC
Cornerstone Dev. LLC	Oculus CAS LLC
Cubed Partners LLC	PS Ventures LLC
Duball LLC	Ralph J. Duffie Inc.
EYA Development LLC	Rita L. Ferrall
Fivesquares Dev.	Ulysses Dev. Group
Forefront Company LLC	Urban Atlantic
Gragg Cardona Souadi	Victory Housing, Inc.
Housing on Merit LLC	

Minimum Qualifications

On June 13, 2023, HOC issued a Request for Qualifications for Real Estate Development and/or Financing Consultant (RFQ #2386) with responses due on July 14, 2023. Twenty-three (23) firms responded. Each firm was required to meet the minimum qualifications outlined below.

Qualification Criteria	Responsiveness	Experience	Insurance
Requirement	Respondent must include all information in the format and order requested. All proposals must include a signature by an authorized individual of the Respondent.	Respondent must have the following experience: <ul style="list-style-type: none"> - A minimum of 5 years of continuous experience in multifamily housing finance and/or development both within the private and public sector - Transactions with the past three years for which the Respondent was the lead developer, financing consultant, or played a significant role. - Outline of development and real estate financing transactions for which the Respondent structured, negotiated, and/or completed the closing. The Respondent must provide a list of current references. - List of all transactions completed in the State of Maryland and include if the transaction involved CDA, MDHCD, or Montgomery Co. DHCA participation. - Demonstration of its knowledge and experience working within a public housing authority or housing financing agency - Demonstration of sufficient capacity to produce complex financial models that are compatible with HOC technology 	Respondent must have the required insurance policies and policy limits in accordance with those contained

Evaluation Criteria

Once a firm was determined to have met the minimum qualifications, it was further evaluated on the criteria listed below (total point value is 100). Qualification and experience, especially in real estate finance and related areas of development, were the two most important factors. Further consideration was given to minority firms, references, current and past performance, and the location of the firm.

Qualification Criteria	Point Value	Requirement
Qualification	30	An evaluation of the qualifications, expertise, and general reputation of the individual(s) who will be responsible for the performance of the services as required by this RFQ. Included in this evaluation will be the Respondent's expertise in the fields of real estate acquisition and development in general, and multifamily housing development in particular. The Respondent's availability for consultation with or advice to HOC during the next five years will also be evaluated.
General Experience in Real Estate Finance and Related Areas of Development	20	An evaluation of the quality and quantity of the Respondent's significant experience and expertise (or its ability to arrange for the provision of such experience and expertise) in the area of real estate finance and related areas of development as required by this RFQ, with emphasis on prior experience in the acquisition, rehabilitation, financing, and development of multifamily real estate with emphasis on delivery of mixed-income and market rate developments
Minority/Female/Disabled Participation	15	An evaluation of the extent and quality of the proposed participation by minority owned firms and minority persons in non-minority owned firms. If joint responses are submitted, an evaluation of the management and cost effectiveness of the joint venture.
References	15	Provide a list of references that may be contacted. List the company names, contact person, title, address, and telephone number. Also include the reason the reference is a good reference (e.g., this person knows your experience in Real Estate Development and/or Financing Consultant)
Current and Past Performance	10	Evaluation factors may include (i) evidence of the offeror's ability to perform, (ii) capability to perform in a timely matter, (iii) past performance in terms of cost control and compliance with performance standards, and (iv) knowledge of local building codes and applicable federal requirements.
Location of Place of Business	10	The location of an office in Montgomery County or elsewhere in the Baltimore, MD and Washington, DC metropolitan area.

Recommended Firms for the Pool

Firms (A-H)	Firms (J-Z)
Align Capital Solutions	Housing on Merit LLC
Catalyst Projects	JDC
Concourse Group	Lincoln Avenue Capital
Concourse Housing Partners	MHP LLC
Cornerstone Dev. LLC	No Little Plans LLC
Cubed Partners LLC	Oculus Cas LLC
Duball LLC	PS Ventures LLC
EYA Development LLC	Ralph J. Duffie Inc.
Fivesquares Dev.	Ulysses Dev. Group
Forefront Company LLC	Urban Atlantic
Gragg Cardona Souadi	Victory Housing, Inc.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Development & Finance Committee wish to join staff in recommending to the Commission approval of the establishment of a pool of twenty-two (22) firms selected from the respondents to RFQ# 2386 to provide Real Estate Development and Financing services to the Commission.

BUDGET/FISCAL IMPACT

There is no direct impact on HOC's operating budget. Services will be sought on an as-needed, project-specific basis and paid for from the respective development budgets approved by the Commission. The Real Estate Development division also carries in its annual budget sufficient funds to use this pool for feasibility analysis.

TIME FRAME

For discussion at the October 27, 2023, Development & Finance Committee meeting and formal action at the November 15, 2023, meeting of the Housing Opportunities Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

HOC's real estate development pipeline produces several acquisition, renovation, and new construction transactions per year. In addition to the planned projects, the Commission often wishes to pursue time-sensitive, unexpected opportunities. This pool acts as an important complement to existing Real Estate Development staffing capacity, particularly given that the timing of annual transactional volume is not evenly spread.

Staff asks that the Development & Finance Committee join in recommending to the Commission, approval of the formation of a pool of development and financing consultants consisting of twenty-two (22) firms selected from the respondents to RFQ# 2386. Firms in the pool would be placed under zero-dollar contracts whose limits would be amended with project-specific selection. Contracts would be for a term of one year with four administrative one-year extensions in accordance with the current Procurement Policy.

APPROVAL TO SELECT AND EXECUTE A CONTRACT WITH COMMUNITY INVESTMENT AND REMODELERS INC. AS GENERAL CONTRACTOR FOR VARIOUS SCATTERED SITE PROPERTIES PURSUANT TO INVITATION FOR BID #2424

VARIOUS HOC SCATTERED SITE PROPERTIES

CHELSEA ANDREWS, EXECUTIVE DIRECTOR

ZACHARY MARKS, CHIEF REAL ESTATE OFFICER
PAUL VINCIGUERRA, CONSTRUCTION MANAGER
KIMBERLY KING, PROJECT MANAGER



October 27, 2023

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Executive Summary

- HOC owns and manages over 1,600 scattered site units located throughout the County within:
 - 24 different Opportunity Housing and Low Income Housing Tax Credit (“LIHTC”) ownership entities
 - Over 240 Home Owner Associations (“HOA”)
 - Consisting of mostly townhomes, condominiums and some single-family homes, purchased over the years under the County’s Moderately Priced Dwelling Unit (“MPDU”) program.
 - A majority of these units are in need of renovation in order to continue to serve eligible households.
 - The ten (10) units selected for this solicitation have not had significant updates or undergone renovation since acquisition.
 - All units will be vacant during the renovation period.
- In accordance with HOC’s current Procurement Policy, on September 13, 2023, Invitation for Bid (“IFB”) #2424 was issued Scattered Site Unit Renovations at HOC Properties within Montgomery County, MD, with responses due on October 13, 2023.
- Upon receipt of the five (5) responses to the IFB, staff reviewed the proposals and determined that four (4) firms met the minimum qualifications, and reviewed the qualified bids to make a recommendation for the selection of a general contractor for the scattered site renovations based on the lowest qualified responsible and responsive bid.

Executive Summary

- HOC receives \$1,250,000 annually from the County's Capital Improvements Program ("CIP") as Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements.
- CIP funds are used to focus on renovation and major repairs for those units where renovations are required and the properties cannot support additional debt.
- In addition to the \$1.25M received for FY24, HOC has funding carried over from prior fiscal years that is available for the renovation of the scattered site units.
- The Commission has approved the FY24 CIP funding including the funding for the deeply subsidized unit renovations.

Current Staff Requests:

1. Staff is requesting the approval to select the lowest qualified responsible and responsive bidder for the renovation of ten (10) scattered site units. The contractor's bid of \$1,400,000 was the lowest qualified bid.
2. Staff is requesting that the Commission authorize the Executive Director to negotiate and execute a contract with Community Investment and Remodelers, Inc. for \$1,400,000.

Scope of Work

In general, the scope of work will consist primarily of like-kind replacements (and/or repairs) to the interiors, exteriors, yards, sidewalks and landscape areas of these properties.

- HOC has determined a scope of work for each individual unit based on the unit type, age of systems and overall conditions.

Each scope of work may include (but is not limited to):

Interior Renovations

- Full kitchen remodel including new cabinetry, countertops, and energy-efficient appliances
- Full bathroom remodel including tile tub/shower surround, new vanity, toilet and fixtures as well as mold remediation as needed
- Updated flooring to include luxury vinyl tile throughout the home, ceramic tile in bathrooms and carpeting in bedrooms and staircases
- Drywall and carpentry repairs and new paint throughout the entire unit
- Replacement of HVAC, water heaters, sump pumps, washers and dryers
- Updated electrical, mechanical and plumbing to meet code requirements

Exterior Renovations

- Replacement of windows, doors, siding, roofs, gutters, exterior carpentry and painting
- Concrete steps, sidewalks, driveways, decks and fencing
- Landscaping, tree removal and site grading

Some work may require permits to be pulled by the Contractor/Subcontractor.

Scope of Work

Since 2013 HOC has renovated almost 700 scattered site units starting with the VPC One and VPC Two units that converted from Public Housing. The scope of work has remained generally the same to keep the finishes consistent throughout the portfolio; however, prices have increased substantially. Below are examples of VPC One / VPC Two units that are indicative of the completed renovations.



Selection Criteria

The HOC Procurement Policy states that staff must select the lowest qualified responsible and responsive bid for an Invitation for Bid. The minimum qualifications included:

- Minimum of five (5) years of experience with completing renovations similar in scope of work, size and scale;
- Properly licensed in the State of Maryland;
- Insurance coverage that meets or exceeds the required coverage and agrees to list HOC as an additional insured;
- Payment and performance bonding capacity to cover 100% of the renovation cost.

Four (4) qualified bids were received from the following firms:

- | | |
|--|-------------|
| • Community Investment and Remodelers Inc. | \$1,400,000 |
| • Gibraltar Construction Company | \$1,598,000 |
| • Nastos Construction | \$1,616,730 |
| • Colossal Contractors | \$1,924,000 |

Staff proposes the selection of Community Investment and Remodelers Inc. to award the contract for renovation of the ten (10) scattered site units. Community Investment Remodelers Inc. submitted the lowest bid and is a certified Minority Female Disabled (“MFD”) contractor.

Summary and Recommendations

ISSUES FOR CONSIDERATION

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

1. Approve the selection of Community Investment and Remodelers Inc. as the general contractor for the renovation of ten (10) scattered site units pursuant to IFB #2424;
2. Authorize the Executive Director to negotiate and execute a contract with Community Investment and Remodelers Inc. for \$1,400,000?

BUDGET/FISCAL IMPACT

There is no direct impact on HOC's operating budget. The funding will come from the County Capital Improvement Project funding for deeply subsidized units which has already been approved by the Commission.

TIMEFRAME

For recommendation at the Development and Finance Committee on October 27, 2023 and formal action at the Commission meeting on November 1, 2023.

STAFF RECOMMENDATIONS

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

1. Select Community Investment and Remodelers Inc. as the general contractor for the renovation of ten (10) scattered site units pursuant to IFB #2424;
2. Authorize the Executive Director to negotiate execute a contract with Community Investment and Remodelers Inc. for \$1,400,000.

METROPOINTE: APPROVAL TO FUND DEFERRED DEVELOPMENT FEE TO BOZZUTO FROM THE OPPORTUNITY HOUSING RESERVE FUND

SATISFACTION OF DEVELOPMENT AGREEMENT



CHELSEA ANDREWS, EXECUTIVE DIRECTOR

**ZACHARY MARKS, CHIEF REAL ESTATE OFFICER
JOHN WILHOIT, DIRECTOR OF ASSET MANAGEMENT**

October 27, 2023

Executive Summary



MetroPointe is a 173-unit rental community divided into two condominiums: one owned by a Low Income Housing Tax Credit (“LIHTC”) limited partnership containing 53 affordable units and the other owned by HOC containing 120 market rate units and ground-floor retail. Financed in 2006, and delivered in 2008, MetroPointe was underwritten overlapping the Global Financial Crisis (“GFC”) and housing market collapse.

MetroPointe began in 1999 when WMATA awarded Bozzuto the development rights for the Wheaton Metro Station Kiss & Ride. In addition to the new apartments and retail, MetroPointe provided the relocated Kiss & Ride within the project’s structured parking deck. At more than 70 units per acre, this high-density, garden-style development took significant design, entitlement, and financing effort. For their efforts, Bozzuto earned 60% of \$2.5MM in development fee and HOC earned 40%, as outlined in a 2003 development agreement.

Like most of its contemporary transactions, MetroPointe achieved actual rents after the GFC that were far lower than projected leading to MetroPointe’s recurring annual cash flow shortfalls. These shortfalls were mainly derived from the market rate condominium and have required continual infusions of capital from HOC. Within the LIHTC condo, the project overran the budget by \$1.6MM at permanent conversion nearly all driven by WMATA-incurred construction delays. HOC deferred more of the 50% current portion of its development fee in conjunction with an HOC loan to fund the overruns. Bozzuto was not required to do the same and was paid its 50% current portion of \$750,000 at permanent conversion. Over the succeeding 15 years, deferred development fee was only able to be paid in a single year* from annual net cash flow from the affordable condominium.

With the impending buy-out of the limited partner investor approved by the Commission on October 4, 2023, close out of this deferred fee is the last remaining obligation from the original construction financing. To fully unencumber MetroPointe for a resyndication and recapitalization in 2024, staff recommends payment to Bozzuto for its final development fee installment.

Dev. Fee Schedule & Project Waterfall

Bozzuto earned development fee via the financing of both condominium units. While a portion of development fee on the market rate condominium was paid over the course of construction (as is usual for conventional development deals), the development fee on the affordable condominium was paid at three of the milestones typical to LIHTC transactions: the signing of the construction contract, substantial completion, and cost certification.

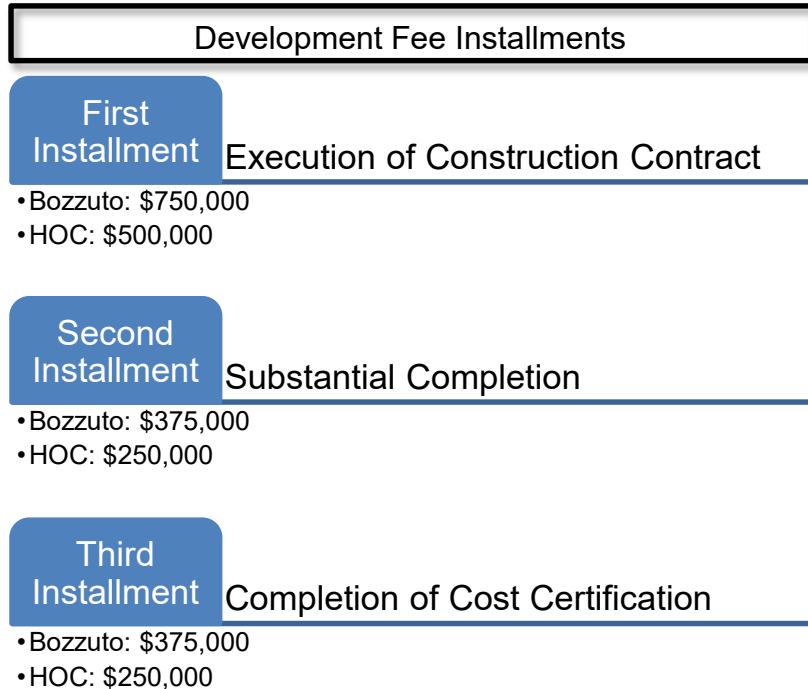
Per the development agreement, the development fee was split 60% to Bozzuto and 40% to HOC. As part of the initial financing of MetroPointe, both parties agreed to defer, *pari passu*, 50% of development fee owed. At permanent financing, HOC deferred more of its \$500,000 in current development fees to partially cover construction-period overruns. Over the course of 17 years since the start of construction, both parties have been paid only the current (i.e., non-deferred) portion of development fee owed (but for the

\$15K payment in 2018)

Cash Flow Waterfall

If all required reserves are funded and maintained...

- First, to pay asset management fees
- Second, to pay partnership management fees
- Third, to pay of deferred developer fees
- Fourth, 50% of remaining cash flow to pay HIF
- Fifth, to pay operating deficit loans
- Sixth, to pay credit adjusters for changes in law
- Seventh, to pay accrued and unpaid GP loans
- Eighth, 99.99% distributed to the LP



The limited partnership agreement for Wheaton Metro LP, the owner of the affordable condominium, outlines the order of cash flow distribution within the LIHTC condominium. MetroPointe's annual cash flow was usually negative since being placed in service. In some years, cash flow was nominally positive but only once large enough to reach the third tier of distributions. A substantial amount of the development fee allocated to the market rate condominium remains outstanding but has no maturity date.

Project Development Fee Summary

In 2003, the agreement governing the development partnership between Bozzuto and HOC (“Development Agreement”) was executed. As part of the Development Agreement, Bozzuto and HOC agreed to a development fee to be paid by the MetroPointe project of \$2.5MM – to be split 60% to Bozzuto and 40% to HOC. While the financing for MetroPointe did not occur until 2006, this Development Agreement was never modified.

At financing in 2006, HOC determined that the \$2.5MM cap in development fee related to the LIHTC financing only applied to the LIHTC condominium. Thus, a much greater aggregate amount of development fee could be generated by reallocating costs between the condominiums and calculating a separate fee for each condominium (“Reallocation & Recalculation”).

Development Fee Split		
2003	Bozzuto \$1,500,000 Current: \$750K/Deferred: \$750K	HOC \$1,000,000 Current: \$500K/Deferred: \$500K

The apparent reduction in HOC’s share of development fees shown in the exhibit to the left simply reflects a reduction in fees HOC would be earning through the LIHTC project once the Reallocation & Recalculation occurred. The total development fees earned (but deferred) became substantially larger but attributable to the market rate condominium.

Development Fee Split		
2006	Bozzuto \$1,500,000 Current: \$750K/Deferred: \$750K	HOC \$1,000,000 C: \$500K/D: \$500K

Bozzuto was paid the current portion of its \$1.5MM owed at financing in 2006. Per the Development Agreement governing the development partnership for MetroPointe, Bozzuto has \$750,000 owed. Bozzuto has allowed that payment to be delayed until December 31, 2023, so that HOC could better synchronize the resyndication and recapitalization of MetroPointe with the payment of the fee due.

Development Fee Split		
2008	Bozzuto \$750,000 C: \$0K/D: \$750K	HOC \$359,372* C: \$0K/D: \$359K

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Development & Finance Committee join staff's recommendation to the Commission to approve funding the \$750,000 in deferred development fee due to Bozzuto per the MetroPointe Development Agreement from the Opportunity Housing Reserve Fund?

BUDGET/FISCAL IMPACT

There is no budget impact from this action; however, HOC's general obligation borrowing capacity is reduced by the amount of this payment.

TIME FRAME

For discussion at the October 27, 2023, meeting of the Development & Finance Committee and formal action in an open session of the Commission on November 15, 2023.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

HOC is obligated to pay out the deferred development fee owed to Bozzuto. As the development fee was originally used to balance the sources and uses for the construction of MetroPointe, the OHRF -- HOC's primary last-in source of development funding -- is the appropriate source of funding for payment. Staff asks the Development & Finance Committee to join staff's recommendation to the Commission to approve funding the \$750,000 in deferred development fee due to Bozzuto per the MetroPointe Development Agreement from the Opportunity Housing Reserve Fund.

MEMORANDUM

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

VIA: Chelsea J. Andrews, Executive Director

FROM: Staff: Monte Stanford, Director of Mortgage Finance
Paulette Dudley, Program Specialist III

RE: Single Family Lending: Approval of a New Participating Lender for the Single Family Mortgage Purchase Program

DATE: October 27, 2023

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To approve a new participating lender in the Single Family Mortgage Purchase Program that will provide mortgage financing to low- to moderate-income first-time homebuyers in Montgomery County at below market rates.

BACKGROUND:

The Commission has approved the continuous participation of lenders from program to program and an on-going admission of new lenders to the Mortgage Purchase Program ("MPP"). As lenders apply for participation in the MPP, the requests are submitted to the Commission for approval. Increasing lender participation broadens the exposure to the Commission's Single Family mortgage products, as well as to the Revolving County Closing Cost Assistance Program and other special Closing Cost programs, as the closing cost assistance loans must be used in conjunction with a MPP first mortgage.

All approved and participating lenders are advised that continued participation in the MPP requires mortgage loan production. If the lender does not submit a mortgage loan within any 12-month period, that lender may be subject to suspension, as a participating lender in the MPP. HOC over the years has approved 36 lenders, but through non-participation or the mortgage company's notice to end its participation, there are currently 26 lenders in the MPP. Lenders can be activated again with approval by HOC, but are subject to retraining and verification that they are approved with U.S. Bank, N.A. ("U.S. Bank"), the Commission's Master Servicer for the Mortgage Backed Securities ("MBS") program.

The minimum qualifications for lender participation in the MPP are: 1) the lender is not a mortgage broker and can close loans in the company's name; 2) the lender is an FHA approved seller/servicer and have FHA direct endorsement approval; and, 3) the lender is a Freddie Mac and/or Fannie Mae seller/servicer for originating the conventional product. New lenders are also required to be approved by U.S. Bank. In

addition, lenders must have origination experience in single family tax-exempt bond programs; are committed to lending toward eligible borrowers within the MPP approved income and sales price limits; have the ability to accommodate non-English speaking, hearing impaired and disabled applicants in the office or offices that would be originating HOC loans; and, acceptable lender fees.

Approved lenders receive training from HOC staff and U.S. Bank before they are allowed to begin originating and closing loans for the MPP. Under the MBS program, HOC underwrites for program compliance and the lenders underwrite for credit worthiness.

Lender approval will apply to the 1979 Single Family Mortgage Revenue Bond Resolution, the 2009 Single Family Housing Revenue Bond Resolution and the 2019 Program Revenue Bond Resolution.

NewRez, LLC has applied to participate in the HOC Single Family Mortgage Purchase Program and has met the minimum requirements and criteria for selection stated above.

NewRez, LLC (hereinafter “NewRez” or “Lender”)

NewRez was founded in 2008, is licensed to lend in 50 states, and is headquartered in Fort Washington, Pennsylvania.

Effective August 2023, NewRez acquired certain assets and staff from Caliber Home Loans, Inc. which has been an active participating lender in the MPP since 2015. While the name has changed, the staff have not and they are eager to begin originations again upon approval of NewRez.

NewRez has lending offices in Rockville, Greenbelt, Pikesville, and Columbia, MD. They operate multiple lending channels, including Correspondent Lending, Wholesale, Direct-to-Consumer, Retail, and a network of joint venture partners.

In conjunction with the lending programs at HOC, NewRez loan officers have access to City of Gaithersburg down payment assistance programs, which work in conjunction with the Single Family Mortgage Purchase Program.

NewRez, LLC participates in the following tax-exempt bond programs: VHDA (Virginia), CDA (Maryland), HOC, DCHFA (Washington, DC), FHFC (Florida).

NewRez’s percent of loan activity for purchases made at median income levels or below for the Washington D.C. SMSA 2022 are shown below:

Row Labels	% of Purchased Loans
Low Income	6.04%
Middle Income	44.37%
Moderate Income	23.33%

NewRez has staff who are bilingual and can assist in the application process. They will also market any affordable housing programs that work in conjunction with the Commission’s lending programs.

SERVICING

Under the Commission’s MBS Program, lenders will release servicing and receive a loan origination fee up to 2%, based on the time lapse between loan origination and purchase. Lenders receive a higher origination fee the earlier the loan is purchased. Servicing is handled through U.S. Bank, which the Commission has approved as the Master Servicer.

ISSUES FOR CONSIDERATION:

Does the Development and Finance Committee wish to join staff’s recommendation that the Commission approve NewRez, LLC as a participating lender in the Single Family Mortgage Purchase Program?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
NewRez, LLC

BUDGET/FISCAL IMPACT:

None.

TIME FRAME:

For discussion at the meeting of the Development and Finance Committee on October 27, 2023 and formal action at the November 15, 2023 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Development and Finance Committee join staff’s recommendation that the Commission approve NewRez, LLC for participation in the Single Family Mortgage Purchase Program.

Attachment 1

Approved HOC/U.S. Bank Lenders

1. Ameris Bank Mortgage
2. Bay Capital Mortgage Corporation
3. Direct Mortgage Loans, LLC
4. Embrace Home Loans, Inc.
5. Fairway Independent Mortgage Corporation
6. First Heritage Mortgage, LLC
7. First Home Mortgage Corp
8. First Savings Mortgage Corporation
9. HomeBridge Financial Services, Inc.
10. Homeside Financial LLC
11. loandepot.com
12. Luminare Home Loans
13. Meridian Bank Mortgage
14. Mortgage Access Corp – Weichert Financial
15. Movement Mortgage, LLC
16. NFM, Inc. dba NFM Lending/Mainstreet Home Loans
17. NVR Mortgage Finance, Inc.
18. Presidential Bank, FSB
19. Primary Residential Mortgage, Inc.
20. PrimeLending, a Plains Capital Company
21. Prosperity Home Mortgage, LLC
22. Sandy Spring Bank
23. Severn Bank
24. TowneBank Mortgage
25. Vellum Mortgage
26. WesBanco Bank, Inc.

HILLANDALE GATEWAY: APPROVAL OF THE FINANCING PLAN, FEASIBILITY AND PUBLIC PURPOSE; AUTHORIZATION TO ISSUE LOANS TO HOC AT HILLANDALE AR, LLC, HILLANDALE GATEWAY, LLC AND HOC AT HILLANDALE NAR, LLC FOR ACQUISITION AND CONSTRUCTION FINANCING; AUTHORIZATION TO ISSUE A COMMITMENT FOR PERMANENT FINANCING; AND, AUTHORIZATION FOR THE BORROWERS TO ACCEPT LOANS IN ACCORDANCE WITH THE FINANCE PLAN

10100 – 10120 NEW HAMPSHIRE AVENUE, SILVER SPRING, MD



CHELSEA ANDREWS, EXECUTIVE DIRECTOR

**Monte Stanford, Director of Mortgage Finance
Victoria Dixon, Sr. Multifamily Underwriter
Len Vilicic, Financial Analyst**

October 27, 2023

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EXECUTIVE SUMMARY

Hillandale Gateway (the "Development") is a planned mixed-use, mixed income, multigenerational community that will set new benchmarks in sustainable and resilient multifamily development in the Mid-Atlantic region. The Development is located at 10100, 10110, and 10120 New Hampshire Avenue in Silver Spring, MD, on the site of Holly Hall Apartments, a former 96-unit Public Housing community on 4.35 acres. The Development will be developed in a rental condominium structure to include a total of 463 residential rental units, comprised of (i) one 155-unit Net Zero Energy, age-restricted (62+) senior building ("AR Building"), and one 308-unit Passive House, non-age restricted multifamily building ("NAR Building") which will comprise both (ii) a LIHTC income restricted side (93 units, "NAR_LIHTC") and (iii) an unrestricted side (215 units, "NAR_Market") with the retail/garage. Between each building will be two retail pads and an above-grade parking structure with 634 parking spaces. The Development is subject to a ground lease agreement with a Duffie affiliate.



On January 11, 2023, the Commission approved an Early Start phase of site work for the Development with a general contractor ("GC") contract of up to \$11.5 million, and on September 13, 2023 approved the Final Development Plan ("Development Plan") estimated at \$302.2 million to construct and equip the entire Development site.

As part of the Development Plan, the AR Building will be acquired by HOC at Hillandale AR, LLC (the "AR Borrower"), the income restricted portion of the NAR building will be acquired by HOC at Hillandale NAR, LLC (the "NAR_LIHTC Borrower"), and the unrestricted units with the retail and garage will be owned by in a joint-venture with HOC, Duffie and PS Ventures known as Hillandale Gateway, LLC ("NAR_Market Borrower", and together with the NAR_LIHTC Borrower, the "NAR Borrower"). The AR Borrower, NAR_LIHTC Borrower, and NAR_Market Borrower are collectively referred to herein as the "Borrowers." HOC will retain controlling interest of the Borrowers. In addition, the Commission approved acceptance of senior debt from Citi Community Capital. The NAR_LIHTC and AR Buildings are expected to be awarded allocations of 4% LIHTC in December 2023, with Wells Fargo Community Investment Holdings, LLC as LIHTC Investor. Construction is projected to take up to 36 months with outside completion by December 2026 and stabilization by July 2027.

In order to execute the Development Plan, staff proposes the following Financing Plan(s) with requested approval of: (a) fixed and variable rate, tax-exempt and taxable debt to fund acquisition, construction, and equipping of the Development, from (i) the issuance of indebtedness under the Trust Indenture for the Multifamily Housing Development Revenue Bonds (the "1996 Indenture") for the NAR building, and (ii) the delivery of stand-alone construction and permanent loans for the NAR and AR buildings; (b) a loan to bridge receipt of permanent financing proceeds ("Bridge Loan"); (c) subordinate loans from HOC; (d) subordinate County loans, and (e) deferred developer fees. Initial closing is expected to occur in December 2023 with conversion to permanent debt to occur by December 2027.

EXECUTIVE SUMMARY

Below is a brief Summary of the Financing Plans for the respective buildings. Staff is continuing to work to secure additional County and State funding to reduce HOC's capital commitments to this transaction.

Non-Age Restricted Building –

- Short term, variable rate construction loan(s) from Citibank, N.A. (“Citibank” or “Citi”) (\$145 million), with a taxable and tax-exempt portion to fund the NAR_LIHTC component and a tax-exempt governmental portion to fund the NAR_Market component (collectively, the “Citi NAR Construction Loans”), with HOC acting as conduit lender and providing a 25% repayment guarantee.
- Issuance of long-term, tax-exempt, fixed rate private activity bonds under the 1996 Indenture for the NAR_LIHTC (\$30 million), which proceeds will be invested in a guaranteed investment contract or other eligible investment during the development period, until drawn at permanent conversion to partially fund a FHA Risk Share insured loan, from HOC to the NAR_LIHTC Borrower and NAR_Market Borrower, evidenced by separate promissory notes and one deed of trust (“NAR Risk Share Permanent Loan”), the proceeds of which will be used to partially repay the Citi NAR Construction Loans.
- Future issuance of long-term, tax-exempt, variable rate governmental bonds under the 1996 Indenture (“NAR Governmental Bonds”) for the NAR_Market (\$105 million), which proceeds will be used to partially fund the NAR Risk Share Permanent Loan, the proceeds of which will repay the tax-exempt portion of the Citi NAR Loan(s) at permanent conversion into the NAR Risk Share Permanent Loan.
- A HOC short-term Bridge Loan (\$43 million, combined with AR Building) funded by way of draws on the Real Estate Line of Credit with PNC Bank, N.A. (“PNC RELOC”), to be repaid upon receipt of permanent financing proceeds.
- Execution of interest rate hedges, on an immediate and/or forward starting basis, with qualified counterparties to manage variable interest rate risk of the variable rate Citi NAR Construction Loans, Bridge Loan, and future issuance of NAR Governmental Bonds.
- Funding of subordinate loans from proceeds of the Opportunity Housing Reserve Fund (“OHRF”) (combined \$10 million), which may be repaid from receipt of energy and sustainability rebates and/or grants (“HOC Loan”) and other future sources.
- With additional funding (\$29.7 million) from subordinate loans from the County’s Housing Production Fund (“HPF”), Housing Initiative Fund (“HIF”), and County Green Bank, as well as, LIHTC Equity, and energy/sustainability rebates/grants, and deferment (\$2 million) of a portion of the Developer Fee due to HOC.

Age Restricted Building –

- A short term, variable rate, taxable construction loan (\$47 million) from Wells Fargo Bank, N.A. (“Wells Fargo”), or an affiliate thereof, for the AR Building (the “Wells AR Construction Loan”), with HOC acting as conduit lender and providing a 25% repayment guarantee.
- A long term, permanent tax-exempt loan (\$47 million) from Citibank with a forward rate lock at initial closing, with HOC acting as conduit lender, which proceeds will repay the Wells AR Construction Loan.
- A Bridge Loan (\$43 million, combined with NAR Building) funded by way of draws on the PNC RELOC, to be repaid upon receipt of permanent financing proceeds.
- Execution of interest rate hedges to manage variable interest rate risk of the Wells Fargo AR Construction Loan and Bridge Loan.
- Funding of a subordinate HOC Loan from proceeds of the OHRF (up to \$15 million), which may be repaid from receipt of energy and sustainability rebates and/or grants and other future sources.
- With additional funding (\$49.9 million) from subordinate loans from the County’s HIF, CGB, as well as, LIHTC Equity, and energy/sustainability rebates/grant, and partial deferment (\$3 million) of the Developer Fee due to HOC.

EXECUTIVE SUMMARY – NAR Building

Staff has completed its underwriting and recommends the Development and Finance Committee join in recommending that the Commission approve the following:

- 1) Approval of the Financing Plan for the Hillandale NAR building totaling approximately \$211.6 million, funded by the following sources: a) (i) with respect to NAR_LIHTC, the taxable and tax-exempt private activity portion of the Citi NAR Construction Loans, the proceeds of which will be used to fund a loan to NAR_LIHTC Borrower for acquisition, construction and equipping costs; (ii) with respect to NAR_Market, the tax-exempt, governmental portion of the Citi NAR Construction Loans, the proceeds of which will be used fund a loan to NAR_Market Borrower for acquisition, construction and equipping costs; and (iii) long-term, fixed tax-exempt private activity bonds to be issued under the 1996 Indenture (the “2023 Series B Bonds”) to fund a portion of the NAR Risk Share Permanent Loan, the proceeds of which will be invested in a guaranteed investment contract or other eligible investment and used to partially repay the taxable portion of the Citi NAR Construction Loans at conversion; (b) future variable rate NAR Governmental Bonds to be issued under the 1996 Indenture, the proceeds of which will be used to partially repay the tax-exempt governmental portion of the Citi NAR Construction Loans at conversion; (c) LIHTC equity; (d) Bridge Loan, (e) subordinate HOC Loans; (f) subordinate County Loans; (g) Mezzanine debt; (h) miscellaneous credits and grants; and (i) deferred developer fees.
- 2) Approval of the feasibility and public purpose of the NAR Building for the allocation of up to \$30,000,000 in volume cap for the transaction, as subject to available volume cap.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of short-term and long-term, tax-exempt, fixed and variable, indebtedness equal to: (a) up to \$30,000,000 of 2023 Series B Bonds under the 1996 Indenture and (b) up to \$30,000,000 of taxable indebtedness to fund the taxable portion of the Citi NAR Construction Loans, and (c) up to \$120,000,000 to fund the tax-exempt governmental portion of the Citi NAR Construction Loans) .
- 4) Approval for HOC to enter into a guaranty of completion, up to 25% repayment, debt service and carry, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy.
- 5) Authorization for HOC to issue Financing Commitments for the NAR Risk Share Permanent Loan, which proceeds will repay the Citi NAR Construction Loans, with balloon payment at or before year 25, in an amount up to \$30,000,000 to HOC at Hillandale NAR, LLC and \$105,000,000 to Hillandale Gateway, LLC, to be funded from proceeds of the 2023 Series B Bonds and future issuance of variable rate NAR Governmental Bonds.
- 6) Approval for HOC to provide credit enhancement for the NAR Risk Share Permanent Loan via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 50% and 50% of the risk for the transaction.
- 7) Approval for the Executive Director to enter into one or more interest rate hedges with qualified counter parties on and immediate and/or forward starting basis to manage interest rate risk of the Citi NAR Construction Loans, Bridge Loan, and NAR Governmental Bonds.
- 8) Approval to increase the HOC proceeds of the Opportunity Housing Reserve Fund to the borrower(s) from \$6 million up to \$9.2 million, which may be partially repaid upon receipt of energy efficiency rebates/grants and other loans.
- 9) Approval to negotiate and for HOC at Hillandale NAR, LLC to accept a subordinate loan from the County Green Bank.
- 10) Approval for the NAR Borrower and HOC, as appropriate to negotiate, make, and accept conduit loans made from the proceeds of the Citi NAR Construction Loans, the NAR Risk Share Permanent Loan, Bridge Loan, HOC Loans and various other subordinate loans as described herein.

EXECUTIVE SUMMARY – AR Building

Staff has completed its underwriting and recommends the Development and Finance Committee join in recommending that the Commission approve the following:

- 1) Approval of the Financing Plan for the Hillandale AR Building totaling approximately \$109.3 million, funded by the following sources: a) variable rate, taxable construction loan from Wells Fargo Bank, N.A. or an affiliate thereof (the “Wells AR Construction Loan”) for payment of acquisition, construction, and equipping costs; (b) fixed-rate, tax-exempt, private activity indebtedness in the form of a long-term, permanent loan from Citibank (the “Citi AR Funding Loan”) to fund a long-term permanent loan to the AR Borrower (the “Citi AR Borrower Loan”), which proceeds will be used to repay the Wells AR Construction Loan; c) LIHTC equity; d) Bridge Loan, e) subordinate HOC Loan; f) subordinate County Loans; g) miscellaneous credits and grants; and h) deferred developer fee.
- 2) Approval of the feasibility and public purpose for the AR Building with the allocation of up to \$47,000,000 in volume cap for the transaction, as subject to available volume cap.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of the Citi AR Funding Loan in an amount not to exceed \$47,000,000, to fund the Citi AR Borrower Loan.
- 4) Approval for the AR Borrower and HOC, as appropriate, to negotiate and accept the Wells AR Construction Loans in an amount up to \$47,000,000, with HOC acting as conduit lender.
- 5) Approval for HOC to enter into a guaranty of completion, up to 25% repayment, loan balancing, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy.
- 6) Approval for HOC to negotiate and accept a forward-lock agreement for the permanent Citi AR Funding Loan and the Citi AR Borrower Loan, with such permanent loan to have a balloon at or before year 25, in an amount up to \$47,000,000, with HOC acting as conduit lender.
- 7) Approval for the Executive Director to enter into one or more interest rate hedge agreements with qualified counter parties to manage variable interest rate risk of the Wells AR Construction Loan, Bridge Loan, Citi AR Funding Loan, and the Citi AR Borrower Loan.
- 8) Approval to increase the HOC Loan from proceeds of the Opportunity Housing Reserve Fund to the borrower from \$6 million to \$15 million which may be partially repaid upon receipt of energy efficiency rebates/grants and other loans.
- 9) Approval for the Borrower to accept the proposed Wells AR Construction Loan, Citi AR Borrower Loan, HOC Loan, and County Loans.

TRANSACTION HIGHLIGHTS – NAR Building

Public Purpose	Construction of the Development will preserve and add quality, affordable housing for families in the County. Of the combined 463 units of the Development, 100% of the AR Building (155 units) and 30.2% of the NAR Building (93 units) will be restricted for households with incomes at or below 30% - 80% AMIs, utilizing income averaging. Affordability at the NAR building will satisfy the test for 20% of households at or below 50% of AMI. Additional details on Property Overview slides.	
County Interest	The Development will continue to benefit from a real estate tax exemption from the County (100%), and will also benefit from low cost and subordinate Housing Production Fund as well as Housing Initiative Fund loans.	
Volume Cap Allocation	Up to \$30,000,000 in HOC volume cap will be required for tax-exempt debt to meet the 50% test on the NAR_LIHTC component. See page 14 for HOC's Volume Cap Need/Uses matrix.	
Tax-Exempt Financing	Up to \$150,000,000 - the privately placed, taxable and tax-exempt construction debt with Citibank at permanent conversion will be repaid from proceeds of long term, fixed and variable rate, tax-exempt private activity and governmental bonds with a term of up to 45 years. The permanent loans will begin to amortize on a 40-year schedule and a balloon payment at or before year 25 may be pursued.	
Credit Enhancement	The NAR Risk Share Permanent Loan will be enhanced with FHA Risk Share mortgage insurance. It is proposed that HOC assumes 50% of the risk for the transaction and FHA 50%. The Citi NAR Construction Loan will be subject to a repayment guaranty of up to 25% on HOC's General Obligation, debt service and carry, completion, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy.	
Construction Bridge Loan	Based upon review of the Developer Draw Schedule, an estimated \$11 million of bridge financing will be needed during the construction and will be repaid from permanent financing.	
LIHTC Equity	Approximately \$18.4 million – The tax-credit equity will be paid in stages: 1) loan closing (10%); 2) construction completion (77%); and 3) cost certification, stabilized occupancy, permanent mortgage conversion, and issuance of final 8609s (13%).	
Developer Fee	Developers' fees earned monthly will total approximately \$12.3 million on a combined basis, of which approximately \$2 million to HOC will be deferred. The portion payable to Duffie for services rendered is calculated at 4% (approx. \$7.6 million) of base costs.	
Development Team	Developer: General Contractor: Architect: Property Management: Construction Management: LIHTC Syndicator:	The Duffie Companies / HOC CBG Building Group Torti Gallas and Partners, Inc. To-Be-Determined Lambis Rank Wells Fargo Community Investment Holdings, LLC
10/27/2023		7

TRANSACTION HIGHLIGHTS – AR Building

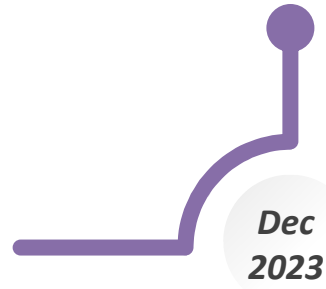
Public Purpose	Construction of the Development will preserve and add quality, affordable housing for families in the County. Of the combined 463 units of the Development, 100% of the AR Building (155 units) will be restricted for households with incomes at or below 30% - 80% AMIs, utilizing income averaging. Affordability at the AR building will satisfy the test for 40% of households at or below 60% of AMI. Additional details on Property Overview slides.	
County Interest	The Property will continue to benefit from a real estate tax exemption from the County (100%). In addition, the County is expected to provide HPF, HIF, and Green Bank loans as well as MoCo Net to the property.	
Volume Cap Allocation	Up to \$47,000,000 in HOC volume cap will be required for tax-exempt debt to meet the 50% test on the AR Building.	
Tax Exempt Financing	Up to \$47,000,000 – to be funded at or prior to conversion in the form of the Citi AR Funding Loan, the proceeds of which will fund repayment of the Wells AR Construction Loan; will amortize on a 40-year schedule, with a term of up to 40 years; however, a balloon payment at or before year 25 may be pursued.	
Credit Enhancement	The Wells AR Construction Loan will be subject to a repayment guaranty of up to 25% on HOC's General Obligation, loan balancing, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy.	
Construction Bridge Loan	Based upon review of the Developer Draw Schedule, an estimated \$26 million of bridge financing will be needed during the construction.	
LIHTC Equity	Approximately \$30 million combined for both LIHTC components – The tax-credit equity will be paid in stages: 1) loan closing (10%); 2) construction completion (79%); and 3) cost certification, stabilized occupancy, permanent mortgage conversion, and issuance of final 8609s (11%).	
Developer Fee	Developers' fees earned monthly will total approximately \$8.4 million on a combined basis, of which approximately \$3 million to HOC will be deferred. The portion payable to Duffie for services rendered is calculated at 4% (approx. \$3.3 million) of base costs.	
Development Team	Developer:	The Duffie Companies / HOC
	General Contractor:	CBG Building Group
	Architect:	Torti Gallas and Partners, Inc.
	Property Management:	To-Be-Determined
	Construction Management:	Lambis Rank
	LIHTC Syndicator:	Wells Fargo Community Investment Holdings, LLC

FINANCING SCHEDULE

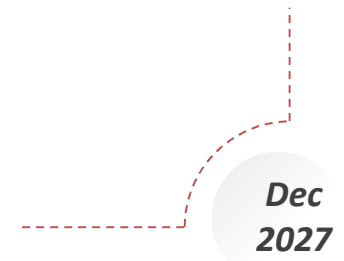
- Commission Approval
- Submit FHA Risk Share Application



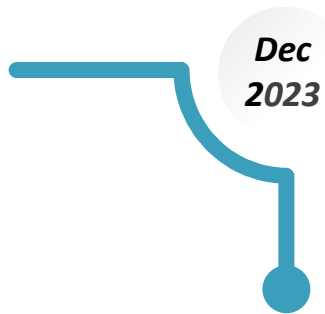
- Begin Construction (up to 36 months)



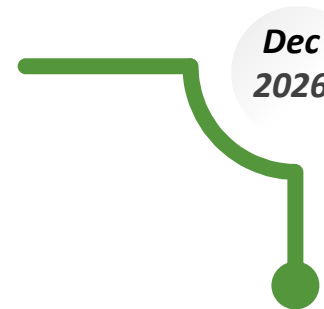
- Outside date for Permanent Conversion



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



- Outside date for Construction Complete



PRIOR COMMISSION ACTIONS

Date	Res.	Description of Commission Resolutions
October 7, 2015	15-79	Approval of a predevelopment budget to fund the first 15 months of predevelopment activity related to the redevelopment of Holly Hall.
March 1, 2017 January 9, 2019	17-18 19-10	Approval of Hillandale design and revised predevelopment budget related to the redevelopment of Holly Hall.
May 8, 2019	19-56	Approval of site design and authorized the submission of an application to the Planning Board for Site and Subdivision Plan approval.
February 5, 2020 November 4, 2020	20-13 20-78	Approval of redesigned site plan for submission to the Planning Board, and revised predevelopment budget through closing of construction financing.
February 3, 2021	21-18	Approval of Holly Hall demolition.
March, 2, 2022 April 6, 2022	22-20	Approval of a preliminary development plan for the AR Building, selection of General Contractor and Construction Manager, and affordability restrictions for both the NAR Building and AR building.
September, 14, 2022	22-67	Approval of revised predevelopment budget with structural change from Prescient to Concrete.
January 11, 2023 April 5, 2023	23-07 23-24	Approval of Early Start work not to exceed \$14.5 million, with execution of GC Contract and limited notice to proceed, and selection of Hillis-Carnes to provide testing and third party inspection services.
September 13, 2023	23-52A 23-52B	Approval of a Final Development Plan to construct the entire Development, including (i) authorization to negotiate and execute a Guaranteed Maximum Price contract with CBG Building Company to not exceed \$189 million, (ii) execute contracts with Market 9 Design not to exceed \$253,000 for services and \$2.5 million to acquire FF&E, (iii) authorize creation of borrower entities HOC at Hillandale AR, LLC, HOC at Hillandale NAR, LLC, Hillandale Gateway, LLC in a rental condo structure to own the Development, (iv) authorize selection, negotiation, and execution of Wells Fargo Community Investment Holdings, LLC as LIHTC investor, (v) accept senior loans from Citi Community Capital in an amount up to 80% loan-to-cost, (vi) approve HOC equity contribution of up to \$10,950,100 from the OHRF to the transaction, and (vii) authorize HOC to issue a subordinate bridge loan of up to \$43 million funded by way of draws on the PNC RELOC, to be repaid upon receipt of LIHTC equity, (viii) authorize issuing a subordinate loan from the Housing Production Fund of up to \$35 million (“HPF Loan”), and (ix) authorize borrower entities to accept all loans including from the County’s Housing Initiative Fund of up to \$16 million and County Green Bank of up to \$7.5 million.

PROPERTY OVERVIEW



Property Name	Hillendale Gateway Development
Location	10100 - 10120 New Hampshire Avenue, Silver Spring, MD 20903
Property Manager	TBD

Amenities The site will include retail pads with a Starbucks, public and private green spaces, a festival street with removable bollards, flexible lawn space and dining terraces, a perimeter walking path, all fronting on a transit station.

Neighborhood amenities include grocery anchored Hillendale Shopping Center (Safeway), and various retailers, services, and restaurants, with convenient connection to I-495 and I-95, WMATA Metro bus and future Bus Rapid Transit (“BRT”).

Planned Construction The community is being designed to achieve the following certifications: PHIUS+ 2021, LEED-H Midrise v4 Platinum, EPA Indoor airPlus, DOE Zero Energy Ready Home, ENERGY STAR Multifamily New Construction, Enterprise Green Community, and WELL certifications, and will contain a variety of environmentally sustainable features with the goal of minimizing the development’s environmental impact and reducing operating expenses including a solar array.



LOBBY LOUNGE

PUBLIC PURPOSE

Provided is an overview of the affordability and rent thresholds for the Development with additional details on Property Overview slides.

A review of the transaction has been completed and determined to meet the needs of the community to create affordable housing, provide significant public purpose in furtherance of HOC's mission, and support the allocation of available volume cap for the tax credits.

NAR Building - Of the combined 308 units of the Building, 30.2% (93 units) will be restricted for households with incomes at or below 30% - 80% AMIs, utilizing income averaging. Affordability at the NAR Building will satisfy 20% of households at or below 50% of AMI.

NAR Building							
AMI TARGET	UNIT COUNT	% OF TOTAL	TOTAL RENT	REV % OF TOTAL	RENT PSF	UTILITY ALLOW.	GROSS RENT
30%	10	3%	869	1.2%	\$0.87	63	932
40%	10	3%	1,159	1.6%	\$1.20	62	1,221
50%	42	14%	1,465	8.6%	\$1.49	62	1,527
80%	31	10%	2,415	10.5%	\$2.41	63	2,478
N/A	215	70%	2,599	78.1%	\$2.64	0	2,599
	308	100%	\$2,323	100%	\$2.36	\$60	\$2,342

AR Building - 100% of the AR Building (155 units) will be restricted for households with incomes at or below 30% - 80% AMIs, utilizing income averaging. Affordability at the AR building will satisfy the test for 40% of households at or below 60% of AMI.

AR Building							
AMI TARGET	UNIT COUNT	% OF TOTAL	TOTAL RENT	REV % OF TOTAL	RENT PSF	UTILITY ALLOW.	GROSS RENT
30%	15	5%	892	5.0%	\$0.97	0	892
40%	15	5%	1,191	6.6%	\$1.30	0	1,191
50%	25	8%	1,481	13.8%	\$1.65	0	1,481
60%	50	16%	1,777	33.1%	\$1.96	1	1,777
70%	25	8%	2,089	19.4%	\$2.25	1	2,089
80%	25	8%	2,370	22.1%	\$2.64	0	2,370
	155	50%	\$1,733	100%	\$1.91	\$0	\$1,733

Overall, 54% of the development will be subject to income and rent restrictions, ranging from 30% up to 80% of the AMI.

STABILIZED PRO FORMAs: NAR Building

Stabilized NAR_Market	FY 2028	Per Unit
Net Rental Income	\$8,811,688	\$40,985
Operating Expenses	\$2,187,958	\$10,177
Replacement Reserves	\$53,750	\$250
Ground Lease	\$378,851	\$1,762
Net Operating Income (NOI)	\$6,191,129	\$28,795.95
Debt Service	\$5,383,590	\$25,040
Cash Flow Before Distributions	\$807,539	\$3,756
DSCR	1.15	

Stabilized NAR_LIHTC	FY 2028	Per Unit
Net Rental Income	\$2,180,328	\$23,444
Operating Expenses	\$710,406	\$7,639
Replacement Reserves	\$23,250	\$250
Ground Lease	\$0	\$0
Net Operating Income (NOI)	\$1,446,672	\$15,556
Debt Service	\$1,257,976	\$13,527
Cash Flow Before Distributions	\$188,696	\$2,029
DSCR	1.15	

- Post- Construction, the property is expected to stabilize at 93% occupancy by July 2027.
- Retail Income (\$34 PSF) represents less than 5% of total revenue for the property.
- Annual rent growth is projected at 4% and expenses to escalate 3% annually.
- Insurance expense is expected to grow 5% annually.
- Initial replacement reserves will be established at \$250 per unit from capital sources and stabilized annual replacement reserves will be \$250 per unit.
- The Property is projected to benefit from continuing real estate tax exemption from the State and Montgomery County.
- Also, assumptions include the NAR_Market rental condominium to pay the full Ground Lease and Common Area Management allocation for the entire NAR building and AR Building.

- Debt Service is based on an estimated interest rate of 4.87% (including Mortgage Insurance Premium (“MIP”) of 25 basis points, HOC Loan Management Fee (“LMF”) of 0.25% on the original mortgage amount, and a 0.50% cushion). Subject to interest rate movements, staff anticipates that the NAR_Market will support a permanent loan of up to \$100.5 million and the NAR_LIHTC to support up to \$23.5 million with a DSCR of 1.15:1.00. HOC may consider a balloon payment at or before year 25.

STABILIZED PRO FORMAs: AR Building

Stabilized Proforma	CY 2028	Per Unit
Net Rental Income	\$3,593,339	\$23,183
Operating Expenses	\$1,181,594	\$7,623
Replacement Reserves	\$38,750	\$250
Ground Lease	\$0	\$0
Net Operating Income (NOI)	\$2,372,995	\$15,309.65
Debt Service	\$2,063,474	\$13,313
Cash Flow Before Distributions	\$309,521	\$1,997
DSCR	1.15	

- Post- Construction, the Property is expected to stabilize at 95% occupancy by July 2027. Annual rent growth is projected at 2% and expenses to escalate 3% annually.
- Insurance expense is expected to grow 5% annually.
- Initial replacement reserves will be established at \$250 per unit from capital sources and stabilized annual replacement reserves will be \$250 per unit. Citibank requires a minimum of \$250/unit.
- The Property is projected to benefit from continuing real estate tax exemption from the State and Montgomery County.

Based on a 1.15:1:00 DSCR and an estimated permanent interest rate of 7.195% (20yr SOFR plus 2.5% spread without cushion, subject to interest rate movements, staff anticipates that the Property will support a permanent loan of approximately \$27.8 million. The permanent Citi AR Funding Loan and AR Borrower Loans are subject to a balloon that is coterminous with the initial LIHTC compliance period.

FINANCING PLAN: NAR Building

Borrower	Hillandale Gateway, LLC	HOC at Hillandale NAR, LLC
Units/Affordability	215 Units Unrestricted	93 Units 100% Affordable, Income Averaging
Public Purpose	together the NAR Building will meet 20% ≤ 50% AMI,	
Stabilized Net Operating Income (estimated)	\$6,191,129 (FY 2028)	\$1,446,672 (FY 2028)
Issuance (tax-exempt and taxable) (up to)	\$120,000,000	\$30,000,000
Bond Indenture	1996 Multifamily Housing Development Bond Resolution	
Construction Financing (up to)	\$120,000,000	\$30,000,000
Construction Bridge (up to)	N/A	\$11,000,000 PNC RELOC (taxable)
Construction Guarantees (up to)	25% Repayment, Debt Service and Carry, and Completion	
Permanent Tax-Exempt Loan (up to)	\$105,000,000	\$30,000,000
Permanent Mortgage Interest Rate (est.)	4.62%	4.62%
Permanent Mortgage Insurance	FHA Risk Share - 50% HOC / 50% FHA	
Permanent Loan Amort. / Term (up to)	45 Years / 25 Years (with balloon)	
Debt Service Coverage Ratio	1.15	1.15
County Participation (estimated)	100% Real Estate Tax Exemption \$35,000,000 HPF Loan	100% Real Estate Tax Exemption \$6,000,000 HIF Loan \$3,500,000 County Green Bank
HOC Equity / Loan (up to)	\$5,964,267 OHRF \$785,733 Rebates & Grants, Retail \$6,750,000 Total	\$2,250,000 OHRF \$1,000,000 Rebates and Grants \$3,250,000 Total

FINANCING PLAN: NAR Building (Market) – Sources & Uses

The Financing Plan for the NAR_Market component contemplates: a) Issuance of tax-exempt debt of approximately \$115 million; b) LIHTC equity; c) Bridge Loan; d) subordinate HOC Equity; e) subordinate County Loans, f) miscellaneous grants and rebates, and, g) deferred developer fee.

- (a) The subject construction loan and permanent loans will be funded by way of issuing tax-exempt, variable rate debt in an approximate amount of \$115 million. The private construction loan with Citibank will be repaid from Mezzanine financing and proceeds of a permanent loan funded from the issuance of variable governmental bonds at permanent conversion. A draft appraisal values the NAR_Market Component with retail and garage at \$153.7 million on an ‘as stabilized’ basis.
- (b) The HOC Equity contribution will represent contributed equity made from the OHRF increasing from \$6.0 to \$6.8 million for costs of the transaction until partially repaid from receipt of energy efficiency rebates/grants and Mezzanine financing.

Sources	Permanent	Per Unit
Tax-Exempt Long-Term	\$ 93,828,000	\$ 436,409
T-E Short-Term / Mezzanine Loan	\$ 51,899,571	\$ 241,393
HOC Equity	\$ 5,950,000	\$ 27,674
Energy Grants/Other Reimbursements	\$ 785,733	\$ 3,655
Deferred Developer Fee	\$ -	\$ -
Total Sources	\$ 152,463,304	\$ 709,132

Uses	Permanent	Per Unit
Acquisition Cost	\$ -	\$ -
Construction Cost	\$ 97,097,772	\$ 451,618
Fees Related to Construction	\$ 15,817,639	\$ 73,570
Financing & Legal Costs	\$ 9,701,421	\$ 45,123
Construction Interest	\$ 19,981,169	\$ 92,936
Development Fees	\$ 7,078,042	\$ 32,921
Initial Replacement Reserves	\$ 53,750	\$ 250
Operating Reserves	\$ 2,733,511	\$ 12,714
Total Uses	\$ 152,463,304	\$ 709,132

The stabilized proforma heretofore discussed, illustrates that the transaction generates sufficient net operating revenue to pay operating expenses and debt service to meet the base FHA Risk Share underwriting DSCR of 1.15:1.00.

Furthermore, the total sources of funds are sufficient to meet all the projected uses of the Financing Plan; therefore, the transaction is determined to be feasible.

FINANCING PLAN: NAR Building (LIHTC) – Sources & Uses

The Financing Plan for the NAR_LIHTC component contemplates: a) Issuance of tax-exempt debt of up to \$30 million; b) LIHTC equity; c) Bridge Loan; d) subordinate HOC Loan; e) subordinate County Loans, f) miscellaneous grants and rebates, and, g) deferred developer fee.

- (a) The subject construction loan with Citibank will be taxable and tax-exempt in an approximate amount of no more than \$30 million. The construction loan will be repaid from proceeds of a permanent loan(s) funded from the issuance of fixed rate PABs for the NAR_LIHTC. A draft appraisal values the NAR_LIHTC component at \$51.9 million on an ‘as stabilized-unrestricted’.
- (b) The transaction, as presented, requires approximately \$26 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately \$18 million in tax credit equity, which will be contributed in stages, primarily at construction completion.
- (c) A bridge loan of approximately \$11 million will be needed to bridge the receipt of permanent financing sources, and will be funded by way of the PNC RELOC.
- (d) The HOC Loan will represent contributed equity made from the OHRF increasing from \$100 to \$3.3 million for costs of the transaction until partially repaid from receipt of energy efficiency rebates/grants or other County funds.

Sources	Permanent	Per Unit
Tax-Exempt Long-Term	\$ 21,924,000	\$ 235,742
Tax-Exempt (Short term)	\$ 4,104,238	\$ 44,132
LIHTC Proceeds / Bridge	\$ 18,436,682	\$ 198,244
Subordinate County Loan (HIF)	\$ 6,000,000	\$ 64,516
Subordinate County Loan (Green)	\$ 3,500,000	\$ 37,634
Energy Grants/Other Reimbursements	\$ 1,000,000	\$ 10,753
Deferred Developer Fee	\$ 2,000,000	\$ 21,505
HOC Loan	\$ 2,219,232	\$ 23,863
Total Sources	\$ 59,184,152	\$ 636,389

Uses	Per Unit	
Acquisition Cost	\$ -	\$ -
Construction Cost	\$ 34,333,039	\$ 369,172
Fees Related to Construction	\$ 4,300,419	\$ 46,241
Financing & Legal Costs	\$ 3,842,488	\$ 41,317
Construction Interest	\$ 6,555,285	\$ 70,487
Tax-Exempt Bonds (ST)	\$ 4,104,238	\$ 44,132
Development Fees	\$ 5,216,570	\$ 56,092
Initial Replacement Reserve	\$ 23,250	\$ 250
Operating Reserves	\$ 808,863	\$ 8,697
Total Uses	\$ 59,184,152	\$ 636,389

The stabilized proforma heretofore discussed, illustrates that the transaction generates sufficient net operating revenue to pay operating expenses and debt service to meet the base FHA Risk Share underwriting DSCR of 1.15:1.00.

Furthermore, the total sources of funds are sufficient to meet all the projected uses of the Financing Plan; therefore, the transaction is determined to be feasible.

FINANCING PLAN: NAR Building (Combined LIHTC and Market)

Below represents the combined Financing Plan during the Permanent Phase for the NAR Building.

Sources	NAR_LIHTC	NAR_Market	Total	Per Unit
Tax-Exempt Long-Term	\$ 21,924,000	\$ 93,828,000	\$ 115,752,000	\$ 375,818
Tax-Exempt (Short term) / Mezz	\$ 4,104,238	\$ 51,899,571	\$ 56,003,809	\$ 181,831
LIHTC Proceeds / Bridge	\$ 18,436,682	\$ -	\$ 18,436,682	\$ 59,859
HOC Loan / Equity	\$ 2,219,232	\$ 5,950,000	\$ 8,169,232	\$ 26,523
Subordinate County Loan (HIF/HPF)	\$ 6,000,000	\$ -	\$ 6,000,000	\$ 19,481
Subordinate County Loan (Green)	\$ 3,500,000	\$ -	\$ 3,500,000	\$ 11,364
Energy Grants/Other Reimbursements	\$ 1,000,000	\$ 785,733	\$ 1,785,733	\$ 5,798
Deferred Developer Fee	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 6,494
Total Sources	\$ 59,184,152	\$ 152,463,304	\$ 211,647,456	\$ 495,011

Uses	NAR_LIHTC	NAR_Market	Total	Per Unit
Acquisition Cost	\$ -	\$ -	\$ -	\$ -
Construction Cost	\$ 34,333,039	\$ 97,097,772	\$ 131,430,811	\$ 426,723
Fees Related to Construction	\$ 4,300,419	\$ 15,817,639	\$ 20,118,058	\$ 65,318
Financing & Legal Costs	\$ 3,842,488	\$ 9,701,421	\$ 13,543,909	\$ 43,974
Construction Interest	\$ 6,555,285	\$ 19,981,169	\$ 26,536,454	\$ 86,157
Tax-Exempt Bonds (ST)	\$ 4,104,238	\$ -	\$ 4,104,238	\$ 13,325
Development Fees	\$ 5,216,570	\$ 7,078,042	\$ 12,294,612	\$ 39,918
Initial Replacement Reserve	\$ 23,250	\$ 53,750	\$ 77,000	\$ 250
Operating Reserves	\$ 808,863	\$ 2,733,511	\$ 3,542,374	\$ 11,501
Total Uses	\$ 59,184,152	\$ 152,463,304	\$ 211,647,456	\$ 495,011

FINANCING PLAN: NAR Building

Staff solicited and received proposals to finance the NAR Building from the following financial institutions. In comparison of lender terms; Staff proposes selection of Citibank to finance the Development as (a) the only lender to propose financing for both components of the NAR Building; and (b) ability to accommodate Wells Fargo, as LIHTC investor and construction lender for the AR Building, to accomplish the over all the transaction.

	RECOMMENDED - AGENT		
Lender	Citibank	Wells Fargo	Eagle Bank
Lender Role	Administrative Agent, Arranger	Sole Lender	
Borrower	Hillandale Gateway, LLC & HOC at Hillandale NAR, LLC	HOC at Hillandale NAR, LLC	Hillandale Gateway LLC
Commitment Amount (up to)	\$34,000,000 Tax Exempt and \$85,000,000 Taxable	\$32,936,417 Tax Exempt	\$89,643,502 Taxable
Interest Rate	Tax-Exempt at 1MO SOFR (Floor 0.50%) + 225bps. Taxable at 1MO SOFR (Floor 0.50%) + 325bps.	Taxable only, 1MO SOFR (Floor 0.50%) + 195bps	Taxable only, 1MO SOFR + 325bps (all-in floor of 7.50%)
Repayment	Interest Only	Interest Only	Interest Only
Prepayment Penalty	No premium, typical yield maintenance breakage, Interest Rate Hedge termination	No premium, typical yield maintenance breakage, Interest Rate Hedge termination	TBD
Loan Term	42 months + 6 + 6	48 months + 6	60 months + 12
Debt Sizing	Lesser of \$119,000,000 combined and 80% LTC	Lesser of \$32,936,417 and 90% LTV	Lesser of 65% LTC and 65% LTV
Engagement Fee	\$25,000 (10bps), will be credited towards Underwriting Fee and Due Diligence	None	\$50,000 (6bps), to be credited towards third party costs of underwriting and documentation.
Collateral	All 308 units of NAR building	(1) NAR_LIHTC Condo only (93 units) (2) Pledge of Developer Fee (3) Subordination and Standstill Agreements	(1) NAR_Market Condo (215 units) (2) Four Retail Condos (approx 10,000 SF) (3) Parking Garage (approx 661 spaces)
Guaranty by HOC	(1) Limited Repayment Guaranty of 25% (2) Standard bad-boy carveouts, (3) Construction Completion (4) Debt Service and Carry Guaranty	(1) Limited Repayment Guaranty of 25% (2) Standard bad-boy carveouts, (3) Construction Completion, (4) Loan Balancing provision.	(1) Limited Repayment Guaranty of 30% (2) Standard bad-boy carveouts, (3) Construction Completion (4) Debt Service and Carry Guaranty
Other	(1) Require HOC to hedge interest rate risk of the future permanent takeout prior to closing of the construction loan. (2) Require permanent take out commitment acceptable to CITI. (3) Requires subordination of Ground Lease and all income/rent restrictions. (4) Required being selected as permanent lender for the AR Building.	(1) Requires Wells Fargo as LIHTC investor. (2) Require review and approval of other subordinate debt. Requires subordination language for key provisions in ground lease (75+ years) to protect leasehold interest. (3) Substantial Completion and Final CoO for all units is required within 33 months of closing.	(1) Requires contribution of \$48.3 MM of equity prior to disbursement of loan. (2) Requires takeout of other debt with HOC as Sponsor (Bradley & Battery) to avoid exceeding legal lending limit. (3) Requires HOC to maintain a medium-to-high credit rating and status with FHA as a participant in the risk-share program. (4) Requires HOC to provide FHA firm approval/endorsement for permanent take out.

FINANCING PLAN: AR Building

Borrower	HOC at Hillandale AR, LLC
Units/Affordability	155 Units 100% Affordable, 30 to 80% AMI (Income Averaging)
Stabilized Net Operating Income (estimated)	\$2,372,995 (FY 2028)
Tax-Exempt Issuance (up to)	\$47,000,000
Construction Financing (up to)	\$47,000,000 (taxable)
Construction Bridge Loan (up to)	\$27,500,000 PNC RELOC, taxable
Permanent Tax-Exempt Mortgage Loan (up to)	\$47,000,000 Citi pass-through
Permanent Mortgage Interest Rate (estimated)	7.45%
Construction Guarantees (up to)	25% Repayment, Debt Service and Carry, and Completion
Permanent Loan Amortization / Term (up to)	40 Years / 45 Years
Debt Service Coverage Ratio	1.15
County Participation (estimated)	100% Real Estate Tax Exemption \$100,000 MoCoNet Funding \$6,500,000 Green Bank Loan \$10,000,000 HIF Loan
HOC Loan (up to)	\$12,900,000 Opportunity Housing Reserve Fund \$2,100,000 Energy Efficiency Rebates & Grants \$15,000,000 Total

FINANCING PLAN: AR Building

The Financing Plan for the AR Building contemplates: a) Issuance of tax-exempt debt of up to \$30 million; b) LIHTC equity; c) Bridge Loan; d) subordinate HOC Loan; e) subordinate County Loans, f) miscellaneous grants and rebates, and, g) deferred developer fee.

- (a) The subject construction loan with Wells Fargo will be taxable in an approximate amount of no more than \$30 million. The Construction Loan will be repaid from proceeds of a permanent loan(s) funded from the issuance of privately placed, tax-exempt debt with Citi Bank. A draft appraisal values the NAR_LIHTC component at \$57.8 million on an 'as stabilized-unrestricted'.
- (b) The transaction, as presented, requires approximately \$43.5 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately \$30 million in tax credit equity, which will be contributed in stages, primarily at construction completion.
- (c) A bridge loan of approximately \$26 million will be needed to bridge the receipt of permanent financing sources, and will be funded by way of the PNC RELOC.
- (d) The HOC Loan will represent contributed equity made from the OHRF, increasing from \$5 million to \$15 million for costs of the transaction until partially repaid from receipt of energy efficiency rebates/grants or other future permanent sources.

Sources	Permanent	Per Unit
Tax-Exempt Long-Term	\$ 26,292,500	\$ 169,629
Tax-Exempt (Short term)	\$ 17,229,976	\$ 111,161
LIHTC Proceeds / Bridge	\$ 31,201,489	\$ 201,300
Subordinate County Loan (HIF)	\$ 10,000,000	\$ 64,516
Subordinate Green Bank Loan	\$ 6,500,000	\$ 41,935
Resilient Maryland Grant	\$ 100,000	\$ 645
Energy Grants/Other Reimbursements	\$ 2,100,000	\$ 13,548
HOC Loan (OHRF)	\$ 5,000,000	\$ 32,258
Deferred Developer Fee	\$ 3,000,000	\$ 19,355
<u>Future Sources</u>	<u>\$ 7,896,679</u>	<u>\$ 50,946</u>
Total Sources	\$ 109,320,644	\$ 705,294

Uses	Permanent	Per Unit
Acquisition Cost	\$ -	\$ -
Construction Cost	\$ 62,773,147	\$ 404,988
Fees Related to Construction	\$ 5,994,404	\$ 38,674
Financing & Legal Costs	\$ 3,335,327	\$ 21,518
Construction Interest	\$ 10,251,092	\$ 66,136
Tax-Exempt Bonds (ST)	\$ 17,229,976	\$ 111,161
Development Fees	\$ 8,387,639	\$ 54,114
Initial Replacement Reserves	\$ 38,750	\$ 250
<u>Operating Reserves</u>	<u>\$ 1,310,310</u>	<u>\$ 8,454</u>
Total Uses	\$ 109,320,644	\$ 705,294

The stabilized proforma heretofore discussed, illustrates that the transaction generates sufficient net operating revenue to pay operating expenses and debt service to meet the base FHA Risk Share underwriting DSCR of 1.15:1.00.

Furthermore, the total sources of funds are sufficient to meet all the projected uses of the Financing Plan; therefore, the transaction is determined to be feasible.

FINANCING PLAN: AR Construction

Staff solicited proposals to finance the AR Building and received proposals from the following financial institutions. In comparison of lender terms; Staff proposes selection of Wells Fargo to finance the Development due to (a) requirements of the LIHTC Investor; and (b) ability to accommodate Citibank as permanent lender.

		RECOMMENDED
Lender	Citibank	Wells Fargo
Borrower	HOC at Hillandale AR, LLC	HOC and HOC at Hillandale AR, LLC
Commitment Amount (up to)	\$48,000,000 Tax Exempt and \$25,000,000 Taxable	\$47,867,098
Interest Rate	tax-exempt at 1MO SOFR (Floor 0.50%) + 200bps. Taxable at 1MO SOFR (Floor 0.50%) + 300bps.	Taxable only, 1MO SOFR (Floor 0.50%) +195bps
Repayment	Interest Only	Interest Only
Prepayment Penalty	Premium of 1% on TE amount below 90% of Perm Loan, no taxable penalty, typical yield maintenance breakage, Interest Rate Hedge termination	No premium, typical yield maintenance breakage, Interest Rate Hedge termination
Loan Term + Extension Options	42 months + 6 + 6	48 months + 6
Debt Sizing	Lesser of \$73,000,000 or 80% LTC	Lesser of \$47,867,098 or 90% LTV
Collateral	AR Senior building (155 units)	(1) AR Senior building (155 units) (2) Pledge of Developer Fee
Guaranty by HOC	(1) 100% Recourse, (2) Standard bad-boy carveouts, (3) Construction Completion, (4) Loan Balancing Provision.	(1) Limited Repayment Guaranty of 25% (2) Standard bad-boy carveouts, (3) Construction Completion, (4) Loan Balancing provision.
Other	(1) Require Citi to rate lock the risk of the future permanent takeout prior to closing of the construction loan (SOFR +250bps, 0.85% Floor). (2) Require permanent take out by CITI. Into a 20 year balloon, 40yearAM, resizing to max \$29,770,000 at 20yr SOFR + 2.50%, with 0.05% escalations for each 6 month extension, 1.15 DSCR, 90% LTV, 90% occupancy, with \$10,000 conversion fee & servicing set-up costs estimated at \$7,500. (3) Requires subordination of Ground Lease and all income/rent restrictions.	(1) Requires Wells Fargo as LIHTC investor. (2) Require review and approval of other subordinate debt. Requires subordination language for key provisions in ground lease (75+ years) to protect leasehold interest. (3) Substantial Completion and Final CoO for all units is required within 33 months of closing.

FINANCING PLAN: AR Permanent

Staff solicited proposals to finance the AR Building and received proposals from the following financial institutions. In comparison of lender terms; Staff proposes selection of Citibank to finance the Development due to (a) favorable pricing; (b) ability for placement with a single lender to act as agent during both construction and permanent phases, and (c) in order to obtain construction financing for the NAR building, Citibank conditioned their proposal on being the permanent lender for the AR building.

	RECOMMENDED	
Lender	Citibank	Housing Opportunities Commission of Montgomery County
Lender Role	Administrative Agent, Arranger	Sole Lender
Borrower	HOC at Hillandale AR, LLC	HOC at Hillandale AR, LLC
Commitment Amount (up to)	\$29,770,000 Tax Exempt	\$30,000,000 Tax Exempt Bonds
Interest Rate	tax-exempt at 20yr SOFR + 250bps	Tax-Exempt, Fixed
Repayment	40 year amortiz, 40 years, 15 year balloon	Amortizing, 40 years
Prepayment Penalty	10-year Lock out, typical yield maintenance breakage, Interest Rate Hedge termination	Standard Lockout and penalty
Loan Term + Extension Options	20 year balloon	20 year balloon
Debt Sizing	Lesser of \$73,000,000 or 80% LTC	Lesser of 1.15 DSCR or 90% LTV
Collateral	AR Senior building (155 units)	AR Senior building (155 units)
Guaranty by HOC	(1) Standard bad-boy carveouts,	(1) Standard bad-boy carveouts, (2) Construction Completion, (3) Loan Balancing provision.
Other	(1) Require Citi to rate lock the risk of the future permanent takeout prior to closing of the construction loan (SOFR +250bps, 0.85% Floor). (2) Require permanent take out by CITI. Into a 20 year balloon, 40yearAM, resizing to max \$29,770,000 at 20yr SOFR + 2.50%, with 0.05% escalations for each 6 month extension, 1.15 DSCR, 90% LTV, 90% occupancy, with \$10,000 conversion fee & servicing set-up costs estimated at \$7,500. (3) Requires subordination of Ground Lease and all income/rent restrictions.	(1) Requires issuance of bonds up front at closing of construction. Assumes negative arbitrage covered by investment income of undrawn proceeds. (2) Requires qualification for FHA Risk Share Mortgage Insurance at permanent conversion.

VOLUME CAP NEED/USES (\$'000)

Year	2022	Projected 2023
Balance Carried Forward	0	22,962,907
Annual State Bond Cap Allocation	40,889,349	44,675,190
	0.6%	9.3%
Special Allocation/Adjustment	(2,926,442)	30,000,000
Pending Additional Volume Cap		2,361,903
TOTAL BOND CAP AVAILABLE	37,962,907	100,000,000
HOC PROGRAMS		
Single Family	15,000,000	15,000,000
Hillandale Gateway AR*		38,000,000
Hillandale Gateway NAR*		47,000,000
TOTAL HOC PROGRAMS	15,000,000	100,000,000
PRIVATE DEVELOPERS		
N/A		
TOTAL PRIVATE ACTIVITY	0	0
TOTAL BOND CAP REMAINING (SHORTFALL)	22,962,907	0

*Estimated allocations for deals not yet closed

- HOC carried over \$23 million of CY2022 volume cap and received a \$44.7 million allocation of volume cap in CY2023.
- Staff meets with Maryland’s Community Development Administration (“CDA”) annually to review its annual volume cap needs, and last met on April 14, 2023.
- The projected volume cap usage for CY2023 is approximately \$100 million (all for HOC programs; no private deals), which exceeds estimated available bond cap for the year.
- HOC has notified CDA of the need for additional cap and has requested an advance a special allocation of up to \$32.4 million of volume cap to complete the 2023 transactions and \$10.4 million for those in 2024. Of this request, HOC has received \$30,000,000 to date.
- HOC may also, if needed, request additional bond cap from the Maryland Department of Commerce, the state agency responsible for the allocation of bond cap.

SUMMARY OF BOND AUTHORIZING RESOLUTION(S)

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

1. Issuance and delivery of short-term and long-term, tax-exempt fixed and variable indebtedness in one or more series, of up to \$145,000,000, comprised of: (a) Multifamily Development Revenue Bonds under the 1996 Indenture (the "2023 Series B") and (b) indebtedness from Citibank (the "Citi NAR Construction Loans"), in order to use the proceeds thereof to (i) finance mortgage loans in the name of the Hillandale Gateway, LLC and HOC at Hillandale NAR, LLC to fund the acquisition, construction, equipping, and permanent financing of the NAR Building, and (ii) the required 1996 Indenture bond reserves.
2. Execution and delivery of stand-alone, tax-exempt bonds, loans, or other evidences of tax-exempt indebtedness from Citibank (the "Citi AR Funding Loan"), in order to use the proceeds thereof to fund a mortgage loan in the name of HOC at Hillandale AR, LLC to provide permanent financing of the AR Building, in an amount not to exceed \$47,000,000.
3. Execution and delivery of a series indenture, funding loan agreements, borrower loan agreements, certain tax-related documents, a disclosure agreement, as applicable, and any and all related documents.
4. Approval of the preparation, execution and distribution of preliminary and final offering documents relating to the 2023 Series B Bonds.
5. Authorization of the execution of any other documents necessary for the issuance of the Bonds and the accomplishment of the Financing Plan described herein, including the execution and delivery of a guaranteed investment contract or other eligible investment in which proceeds of the 2023 Series B Bonds will be invested.
6. Delegation of authority to the Chairman, Vice Chairman or Chairman Pro Tem and Executive Director or other authorized representative to proceed with the issuance, execution and delivery, as applicable of the 2023 Series B Bonds and the Citi NAR Construction Loans.
7. Delegation of authority to the Executive Director or her authorized representative to establish the terms relating to the 2023 Series B Bonds and the Citi NAR Construction Loans to make ongoing determinations relating thereto.
8. Selection of the Underwriters for the 2023 Series A Bonds, Funding Lender (Citibank) for the Citi NAR Construction Loans, Financial Advisor (Caine Mitter) and Bond Counsel (Kutak Rock).

ISSUES FOR CONSIDERATION – NAR Building

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

- 1) Approval of the Financing Plan for the Hillandale NAR building totaling approximately \$211.6 million, funded by the following sources: a) (i) with respect to NAR_LIHTC, the taxable and tax-exempt private activity portion of the Citi NAR Construction Loans, the proceeds of which will be used to fund a loan to NAR_LIHTC Borrower for acquisition, construction and equipping costs; (ii) with respect to NAR_Market, the tax-exempt, governmental portion of the Citi NAR Construction Loans, the proceeds of which will be used fund a loan to NAR_Market Borrower for acquisition, construction and equipping costs; and (iii) long-term, fixed tax-exempt private activity bonds to be issued under the 1996 Indenture (the "2023 Series B Bonds") to fund a portion of the NAR Risk Share Permanent Loan, the proceeds of which will be invested in a guaranteed investment contract or other eligible investment and used to partially repay the taxable portion of the Citi NAR Construction Loans at conversion; (b) future variable rate NAR Governmental Bonds to be issued under the 1996 Indenture, the proceeds of which will be used to partially repay the tax-exempt governmental portion of the Citi NAR Construction Loans at conversion; (c) LIHTC equity; (d) Bridge Loan, (e) subordinate HOC Loans; (f) subordinate County Loans; (g) Mezzanine debt; (h) miscellaneous credits and grants; and (i) deferred developer fees?
- 2) Approval of the feasibility and public purpose of the NAR Building for the allocation of up to \$30,000,000 in volume cap for the transaction, as subject to available volume cap?
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of short-term and long-term, tax-exempt, fixed and variable, indebtedness equal to: (a) up to \$30,000,000 of 2023 Series B Bonds under the 1996 Indenture and (b) up to \$30,000,000 of taxable indebtedness to fund the taxable portion of the Citi NAR Construction Loans, and (c) up to \$120,000,000 to fund the tax-exempt governmental portion of the Citi NAR Construction Loans)?
- 4) Approval for HOC to enter into a guaranty of completion, up to 25% repayment, debt service and carry, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy?
- 5) Authorization for HOC to issue Financing Commitments for the NAR Risk Share Permanent Loan, which proceeds will repay the Citi NAR Construction Loans, with balloon payment at or before year 25, in an amount up to \$30,000,000 to HOC at Hillandale NAR, LLC and \$105,000,000 to Hillandale Gateway, LLC, to be funded from proceeds of the 2023 Series B Bonds and future issuance of variable rate NAR Governmental Bonds?
- 6) Approval for HOC to provide credit enhancement for the NAR Risk Share Permanent Loan via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 50% and 50% of the risk for the transaction?
- 7) Approval for the Executive Director to enter into one or more interest rate hedges with qualified counter parties on and immediate and/or forward starting basis to manage interest rate risk of the Citi NAR Construction Loans, Bridge Loan, and NAR Governmental Bonds?
- 8) Approval to increase the HOC proceeds of the Opportunity Housing Reserve Fund to the borrower(s) from \$6 million up to \$9.2 million, which may be partially repaid upon receipt of energy efficiency rebates/grants and other loans?
- 9) Approval to negotiate and for HOC at Hillandale NAR, LLC to accept a subordinate loan from the County Green Bank?
- 10) Approval for the NAR Borrower and HOC, as appropriate to negotiate, make, and accept conduit loans made from the proceeds of the Citi NAR Construction Loans, the NAR Risk Share Permanent Loan, Bridge Loan, HOC Loans and various other subordinate loans as described herein?

ISSUES FOR CONSIDERATION – AR Building

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

- 1) Approval of the Financing Plan for the Hillandale AR Building totaling approximately \$109.3 million, funded by the following sources: a) variable rate, taxable construction loan from Wells Fargo Bank, N.A. or an affiliate thereof (the "Wells AR Construction Loan") for payment of acquisition, construction, and equipping costs; (b) fixed-rate, tax-exempt, private activity indebtedness in the form of a long-term, permanent loan from Citibank (the "Citi AR Funding Loan") to fund a long-term permanent loan to the AR Borrower (the "Citi AR Borrower Loan"), which proceeds will be used to repay the Wells AR Construction Loan; c) LIHTC equity; d) Bridge Loan, e) subordinate HOC Loan; f) subordinate County Loans; g) miscellaneous credits and grants; and h) deferred developer fee?
- 2) Approval of the feasibility and public purpose for the AR Building with the allocation of up to \$47,000,000 in volume cap for the transaction, as subject to available volume cap?
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of the Citi AR Funding Loan in an amount not to exceed \$47,000,000, to fund the Citi AR Borrower Loan?
- 4) Approval for the AR Borrower and HOC, as appropriate, to negotiate and accept the Wells AR Construction Loans in an amount up to \$47,000,000, with HOC acting as conduit lender?
- 5) Approval for HOC to enter into a guaranty of completion, up to 25% repayment, loan balancing, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy?
- 6) Approval for HOC to negotiate and accept a forward-lock agreement for the permanent Citi AR Funding Loan and the Citi AR Borrower Loan, with such permanent loan to have a balloon at or before year 25, in an amount up to \$47,000,000, with HOC acting as conduit lender?
- 7) Approval for the Executive Director to enter into one or more interest rate hedge agreements with qualified counter parties to manage variable interest rate risk of the Wells AR Construction Loan, Bridge Loan, Citi AR Funding Loan, and the Citi AR Borrower Loan?
- 8) Approval to increase the HOC Loan from proceeds of the Opportunity Housing Reserve Fund to the borrower from \$6 million to \$15 million which may be partially repaid upon receipt of energy efficiency rebates/grants and other loans?
- 9) Approval for the Borrower to accept the proposed Wells AR Construction Loan, Citi AR Borrower Loan, HOC Loan, and County Loans?

TIME FRAME

For deliberation at the October 27, 2023 meeting of the Development and Finance Committee, and formal action at the November 15, 2023 monthly meeting of the Commission.

FISCAL/BUDGET IMPACT

- Closing of the subject transaction is expected to occur in December 2023 with a \$765,926 decrease to the Commission's fiscal year income budget from collection of loan management fees, Developer Fees, and Commitment Fees, based on current underwriting. Mortgage Insurance Premiums will be earned at permanent conversion in FY 2028.
- The request of funds from the OHRF represents a \$14.5 million increased contribution from funds to date towards the transaction. As of 9/30/2023, there remained \$4 million of unobligated funds available, with the expected return of proceeds from multiple properties during the FY 2024 of approximately \$25.9 million, to provide sufficient capacity for the request.
- When fully drawn, the Bridge Loan will obligate \$43,000,000 of the Commission's general obligation borrowing capacity. Draws are not expected to commence until 2026 (approximately 24 months from closing). HOC has requested a temporary increase of \$35 million to the PNC RELOC, and the Commission will be requested to consider accepting this increase as part of the November 15th meeting of the Commission. As of 9/30/23, the unobligated balance was \$11.3 million with repayment from multiple properties during the FY 2024 of approximately \$43.3 million, to provide sufficient capacity for the request.
- Costs of issuance and other financing fees will be paid from sources of the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED (NAR)

Staff recommends the Development and Finance Committee join in recommending that the Commission take the following actions:

- 1) Approval of the Financing Plan for the Hillandale NAR building totaling approximately \$211.6 million, funded by the following sources: a) (i) with respect to NAR_LIHTC, the taxable and tax-exempt private activity portion of the Citi NAR Construction Loans, the proceeds of which will be used to fund a loan to NAR_LIHTC Borrower for acquisition, construction and equipping costs; (ii) with respect to NAR_Market, the tax-exempt, governmental portion of the Citi NAR Construction Loans, the proceeds of which will be used fund a loan to NAR_Market Borrower for acquisition, construction and equipping costs; and (iii) long-term, fixed tax-exempt private activity bonds to be issued under the 1996 Indenture (the “2023 Series B Bonds”) to fund a portion of the NAR Risk Share Permanent Loan, the proceeds of which will be invested in a guaranteed investment contract or other eligible investment and used to partially repay the taxable portion of the Citi NAR Construction Loans at conversion; (b) future variable rate NAR Governmental Bonds to be issued under the 1996 Indenture, the proceeds of which will be used to partially repay the tax-exempt governmental portion of the Citi NAR Construction Loans at conversion; (c) LIHTC equity; (d) Bridge Loan, (e) subordinate HOC Loans; (f) subordinate County Loans; (g) Mezzanine debt; (h) miscellaneous credits and grants; and (i) deferred developer fees.
- 2) Approval of the feasibility and public purpose of the NAR Building for the allocation of up to \$30,000,000 in volume cap for the transaction, as subject to available volume cap.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of short-term and long-term, tax-exempt, fixed and variable, indebtedness equal to: (a) up to \$30,000,000 of 2023 Series B Bonds under the 1996 Indenture and (b) up to \$30,000,000 of taxable indebtedness to fund the taxable portion of the Citi NAR Construction Loans, and (c) up to \$120,000,000 to fund the tax-exempt governmental portion of the Citi NAR Construction Loans) .
- 4) Approval for HOC to enter into a guaranty of completion, up to 25% repayment, debt service and carry, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy.
- 5) Authorization for HOC to issue Financing Commitments for the NAR Risk Share Permanent Loan, which proceeds will repay the Citi NAR Construction Loans, with balloon payment at or before year 25, in an amount up to \$30,000,000 to HOC at Hillandale NAR, LLC and \$105,000,000 to Hillandale Gateway, LLC, to be funded from proceeds of the 2023 Series B Bonds and future issuance of variable rate NAR Governmental Bonds.
- 6) Approval for HOC to provide credit enhancement for the NAR Risk Share Permanent Loan via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 50% and 50% of the risk for the transaction.
- 7) Approval for the Executive Director to enter into one or more interest rate hedges with qualified counter parties on and immediate and/or forward starting basis to manage interest rate risk of the Citi NAR Construction Loans, Bridge Loan, and NAR Governmental Bonds.
- 8) Approval to increase the HOC proceeds of the Opportunity Housing Reserve Fund to the borrower(s) from \$6 million up to \$9.2 million, which may be partially repaid upon receipt of energy efficiency rebates/grants and other loans.
- 9) Approval to negotiate and for HOC at Hillandale NAR, LLC to accept a subordinate loan from the County Green Bank.
- 10) Approval for the NAR Borrower and HOC, as appropriate to negotiate, make, and accept conduit loans made from the proceeds of the Citi NAR Construction Loans, the NAR Risk Share Permanent Loan, Bridge Loan, HOC Loans and various other subordinate loans as described herein.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED (AR)

Staff recommends the Development and Finance Committee join in recommending that the Commission take the following actions:

- 1) Approval of the Financing Plan for the Hillandale AR Building totaling approximately \$109.3 million, funded by the following sources: a) variable rate, taxable construction loan from Wells Fargo Bank, N.A. or an affiliate thereof (the “Wells AR Construction Loan”) for payment of acquisition, construction, and equipping costs; (b) fixed-rate, tax-exempt, private activity indebtedness in the form of a long-term, permanent loan from Citibank (the “Citi AR Funding Loan”) to fund a long-term permanent loan to the AR Borrower (the “Citi AR Borrower Loan”), which proceeds will be used to repay the Wells AR Construction Loan; c) LIHTC equity; d) Bridge Loan, e) subordinate HOC Loan; f) subordinate County Loans; g) miscellaneous credits and grants; and h) deferred developer fee.
- 2) Approval of the feasibility and public purpose for the AR Building with the allocation of up to \$47,000,000 in volume cap for the transaction, as subject to available volume cap.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of the Citi AR Funding Loan in an amount not to exceed \$47,000,000, to fund the Citi AR Borrower Loan.
- 4) Approval for the AR Borrower and HOC, as appropriate, to negotiate and accept the Wells AR Construction Loans in an amount up to \$47,000,000, with HOC acting as conduit lender.
- 5) Approval for HOC to enter into a guaranty of completion, up to 25% repayment, loan balancing, and standard carveouts for environmental issues, fraud, misrepresentation, and bankruptcy.
- 6) Approval for HOC to negotiate and accept a forward-lock agreement for the permanent Citi AR Funding Loan and the Citi AR Borrower Loan, with such permanent loan to have a balloon at or before year 25, in an amount up to \$47,000,000, with HOC acting as conduit lender.
- 7) Approval for the Executive Director to enter into one or more interest rate hedge agreements with qualified counter parties to manage variable interest rate risk of the Wells AR Construction Loan, Bridge Loan, Citi AR Funding Loan, and the Citi AR Borrower Loan.
- 8) Approval to increase the HOC Loan from proceeds of the Opportunity Housing Reserve Fund to the borrower from \$6 million to \$15 million which may be partially repaid upon receipt of energy efficiency rebates/grants and other loans.
- 9) Approval for the Borrower to accept the proposed Wells AR Construction Loan, Citi AR Borrower Loan, HOC Loan, and County Loans.

Adjourn