



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



DEVELOPMENT AND FINANCE COMMITTEE

September 22, 2023
10:00 a.m.

Livestream: <https://youtube.com/live/nKyB0Z3QUyg?feature=share>

HOC's offices are now open to the public. The public is invited to attend HOC's September 22, 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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Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

September 1, 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 1, 2023, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:06 a.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

Present

Jeffrey Merkowitz – Chair
Richard Y. Nelson, Jr.-- Commissioner

Via Zoom

Robin Salomon – Commissioner

Also Attending

Chelsea Andrews, Executive Director	Kayrine Brown, Deputy Executive Director
Aisha Memon, General Counsel	John Wilhoit
Monte Stanford	Zachary Marks
Marcus Ervin	Richard Congo
Kathryn Hollister	

Via Zoom

Jay Shepherd	Timothy Goetzinger
Kai Hsieh	Claudia Wilson
John Broullire	Eugenia Pascual
Ellen Goff	Sewa Agbodjan
Vivian Benjamin	Alex Torton
Matt Husman	

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 Commissioners Nelson and Commissioner Salomon. Commissioner Merkowitz began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

The minutes of the May 26, 2023 Development and Finance Committee meeting were approved as submitted with a motion by Commissioner Nelson and seconded by Commissioner Solomon. Affirmative votes were cast by Commissioners Merkowitz, Nelson and Solomon.

ACTION/DISCUSSION ITEMS

- 1. 8808 Brookville: Approval to Execute a Letter of Intent (“LOI”), Negotiate and Execute a Purchase and Sale Agreement with the Donohoe Companies, Inc. for the Sale of 8800 Brookville Road.**

Chelsea Andrews, Executive Director, provided an overview of the presentation and introduced Marcus Ervin, Director of Development, who provided the detailed presentation. Staff recommended that the Development and Finance Committee joined staff’s recommendation to the Commission to authorize the Executive Director to execute a Letter of Intent with the Donohoe Companies, Inc. and proceed with negotiating and executing a Purchase and Sale Agreement on materially the same terms of the LOI for the sale of the 8800 Brookville Road site. Staff addressed questions of the Commission. A motion to allow the Executive Director to negotiate based on feedback received from the full Board and to move forward with the terms that aligned with the recommendations that have come from the Development and Finance Committee was made by Commissioner Nelson and seconded by Commissioner Salomon. Affirmative votes were cast by Commissioner Merkowitz, Salomon and Nelson.

- 2. Hillandale Gateway: Approval of the Final Development Plan, Including Approval to Negotiate and Execute a Guaranteed Maximum Price Amendment with CBG Building Company; Approval of the Transaction Structure, including Authorization to Create a Condominium Regime; Approval to Create New Tax Credit Entities; Approval to Negotiate and Execute Letters of Intent and Operating Agreements with Wells Fargo as the Tax Credit Investor in the Tax Credit Entities; and Approval to Accept Construction Financing Sources.**

Chair Merkowitz introduced Chelsea Andrews, Executive Director, to provide an overview of the presentation. Executive Director, Chelsea Andrews, introduced Kathryn Hollister, Housing Acquisitions Manager, to provide the detailed presentation. Staff addressed questions by the Commission. Staff recommended that the Development and Finance Committee join its recommendation to the Commission of the following actions:

1. Authorize the Executive Director to negotiate and execute a GMP Amendment with CBG in an amount not to exceed \$189M.
2. Authorize the Executive Director to negotiate and execute a contract with Market 9 Design in an amount not to exceed \$253,000 for interior design and FF&E services.

3. Approve a Hard Cost FF&E Budget for Hillandale Gateway in the total amount of \$2.5M, and authorization for Market 9 Design to acquire FF&E in an amount not to exceed the Hard Cost FF&E Budget.
4. Authorize the creation of HOC at Hillandale AR, LLC to sublease and own a condo consisting of 155 age-restricted LIHTC units within the AR Building.
5. Authorize the creation of HOC at Hillandale NAR, LLC to sublease and own a condo consisting of 93 LIHTC units within the NAR Building.
6. Authorize Hillandale Gateway, LLC to own the remaining condos in the development, including: a condo consisting of 215 market-rate units within the NAR Building and four (4) retail condos (AR Retail Condo, Retail 1, Retail 2 and Retail 3).
7. Authorize the Executive Director to negotiate and execute letters of intent and operating agreements with Wells Fargo Community Lending and Investment regarding the provision of tax credit equity for the HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC transactions, and to admit Wells Fargo Community Lending and Investment as the investor member into HOC at Hillandale AR, LLC and HOC at Hillandale NAR, LLC to facilitate the contribution of tax credit equity.
8. Authorize the assignment and assumption of agreements, contracts and portions of contracts, as necessary, between Hillandale Gateway, LLC, HOC at Hillandale Gateway AR, LLC and HOC at Hillandale Gateway NAR, LLC to carry out the construction and financing of the overall development.
9. Authorize HOC at Hillandale Gateway AR, LLC, HOC at Hillandale Gateway NAR, LLC, and Hillandale Gateway, LLC (together, the "Owner Entities") to accept senior loans from Citi Community Capital in an amount up to 80% loan-to-cost. Currently staff projects a senior construction loan need of ~\$194M.
10. Approve the contribution of HOC equity in the total amount of \$10,950,100 from the OHRF to the overall transaction.
11. Authorize the Owner Entities to accept subordinate HIF loans from Montgomery County in an amount up to \$16M. Currently staff projects a need of ~\$6M during construction.
12. Authorize the Owner Entities to accept subordinate financing from Montgomery County Green Bank in an amount up to \$7.5M.
13. Authorize an increase to the HPF loan amount for the overall transaction from \$14.5M to \$35M and to subordinate the HPF Loan.
14. Approve a bridge loan in an amount not to exceed \$43M, which represents the anticipated bridge loan amount of \$38M plus a \$5M contingency.

A motion was made to support the staff recommendation by Commissioner Nelson and seconded by Commissioner Salomon. Affirmative votes were cast by Commissioner Nelson, Merkowitz and Salomon.

3. The Leggett: Approval to Draw on the PNC Bank, N.A. Line of Credit to Replenish the Contingency for the South County Regional Recreation and Aquatic Center and to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Replenish the Contingency for the Leggett.

Chair Merkowitz introduced Chelsea Andrews, Executive Director, to provide an overview of the presentation. Executive Director, Chelsea Andrews, introduced Marcus Ervin, Director of Development, to provide the detailed presentation. Staff recommended that the Commission authorize staff to draw

up to 3.0MM from the PNC LOC to replenish the contingency for the SCRACC and to draw up to \$2.0MM from the PNC RELOC to replenish the contingency for the Leggett. Staff further recommended approval to borrow funds at the taxable contractual rates for the PNC LOC and PNC RELOC facilities while outstanding and that repayment will be from permanent project funds to be identified by the end of 2023. Staff addressed questions by the Commission. A motion to support the staff recommendation was made by Commissioner Salomon and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioner Nelson, Merkowitz and Salomon.

Commissioner Merkowitz read the Written Closing Statement and made a motion to adopt the statement and close the meeting. Commissioner Nelson seconded the motion, with Commissioners Merkowitz, Nelson, and Salomon voting in approval.

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 11:02 a.m., and reconvened in closed session at 11:11 a.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's Development and Finance Committee closed session held on September 1, 2023 at approximately 11:02 a.m. via a hybrid model (with some participating in-person and others participating online/via teleconference) with moderator functions occurring at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Sections 3-305(b)(3), 3-305(b)(7), 3-305(b)(8) and 3-305(b) (13) to discuss two topics: (A) the potential acquisition of real property located in Rockville, MD (pursuant to Sections 3-305(b)(3) and 3-305(b) (13)); and (B) potential litigation that may be filed against HOC (pursuant to Sections 3-305(b)(7), 3-305(b)(8), 3-305(b) (13)).

The meeting was closed and the closing statement dated September 1, 2023 was adopted on a motion made by Chair Merkowitz, seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Merkowitz, Nelson, and Salomon. The following persons were present: Jeffrey Merkowitz, Richard Nelson, Chelsea Andrews, Kayrine Brown, Zachary Marks, Marcus Ervin, Aisha Memon, Morgan Tucker, and Jocelyn Koon. Commissioner Salomon participated virtually.

In closed session, the Commission discussed the below topics and took the following actions:

1. **Topic:** The potential acquisition/purchase of real property (i.e., land) located in Rockville, MD (pursuant to Section 3-305(b)(3) and 3-305(b)(13)).
 - a. **Action Taken:** With a quorum present, Commissioners Merkowitz, Nelson, and Salomon voted to support staff's recommendation to proceed with executing a non-binding letter of intent to proceed with the acquisition, to establish a budget, and to begin negotiating other documents related to the acquisition.
2. **Topic:** Potential litigation that may be filed against HOC (pursuant to Section 3-305(b)(7), 3-305(b)(8), and 3-305(b)(13)).
 - a. **Action Taken:** With a quorum present, Commissioners Merkowitz and Salomon voted to support staff's recommendation on how to manage the potential litigation. Commissioner Nelson opposed.

The closed session was adjourned at 12:28pm

Respectfully submitted,

Chelsea Andrews,

/jlk

Discussion Items

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 Ext. 4877
Jennifer H. Washington, Asst. Dir. of Bond Management Ext. 9760
Paulette Dudley, Program Specialist III Ext. 9596

RE: **Single Family Lending:** Approval of New Participating Lenders for the Single Family Mortgage Purchase Program

DATE: September 22, 2023

STATUS: Consent X 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 require 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 35 lenders, but through non-participation or the mortgage company’s notice to end its participation, there are currently 25 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. First Savings Mortgage Corporation is an approved Mortgage Revenue Bond Program (“MRBP”) correspondent lender with U.S. Bank.

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.

First Savings Mortgage Corporation has applied to participate in the HOC Single Family Mortgage Purchase Program and has met the minimum requirements and criteria for selection stated above.

FIRST SAVINGS MORTGAGE CORPORATION (hereinafter “FSMC” or “Lender”)

First Savings Mortgage Corporation (FSMC) has been open for business and serving the Washington DC metropolitan area since 1989. FSMC is a source for residential financing in Virginia, Maryland, Washington DC, Florida, Delaware, North Carolina and South Carolina.

FSMC is the leading private mortgage lender in Maryland with a large office based out of Bethesda, MD. FSMC has built its mortgage lending authority within the state for over 30 years.

As a local lender FSMC understands the challenges of purchasing in this high-cost area, and are committed to providing housing for all in the best and most efficient manner possible.

FSMC was named a Top 2 Lender, ranking by volume in Washington Business Journal's list. This remarkable milestone reflects the dedication, expertise, and unwavering commitment that define First Savings Mortgage's approach to serving its valued clients and partners.

FSMC participates in the Maryland CDA Mortgage Program, and recently won an award with MMP (the state's single family program) for most units offered using their Smart Buy Program. FSMC also participates in the DC Housing Finance Agency, and Virginia Housing Development Authority.

FSMC offers applications in multiple languages and have staff who can speak second languages and can assist in the application process.

It will also market any affordable housing programs that work in conjunction with the Commission's lending programs. Marketing efforts will exemplify our objective and reach out to First Time Home Buyers to make them aware of their homeownership opportunities.

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 First Savings Mortgage Corporation in the Single Family Mortgage Purchase Program?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
First Savings Mortgage Corporation

BUDGET/FISCAL IMPACT:

None.

TIME FRAME:

For discussion at the meeting of the Development and Finance Committee on September 22, 2023 and formal action at the October 4, 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 First Savings Mortgage Corporation 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. HomeBridge Financial Services, Inc.
9. Homeside Financial LLC
10. loandepot.com
11. Luminare Home Loans
12. Meridian Bank Mortgage
13. Mortgage Access Corp – Weichert Financial
14. Movement Mortgage, LLC
15. NFM, Inc. dba NFM Lending
16. NVR Mortgage Finance, Inc.
17. Presidential Bank, FSB
18. Primary Residential Mortgage, Inc.
19. PrimeLending, a Plains Capital Company
20. Prosperity Home Mortgage, LLC
21. Sandy Spring Bank
22. Severn Bank
23. TowneBank Mortgage
24. Vellum Mortgage
25. WesBanco Bank, Inc.

**HOC HEADQUARTERS: APPROVAL TO NEGOTIATE AND EXECUTE A GUARANTEED MAXIMUM
PRICE CONTRACT WITH PARADIGM CONSTRUCTION COMPANY**

PURPOSE-BUILT HEADQUARTERS



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

**Zachary Marks, Chief Real Estate Officer
Jay Shepherd, Housing Acquisitions Manager**

September 22, 2023

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Executive Summary

The Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission"), a public body subject to the statutory provisions for mandatory referral review under Sections 20-301, et. of the Land Use Article of the Maryland Code (2012, as amended), is planning to construct its new headquarters office building ("Building" or "HOC HQ" or "Property") at the southeast corner of the intersection of Second Avenue and Fenwick Lane in Downtown Silver Spring.

The proposed nine (9) story building is designed with the top floor as a +/- 3,500 square foot amenity floor for all building occupants. The main entrance to the lobby is at the corner of Fenwick Lane & Second Avenue. Overall building height is set to be approximately 132 feet. On April 3, 2019, HOC authorized the Executive Director to execute a Development Agreement and Ground Lease with Promark for the joint development of the Property, engaged Design Collective, Inc. for architectural services to design and entitle, and administer construction for the HOC HQ, and subsequently on May 6, 2020, approved pursuing site development approval for the New HQ under Mandatory Referral.

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

On May 4, 2022, the Commission approved a revised total predevelopment budget of \$5,020,756 for the design and entitlement of the New HQ and the Approval of the Construction Manager to negotiate and enter into a contract with JLL for construction management services. On April 21, 2023, the Commission approved the selection of Paradigm Contractors, LLC as the general contractor and authorized the Executive Director to execute an Early Start Agreement with Paradigm Contractors, LLC for an amount not to exceed \$837,000 (which includes **\$770,881** for early start work plus a \$66,119 contingency), and to provide a Limited Notice to Proceed for the Early Start work. Additionally, on July 12, 2023, the Commission approved the Final Development Plan and budget, totaling approximately \$74 million.



Executive Summary

Guaranteed Maximum Price (“GMP”) Contract

The design team completed Construction Development documents and submitted them for Building Permits, which are expected in November 2023. The Design Team has subsequently completed the final design set known as Issued For Construction (“IFC”) and Paradigm has been allowed the chance to provide final pricing based on the IFC Set.

The GMP Contract budget, as of September 15, 2023 (“September 2023 GMP Budget”), totals \$50,109,878, or \$609 per square foot based on an 82,220 square foot building. After the reduction of the early start phase of the work from the overall budget, the Vertical Construction budget amount is approximately \$49,338,998. Contingency for the Early Start will not be needed and shall be added back to project contingency budgets. Overall total development costs for the opportunity decreased with the final projection estimated to be under \$73M despite the July approval of \$74M by the Commission.

Resolution Required: Approval to negotiate and execute a Guaranteed Maximum Price contract with Paradigm Contractors, LLC as the General Contractor (“GC”) in an amount up to but not to exceed \$50,109,878 and issue Notice to Proceed.

Development Plan | Construction Budget

On April 21, 2023, the Commission approved a two-phase contract with the HOC Headquarters' ("HQ") general contractor ("GC"), Paradigm Contractors, LLC ("Paradigm"), for the construction of its HQ. The first phase (the "Early Start" phase) allows for a limited scope of work consisting of releasing subcontractors to produce shop drawings for and buying out several trades with critical paths and long lead times. The Early Start construction phase is underway currently and is anticipated to be completed on or under its approved budget of \$770,881. The additional contingency for the Early Start phase will not be used and shall be returned to the project hard cost contingency in the amount of \$66,119.

The second phase (the "Vertical Construction" phase) would establish the Guaranteed Maximum Price ("GMP") of the GC contract through a GMP Contract and authorize a notice to proceed for the remainder of the project's construction. The GMP Contract reflects the total construction contract cost of the project, including the Early Start and Vertical Construction phases of construction.

Since the Commission last saw this in early July 2023, pricing was received based on the Issued For Construction ("IFC") set which resulted in a slight increase to total construction hard costs and is detailed in Table 1.

The final GMP Contract budget is **\$50,109,878**. This is an increase of \$115,470 over the April 2023 budget due pricing more detailed drawings. The GMP Contract would be executed based on the total price. The early start agreement will be superseded by the GMP Contract when signed and is therefore embedded in the second phase of the work from the overall budget. Therefore, the GMP Contract amount is \$50,109,878.

Staff recommends that the Commission authorize the Executive Director to negotiate and execute a GMP Contract in an amount up to but not to exceed \$50,109,878 to be executed at closing of financing prior to construction commencement.

BUDGET PRICE PROPOSAL

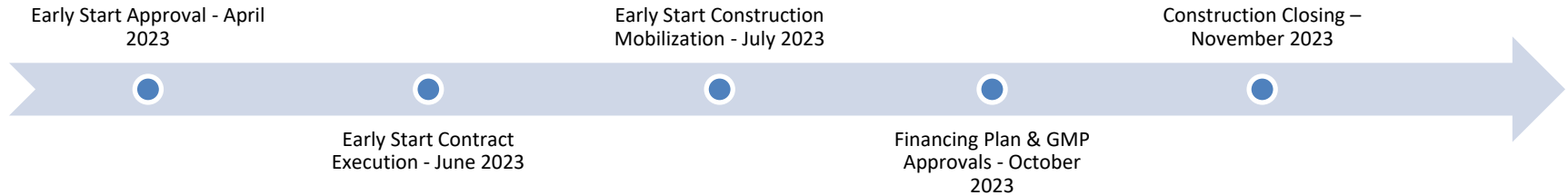
Project Name HOC Headquarters

CSI DIVISION SUMMARY			
CSI DIVISION	GMP	IFC Set	TOTAL
Division 1 - General Requirements/Conditions	\$3,037,525	\$6,205	\$3,043,730
Division 2 - Existing Conditions	\$55,000	\$0	\$55,000
Division 3 - Concrete	\$5,128,500	\$0	\$5,128,500
Division 4 - Masonry	\$451,500	\$0	\$451,500
Division 5 - Metals	\$1,073,196	\$0	\$1,073,196
Division 6 - Wood, Plastic & Composites	\$1,841,000	\$18,100	\$1,859,100
Division 7 - Thermal & Moisture Protection	\$5,667,790	(\$480)	\$5,667,310
Division 8 - Openings	\$3,541,135	\$6,363	\$3,547,498
Division 9 - Finishes	\$4,890,000	\$3,885	\$4,893,885
Division 10 - Specialties	\$1,514,825	\$5,428	\$1,520,253
Division 11 - Equipment	\$194,335	\$0	\$194,335
Division 12 - Furnishings	\$1,127,507	\$0	\$1,127,507
Division 13 - Special Construction	\$0	\$0	\$0
Division 14 - Conveying Equipment	\$851,400	\$0	\$851,400
Division 21 - Fire Suppression	\$521,500	\$0	\$521,500
Division 22 - Plumbing	\$6,184,900	\$58,499	\$6,243,399
Division 23 - HVAC	\$0	\$0	\$0
Division 26 - Electrical	\$6,513,789	\$9,941	\$6,523,730
Division 27 - Communications	\$1,173,000	\$0	\$1,173,000
Division 28 - Electronic Safety & Security	\$588,200	\$0	\$588,200
Division 31 - Earthwork	\$550,360	\$0	\$550,360
Division 32 - Exterior Improvements	\$998,735	\$0	\$998,735
Division 33 - Utilities	\$770,300	\$0	\$770,300
Division 34 Traffic Material Signals Proc	\$30,000	\$0	\$30,000
Division 41 - Material Processing and Handling Equipment	\$190,000	\$0	\$190,000
SUBTOTAL COSTS	\$46,894,497	\$107,941	\$47,002,438
SUBTOTAL INDIRECT COSTS	\$3,099,911	\$7,529	\$3,107,440
TOTAL CONSTRUCTION HARD COSTS	\$49,994,408	\$115,470	\$50,109,878

Table 1: HQ GMP Budget with IFC Set. Date: 09/15/2023.

Development Plan | Construction Schedule

Early Start Development Milestones



Construction Timeline

- Record Plat Approved – November 2023
- Building Permits Approved–November 2023
- Site Construction Start – December 2023
- Substantial Completion – August, 2025
- Final Completion – October, 2025



Overview

This project involves the construction of the HOC Headquarters in Silver Spring, Maryland. Paradigm Contractors, LLC was selected as the General Contractor (“Contractor”) where the basis of payment is a **Cost of the Work plus a fee with a Guaranteed Maximum Price (“GMP”)**. The Architect for the Project is Design Collective, Inc. (“Architect”).

Key Contract Terms

Scope of Work

The Contract requires Paradigm to include in its GMP all work necessary, which could have reasonably been contemplated at the time of bidding, to complete the Project.

Baseline Schedule

The baseline schedule as of July 28, 2023 (“Baseline Schedule”). See AIA Documents A102, §4.3.1. Currently the parties are seeking to execute the Contract in October, and issue subcontracts (outside of the Early Release Subcontracts) in November. It is possible that if a Notice to Proceed is not issued by November 1, 2023, the baseline schedule will need to be revised. Under the Baseline Schedule, Substantial Completion is to be achieved on or before April 30, 2025, with Final Completion July 2, 2025. If Contractor delays the Substantial Completion date of Project, we have included a tiered liquidated damages provision in Section 5.1.6, which provides in relevant part:

- One Thousand Dollars (\$1,000) per day commencing upon the first day following expiration of the Contract Time and continuing until the thirty (30) days from the date of the expiration of the Contract Time;
- Two Thousand (\$2,000) per day commencing thirty-one (31) days following expiration of the Contract Time and continuing until sixty (60) days from the date of the expiration of the Contract Time; and
- Three Thousand (\$3,000) per day commencing sixty-one (61) days following expiration of the Contract Time and continuing until the actual date of Substantial Completion.

GMP and Cost Savings

The Contractor has an incentive to keep costs below the GMP through the Cost Savings provision which provides, “If at the time of Final Payment, the actual Cost of the Work and the Contractor’s Fee is less than the GMP, as such GMP may be adjusted pursuant to the Contract Documents (“Savings”), fifty percent (50%) of the Savings shall accrue to the Owner and fifty percent (50%) of the Savings shall accrue to the Contractor.” Add Residences as example

Dispute Resolution

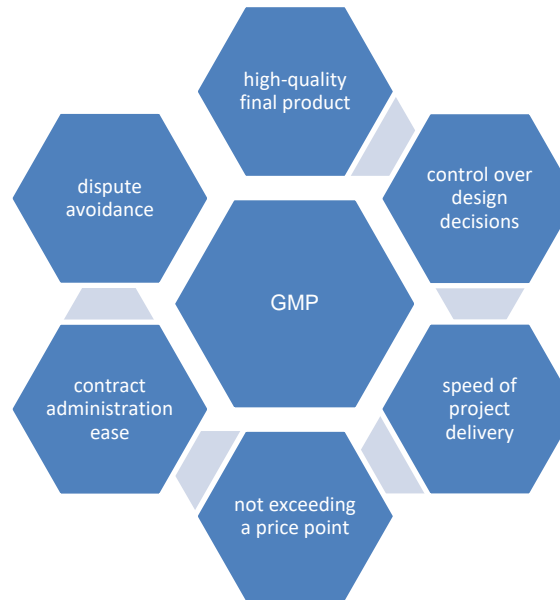
The parties have agreed that mediation shall be a condition precedent to Arbitration.

Defective Work

If the Contractor fails to carry out work per the contract documents, the Owner may issue a notice to stop work.

Benefits of Using a Cost-Plus GMP

Goals of the Project that are achieved during construction and benefitted by use of a Cost-Plus Fee with Guaranteed Max Price contract are:



COST-PLUS GMP AGREEMENTS: THE BASICS

Cost-Plus GMP Contract Agreements are “cost reimbursement” contracts. In a Cost-Plus price arrangement, there is no set or Fixed Fee. In other words, the contractor is paid for the Cost of the Work it incurs to complete the project, plus a Fee, not-to-exceed the GMP (absent scope changes or extenuating circumstances). The contractor is reimbursed for the Cost of the Work, up to the GMP.

The Cost of the Work, which the contractor is paid, is a ceiling and may never add up to the full dollar amount of the GMP. It is a limit on what HOC, as owner, might have to spend (absent scope changes or extenuating circumstances) to complete the project. The contractor typically bears the risk if the Cost of the Work exceeds the GMP.

For change orders:

- On a Cost-Plus GMP project, when the owner grants a change order to increase the GMP, the contractor *will not* necessarily be paid the increased GMP. It is possible, of course. But only if the Cost of the Work, due to the change which led to the change order, actually increases the price of the contractor’s performance.
- Change orders are very different on Fixed Fee projects.
- Cost-Plus GMP projects therefore benefit owners in that the Cost of the Work might not at up to the dollar amount of the GMP, and these lower actual project execution costs may result in construction cost “savings” under the GMP.

Prior Commission Actions

Prior Commission Actions Related to HOC HQ

RESOLUTION No. 18-69AS – On September 5, 2018, the Commission approved the Predevelopment Budget in the amount of \$2,116,000 for the Design and Entitlement of Fenwick & Second; and the Approval to Draw on the \$60 million PNC Bank, N.A. Line of Credit (the “PNC \$60MM LOC”) to Fund the First Installment of Predevelopment Funding in the amount of \$264,500.

RESOLUTION No. 19-45AS₁ – On April 3, 2019, the Commission approved entering into a Ground Lease with Fenwick Silver Spring, LLC, and a Development Services Agreement with Promark Development, LLC for the Development and Ownership of HOC’s New Headquarters Building and Approval of the Architect Selected to Complete Design and Construction Management for the Development. The resolution also authorizes the Executive Director to negotiate and enter into a contract with Design Collective, Inc. for architectural services in an amount not to exceed \$1,100,000 from the \$60MM PNC Bank, N.A. Line of Credit.

RESOLUTION No. 20-37A – On May 6, 2020, the Commission approved the submission of a Mandatory Referral Application for the New HOC HQ, revised the FY21 predevelopment budget for the New HOC HQ to \$2,650,150, and approved the expenditures for CY20 under the second installment of Predevelopment Funding for \$793,800.

RESOLUTION No. 21-19 (A & B) – On February 3, 2021, the Commission approved a revised total predevelopment budget of \$2,908,300 for the design and entitlement of the New HQ and the use of the PNC Bank, N.A. Line of Credit as the source to fund the final installment of \$750,000.

RESOLUTION No. 22-33 (A & B) – On May 4, 2022, the Commission approved a revised total predevelopment budget of \$5,020,756 for the design and entitlement of the New HQ and the use of the PNC Bank, N.A. Line of Credit as the source to fund the final installment of \$2,112,456; and Approval of the Construction Manager Selected to Complete Construction Management for the Development. The resolution also authorized the Executive Director to negotiate and enter into a contract with JLL for construction management services that obligates HOC only for the pre-construction phase.

RESOLUTION No. 23-28 – In Special Session on April 21, 2023, the Commission approved the selection of the General Contractor, authorized the Executive Director to execute an Early Start Agreement with the General Contractor, approved the reallocation of savings to the existing predevelopment budget to fund the Early Start, and approved the budget and selection of the Third-party Testing Contractor.

RESOLUTION No. 23-45 – On July 12, 2023, the Commission authorized the Executive Director to execute an amendment to the Ground Lease and the Memorandum of Ground Lease that changes the initial base term from 60 years to 99 years to ensure the property qualifies for the real property tax exemption under Maryland State Code Tax-Prop. Article 6-102(d) and approved the Final Development Plan for the New HQ.

Summary & Recommendations

ISSUES FOR CONSIDERATION

Does the Development and Finance Committee wish to join staff's 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 Notice to Proceed?

BUDGET/FISCAL IMPACT

There is no adverse impact on the Commission's FY2024 Operating Budget. The general contract will be funded from financing proceeds after closing of the bond issuance.

TIME FRAME

For deliberation at the September 22, 2023, meeting of the Development and Finance Committee and action at the October 4, 2023 meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff is recommending 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 Notice to Proceed.

**HOC HEADQUARTERS: APPROVAL OF THE FINANCING PLAN FOR CONSTRUCTION AND
PERMANENT FINANCING; AND APPROVAL OF BOND AUTHORIZING RESOLUTION**

1328 FENWICK LANE, SILVER SPRING, MD



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

**MONTE STANFORD, DIRECTOR OF MORTGAGE FINANCE
VICTORIA DIXON, SR. MULTIFAMILY UNDERWRITER**

September 22, 2023

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EXECUTIVE SUMMARY

The Housing Opportunities Commission of Montgomery County ("HOC" or the "Commission"), exercising the statutory provisions for mandatory referral review under Sections 20-301, et. of the Land Use Article of the Maryland Code (2012, as amended), plans to construct a new headquarters office building ("Building" or "HOC HQ") at the southeast corner of the intersection of Second Avenue and Fenwick Lane in Downtown Silver Spring on land subject to a 99-year Ground Lease with Promark.

The proposed nine (9) story building is designed to consolidate existing scattered offices of HOC into one central location to improve operational efficiencies. For the development team, HOC has entered into a Development Agreement and Ground Lease with Promark Development, LLC for the joint development of the Property. On May 4, 2022, the Commission approved a revised total predevelopment budget of \$5,020,756 for final design and entitlement of the HOC HQ and on April 21, 2023, approved the selection of Paradigm Contractors, LLC, as General Contractor with an Early Start Agreement to be funded using reallocation of savings from the existing predevelopment budget. Such Early Start Agreement is subject to expiration in October 2023. Promark is in process to acquire the last parcel for the development utilizing a \$3 million loan from HOC.

On July 12, 2023, the Commission approved a Final Development Plan of approximately \$74,000,000, utilizing proceeds of tax-exempt general obligation funds and available funds from the Opportunity Housing Reserve Fund ("OHRF"). The team has negotiated the Guaranteed Maximum Price ("GMP") amount and is returning to the Commission for final approval in October 2023, with the goal of finalizing permitting and starting construction in the fourth quarter of calendar year 2023.

HOC is expected to take occupancy of the Property in December 2025 with the relocation of staff from the 10400 Detrick office. Subsequent relocations of staff from the East Deer Park and Silver Spring Service Center ("880 Bonifant") are expected to occur in 2026 resulting in offsetting cost savings to HOC's operating budget.

In order to execute the Development Plan, staff proposes the issuance of Governmental Bonds under the 2002 Multiple Purpose Indenture (the "2002 Indenture" or "Indenture") to fund construction of the Property, equip the building for commencing operations, and repay sources for pre-development and early start expenses. Closing is expected to occur in November 2023.



EXECUTIVE SUMMARY

Date	Res.	Description of Commission Resolutions
September 5, 2018	18-69AS	Approval of a Predevelopment Budget in the amount of \$2,116,000 for the Design and Entitlement of Fenwick & Second; and the Approval to Draw on the \$60 million PNC Bank, N.A. Line of Credit (the "PNC \$60MM LOC") to Fund the First Installment of Predevelopment Funding in the amount of \$264,500.
April 3, 2019	19-45AS ₁ 19-45AS ₂	Approval to enter into a Ground Lease with Fenwick Silver Spring, LLC, and a Development Services Agreement with Promark Development, LLC for the Development and Ownership of HOC's New Headquarters Building and Approval of Design Collective, Inc. as the Architect selected to Complete Design and Construction Management for the Development. The resolution also authorized the Executive Director to negotiate and enter into a contract with for the architectural services in an amount not to exceed \$1,100,000 from the \$60MM PNC Bank, N.A. Line of Credit.
May 6, 2020	21-37A 21-37B	Approval to submit a Mandatory Referral Application for the New HOC HQ, revise the FY21 predevelopment budget for the New HOC HQ to \$2,650,150, and approved payment of expenditures for CY20 under the second installment of Predevelopment Funding for \$793,800.
February 3, 2021	21-19A 21-19B	Approval of a revised total predevelopment budget of \$2,908,300 for the design and entitlement of the New HQ and the use of the \$60MM PNC Bank, N.A. Line of Credit as the source to fund the latest installment of \$750,000.
May 4, 2022	22-33A 22-33B	Approval of a revised total predevelopment budget of \$5,020,756 for the design and entitlement of the New HQ and the use of the \$60MM PNC Bank, N.A. Line of Credit as the source to fund the final installment of \$2,112,456; selection of JLL as the Construction Manager Selected to Complete Construction Management for the Development. The resolution also authorized the Executive Director to negotiate and enter into a contract for construction management services that obligates HOC only for the pre-construction phase.
April 21, 2023	23-28	In a Special Session, the Commission approved the selection of Paradigm Contractors, LLC as General Contractor, authorized the Executive Director to execute an Early Start Agreement with the General Contractor, approved the reallocation of up to \$837,000 in savings from the existing predevelopment budget to fund the Early Start, and approved the budget and selection of ECS Mid-Atlantic, LLC as the Third-party Testing Contractor with a cost up to \$344,920.
July 12, 2023	23-45	Approved the Final Development Plan with a budget of approximately \$74 million for the proposed construction of the headquarters building, utilizing proceeds of issuing tax-exempt general obligation funds and available funds from the Opportunity Housing Reserve Fund; and revision to the Ground Lease Agreement and the recorded Memo of Ground Lease, changing the initial base term to 99 years to ensure the property qualifies for the real property tax exemption under Maryland State Code Tax-Prop. Article 6-102(d);

EXECUTIVE SUMMARY

Staff has completed its underwriting and with the support of the Development and Finance Committee, recommends the following actions of the Commission:

- 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 (“HOC Equity”).
- 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.

EXECUTIVE SUMMARY

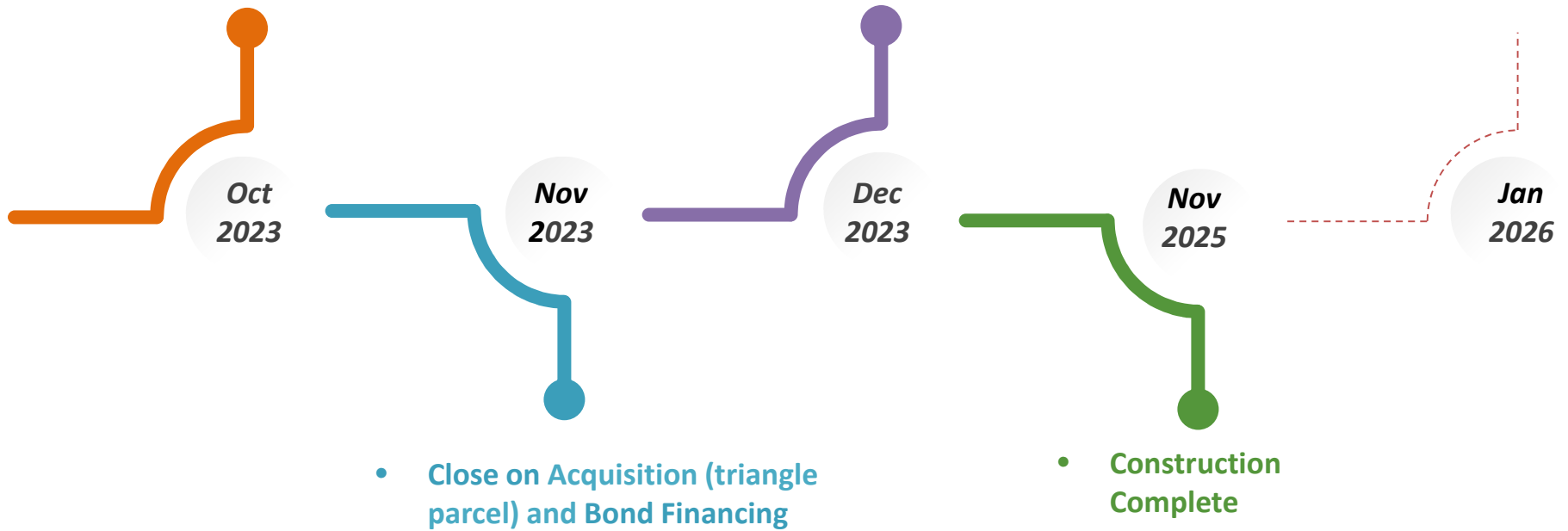
Borrower	Housing Opportunities Commission of Montgomery County, MD
Public Purpose	Consolidate existing scattered offices of HOC into one central location to increase operational efficiency in furtherance of its mission.
Tax-Exempt Bond Issuance (up to)	\$75,000,000 2002 Multiple Purpose Bond Resolution
Permanent Mortgage Interest Rate (estimated)	5.62% (50 basis points (“bps”) cushion)
Credit Enhancement / Collateral	HOC General Obligation
Permanent Loan Amortization / Term (up to)	40 Years / 43 Years
County Participation (estimated)	100% Real Estate Tax Exemption

FINANCING SCHEDULE

- Commission Approvals the Finance Plan, Negotiation and Execution of GC Contract

- Begin Construction (24 months)

- *Permanent Conversion*



TRANSACTION HIGHLIGHTS

Public Purpose	Development of this new headquarters is determined to meet an essential function of the Commission’s mission to provide affordable housing and supportive services to residents of Montgomery County. Consolidation of HOC’s offices from scattered locations nearing the end of their effective life with correspondingly increasing capital requirements, while the new building meets new LEED Gold sustainability levels, will generate operational cost savings longer term and the opportunity for efficiencies. In addition, the new location at a multi-modal hub of Silver Spring provides for greater accessibility for residents.	
County Interest	None.	
Volume Cap Allocation	Not Applicable.	
Bond Financing	Up to \$75 million of Governmental Bonds will be issued under the 2002 Multiple Purpose Indenture. Proceeds from the bonds will fund the construction and permanent debt phases of the Property with a term of up to 43 years. After the interest only period, the bonds will begin amortizing over the remaining 40-year term and will be repaid from HOC general operating funds (see Slide 12).	
Credit Enhancement	N/A - As a direct debt of HOC (Moody’s “A2”), the bonds will be backed by HOC’s General Obligation. Moody’s is in process of rating this issuance.	
Construction Bridge Loan	Not Applicable.	
HOC Equity	HOC will contribute approximately \$4.6 million from various cash sources available to HOC to establish a reserve to cover one years worth of permanent debt service and pay development costs (See Slides 11,12).	
Developer Fee	The developer fee of approximately \$3.2 million is payable to Promark for development services provided.	
Development Team	Owner:	Housing Opportunities Commission of Montgomery County, MD
	Development Consultant:	Promark Partners
	General Contractor:	Paradigm Contractors, LLC
	Architect:	Design Collective, Inc.
	Property Management:	Housing Opportunities Commission of Montgomery County, MD
	Construction Management:	Jones Lang LaSalle Incorporated

PROPERTY OVERVIEW



Property Name	HOC Headquarters
Location	1328 Fenwick Lane, MD 20855
Property Manager	HOC
Total SF	82,193
Rentable SF	74,267

Amenities Building amenities for occupants include bike storage and shower facilities. Neighborhood amenities include various retailers, services, and restaurants, with the new South County Recreational and Aquatic Center and Silver Spring Metro Station (Red Line) two blocks away.

Planned Construction The proposed nine (9) story headquarters building is designed with the top floor as a +/- 3,500 square foot (SF) amenity floor for all building occupants. The main entrance to the lobby is at the corner of Fenwick Lane & Second Avenue. Demonstrating a strong commitment to sustainable building practices the building is expected to achieve LEED v4 BD+C Gold level certification.

The project includes several sustainability features such as plumbing fixtures with 40% reduced potable water use, metering capabilities for water and energy sub-systems, and façade design optimization for energy use.

Additionally, the project incorporates a high-performance HVAC system and a building automation system for remote monitoring and energy management routines.

To incentivize alternative transportation options for staff and clients, on-site parking is excluded, however a County parking facility is available one block away.



OPERATING PROJECTIONS

FY24 Budget	CURRENT OPERATIONS				PROJECTED OPERATIONS			
	10400	880	EDP (Pre)	TOTAL	HQ	EDP (Post)	TOTAL	Difference
Admin	\$569,910	\$5,484	\$468,503	\$1,043,897	\$661,554	\$139,487	\$801,041	(\$242,856)
Utilities	\$146,256	\$27,412	\$64,020	\$237,688	\$113,050	\$64,020	\$177,070	(\$60,618)
Maintenance	\$553,608	\$105,276	\$526,352	\$1,185,236	\$763,096	\$526,352	\$1,289,448	\$104,212
Security	\$67,008	\$62,004	\$67,104	\$196,116	\$79,884	\$67,104	\$146,988	(\$49,128)
Insurance	\$34,480	\$7,390	\$10,860	\$52,730	\$109,365	\$10,860	\$120,225	\$67,495
Taxes	\$0	\$0	\$9,289	\$9,289	\$6,080	\$9,289	\$15,369	\$6,080
	\$1,371,262	\$207,566	\$1,146,128	\$2,724,956	\$1,733,029	\$817,112	\$2,550,141	(\$174,815)
CapEx Res.	\$100,000	\$0	\$50,000	\$150,000	\$100,000	\$50,000	\$150,000	\$0
	\$100,000	\$0	\$50,000	\$150,000	\$100,000	\$50,000	\$150,000	\$0
Base OpEx				\$2,874,956	\$1,833,029	\$867,112	\$2,700,141	(\$174,815)
Parking Passes	0	0	0	\$0	\$132,840	0	\$132,840	\$132,840
Metro Cards	0	0	0	\$0	\$4,500	0	\$4,500	\$4,500
Other	0	0	0	\$0	\$5,000	0	\$5,000	\$5,000
	\$0	\$0	\$0	\$0	\$142,340	\$0	\$142,340	\$142,340
Ground Lease	\$0	\$0	\$0	\$0	\$197,539	\$0	\$197,539	\$197,539
	\$0	\$0	\$0	\$0	\$197,539	\$0	\$197,539	\$197,539
Adjusted OpEx				\$2,874,956	\$2,172,908	\$867,112	\$3,040,020	\$165,064
Debt Service	\$0	\$96,000	\$0	\$96,000	\$4,630,936	\$0	\$4,630,936	\$4,534,936
Annual Cost				\$2,970,956	\$6,803,844	\$867,112	\$7,670,956	\$4,700,000

Despite increasing administrative and customer service space by more than 30%, the new headquarters is projected to operate at a savings to current base operations*. Base operations are those functions specifically related to the administrative and customer service space. Savings to current base operations would be greater still except that in its ownership of the new headquarters, HOC will bear the cost of property and liability insurance – a cost currently borne by the County.

Staff continues to pursue reduction in utility costs via discounted participation in future County-provided solar on the neighboring Cameron Parking Garage. Staff is also in talks with the County to secure a discounted rate for parking at the Cameron Parking Garage.

While not an explicit savings, the \$150,000 in annual capital expense reserves will now go much further with the replacement of significantly older facilities by new, purpose-built space.

The cost of parking and ongoing ground rent increase total operational costs of the new headquarters above current costs by a net 5.7% (assuming no further savings can be secured). However, the net increase in annual cost to HOC comes predominately from the debt service related to the construction of the new headquarters. As shown above, the \$4,654,493 in debt service assumes sizing of the governmental bond issuance with a rate of 5.62%, including a 50 basis-point cushion, and amortizing over the remaining 40-year term.



*Base operations does not include cost of parking and the ground rent at the new headquarters building.

OPERATING PROJECTIONS

HQ Net Cost Offset	
<i>Vacancy Loss Reduction (Unrestricted Portfolio)</i>	\$1,700,000
<i>Bad Debt Reduction (Historical)</i>	\$1,500,000
<i>Expense Reduction (4%, Unrestricted Portfolio)</i>	\$1,000,000
<i>Workers Comp. Insurance Correction</i>	\$500,000
TOTAL	\$4,700,000

HOC’s operating budget has grown over \$67MM since 2019 (\$31MM, excluding the HCV program). While \$4.78MM in net new costs would represent only 1.4% of growth over the \$332MM FY24 budget (2.4%, excluding the HCV program), staff has worked to identify a simple path to achieving full offset of the net additional cost of the new headquarters with a high degree of certainty.

Identification and vetting of these sources was a collaborative effort among the Budget Office, Property Management, Maintenance, Risk Management, Asset Management and Real Estate Development divisions. While staff is confident that the performance of HOC’s operations and assets can be improved well beyond the above recommendations, the offset of the net new costs from the new headquarters requires only modest, fundamental improvements to property operations. HOC has two years to achieve these savings as the project budget is carrying capitalized interest expense during the construction of the new headquarters. Staff also intends to include the funding of a debt service reserve from other Commission capital sources.

Implementation of these improvements to operations applied to the restricted properties within HOC’s portfolio will also invariably produce increased net cash flow to HOC despite prohibitions against distributions. For those restricted properties where HOC is having to offset shortfalls, those shortfalls would be reduced or eliminated. HOC also has other payables, notes, and loans to these properties the repayment of which would allow for a dollar-for-dollar benefit to HOC. Notably the offset of the net new headquarters costs is achieved based on neither annual rent growth nor increased development and financing fee income.

Still, should the Commission wish to reduce the increased annual cost burden to the agency, HOC could draw on the OHRF as a source of project funding. This would lower the amount of the bond issuance and associated annual debt service expense. For every 2.5% in OHRF invested as an equity source, the annual debt service drops by approximately \$114,000. It is also important to note that increments of 50 basis points of rate movement adds approximately \$260,000-\$320,000 in annual debt service.

FINANCING PLAN

The transaction contemplates the a) Issuance of bonds of up to \$75 million and b) HOC Equity; as sources to pay for: i) reimbursement of development costs to date from the OHRF and PNC LOC, with ii) payment for costs to construct and equip the building and relocation of staff.

- (a) Tax-exempt governmental bonds will be issued in an approximate amount of no more than \$75 million. Funds will be used in part to repay predevelopment costs and early start work to date of \$2.0 million from the OHRF and \$1.3 million from the \$60 million line of credit with PNC Bank, NA, costs of the transaction, and may be used for additional eligible expenses of HOC.
- (b) The developer fee is payable to Promark for services rendered.
- (c) The HOC Equity will come from from available cash sources to HOC of representing funds from the OHRF that will cover development costs and from the Commission’s General Fund Operating Reserve will establish a reserve equal to one year debt service for the transaction (approximately \$4.6 million), subject to approval of the Commission.

Sources	Amount	Per GSF
Tax-Exempt Bonds*	\$72,282,106	\$ 879
HOC Equity	\$ 4,630,936	\$ 56
Total Sources	\$76,913,042	\$ 935
Uses	Amount	Per GSF
Construction Costs	\$ 58,355,552	\$ 710
Fees Related to Construction	\$ 4,958,641	\$ 60
Financing & Legal Costs	\$ 1,025,109	\$ 12
Construction Interest	\$ 4,517,094	\$ 55
Development Fee	\$ 3,175,710	\$ 39
Initial Debt Service Reserve	\$ 4,630,936	\$ 56
Initial Replacement Reserve	\$ 250,000	\$ 3
Total	\$ 76,913,042	\$ 935

The stabilized proforma heretofore discussed, illustrates that the Commission will generate sufficient net cashflow to pay increased operating expenses and debt service for the new building.

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.

*Subject to interest rate movements, the supportable bond amount may increase to the requested \$75 million.

ISSUES FOR CONSIDERATION

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

- 1) Approval of the HOC HQ Financing Plan and budget totaling approximately \$77.3 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 ("HOC Equity");
- 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 \$76.9 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; and
- 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?

TIME FRAME

For deliberation at the September 22, 2023 Development and Finance Committee and formal action at the October 4, 2023 monthly meeting of the Commission.

BUDGET/FISCAL IMPACT

- Closing of the subject transaction is expected to occur in November 2023 with no negative impact to FY2024 fiscal budget.
- There is no expected negative impact to HOC's General Obligation.
- Costs of issuance are expected to be approximately \$1,225,000 and will be paid from bond proceeds.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends the Development and Finance Committee join in recommending the Commission approve 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 ("HOC Equity").
- 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.

METROPOINTE – WHEATON METRO LP

YEAR 15 LP BUYOUT



Chelsea Andrews, Executive Director

Kayrine Brown
John Wilhoit

September 22, 2023

Executive Summary - Overview



MetroPointe is 173 units in the heart of Wheaton, Maryland, offering stylish modern apartments and a vibrant neighborhood with every convenience, including a Safeway across the street. Built within air rights for the Wheaton Metro station’s Kiss & Ride conferred by the Washington Metropolitan Area Transit Authority (“WMATA”), MetroPointe is right on the Red Line. MetroPointe offers a fitness center, clubroom, and landscaped courtyard terraces.

MetroPointe was constructed in 2008 using Low Income Housing Tax Credit (“LIHTC”) equity. A limited partnership, Wheaton Metro LP, was formed to receive the equity investment. The Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner in that partnership, and an affiliate of Wells Fargo (“Wells”) is the limited partner.

The tax credits associated with the LIHTC equity investment were delivered over the first 10 years after MetroPointe opened. The initial compliance period of 15 years elapsed in 2023. On July 11, 2023, HOC received a proposal from Wells to sell its interests to HOC in Wheaton Metro LP for \$100 plus legal fees and any exit taxes. HOC’s consultant, Novogradac, has determined that there are no exit taxes payable.

Post acquisition, MetroPointe is in the pipeline for renovation via LIHTC resyndication by the HOC Real Estate Development (“RED”) Team in FY 2025. Renovation will include interior and exterior upgrades to enhance the asset’s marketability, reinforcement of structural components, and reinvestment in building systems.

No renovation and recapitalization can occur until HOC acquires the limited partnership interest in Wheaton Metro LP. Acquisition of the limited partnership interest does not materially affect HOC’s ongoing risk exposure to the property.



Wheaton MetroPointe



MetroPointe’s 173 units are owned in two condominiums, each with a different owner. Wheaton Metro LP owns the 53 affordable units originally funded with the 9% LIHTC equity. The 120 unrestricted units are owned by HOC via the Wheaton Metro Development Corporation.

Delivered in 2008, just before the Global Financial Crisis, MetroPointe has consistently struggled to maintain positive net operating income. HOC typically has to provide annual funding to the property to address operating shortfalls. A major focus of the prospective resyndication of the property will be eliminating these annual shortfalls and putting MetroPointe onto a sound financial path.

However, unlike many of HOC’s other resyndications, there is substantial existing debt on the property. Coupled with higher interest rates and inflated construction pricing, the existing debt will make raising adequate funding sources more challenging. The Real Estate Development division will be presenting the Commission with a Preliminary Development Plan in late 2023 or early 2024, which will outline the likely scope and financing for the renovation project.

Notes payable excluded from this analysis is the \$33M first mortgage that includes the Development Corp units.

Uses	
Acquisition Cost	\$100
Year 15 Consultant Fees	\$5,000
Total	\$5,100

Cash on Hand	
Cash and Cash Equivalent (2016 Bal.)	\$496,771
Total	\$496,771

Net Operating Income	
Total Operating Revenue	\$809,621
Operating Expenses	(\$458,241)
Net Operating Income	\$351,380

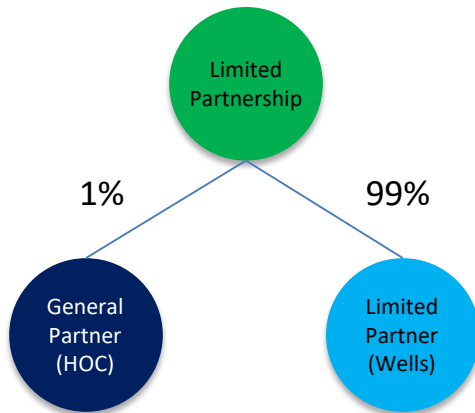
Debt Service (ex. County & HOC Loans)	\$208,656
Debt Service Coverage Ratio	1.7x

Future Debt Obligations	
County Loans	\$1,147,221
State Loans	\$1,530,000
HOC Advances	\$524,315
Total	\$3,201,536

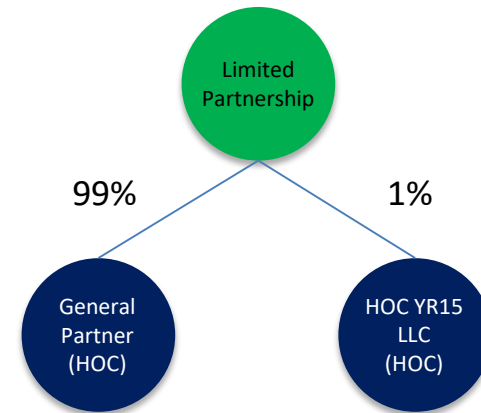
Debt Service Coverage - w/ County Loan	
Net Operating Income	\$351,390
Debt Service (ex. County & HOC Loans)	\$208,656
Debt Service Coverage Ratio	1.7x

Acquisition Logistics

BEFORE



AFTER



HOC YR15 LLC is an existing entity that was created to temporarily hold limited partner interests when an LIHTC investor exits.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Development & Finance Committee support the recommendation of staff 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 loan of up to \$6,000 from the Opportunity Housing Reserve Fund for the acquisition costs?

BUDGET IMPACT

The acquisition of the Wheaton Metro LP interest is scheduled to close in October 2023; therefore, this will cause an increase in the Agency's FY2024 operating budget by seven (7) months of operating performance for MetroPointe. A budget amendment will be presented to the Budget Finance & Audit Committee in December for approval by the Commission in January 2024. Additionally, this acquisition will increase assets in the Opportunity Housing Fund by the value of the acquisition of MetroPointe.

TIME FRAME

For discussion at the Development & Finance Committee meeting on September 22, 2023 and formal action in an open session of the Commission on October 4, 2023.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends 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.

Adjourn