



DEVELOPMENT AND FINANCE COMMITTEE

**March 23, 2023
1:00 p.m.**

Livestream: <https://youtu.be/gqFEtW5dUdU>

HOC's offices are now open to the public. The public is invited to attend HOC's March 23, 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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Discussion/Action Items:

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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

February 24, 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 model on February 24, 2023, with some participating by online platform/teleconference, and others participating in-person at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:05 a.m., available for viewing [here](#). Those in attendance were:

Present

Jackie Simon, Chair – Development and Finance Committee
Jeffrey Merkowitz – Commissioner

Attending via Zoom

Richard Y. Nelson, Jr. – Commissioner

Also Attending

Chelsea Andrews, Executive Director
Aisha Memon, General Counsel
Zachary Marks
Ellen Goff

Jay Shepherd
Marcus Ervin
Paige Gentry
John Wilhoit

Attending via Zoom

Kayrine Brown, Deputy Executive Director
Alex Torton
Steven Firth

John Broullire
Timothy Goetzinger
Jeremiah Battle

IT Support

Irma Rodriguez
Aries Cruz
Genio Etienne

Commission Support

Jocelyn Koon, Senior Executive Assistant

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

APPROVAL OF MINUTES

The minutes of the January 27, 2023, Development and Finance Committee open session meeting was approved upon a motion by Commissioner Nelson and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

The minutes of the January 27, 2023, Development and Finance Committee closed session meeting was approved upon a motion by Commissioner Nelson and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz

DISCUSSION ITEMS

1. Residences on The Lane: Approval to Reinstate and Extend the Maturity Date of the HOC Bridge Loan to Upton II (Residences on the Lane)

Chelsea Andrews, Executive Director, provided an overview of the item and introduced Marcus Ervin, Director of Development, and Jay Shepherd, Housing Acquisitions Manager who provided the presentation requesting recommendation to the full Commission to reinstate and extend the maturity date of the HOC bridge loan to Upton II (Residences on the Lane).

A motion was made by Commissioner Simon, and seconded by Commissioner Merkowitz, to recommend to the full Commission for approval. Affirmative votes were cast by Commissioners Simon, Nelson and Merkowitz.

Commissioner Simon commented that staff representation and presentation at Affordable Housing Conference was very well done.

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 meeting at 10:27 a.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/pmb

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 Lender for the Single Family
Mortgage Purchase Program

DATE: February 23, 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- and moderate-income first-time homebuyers in Montgomery County at below market rates.

BACKGROUND:

The Housing Opportunities Commission of Montgomery County (“HOC” or “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 a lender does not submit a mortgage loan within any 12-month period, that lender may be subject to suspension as a participating lender. HOC over the years has approved 34 lenders, but through non-participation or the mortgage company’s notice to end its participation, there are currently 24 active 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 low- and moderate-income borrowers; 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.

The Community Reinvestment Act (“CRA”), enacted in 1977, requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income (“LMI”) neighborhoods. Banks are required to provide their CRA rating. An overall CRA Rating is assigned using a four-tiered rating system. These ratings are: **Outstanding, Satisfactory, Needs to Improve, and Substantial Noncompliance.**

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.

Luminate Home Loans, LLC (hereinafter “Luminate” or “Lender”) has applied to participate in the HOC Single Family Mortgage Purchase Program and meets the minimum requirements and criteria outlined above, for participation.

- In July 2022, HOC approved the participation of Celebrity Home Loans, LLC (hereinafter “Celebrity”), which acquired Apex Home Loans (hereinafter “Apex”). Apex has decided to make a change to its business model and has split from Celebrity, effective February 2023, to join Luminate.
- Luminate is a fully owned subsidiary of Luminate Bank (formerly American Equity Bank). Established since 1998, the company rebranded to Luminate Home Loans in 2020.
- Luminate has the strong financial backing of the bank, is an approved seller/servicer with FHA, Fannie Mae, and Freddie Mac, and is an approved lender with U.S. Bank.
- Luminate is one of the very few mortgage companies to earn a profit in 2022 and remains a financially strong company and counterparty for HOC.
- While headquartered in Minneapolis, the Lender is licensed in 35+ states, including Maryland (Baltimore) and has loaned over \$1.77 billion in home loans since 2020.
- With the Apex team joining Luminate, it has created its presence within the Montgomery County market. The Apex team has been originating HOC loans for several years and is a top level company with loan officers, who have extensive knowledge of the Commission’s single family programs. Further, its processors, underwriters, closers, and post-closers also come with significant experience with HOC loans. So, while the Lender will be new to HOC and the Montgomery County market, the Apex team working on these loans are not new to HOC. The Apex team, dba Luminate, will be able to continue to offer HOC loans.
- The Lender, through the Apex team’s loan officers, have extensive knowledge and work closely with Montgomery County’s Moderately Priced Dwelling Unit (“MPDU”) program, as well as with HCII Counseling, teaching MPDU classes.

Luminate is working with the State of Maryland through its Maryland Mortgage Program to become a participating lender and are in the final stages of that approval. It 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 Luminate Home Loans, LLC for participation in the Single Family Mortgage Purchase Program?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
Luminate Home Loans, LLC

BUDGET/FISCAL IMPACT:

None.

TIME FRAME:

For discussion at the meeting of the Development and Finance Committee on March 23, 2023 and formal action at the April 5, 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 Luminate Home Loans, 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. Caliber Home Loans, Inc.
- 4. *Celebrity Home Loans, LLC (dba Apex Home Loans)****
5. Direct Mortgage Loans, LLC
6. Embrace Home Loans, Inc.
7. Fairway Independent Mortgage Corporation
8. First Heritage Mortgage, LLC
- 9. *First Home Mortgage Corp****
10. HomeBridge Financial Services, Inc.
11. Homeside Financial LLC
12. loandepot.com
13. Meridian Bank Mortgage
14. Mortgage Access Corp
15. Movement Mortgage, LLC
16. NFM, Inc. dba NFM Lending
17. NVR Mortgage Finance, Inc.
18. Presidential Bank, FSB
19. PrimeLending, a Plains Capital Company
20. Prosperity Home Mortgage, LLC
21. Sandy Spring Bank
22. Severn Bank
- 23. *TowneBank Mortgage****
24. WesBanco Bank, Inc.

****Emphasis added for high performing lenders.***

APPROVAL TO SELECT SINGLE FAMILY MORTGAGE LOAN SUBSERVICER IN ACCORDANCE WITH RFP #2344

MORTGAGE FINANCE



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

MONTE STANFORD, DIRECTOR OF MORTGAGE FINANCE

JENNIFER H. WASHINGTON, ASST. DIRECTOR OF BOND MANAGEMENT

March 23, 2023

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Executive Summary

Background: For 34 years between 1979 and 2012, the Single Family Mortgage Purchase Program (“MPP” or the “Program”) of the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) operated as a whole loan program in which HOC purchased 100% interest in first trust mortgage loans, using funds generated from the sale of tax-exempt Single Family Mortgage Revenue Bonds (“MRB”) under the 1979 Indenture or Single Family Housing Revenue Bonds (“HRB”) under the 2009 Indenture. Under this structure, the purchased mortgage loans became assets of the MPP until it paid off. These whole loans were either serviced by the original lender, the Commission or the Commission’s loan subservicer.

In 2012, following the 2008 financial and housing markets collapse, the Commission moved away from whole loans and implemented the current Mortgaged Backed Securities (“MBS”) structure for the Program, whereby proceeds from the sale of MRBs or HRBs are used to purchase securities, which are 1) backed by a pool of mortgages, issued by the Program’s lenders; 2) credit enhanced by Ginnie Mae, Fannie Mae or Freddie Mac; and, 3) serviced by a master servicer, U.S. Bank. U.S. Bank acts as the only issuer of record and is fully responsible for the administration of the securities and the servicing of the pooled mortgages. Under this structure, the MPP is walled off from the risk of any losses from these pooled mortgages in the event of default

Existing Subservicing Contract and Procurement Efforts: For the remaining whole loans within the MPP portfolio, in June 2017, the Commission approved Dovemuehle Mortgage, Inc. (“DMI”), as its new mortgage loan subservicer. Upon DMI’s engagement, the portfolio of loans to be subserviced included approximately 520 first mortgage whole loans and 430 secondary closing cost loans, that had a combined outstanding principal balance of approximately \$74 million. DMI’s initial contract term was for two-years with three (3) additional one-year optional renewals, and was set to expire at the end of September 2022.

On July 25, 2022, Request for Proposal (“RFP”) #2334 for Mortgage Loan Subservicing services was published on the Commission’s website and emailed to a list of 11 potential respondents, consisting of mortgage servicers, including DMI, and other Housing Finance Agencies (“HFA”). Responses were due August 19, 2022. The total portfolio at this time held almost 290 first mortgage whole loans and 283 secondary closing cost loans with a combined outstanding principal balance of approximately \$33 million. Unfortunately, no responses were received.

Executive Summary

Because DMI's contract allowed for an automatic one-year renewal, unless either party provided a termination notice, DMI's contract will now expire at the end of September 2023. Nevertheless, to complete this procurement effort, on September 19, 2022, HOC re-issued the solicitation under RFP #2344, posted it on the Commission's website and emailed it to 32 prospective mortgage servicers with responses due October 17, 2022.

Staff received three (3) responses from AmeriNat, DMI, and NOVAD Management Consulting, LLC (hereinafter "NOVAD"). An Evaluation Team, consisting of staff members from Mortgage Finance and Finance, reviewed each proposal to ensure compliance with the RFP and that each respondent met the minimum qualifications.

Two responses received from DMI and NOVAD were determined to be responsive and responsible pursuant to the terms of the RFP and were scored.

Based upon the Evaluation Criteria listed on page 6 herein, and the final scores by the Evaluation Team, reflected on page 9, staff recommends that the Development and Finance Committee joins staff recommendation that the Commission approve Dovenmuehle Mortgage Inc., as the Commission's Mortgage Loan Subservicer for a new contract term, as permitted under HOC's Procurement Policy.

RFP Compliance and Minimum Qualifications

All respondents were required to abide by all disclosures set forth in Section 2 of RFP #2344 and meet the following minimum qualifications set forth in Section 3 of RFP #2344:

Qualification Criteria	Requirement
FHA Approved	Must provide evidence of approval and not be currently subject to any investor/insurer/guarantor imposed probation, penalty or limitation.
Five (5) Years Servicing 5,000+ Loans	Be a servicer or subservicer that has for the past five (5) years serviced a single-family portfolio of at least 5,000 loans. The portfolio serviced must include FHA, United States Department of Veterans Affairs (VA), conventional, and privately insured mortgages.
Errors and Omissions Insurance Policy	Policy must include coverage acceptable to FHA or mortgage insurer.
Fidelity Bond Coverage	Must provide coverage in an amount acceptable to FHA or mortgage insurer.
Maryland State Licensure	Be licensed with the Department of Labor, Licensing and Regulations (DLLR) to conduct mortgage servicing operations in the State of Maryland, unless a subsidiary of a federally regulated mortgage company.
Professional Liability Insurance	Must maintain during term of the contract a policy in an aggregate amount of not less than \$1 million.
Government Agency Experience	Must demonstrate experience working within a Housing Finance Agency that is governed by procurement policy, guidelines, and practices.
Reporting	Ability to produce reports necessary to analyze the status of loans and overall portfolio.

After review of the responses, it was determined that: 1) Amerinat would be removed from scoring, as its proposal conflicted with RFP #2344 Section 2.12, Acceptance of Terms and Conditions; and, 2) both DMI and NOVAD satisfied compliance with Section 2 and met all minimum qualifications in Section 3 of RFP #2344.

Evaluation Criteria

HOC staff evaluated DMI and NOVAD on the criteria listed below (total point value is 100). Please note that this RFP was issued prior to the recent procurement changes made by the Commission with respect to evaluation criteria and scoring.

Evaluation Criteria	Point Value	Description
Offeror's Experience	25	Each subservicer is evaluated based upon the qualifications and expertise of its team and a detailed description of its most recent three (3) year history servicing single family residential mortgage loans to include experience with Housing Finance Agencies.
Financial Soundness/References	20	Respondent to provide audited financial statements for the last five (5) years, proof of insurance and licensure, and references of at least three (3) current clients.
Price	20	Respondent to provide a list of any costs to borrower along with a price proposal for its services, based upon a flat fee per loan or flat rate per principal balance of portfolio.
Offeror's Approach/Borrower's Accessibility	30	Subservicer shall describe its approach to provide services and include a discussion of maintaining consistency with industry standards, laws, insurer requirements; its ability to accept additional loans; approach to loss mitigation; reporting and software; and, borrower's access to data and online payments.
Minority/Female/Disabled ("MFD") Participation	5	Respondent to include a summary of the organization's MFD status.
TOTAL MAXIMUM POINTS	100	

Qualified Subservicers

▶ Dovenmuehle

- **Dovenmuehle Mortgage, Inc.** is headquartered in Lake Zurich, Illinois. No local office in Maryland or surrounding areas.
- **Since 2017, has served as the Commission’s MPP whole loan and RCCAP (Revolving Closing Cost Assistance Program) subservicer, and has provided quick response customer service.**
- Operating since 1844, and specializes *exclusively* in subservicing since 1991.
- Employs more than 3,200 individuals with above-average levels of female and minority participation and works with MFD subcontractors, when possible.
- Approved FHA and Fannie Mae loan servicer, and meets all necessary insurance and licensure requirements.
- Clients include state and municipal housing finance agencies, including Illinois Housing Finance Authority, Colorado Housing Finance Authority, New Hampshire Housing Finance Authority and Texas Veterans’ Land Board.
- Currently subservices more than 2.2 million mortgage loans with unpaid principal balances (“UPB”) of approximately \$607 billion for 350 clients nationwide. Portfolio includes:
 - more than 200,000 mortgage loans insured by FHA with an UPB of approximately \$49 billion; and,
 - more than 250,000 mortgage loans insured by Private Mortgage Insurance companies with an UPB of approximately \$75 billion.
- Provides detailed portfolio and performance analytics and reports via extensive dashboards to its clients through the use of a proprietary client-facing business intelligence platform. Also utilizes Black Knight Mortgage Servicing Platform, as its primary system-of-record for servicing and client reports.
- Utilizes technology to inform the borrower, including a private-branded consumer website, on-line chat functionality, automated virtual assistant, consumer education videos, email notifications, and a mobile mortgage servicing app. Also provides a dedicated toll-free telephone number for all HOC borrowers.
- Its Customer Service Department includes a Call Center and Customer Service Support, staffed by 200 individuals. The Call Center includes English and Spanish speaking staff and operates from 8:00 a.m. to 9:00 p.m. Eastern Standard Time (“EST”) on weekdays and from 8:00 a.m. to 5:00 p.m. on Saturdays.
- Borrowers payment options include: check, telephone, online, bill payment services (e.g. CheckFree), Western Union, and recurring ACH drafts.

Qualified Subservicers



- **NOVAD Management Consulting, LLC** is headquartered in Landover, Maryland, with an office in Oklahoma City, Oklahoma, and is a minority owned enterprise.
- Operating since 2003, provides consulting services to Federal Agencies, grants, loans and financial management programs.
- Consulting services include program initiation to ongoing support, loan servicing, systems, asset sales, business process re-engineering and training.
- Partners with BSI Financial Services (“BSI”) in Irving, Texas, a minority-owned financial services company formed in 1986, due to proprietary nature of FHA’s loan servicing systems. BSI is a Freddie Mac, Fannie Mae, Ginne Mae and FHA approved servicer or subservicer.
- Meets all insurance and licensure requirements; through BSI, meets FHA approval requirement.
- Clients include FHA for its Reverse Mortgage Program and other residential loan programs; VRM Mortgage Services in Texas, servicing a VA insured residential loan portfolio; and, PRP Advisors in New York, servicing a non-performing residential loan portfolio primarily in bankruptcy or foreclosure.
- As of 2022, BSI’s servicing loan portfolio included almost 200,000 loans of which 40,000 were insured by FHA or VA with an UPB of approximately \$50 billion.
- Utilizes LoanServ, as its servicing platform. Provides all necessary servicing and client performance reports .
- Utilizes technology to inform the borrower, including telephone, email, mail, facsimile or website.
- Its Customer Care Department is available from 8:00 a.m. to 11:00 p.m. EST on weekdays and from 8:00 a.m. to 12:00 p.m. on Saturdays. Spanish speaking agents are available 10:00 a.m. to 8:00 p.m. EST.
- Borrowers payment options include: check, Western Union, recurring ACH drafts, telephone, IVR, online, and mobile app.

Summary of Scoring

Respondents	TOTAL 100 Max	Experience 25	Financial Soundness/ References 20	Price 20	Offeror's Approach/ Borrower's Accessibility 30	MFD Participation 5
Dovenmuehle Mortgage, Inc.	93	25	17	20	30	1
NOVAD Management Consulting	70	18	17	5	25	5

DMI has been in the servicing industry for decades, has a strong team of professionals, is extremely qualified, has successfully serviced HOC's whole loan portfolio for the last six (6) years, has considerable resources, and provides technological enhancements to the servicing of HOC's loans.

With respect to pricing, NOVAD is estimated to be at least 83% higher than the current subservicer, DMI. Both respondents provided fees for various services on a per loan basis. To analyze the fees provided, the Evaluation Team considered (1) the total amount of loans within the existing portfolio, as of October 2022, and (2) utilized typical delinquency and loss mitigation activity seen within the portfolio. A summary of estimated subservicing fees are provided in the table below. Not included in the assumptions are set up fees that the Commission would incur with a new contract with NOVAD (proposed \$3,600 for initial set up of the portfolio), or monthly costs for web access, which are minimal.

Subservicing Assumptions	Count	DMI	NOVAD
Whole Loans	283	\$3,155.45	\$7,075.00
Secondary Closing Cost Loans	275	\$2,450.25	\$6,875.00
Account Maintenance Fee for <1,000 loans	1	\$2,000.00	\$0.00
Delinquency Fee 60 days	6	\$138.00	\$300.00
Delinquency Fee 90 Days	3	\$105.00	\$150.00
Delinquency Fee 120 days	23	\$805.00	\$1,150.00
Loss Mitigation Fee	6	\$234.00	\$0.00
Bankruptcy Fees	4	\$208.00	\$520.00
Foreclosure Fee	4	\$228.00	\$400.00
Forbearance Plan	1	\$0.00	\$450.00
Deed-In-Lieu	1	\$1,000.00	\$1,700.00
Modification	1	\$700.00	\$1,600.00
Estimated Typical Monthly Fee		\$11,023.70	\$20,220.00

Summary and Recommendation

Issues for Consideration

Does the Development and Finance Committee wish to join staff's recommendation to the Commission to approve Dovenmuehle Mortgage, Inc., as single family whole loan servicer?

Fiscal / Budget Impact

There is no budget impact to HOC's operating budget. The majority of the cost for whole loan servicing is a cost to the single family indentures or to the County Revolving Closing Cost Assistance Program ("RCCAP"). Only a small portion, approximately \$15,000 annually, are costs borne outside of the indenture and is included in HOC's operating budget.

Time Frame

For discussion at the March 23, 2023 meeting of the Development and Finance Committee, and formal action by the Commission at its monthly meeting on April 5, 2023.

Staff Recommendation & Commission Action Needed

Staff recommends that the Development and Finance Committee join its recommendation to the Commission to approve the selection of Dovenmuehle Mortgage, Inc., as its single family whole loan servicer, and authorize the Executive Director to negotiate and execute a new contract for an initial two-year term with three (3) optional one-year renewals. Fees will be as proposed in DMI's response to RFP #2344 and funded largely by the single family indenture with a portion of administration fees paid by the County RCCAP.

APPROVAL TO INCREASE THE SALES PRICE & INCOME LIMITS FOR THE SINGLE FAMILY MORTGAGE PURCHASE PROGRAM

SINGLE FAMILY MORTGAGE FINANCE



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

**MONTE STANFORD, DIRECTOR OF MORTGAGE FINANCE
JENNIFER H. WASHINGTON, ASST. DIRECTOR OF BOND MANAGEMENT
PAULETTE DUDLEY, PROGRAM SPECIALIST III**

March 23, 2023

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Executive Summary

The Single Family Mortgage Purchase Program (“MPP” or the “Program”) of the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) was established in 1979 to provide low cost mortgages to first-time home buyers. Since its inception, the MPP has produced over 12,000 mortgages to first-time home buyers in Montgomery County. It has traditionally issued Mortgage Revenue Bonds (“MRB”) from the 1979 Indenture and Housing Revenue Bonds (“HRB”) from the 2009 Indenture to fund its program, and continues to do so; however, upon the collapse of the financial and housing markets in 2010, the MPP added Mortgage Backed Securities (“MBS”) to raise capital to fund its loan program. In 2019, in order to solve for volume cap constraints, the Commission approved a new General Trust Indenture to facilitate the issuance of Program Revenue Bonds (“PRB”) or governmental bonds that provides the Commission flexibility in funding its housing finance programs, including the MPP.

The MPP follows Internal Revenue Service (“IRS”) regulations, which guide the maximum sales price and income limits for the Program. With the IRS revenue procedures that set forth the average area purchase price and established the 2022 Area Median Incomes (“AMI”) published by the U.S. Department of Housing and Urban Development, staff recommends recalculating and approving new maximum sales price and income limits for the Program.

It is important to note that per the Bright Multiple Listing Service, the average sold price for Montgomery County homes in Fiscal Year 2023 is \$676,569. Increasing both the income and sales price limits will not exclude the more affordable incomes from access to the Program, but will continue our reach of households that include millennials, entry-level professionals, civil servants, single earners with children, and multi-generations. Effectively, moderate income households.

Therefore, to bring the Program’s maximum sales price and income limits current in accordance with IRS regulations and HUD’s new area median incomes and to continue the Program’s reach to all first-time homebuyers within the County, staff recommends that the Development and Finance Committee join staff’s recommendation to Commission to approve the following changes for the Program:

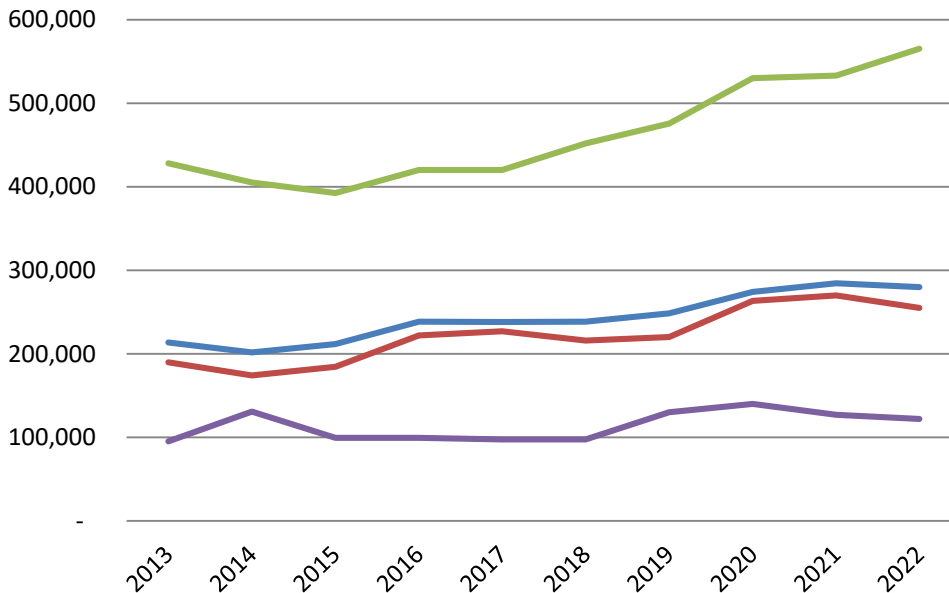
1. Increasing the maximum sales price limits; and,
2. Increasing the maximum income limits.

Maximum Sales Price Limit: Historical and Current

The MPP follows IRS regulations, which guides the maximum sales price and income limits. The data used for setting these limits in Montgomery County are derived from the Washington, DC-MD-VA Metropolitan Statistical Area (“MSA”), a high cost area, comprised of 25 jurisdictions surrounding Washington, DC. The current sales price limit for the Program was approved by the Commission on December 11, 2019 and is \$653,833. It is important to note that per the Bright Multiple Listing Service, the average sold price for Montgomery County homes in Fiscal Year 2023 is \$676,569.

Below are the annual maximum, average, median and minimum sales price for ratified contracts within the Program since 2013. Between FY 2019 and FY 2022 there have been 11 closed loans with sales prices between \$475,500 to \$565,000.

MPP Annual Sales Price Data



Fiscal Year	Maximum Sales Price	Average Sales Price	Median Sales Price	Minimum Sales Price
2013	428,000	213,735	190,000	95,163
2014	405,000	201,826	174,163	130,883
2015	392,500	211,666	184,467	99,637
2016	420,000	238,598	222,000	99,637
2017	420,000	238,106	227,000	97,500
2018	452,000	238,475	216,000	97,422
2019	475,500	248,600	219,950	130,000
2020	530,000	274,241	263,500	140,000
2021	533,000	284,621	270,000	127,000
2022	565,000	279,721	255,000	121,959

Maximum Sales Price Limit: 2023 Proposed Sales Price Limit

Every year, the IRS publishes the revenue procedures that establish the average area purchase price, applicable to single family loan programs financed with tax-exempt bonds. With those procedures now published, staff proposes adjusting the new maximum sales price for the Program. The maximum sales price for the MPP cannot exceed 90% of the Average Area Sales Price, which is adjusted annually and is set based on the IRS' Average Area Sales Price.

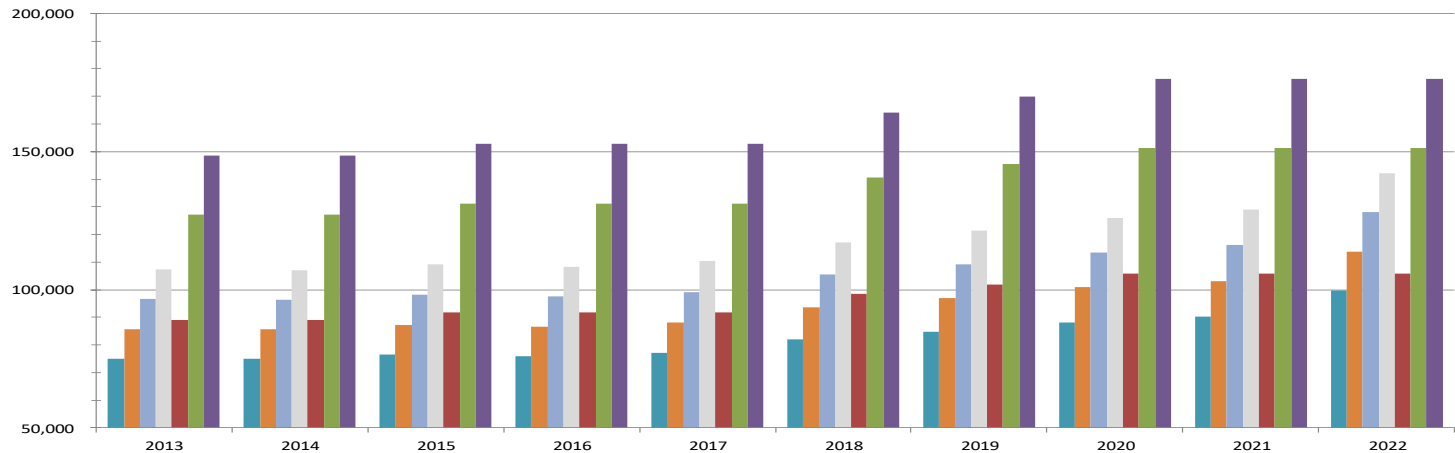
In accordance with IRS regulations, the 2023 Average Area Sales Price for a single family property for the Washington, DC MSA is \$896,220. Therefore, the maximum sales price for both new and existing homes is proposed to be increased to \$806,598 for non-targeted areas ($\$896,220 \times 90\% = \$806,598$), and will apply to both first-time and non-first-time home buyers.

MPP Sales Price Limit Calculation	2019 Current	2023 Proposed
IRS Average Area Sales Price	\$726,537	\$896,220
MPP Maximum Sales Price	\$653,883	\$806,598

Maximum Income Limits: Annual Program Data

The Commission last established the income limits for the MPP on September 25, 2020. Given the increases in the AMI over the last four (4) years, staff proposes increasing income limits for first-time home buyers participating in the Program. Below are the historical AMIs and the MPP's maximum income limits based upon household size between 2013 and 2022.

As of FY 2022, the Program's average borrower is a household for three (3) persons with an annual income of \$76,091 or 59% of the 2022 AMI.



Year	AMI History				MPP Historical Maximum Income Limits		
	One Person (70%) ¹	Two Persons (80%)	Three Persons (90%)	Four Persons (100%)	One Person (106%) ²	Two Persons (132%)	Three+ Persons (131%)
2013	75,110	85,840	96,570	107,300	89,160	127,320	148,540
2014	74,900	85,600	96,300	107,000	89,160	127,320	148,540
2015	76,440	87,360	98,280	109,200	91,728	131,040	152,880
2016	75,810	86,640	97,470	108,300	91,728	131,040	152,880
2017	77,210	88,240	99,270	110,300	91,728	131,040	152,880
2018	82,040	93,760	105,480	117,200	98,448	140,640	164,080
2019	84,910	97,040	109,170	121,300	101,892	145,560	169,820
2020	88,200	100,800	113,400	126,000	105,840	151,200	176,400
2021	90,300	103,200	116,100	129,000	105,840	151,200	176,400
2022	99,610	113,840	128,070	142,300	105,840	151,200	176,400

¹AMI percentage per household size.

²AMI percentage of the MPP income limits relative to household size.

Maximum Income Limits: 2023 Proposed Income Limits

MPP's income limits have traditionally been set at 100% of AMI for a household of one or two people, and 115% of AMI for a household of three or more people, per IRS regulation. As of 2008, income limits for a high cost area may be set as high as 120% of the AMI for one to two person household, and 140% of the AMI for a household with three or more people. The median income for a four-person household (i.e. 100% of AMI) in the Washington, DC MSA increased from \$121,300 in 2019 to \$142,300 in 2022.

When the Commission approved the use of the highest maximum incomes allowed in 2003, the Commission also opted to set a lower, separate income level for a single occupant household of 70% of the calculated income for two person household. Based on the 2022 AMI and adjusting for the high housing cost factor, below is a comparison of the current and proposed maximum income limits.

Household Size	Current Maximum Income Limits	Proposed Maximum Income Limits
One Person	\$105,840	\$119,532
Two Persons	\$151,200	\$170,760
Three or More Persons	\$176,400	\$199,220

Increasing the income limits for the Program will not exclude the more affordable incomes from access to the Program. Doing so will continue our reach of households that include millennials, entry-level professionals, civil servants, single earners with children, and multi-generations, all of which may not have substantial savings, who look to the Program for much needed closing cost assistance that the MPP provides. This has the added benefit of diversifying homeownership across the county for first-time homebuyers.

Maximum Income Limits: 2023 Proposed Income Limits

Assuming a home buyer meets the qualifying criteria of the MPP, a one person household could qualify for a home selling for approximately \$515,000, and a three or more person household could qualify for a home of approximately \$749,000 above our current maximum of \$653,883. Please see the below sample underwriting determining the maximum sales price allowed for a one person and three+ household using proposed new income limits:

One Person Household – Proposed Maximum Income \$119,532		
Monthly Gross Income	/ 12	\$9,961
Monthly Housing Expense ¹	40%	\$3,984
Less: HOA Dues ²		- \$120
Less: Hazard Insurance		- \$130
Less: PMI (% of Mortgage) ³	0.85%	- \$354
Less: Real Estate Taxes ⁴	0.93%	- <u>\$348</u>
Monthly Principal & Interest ⁵	6.00%	\$2,998
Maximum Mortgage		\$500,000
Down Payment	3.00%	\$15,500
MAXIMUM SALES PRICE		\$515,500

Three + Person Household – Proposed Maximum Income \$199,220		
Monthly Gross Income	/ 12	\$16,601
Monthly Housing Expense ¹	40%	\$6,640
Less: HOA Dues ²		- \$130
Less: Hazard Insurance		- \$150
Less: PMI (% of Mortgage) ³	0.85%	- \$514
Less: Real Estate Taxes ⁴	0.93%	- <u>\$504</u>
Monthly Principal & Interest ⁵	6.00%	\$4,354
Maximum Mortgage		\$726,200
Down Payment	3.00%	\$22,800
MAXIMUM SALES PRICE		\$749,000

Assumptions:

¹Typical Housing Expense Ratio to allow for additional debt, as the Debt to Income Ratio must not exceed 45%.

²Assumes average monthly HOA dues in Montgomery County for townhome unit; if condo, dues increase and purchasing power decreases.

³Assumes 690-699 credit score.

⁴Actual Montgomery County Real Estate Tax.

⁵Assumes conventional financing with Down Payment Assistance.

Summary and Recommendations

ISSUES FOR CONSIDERATION

Does the Development and Finance Committee wish to join staff recommendation to the Commission to approve increases to the maximum sales price and income limits for the Mortgage Purchase Program?

TIME FRAME

For deliberation at the March 23, 2023 meeting of the Development and Finance Committee, and formal action of the Commission at its monthly meeting on April 5, 2023.

BUDGET/FISCAL IMPACT

There is no adverse budget or fiscal impact to the Agency's FY 2023 budget.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

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

1. Increasing the Mortgage Purchase Program's sales price limit to \$806,598.
2. Increasing the Mortgage Purchase Program's maximum income limit to \$119,532 for a one-person household, \$170,760 for a two-person household, and \$199,220 for a three- or more person household.

HILLANDALE GATEWAY: APPROVAL TO SELECT CONSTRUCTION MATERIALS TESTING AND THIRD PARTY INSPECTION SERVICES CONSULTANT

10110 AND 10140 NEW HAMPSHIRE AVE, SILVER SPRING, MD



Chelsea J. Andrews, EXECUTIVE DIRECTOR

Zachary Marks, Chief Real Estate Officer
Marcus Ervin, Director of Real Estate
Daejauna Donahue, Project Manager
Kathryn Hollister, Senior Financial Analyst

March 23, 2023

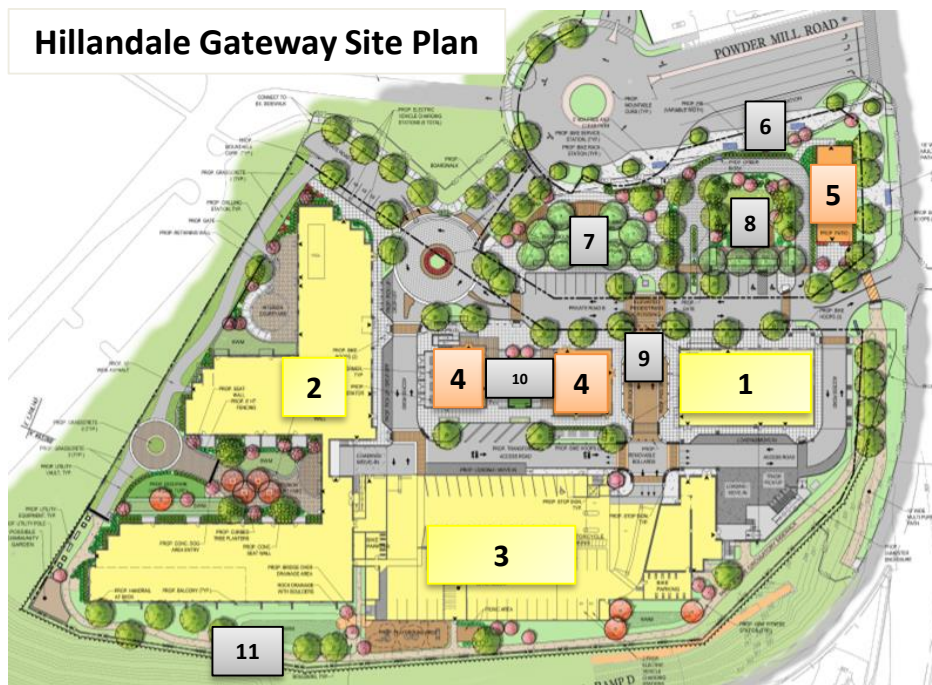
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Background

Hillandale Gateway will be a new mixed-use, mixed-income, multigenerational community located at 10100, 10110, 10120 and 10140 New Hampshire Avenue in Silver Spring, MD, on the site of Holly Hall Apartments, a former 96-unit Public Housing community. Hillandale Gateway will be the first major multifamily investment in the East County in decades and will create its first destination mixed-use community. Hillandale Gateway will also set the bar for innovation and energy efficiency in residential development in the mid-Atlantic.

Hillandale Gateway will include a total of 463 residential units. The development will be comprised of two residential buildings – one, a 155-unit Net Zero Energy, age-restricted (age 62+) senior building (“AR Building”); the other, a 308-unit Passive House, non-age restricted multifamily building (“NAR Building”). In addition to residential units, the site will have a drive-thru coffee shop, above-ground parking garage, commercial/retail/restaurant space, and public and private green space.



KEY

Buildings:

1. 155-unit Senior Building “AR”
2. 308-unit Multifamily Building “NAR”
3. Parking Garage
4. Retail Pads
5. Drive-thru Coffee Shop

Site:

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

Development Highlights

- **Affordability:** Hillandale Gateway will be a contemporary, amenity-rich mixed-income development in a location with convenient access to major arterials, services, recreational activities and amenities. Hillandale Gateway will provide a full spectrum of affordability, not only site-wide, but in the AR and NAR buildings individually.
- **Economic Development:** Hillandale Gateway will bring worthy new amenities and improvements to the Hillandale neighborhood and eastern Montgomery County, and is intended to be the catalyst for achieving broader transformations in Hillandale, attracting the new restaurants, new shops, new residents, new businesses, and new jobs that the White Oak Science Gateway Master Plan specifically seeks to encourage.
- **Sustainability:** Hillandale Gateway will incorporate a variety of methodologies in an effort to set new benchmarks for sustainability and high-performance development in Montgomery County. By using Passive House construction methodologies, the energy consumption of the buildings will be significantly reduced. At the same time, the site will include a renewable energy system (in the form of rooftop solar on both the senior and multifamily building and on the parking garage), which the Development Team anticipates will be sufficient to allow the AR building to become a Zero-Net Energy building – producing as much energy as it consumes.
- **Resiliency:** During periods of grid outage, Hillandale Gateway will be used to provide a resiliency center for residents and the surrounding neighborhood. Resiliency hubs are designed to provide emergency heating and cooling capability; refrigeration of temperature sensitive medications; plug power for charging of cell phone, computer batteries, and certain durable medical equipment; and emergency lighting.
- **Public Open Space:** At the entrance of Hillandale Gateway will be a centralized green space (“Central Green”), usable by the public as well as residents, consisting of approximately 17,000 square feet of contiguous open space. This public open space will include an amphitheater and will be a centerpiece and foreground for the development, establishing a focal point for the multi-building project. The site will provide additional open space, walkable sidewalks, a "loop path", streetscaping, a programmable “Festival Street”, landscaping and other site improvements, all of which will be dispersed throughout the entirety of the site.

Executive Summary

- **Transportation:** The Development Team intends to design and construct more than \$1 million in Local Area Transportation Improvement Program (“LATIP”) improvements along the frontage of the site on Powder Mill Road. The Development Team has worked closely with MCDOT to design a new bus transit center featuring a pedestrian-friendly drop-off area, bus shelters, restroom facilities for bus drivers, and other related infrastructure improvements. Another transportation feature is that the site will provide 70 electric vehicle (“EV”) charging stations within the structured parking garage, with the ability to electrify the entire garage (661 parking spaces) in the future.
- **Digital Equity:** HOC is partnering with the County to provide MoCoNet (free internet service) to residents in the AR Building; staff is also exploring providing this service to low-income residents at the NAR Building.
- HOC is redeveloping Holly Hall as part of a joint venture (“Joint Venture” or “Hillandale Gateway, LLC”) with The Duffie Companies (“Duffie”). Duffie is a third-generation, Montgomery County-based, family-owned real estate owner, developer, and asset manager. Duffie has extensive experience developing high-performance green buildings and is one of the largest real estate owners in the Hillandale submarket of Silver Spring, owning all of the properties along the east side of New Hampshire Avenue directly across from Holly Hall.
- On September 14th, 2022 the Commission approved the structural change from Prescient to concrete.
- On January 11th 2023, the Commission approved the permission to execute the GC Contract and the Early Start budget not to exceed \$14.5MM, which includes a limited notice to proceed not to exceed \$11.5MM, soft costs and contingency.
- The HOC-Duffie development team (“Development Team”) obtained site plan approval and submitted for in 2021 and will submit the revised concrete structure for building permit review in March 2023. As the Development Team works toward a 2023 closing, it recommends that the Commission approve the following:

Staff Recommendation: Select Hillis-Carnes for third-party testing services and inspections for Hillandale Gateway and authorization for the Executive Director to execute a contract with the firm.

Qualification and Selection of Third-Party Testing Services

Hillandale Gateway (RFP #2348) – Qualification and Scope

HOC’s Procurement Office issued a Request for Proposal (RFP #2348) for construction materials testing and third-party inspection services for Hillandale Gateway in accordance with HOC’s Procurement Policy. RFP #2348 was released on September 29, 2022, with a due date of November 10, 2022. The RFP was posted to HOC’s website and distributed to more than 300 vendors registered in the Montgomery County Central Vendor Registration System (“CVRS”). The applicable vendors receive a notification via the system that there is a solicitation for their review and potential response. A pre-proposal meeting and conference was held virtually on October 6, 2022. Two (2) firms attended the pre-bid conference. However, the pre-bid conference does not reveal whether a firm intends to submit a response to the RFP.

The scope of work outlined in RFP #2348 included for instance, geotechnical services, concrete testing and earthwork. The scoring team received written instructions prior to scoring and consists of staff from Risk Management, Mortgage Finance, and Real Estate divisions, as well as a Duffie representative (together, the “Third-Party Testing Scoring Team”), who reviewed the responses on December 13, 2022. The Proposals were scored on the following: five (5) evaluation criteria. The maximum points a proposal could receive is 100.

Background and Experience (Maximum 30 Points)	Management Plan (Maximum 15 Points)	Price (Maximum 25 Points)	Methodology (Maximum 15 Points)	MFD Participation (Maximum 15 Points)
Experience with properties similar in scope and size including working with Montgomery County Special Inspection Program and Housing Authorities in the Baltimore – Washington Metropolitan area with a preference for Montgomery County.	Provide a brief narrative description of the staffing assignments, roles and responsibilities who will be assigned to directly or indirectly work on this contract.	Price and Fees for performing the services described in this request for proposal. Price proposals should include detailed cost of each service.	Describe how your firm proposes to perform the services described in this RFP. The methodology should address coordination of inspections capabilities, availability of staff as required to meet scheduling and reporting requirements and compliance.	Up to 5 points were awarded to respondents that are MFD certified, or proposed to train and/or hire MFD persons directly (“Direct MFD Score”). Up to 10 points for MFD Subcontracting Score”). 0 points for < 25%, 5 points ≥25% and < 30% and 10 points for ≥30%.

Proposals for Third-Party Testing Services

HOC received three proposals in response to RFP# 2348 by the proposal deadline on November 10, 2022 at 12:00 pm. Two proposals were deemed responsive, and one respondent did not provide pricing for the full scope of work. Below are the two responsive respondents.

Hillis-Carnes Engineering Associates, Inc. (“Hillis-Carnes”)

Founded in 1989, Hillis Carnes is a large multidisciplinary consulting engineering firm, providing construction materials testing, third-party inspections, geotechnical engineering, facilities consulting and more. They have 16 full-service branch offices. The firm has been in the testing business for over 30 years and has completed numerous projects in Montgomery County. Hillis Carnes has provided third-party testing services for HOC projects, such as the Leggett and the Laureate.



Kim Engineering, Inc. (“Kim”)

Founded in 1993, Kim is a MBE/SBE/DBE multi-disciplinary engineering firm who provides clients with the full range of services, including, but not limited to, geotechnical engineering, civil engineering, surveying, construction materials testing and inspections, contract administration, and landscape architecture services. The firm does not have experience with projects of similar scope and size as the third-party inspector in Montgomery County.



Selection of Third-Party Tester

Hillandale Gateway (RFP #2348) – Scoring Summary

Hillis-Carnes received the highest score of 87 points. The scores below reflect the average of the individual scores from each member of the Third-Party Testing Scoring Team. The results of the Third-Party Testing Scoring Team are summarized below.

Rank	Third-Party Testing	Background and Experience (Maximum 30 Points)	Management Plan (Maximum 15 points)	Price (Maximum 25 Points)	Methodology (Maximum 15 Points)	MFD Participation (Maximum 15 Points)	Total (Maximum 100 Points)
1	Hillis-Carnes	29	13	25	10	10	87
2	Kim	19	10	20	7	15	71

Background and Experience:

- Hillis-Carnes demonstrated experience with properties of similar scope and size, including working with Montgomery County Special Inspection Program and Housing Authorities in the Baltimore – Washington Metropolitan area with a preference for Montgomery County.
- Kim did not demonstrate significant experience with properties of similar scope and size, which highly reveals the respondent’s capability of providing the service for this project. The score reflects this assessment based on Kim’s lack of experience in properties of said similarity.

Management Plan:

- Hillis-Carnes’ management plan included staffing for thirteen personnel.
- Kim’s management plan included staffing for eight personnel resulting in 1,174 less hours in services.

Methodology:

- Hillis-Carnes provided significant information to support their methodology for the project.
- Kim did not provide significant information regarding the methodology for the project.

Selection of Third-Party Tester – Continued

Hillandale Gateway (RFP #2348) – Price Comparison Assuming Concrete Structure

Price Comparison	Hillis-Carnes	Kim
Geotechnical Services	\$91,378	\$100,211
Base Building		
Non-Age Restricted Building	\$159,712	\$190,032
Age Restricted Building	\$151,480	\$132,066
Garage	\$68,480	\$67,086
Retail	\$18,380	\$14,208
Base Building Total	\$398,052	\$403,392
TOTAL BID	\$489,430	\$503,603
15% Contingency (recommended by Staff)	\$73,415	\$75,540
TOTAL CONTRACT PRICE	\$562,845	\$579,143
Hours	5,427	4,253

Pricing:

- The respondents' pricing were within approximately \$15,000 of each other or 3%.
- Hillis-Carnes received the highest points for pricing because their pricing was the lowest price for a concrete structure and included 27% more hours for services.
- Staff recommends that the Commission include a 15% contingency on top of the awardee's price to cover any unforeseen or additional services required.

Selection of Third-Party Tester – Continued

Hillandale Gateway (RFP #2348) – MFD and Staff Recommendation

Third-Party Testing	Direct MFD Efforts	MFD Subcontracting	MFD Contract Amount	Pricing
Hillis-Carnes	<ul style="list-style-type: none"> Demonstrated commitment to employ MFD personnel MFD related commitments, which include evidence of training and internship programs 	CECA 28%	\$131,310	\$489,430
Kim	<ul style="list-style-type: none"> Certified MBE Firm 	CECA 34%	\$171,225	\$503,603

MFD Participation:

- Hillis-Carnes demonstrated direct MFD efforts within its proposal. Furthermore, the firm provided a subcontracting plan that included 28% MFD subcontracting with CECA. Therefore, Hillis-Carnes received ten points for MFD participation.
- Kim is a certified MBE firm and received five points for direct MFD efforts. Furthermore, it provided a subcontracting plan that included 34% MFD subcontracting with CECA. Therefore, Kim received the full fifteen points for MFD participation.

Staff Recommendation:

- Hillis-Carnes demonstrated that it is better suited to perform third-party testing services. As mentioned, the firm also provided the service for HOC projects, such as The Leggett and The Laureate.
- Staff proposes the selection of Hillis-Carnes to provide third-party testing services for \$489,430 and that the Commission include a 15% contingency on top of the awardee’s price (for a total budgeted price of \$562,845) to cover any unforeseen or additional services required.

Summary and Recommendations

Issues for Consideration

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

1. The selection of Hillis-Carnes to provide construction materials testing and third-party inspection services for the Hillandale Gateway and authorize the Executive Director to negotiate and execute a contract with Hillis-Carnes Engineering LLC in an amount up to \$489,430;
2. Approve a total budget of \$562,845, which includes a Commission-held contingency of \$73,415 (15% of contract).

Budget – Fiscal Impact

No budget/fiscal impact. The third-party testing scope will be paid from construction financing proceeds.

Time Frame

For discussion at the Development and Finance Committee meeting on March 23, 2023, and formal action at the April 5, 2023, meeting of the Commission.

Staff Recommendation and Commission Action Needed

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

1. The selection of Hillis-Carnes to provide construction materials testing and third-party inspection services for the Hillandale Gateway and authorize the Executive Director to negotiate and execute a contract with Hillis-Carnes Engineering LLC in an amount up to \$489,430;
2. Approve a total budget of \$562,845, which includes a Commission-held contingency of \$73,415 (15% of contract).

Prior Commission Actions

RESOLUTION No. 20-78: On November 4, 2020, the Commission approved the Predevelopment Budget in the Amount of \$10,053,974 for Hillandale Gateway; with funding from the OHRF that will be repaid upon closing of construction financing.

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

RESOLUTION No. 22-20: On March 2, 2022, the Commission approved Lambis-Rank as Construction Manager and authorization to execute the CM contract and approved CBG as the General Contractor.

RESOLUTION No. 22-67: On September 14, 2022, the Commission approved the revised predevelopment budget and additional predevelopment funding, which included the structural change from Prescient to Concrete.

RESOLUTION No. 23-07: On January 11, 2023, the Commission approved the permission to execute the GC Contract and the Early Start budget not to exceed \$14.5MM, which includes a limited notice to proceed not to exceed \$11.5MM, soft costs and contingency.

ELIZABETH HOUSE APARTMENTS: APPROVAL TO SELECT THE BERG CORPORATION AS THE DEMOLITION CONTRACTOR FOR ELIZABETH HOUSE APARTMENTS IN ACCORDANCE WITH INFORMATION FOR BID (“IFB”) #2361 AND AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE A CONTRACT FOR THE DEMOLITION

SILVER SPRING

CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

**ZACHARY MARKS, CHIEF REAL ESTATE OFFICER
MARCUS ERVIN, DIRECTOR OF DEVELOPMENT
PAUL VINCIGUERRA, CONSTRUCTION MANAGER
GIO KAVILADZE, SENIOR FINANCIAL ANALYST**

March 23, 2023



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Executive Summary

- Elizabeth House Apartments (“Elizabeth House”), located at 1400 Fenwick Lane in Silver Spring, MD, is a former 160-unit senior Public Housing community adjacent to The Leggett (“The Leggett”), a new, mixed-income 267-unit multigenerational community that sits above the South County Regional Recreation and Aquatic Center (“SCRRAC”). All referenced properties and Alexander House are located at Elizabeth Square, bounded by Apply Avenue, Second Avenue, and Fenwick Lane.
- Elizabeth House has reached the end of its useful life cycle. In order to facilitate the further development of the square, HOC is seeking the services of a demolition contractor (“Demolition Contractor”) to demolish the existing building.
- On February 2, 2023, HOC issued Invitation for Bid No. 2361 (“IFB #2361”) for the Demolition of Elizabeth House Apartments. HOC received three proposals. Bids ranged in price from \$2,298,826 to \$2,900,000.
- Pursuant to the IFB, the contract will be awarded to the responsive and responsible bidder offering the lowest base bid. A responsive bidder provides a bid that meets the criteria laid out in the IFB. A responsible bidder demonstrates that it has the experience, personnel, equipment, and finances to perform the requirements of the contract.
- After an evaluation of the bids, staff recommends that the Development and Finance Committee join staff’s recommendation that the Commission award IFB #2361 to The Berg Corporation (“Berg”) and authorize the Executive Director to negotiate and execute a contract for the demolition of Elizabeth House. The recommendation is based on the following:
 1. Staff has determined that Berg is a responsive and responsible bidder and that its proposal meets the qualification and financial requirements of IFB #2361;
 2. Berg’s bid of \$2,298,826 was the lowest received;
 3. Staff proposes to include a contingency of 20%, totaling \$459,765, to be added to the demolition budget of \$2,298,826, bringing the total estimated demolition cost to \$2,758,591;
 4. Staff proposes to fund the demolition from three sources:
 - \$1.5 million of County Capital Improvement Fund (“CIP”) funds,
 - \$1 million DHCA 0% interest loan,
 - Up to \$500K loan from HOC Opportunity Housing Reserve Fund (“OHRF”);
 5. Currently, the \$1.5 million of CIP funding and \$1 million of DHCA loan are not yet in place; therefore, staff requests approval of a bridge loan of up to \$2.5 million from HOC’s PNC Real Estate Line of Credit (“RELOC”) to provide funding for the demolition until the receipt of County CIP and DHCA funds;
 6. The demolition is expected to start in May/June 2023 and should take approximately 180 days to complete.

Background – Demolition Planning

February 2, 2023

HOC issues IFB No. 2361 for the Demolition of Elizabeth House Apartments (“IFB #2361”)

February 17, 2023

HOC hosts a pre-bid conference for IFB #2361

March 3, 2023

Responses to IFB #2361 due; public bid opening.

Method of Procurement

HOC Procurement Policy, Section 5.3, allows for a Sealed Bid, also referred to as an Invitation for Bid (“IFB”), to be used for the procurement of these demolition services. Under the Sealed Bid/IFB process, HOC publicly solicits bids and awards a firm a fixed price contract to the qualified and responsive bidder offering the lowest price. A Sealed Bid is generally the preferred method for procuring construction and other well defined services in excess of \$150,000.

A Sealed Bid/Invitation for Bid is generally used in situations meeting the following requirements:

- A complete and accurate statement of work, specifications, and conditions of purchase are available;
- Multiple responsible bidders are willing and able to compete for the work;
- The scope of work is such that the bidders can submit a firm fixed price and the contract can be awarded based upon a fixed price;
- The selection of the successful bidder can be made principally on the basis of price.

The Invitation for Bids procurement process includes the following steps:

- HOC publicly issues an Invitation for Bid, which includes all specifications, contractual terms, and other conditions defining the services that HOC requires. The IFB includes a statement that the work will be awarded to the responsive and responsible bidder offering the lowest price.
 - A responsive bidder provides a bid that meets the criteria laid out in the bidding documents.
 - A responsible bidder demonstrates that it has the experience, personnel, equipment, and finances to perform the requirements of the contract.
- An exact date and time is specified for all bids to be received by HOC.
- At the bid opening time, all bids that have been received by HOC are publicly opened and read aloud. Bids that are not received by the required time are disqualified and not considered.
- HOC staff evaluates all the bids that have been received to determine that they are responsive to the requirements of the IFB and that the bidder is capable of performing the work. The bidder who meets these requirements and offers the lowest price is selected to perform the work.

Bid Evaluation

- Three (3) demolition contractors provided bids.
- Bids ranged in price from \$2,298,826 to \$2,900,000.
 1. **The Berg Corporation** provided the lowest bid and submitted the required documentation to be considered for the bid award.
 2. **Perdomo, Inc.** bid is considered non-responsive because the bidder did not submit bonding agency confirmation letter and Certificate of Good Standing as required by IFB #2361.
 3. **Demolition Services, Inc.** bid is considered non-responsive because the bidder did not submit detailed bid documents and backup as required by IFB #2361.
- The demolition of Elizabeth House is to be managed by HOC.
- Staff proposes to fund the demolition with \$1.5 million County CIP funds, \$1 million DHCA 0% interest loan, and up to \$500K loan from HOC Opportunity Housing Reserve Fund (“OHRF”). Because the \$1.5 million CIP funding and \$1 million DHCA loan are not yet in place, staff requests a bridge loan of up to \$2.5 million from HOC’s PNC Real Estate Line of Credit (“RELOC”). RELOC bridge loan balance will be repaid upon approval and receipt of the CIP and DHCA funds.

Company	Perdomo, Inc.	Demolition Services, Inc.	The Berg Corporation
Total Bid Amount:	\$2,900,000.00	\$2,456,832.00	\$2,298,826.00

Demolition Contractor Qualifications

The Berg Family's has been in the demolition business since 1910. The Berg Corporation was founded in 1998. Headquartered in Baltimore, Maryland, Berg crews are a daily presence in the Baltimore, Washington, Northern Virginia, Suburban Maryland, Central Maryland, Delaware and Central Pennsylvania regions.

- Over 200 years combined senior management experience
- Over Five Hundred Million Dollars of successfully completed projects
- Leadership in the development of safe work practices for the industry
- Over 90 years headquartered in Baltimore
- Most diverse equipment fleet in the industry
- Commitment to excellence and passion for service and hauling.

Examples of Berg Demolition Projects



Holiday Inn Rosslyn

Mechanical demolition of parking garage and pedestrian bridge. Implosion of a 18 story hotel.

Location: Arlington, VA



20 Massachusetts Avenue

Asbestos abatement, strip out, façade removal, and roof strip of 8 story office building.

Location: Washington, DC



Pier 13

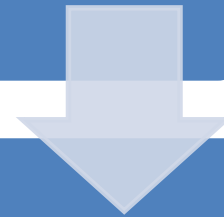
Building Height: 210 ft. Demolish former grain silo and associated offices using ultra high reach demolition tool and 140-ton crane.

Location: Baltimore, MD

Projected Demolition Timeline

April-May 2023

Contract negotiation, permitting, site planning and preparation



May-June 2023

Demolition starts



December 2023-January 2024

Demolition ends

Summary and Recommendations

Issues for Consideration

Does the Development and Finance Committee wish to join staff's recommendation that the Housing Opportunities Commission of Montgomery County:

1. Approve the selection of The Berg Corporation as the demolition contractor for Elizabeth House in accordance with IFB #2361 and authorize the Executive Director to negotiate and execute a contract for \$2,298,826 with the firm to complete the demolition of Elizabeth House Apartments?
2. Approve the full cost and funding of the demolition, including a 20% overall contingency, totaling \$2,758,591, to be funded from the following sources?
 - \$1,500,000 County CIP funds.
 - \$1,000,000 zero interest loan from County DHCA.
 - Up to \$500,000 zero interest loan from HOC Opportunity Housing Reserve Fund ("OHRF").
3. Accept \$1,500,000 County CIP funds and \$1,000,000 zero percent interest loan from County DHCA to fund the project?
4. Approve a bridge loan of up to \$2,500,000 from HOC's PNC Real Estate Line of Credit ("RELOC") to provide bridge funding for the demolition, pending the receipt of County CIP and DHCA funds?

Time Frame

For discussion at the March 23, 2023 meeting of the Development and Finance Committee and formal action at the April 5, 2023 meeting of the Commission.

Summary and Recommendations

Budget/Fiscal Impact

None. The demolition of Elizabeth House will be funded by interest free loans or grants from County CIP, DHCA, and HOC OHRF.

Staff Recommendation

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

1. Approve the selection of The Berg Corporation as the demolition contractor for Elizabeth House in accordance with IFB #2361 and authorize the Executive Director to negotiate and execute a contract for \$2,298,826 with the firm to complete the demolition of Elizabeth House Apartments.
2. Approve the full cost and funding of the demolition, including a 20% overall contingency, totaling \$2,758,591, to be funded from the following sources:
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 - Up to \$500,000 zero interest loan from HOC Opportunity Housing Reserve Fund (“OHRF”).
3. Accept \$1,500,000 County CIP funds and \$1,000,000 zero percent interest loan from County DHCA to fund the project.
4. Approve a bridge loan of up to \$2,500,000 from HOC’s PNC Real Estate Line of Credit (“RELOC”) to provide bridge funding for the demolition, pending the receipt of County CIP and DHCA funds.

Adjourn