



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



## DEVELOPMENT AND FINANCE COMMITTEE

**May 21, 2021**  
**10:00 a.m.**

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

### Approval of Minutes:

Title	Page
1. <b>Minutes:</b> Approval of Development and Finance Committee Minutes of April 23, 2021	3

### Action Items:

Title	Page
1. <b>Georgian Court:</b> Approval to Select Hamel Builders as General Contractor for the Renovation of Georgian Court Apartments; Approval to Freeze Leasing to Facilitate Renovation; Approval of Request for Additional Predevelopment Funds; and, Ratification of the Formation of Ownership Entities	8
2. <b>Shady Grove:</b> Approval to Select Hamel Builders as General Contractor for the Renovation of Shady Grove Apartments; Approval to Freeze Leasing to Facilitate Renovation; Approval of Request for Additional Predevelopment Funds; and, Ratification of the Formation of Ownership Entities	25
3. <b>Avondale:</b> Authorization of the Executive Director to Execute a Letter of Intent for the Disposition of 4527 Avondale Street	42
4. <b>Strathmore Court – Multifamily Financing:</b> Authorization to Transfer Units from HOC to Strathmore Court Associates Limited Partnership; Authorization for Strathmore Court Associates Limited Partnership to Accept the Transfer of Units; and, Authorization for Strathmore Court Associates Limited Partnership to Complete the Federal Housing Administration (FHA) Risk Share Refinance	50

# Minutes

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**

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

**Development and Finance Committee Minutes**

**April 23, 2021**

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Development and Finance Committee was conducted via an online platform and teleconference on Friday, April 23, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:05 a.m. Those in attendance were:

**Present**

Jackie Simon, Chair – Development and Finance Committee

Roy Priest - Commissioner

Richard Y. Nelson, Jr. – Commissioner

**Also Attending**

Stacy Spann, Executive Director

Aisha Memon, General Counsel

Zachary Marks

Cornelia Kent

Claire Kim

Marcus Ervin

Paulette Dudley

Gio Kaviladze

Ellen Goff

Contessa Weber

Fred Swan

Kayrine Brown, Deputy Executive Director

Eamon Lorincz, Deputy General Counsel

Jennifer Arrington

Nathan Bovelle

Darcel Cox

Timothy Goetzinger

Jay Shepherd

Eugenia Pascual

Nicolas Deandreis

Terri Fowler

**APPROVAL OF MINUTES**

The minutes of the March 26, 2021 Development and Finance Committee were approved upon a motion by Commissioner Nelson and seconded by Commissioner Priest. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

## **DISCUSSION ITEMS**

### **1. Single Family Mortgage Purchase Program: Approval of New Participating Lenders for the Single Family Mortgage Purchase Program**

Paulette Dudley, Program Specialist, provided the presentation. Staff recommended to the Development and Finance Committee approval of Ameris Bank, First Heritage Mortgage, LLC and Severn Savings Bank as new participating lenders in the Mortgage Purchase Program.

Commissioner Simon asked whether Severn Savings Bank had a local branch in Montgomery County. She indicated that she would encourage that we work with local banks that have local branches for accessibility.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend the item for approval at the May 5, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

### **2. Single Family Bond Issuance: Approval of Structure, Cost of Issuance Budget, and Adoption of a Series Resolution for 2021 Series A and 2021 Series B Single Family Mortgage Revenue Bonds for the Purpose of Issuing New Debt and Refunding Single Family Mortgage Revenue Bonds**

Kayrine Brown, Deputy Executive Director, introduced Jennifer Arrington, Acting Director of Mortgage Finance, who provided the presentation to recommend to the full Commission approval of the structure and issuance of the 2021 Bonds under the 1979 Mortgage Revenue Bond Resolution, approval of the cost of issuance budget to be funded by the 1979 Indenture, authorization to execute an interest rate hedge agreement relating to the variable rate 2021 Bonds, and adoption of one or more Series Resolutions authorizing the issuance of the 2021 Bonds.

Ms. Arrington addressed Commissioner Priest's question regarding the interest rate hedge.

A motion was made by Commissioner Priest and seconded by Commissioner Nelson to recommend the item for approval at the May 5, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

### **3. Housing Production Fund: Approval of a Master Resolution Providing for the Creation of a Revolving Housing Production Fund to Provide Construction Bridge Financing for**

**Multifamily Housing in Montgomery County Maryland to Provide Funding for the Revolving Housing Production Fund; Approval of the Program Parameters of the Housing Production Fund; and Approval of Structure and Cost of Issuance Budget of, and Adoption of Series Resolution for the Issuance of Limited Obligation Bonds (Revolving Housing Production Fund) 2021 Series**

Kayrine Brown, Deputy Executive Director, and Zachary Marks, Director of Real Estate and Mortgage Finance, were the presenters. Ms. Brown explained that the County Council and HOC staff have been working together to develop a new source of funding specifically for the use with HOC's mixed-income model. Ms. Brown indicated that on March 23, 2021, the Housing Production Fund (HPF) was approved by Council for the funding of debt service for bond issuance that will be completed by HOC. Staff requested approval of various items – approval of a Master Resolution creating the HPF and for HOC to enter into a funding agreement with the County. Staff also requested approval of the program parameters and an authorizing resolution to issue the Bonds.

Mr. Marks provide presentation on the conceptual background. Ms. Brown provided presentation on the program particulars.

A motion was made by Commissioner Nelson and seconded by Commissioner Simon to recommend the item for approval at the May 5, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon and Nelson. Commissioner Priest stepped away temporarily and did not participate during the vote. Upon his return, he was informed and was in agreement with the vote.

**4. Sandy Spring Missing Middle: Approval of Third Phase of Predevelopment Funding and Concept Plan Application Preparation for Submittal to Planning Commission**

Kayrine Brown, Deputy Executive Director, introduced Jay Shepherd, Senior Management Analyst, to provide a presentation requesting the Development and Finance Committee to recommend to the full Commission approval of a loan to fund the third phase of predevelopment costs for the Missing Middle concept.

A motion was made by Commissioner Priest and seconded by Commissioner Nelson to recommend the item for approval at the May 5, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Priest and Nelson. Commissioner Simon stepped away temporarily and did not participate in the vote.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to adjourn the meeting. Affirmative votes were cast by Commissioners Simon, Priest, and Nelson. The meeting adjourned at 11:38 a.m.

Next scheduled meeting is May 21, 2021.

Respectfully submitted,

Stacy L. Spann  
Secretary-Treasurer

/pmb

# Discussion/Action Items

**GEORGIAN COURT: APPROVAL TO SELECT HAMEL BUILDERS AS GENERAL CONTRACTOR FOR THE RENOVATION OF GEORGIAN COURT APARTMENTS, APPROVAL TO FREEZE LEASING TO FACILITATE RENOVATION, APPROVAL OF REQUEST FOR ADDITIONAL PREDEVELOPMENT FUNDS, AND RATIFICATION OF THE FORMATION OF OWNERSHIP ENTITIES**

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**SILVER SPRING, MD**



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
ZACHARY MARKS  
HYUNSUK CHOI

May 21, 2021



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# Executive Summary

- Georgian Court (the “Property”) was originally constructed in 1975 and is a 147-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 49 one-bedroom and 98 two-bedroom units. The property is currently operating under an extended-use covenant, which requires the following set aside; 29 units (Project-Based Section 8 rental assistance) set aside at 50% of area median income (“AMI”) and 118 units set aside at 60% of AMI.
- The Property consists of four (4) three-story and one (1) four story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 3600 Bel Pre Rd, Silver Spring, MD 20906. After a modest rehabilitation in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior buildings, and the residents’ units. The renovation will be completed with residents in place, facilitated by temporarily ceasing future leasing activity and moving up to 12 currently occupied units to an off-site location in order to create one vacant building or 24 vacant units.
- On February 12, 2021, HOC’s Procurement Office issued a Request for Proposal (RFP #2237) for general contracting services for renovation of Georgian Court Apartments, in accordance with HOC’s Procurement Policy. The response date was April 12, 2021.
- A pre-proposal meeting and conference was held virtually on February 23, 2021 to discuss with potential General Contractors (“GC”) the project, construction schedule, and other related matters.
- On April 12, 2021, staff received four (4) proposals from potential GCs and the scoring team (consisting of staff from Mortgage Finance, Asset Management, and Construction Management) reviewed the responses on April 26, 27, and 28, 2021.
- Based on the evaluation of the proposals, staff recommends the selection of Hamel Builders, Inc. (“Hamel”) as general contractor for the renovation of the Property and requests authorization of the Executive Director to negotiate a contract with Hamel.
- Staff also requests approval of the Commission to create a maximum of 24 vacant units at the property by allowing staff to a) freeze leasing, and b) temporary relocate residents off-site to facilitate the renovation schedule.
- Finally, to complete the predevelopment phase of the development, staff also recommends approving an increase of \$500,000 to the existing predevelopment budget to be funded with a loan from the Opportunity Housing Reserve Fund (“OHRF”).

# Project Summary

<b>Project Name</b>	Georgian Court	<b>Units</b>	147	<b>Expected Closing Date</b>	2 <sup>nd</sup> Qtr FY22
<b>Location</b>	Silver Spring, MD	<b>Average Unit Size (SF)</b>	883	<b>Stabilization Date</b>	April 2024
<b>Product Type</b>	Garden-Style Apartment	<b>Occupancy (05/07/21)</b>	91.8%	<b>Recapitalization Strategy</b>	Rehab
<b>Year Built/Renovated</b>	1975/2001	<b>Total Rentable Sqft</b>	129,871	<b>Funding Strategy</b>	4% LIHTC/Bonds

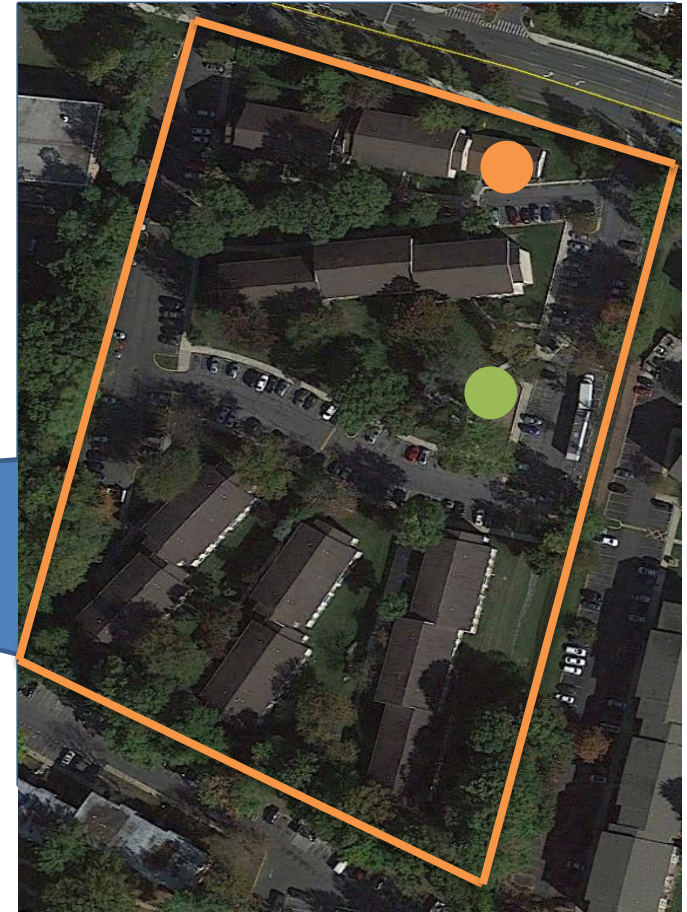
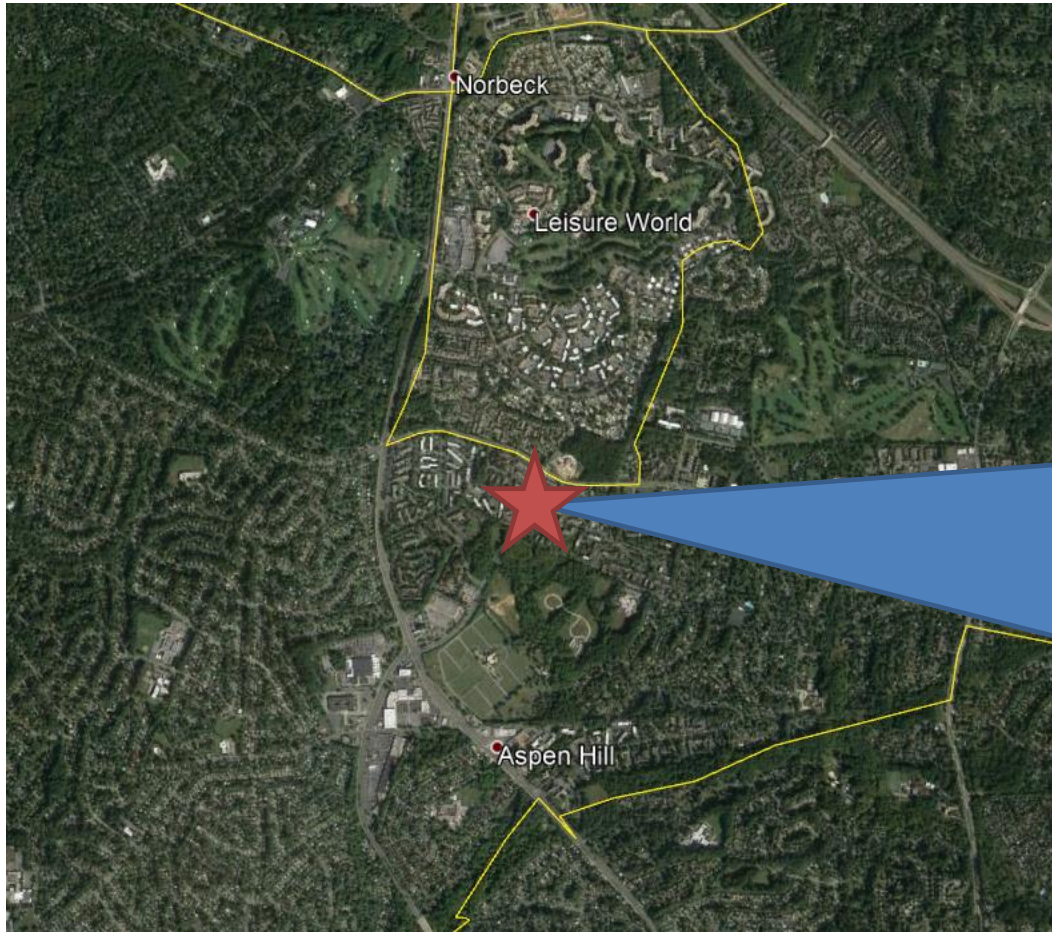
Georgian Court (the “Property”) was originally constructed in 1975 and is a 147-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 49 one-bedroom and 98 two-bedroom units. The property is currently operating under the extended-use covenant which requires the following set aside; 29 units (project-based Section 8 rental assistance) set aside at 50% of area median income (“AMI”) and 118 units set aside at 60% of AMI. The Property consists of four (4) three-story and one (1) four story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 3600 Bel Pre Rd, Silver Spring, MD 20906. After a modest rehab in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior grounds, and the residents’ units.

## Development Plan




- LIHTC equity (4%) and HOC-issued tax-exempt bond proceeds with fund all construction costs.
- Repay existing FHA Risk Share mortgage loan (est. balance of \$3,427,938 in the second quarter of FY2022).
- Add eight Uniform Federal Accessibility Standards (“UFAS”) units with roll-in showers.
  - Five two-bedroom units and three one-bedroom units
  - Two units will be renovated to comply with requirements of the hearing and visually impaired.
- Updating playground as staff learned through its feasibility due diligence that many residents have children and that many of these children are not using our playground because of outdated equipment.

# Georgian Court – Location





The Property was constructed in 1975 on 6.75 acres (per assessment record) on the south side of Bel Pre Rd. near the intersection of Georgia Ave in Silver Spring, Maryland. Fortunately, the Property is located in a Qualified Census Tracts (“QCT”) which qualify for the 30% basis boost for the LIHTC.

 Georgian Court Apartments

May 21, 2021



-  Leasing Office and Community Room
-  Playground Area

# Qualification and Selection of General Contractor(s)

## Georgian Court (RFP #2237) – Qualification

- HOC's Procurement Office issued a Request for Proposal (RFP #2237) for general contracting services for the renovation of Georgian Court Apartments on February 12, 2021 with a due date of April 12, 2021 in accordance with HOC Procurement Policy. A pre-proposal meeting and conference was held virtually on February 23, 2021.
- On April 12, 2021, staff received four proposals from four qualified firms to participate to be considered responsive and to be evaluated.
- The scoring team (consisting of staff from Mortgage Finance, Asset Management, and Construction Management) reviewed the responses on April 26, 27, and 28, 2021, based on several criteria:
  - AIA A305 – Contractor's Qualification Statement
  - General Experience: Respondent's references shall demonstrate successful experience with the following:
    - Contractor must demonstrate the ability to handle environmental abatement
    - Contractor must demonstrate experience with the permitting, code compliance and inspection process
    - Contractor must demonstrate experience with major systems upgrades and utility/permitting coordination to include: electrical, plumbing, mechanical, life safety and monitoring systems
    - Contractor must demonstrate experience with undertaking and completing multifamily renovations similar to the proposed project involving affordable housing financing programs including HUD financing, and Davis Bacon and Related Acts
    - Contractors must demonstrate experience with completing multifamily renovations similar in scope of work, size & scale, with an emphasis on enhancing the sustainability and visual appeal of the development
  - Management and Operations: Provide a brief narrative description of the following management and operation procedures:
    - Staffing assignments, roles and responsibilities & Communication / Owner update methods and frequency
    - Quality Assurance / Quality Controls Prior to Punch Walks / Owner approvals & Safety Protocol
    - Continuing education / Employee training / Industry related designations and/or certifications
  - Price proposals should include detailed construction cost estimates for each Construction Specifications Institute ("CSI") Section / Division.
  - Minority/Female/Disabled ("MFD") participation above the minimum requirement of 25% of contracts for subcontractor work and/or supplies (based on total contract value).

# Qualification and Selection of General Contractor(s)

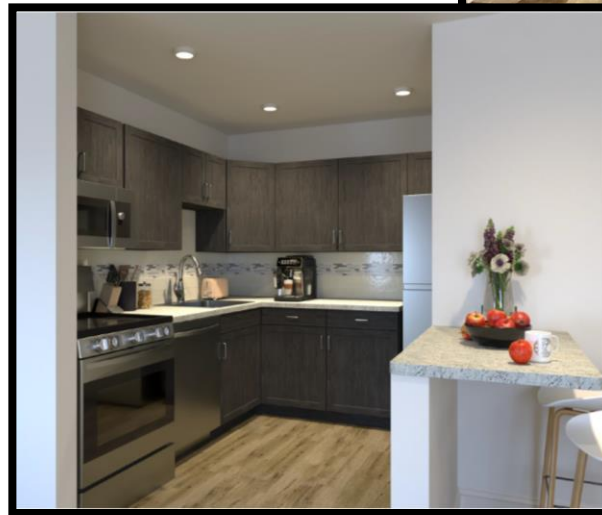
## Georgian Court (RFP #2237) – Scope of Work

The property was originally constructed in 1975 and minor renovations were performed in 2001 with LIHTC equity and HOC mortgage proceeds. Staff has developed a renovation scope that includes the following:

- Replace all exterior roofing, siding, gutters, downspouts, fascia, rakes, and soffits, and add entry canopies on each building.
- Upgrade of interior kitchen and bathroom, including but not limited to energy efficient appliances, new cabinets, countertops, fixtures and lighting.
- Install modern, energy efficient HVAC systems.
- Accessible path improvement, re-lamp existing light fixtures with LED lamps, re-stripe identified parking spaces.
- Remove and replace flooring in stair halls and landings and flight of stairs in each stair hall.
- Replace existing fire alarm detection and notification systems with new systems through-out.
- Update existing playground
- Create eight new UFAS units with roll-in showers (five two-bedroom units and three one-bedroom units)
  - Two units will be renovated to comply with requirements of for the hearing and visually impaired.
- Install folding counter and refinish surfaces in common laundry rooms.
- Replace all existing domestic water piping with new brass valves.



*Existing Kitchen*



*Rendering for a finished kitchen for Georgian Court Apartment to show the standard set of energy efficient appliances.*

These improvements will not only address curb appeal but also – and more importantly – increase energy efficiency, extend the property’s useful life, and allow the property to better compete in the marketplace.

# Qualification and Selection of General Contractor(s)

## Georgian Court (RFP #2237) – Asbestos-Containing Materials (“ACM”)

HOC engaged with ECS for the Asbestos-Containing Materials (“ACM”) survey and based on the laboratory analysis of the bulk samples collected during the survey, the following materials were reported to contain **asbestos**:

- Drywall joint compound;
- Scattered floor tiles and associated mastic;
- Black tar on all roof step flashing;
- Flashing on roofs Cluster 1;
- Tan sealant on Cluster 1 roof parapet caps;
- White caulk associated with ACM black tar on roof step flashing;
- Black sealant on roof plumbing vent pipes in Cluster 4; and
- Black sealant on roof ridge cap shingles in Cluster 4

Cluster	Building Address
Cluster #1	3600, 3604, and 3608
Cluster #2	3612 and 3616
Cluster #3	3630, 3634, and 3638
Cluster #4	3646 and 3643
Cluster #5	3650 and 3654

Due to the inaccessibility or the destructive means that asbestos sampling requires, additional suspect ACMs may remain within the building hidden behind inaccessible area.

Based on ECS past experience in the identification of ACMs in similarly constructed buildings, the following additional suspect ACMs may also be located in inaccessible area of the structure(s):

- Vinyl asbestos flooring and adhesives,
- Tar Paper (under exterior cladding) and Fire door insulation within doors and associated door frames,
- Mastics behind cabinets, display boards, mirrors, etc.,
- Adhesives, Mastics, and Felts beneath ceramic, and/or quarry tiles,
- Vapor Barriers beneath wood flooring and/or behind paneling,
- Electrical Insulators in electrical panels.

If these materials are discovered during construction activities, the GC should presume that materials contain asbestos and be treated as ACMs. Staff included the renovation scope to remove all ACMs.

# Selection of General Contractor

## Georgian Court (RFP# 2237) – Scoring Summary

- RFP #2237: Georgian Court Apartments, staff received four (4) responses, and Hamel achieved the highest score of 84.3. The scoring team (consisting of staff from Mortgage Finance, Asset Management, and Construction Management) reviewed the responses on April 26, 27, and 28, 2021.

RANK	General Contractor	AIA A305 – Contractor’s Qualification Statement (15)	General Experience (25)	Management and Operations (25)	Pricing (25)	Excess MFD Participation (10) *	Total AVG.
1	Hamel Builders	13.3	22.3	23.3	20.3	5.0	84.3
2	Hooten Construction	14.0	20.7	17.3	25.0	0.0	77.0
3	Kane Construction	8.7	14.0	14.7	21.0	10.0	68.3
4	DD&B	10.0	12.0	18.3	14.7	0.0	55.0

\* MFD participation above the minimum requirement of 25% of contracts for subcontract work and/or supplies (based on total contract value). Range of scoring will be from 0 to 10 points. Respondents who meet the MFD subcontracting minimum requirement (i.e., 25%) will score zero (0) points. Respondents subcontracting 30 – 35% will receive 5 points, and respondents subcontracting 35% or above will receive 10 points. However, in the event the General Contractor is a certified MFD firm and subcontracts above 35% will receive an additional 10 bonus points.



# Selection of General Contractor

## RFP#2237– Summary with Price & MFD%

Rank	General Contractor	Construction Costs*	Per Unit	MFD %
1.	Hamel Builders	\$12,200,699	\$82,998	32.00%
2.	Hooten Construction	\$11,206,244	\$76,233	28.46%
3.	Kane Construction	\$11,675,000	\$79,422	40.66%
4.	DD&B	\$12,416,600	\$84,467	25.55%

\* Costs include bond & insurance, overhead, fees, HOC's Works Policy, and Davis-Bacon Wage Scale-MD.

Hamel distinguished itself primarily based upon the firm's financial strength and experience. HOC has worked with Hamel on a number of projects – most notably the RAD 6 renovation. In that case, Hamel stepped in to replace another contractor that unexpectedly pulled out of the project at the last moment. The renovation of the RAD 6 has completed with Hamel bringing the project in on budget in 2016. Additionally, Hamel completed the renovation of the Greenhills on time and budget in 2019.

- Staff proposes the selection Hamel Builders as the general contractor for the renovation of Georgian Court Apartments, and requests authorization for the Executive Director to enter into contract negotiations based on the following criteria, which indicate a more thorough, knowledgeable cost bid and experience:
  - Highest Score of **84.3** with significant multifamily renovation and LIHTC experience in Montgomery County.
  - **Only firm that showed** potential savings of \$470K for reduced GC requirement cost for two (2) buildings.
  - **Only firm to provide** the enclosed letters from clients of recently delivered projects during the COVID-19 health crisis due to disruptions in the supply chain.
  - **Only firm to provide COVID-19 Operation Plan** during renovation and **provide detailed Abatement Plan**.
  - A Certified EPA Lead Renovation, Repair, and Painting Contractor, defined by the EPA and collaborated with experienced and certified subcontractors to perform their work. Over the past five years, **Hamel and its subcontractors have performed \$12.6M of abatement work.**

# Preliminary Sources and Uses

## Sources and Uses of Funds

### Development Budget Highlights

Sources	Amount	Per Unit
Bond Financing <sup>(1)</sup>	\$17,940,998	\$122,048
Tax-Exempt Bonds (ST)	\$13,212,151	\$89,879
LIHTC Equity <sup>(2)</sup>	\$22,302,232	\$151,716
Bridge Loan (HOC) <sup>(3)</sup>	\$490,975	\$3,340
Bridge Loan <sup>(3)</sup> (Redeemed with equity proceeds)	(\$490,975)	(\$3,340)
Other (GP Equity)	\$100	\$1
Seller Note <sup>(4)</sup>	\$28,120,118	\$191,293
<b>Total Sources</b>	<b>\$81,557,386</b>	<b>\$554,812</b>

Uses	Amount	Per Unit
Acquisition Costs <sup>(5)</sup>	\$39,203,600	\$226,691
Construction Costs <sup>(6)</sup>	\$14,369,713	\$97,753
Fees Related To Construction Costs	\$1,432,712	\$9,746
Financing Fees and Charges <sup>(7)</sup>	\$4,889,663	\$33,263
Syndication Related Costs	\$177,032	\$1,204
Tax-Exempt Bond (ST) (to meet 50% test)	\$13,212,151	\$89,879
Guarantees and Reserves <sup>(8)</sup>	\$2,057,545	\$13,997
Developer's Fees	\$6,214,970	\$42,279
<b>Total Uses</b>	<b>\$81,557,386</b>	<b>\$554,812</b>

1. Estimated \$17.9 million bond financed long-term mortgage with mortgage insurance under the FHA Risk Sharing Program.
2. Estimated Low Income Housing Tax Credit \$22.3 million (based on \$0.94 per credit plus the 30% basis boost)
3. Bridge Loan is approximately \$490K to the Partnership. The loan will be repaid from LIHTC equity proceeds.
4. Based on appraised value as of \$38.8 million and the cash available to the transaction, HOC must take back seller note to complete the closing.
5. Acquisition price based on appraised as-is market price plus relocation costs for Georgian Court Apartments.
6. Estimated General Contractor cost included Construction Contingency.
7. Includes HOC's Origination Fee.
8. Included Soft Cost Contingency, six months of Operating Reserve and Initial Replacement Reserve at \$1,500/unit.

**Note:** Georgian Court currently has two replacement reserve accounts (appx. \$972K replacement reserve and appx. \$476K residual receipts reserve) and potentially staff can use both replacement reserve amounts as the funding sources, if needed or it may be distributed to the owner.

# Preliminary Stabilized Operations

Stabilized Proforma	CY 2024	Per Unit
Income	\$1,996,714	\$13,583
Expenses <sup>(1)</sup>	\$980,353	\$6,669
<b>NOI (Net Operating Income)</b>	<b>\$1,016,361</b>	<b>\$6,914</b>
Debt Service <sup>(2)</sup>	\$883,353	\$6,011
<b>Cash Flow</b>	<b>\$132,805</b>	<b>\$909</b>
Debt Service Coverage Ratio Target	<b>1.15</b>	

<sup>(1)</sup> Includes \$51,450 (\$350 per unit annually) in Replacement Reserves.

<sup>(2)</sup> Includes Loan Management Fee will be collected \$44,853 annually (0.25% of the original mortgage amount).

<b>Max Mortgage Amount (est.)</b>	<b>\$17,940,998</b>
Term (in years)	35
Interest Rate <sup>1</sup>	3.20%
Debt Service Constant	4.92%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	3.45%
Debt Service Coverage Ratio Target	1.15x
NOI (Net Operating Income)	\$1,016,361
Debt Service	\$883,556

<sup>1</sup> As of May 7, 2021: Interest Rate 2,70% (35 years) Plus 0.50% cushion.

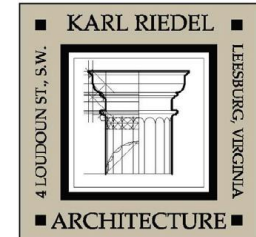
- The financing plan includes a 35-year mortgage insured under the FHA Risk Sharing Program.
- Occupancy projected at 95%, rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be \$980,353 in CY 24 including funding of annual replacement reserves of \$350 per unit, per year and escalating at 3% annually.
- The net operating income (NOI) of \$1,016,361 in CY 2024 supports the permanent debt which is underwritten at 3.20% plus 25 basis points for mortgage insurance premium (MIP) costs pursuant to the FHA Risk Sharing Mortgage Insurance Program.
- Annual Contribution to Replacement Reserves: \$350 Per Unit.

# Team Assembly

## Architect

Karl Riedel Architecture, P.C. (“KRA”), founded in Leesburg, VA in 2006, is a full-service architectural firm of professionals whose diversity and experience enables them to handle the multifamily renovation projects.

- Selected from the Architectural Pool based on its proven track record with multifamily renovation and like-kind replacements.
- KRA has been the architect of record for the project since concept planning began in 2018.



## Property Management

Edgewood Management Corporation (“EMC”) offers a full suite of real estate management services and specializes in developing innovative solutions and repositioning troubled assets in all areas: operations, administrative, financial, compliance, and physical. EMC has been managing properties for 40 years and has expanded services to 14 states, including the District of Columbia. EMC is recognized as the 8th largest manager of Affordable Housing by the National Affordable Housing Management Association (“NAHMA”) and the 50th largest manager by the National Multi-Housing Council (“NMHC”).



## General Contractor

Founded in 1998, Hamel Builders, Inc., has earned a reputation for excellence in multifamily renovation and new construction in the mid-Atlantic region. Hamel has developed over 35,000 units of multifamily residential, affordable housing, adaptive reuse, senior living, historic, and mixed-use development, including about 7,000 resident-in-place renovations. Hamel has over 150 employees and supports over \$130 million annual volume.



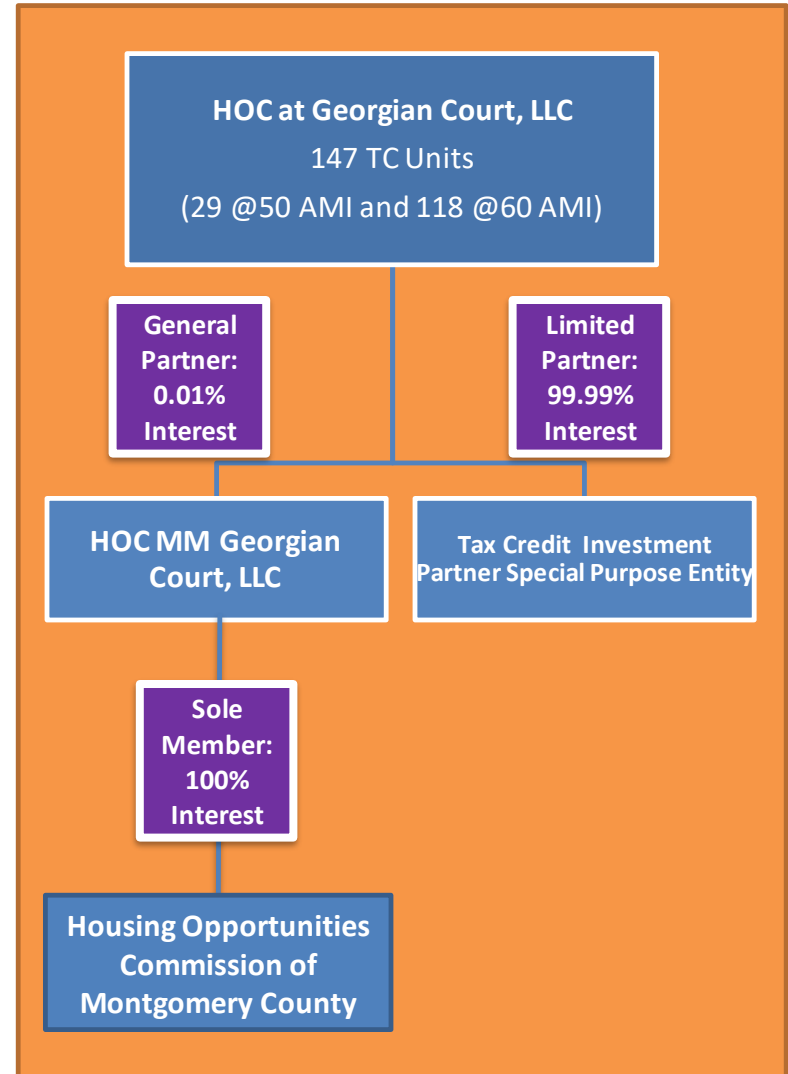
## LIHTC Investor

Staff will solicit proposals to select a LIHTC investor at a later date.

# Ownership Structure

## Georgian Court – New Ownership

- HOC controlled single purpose entity, HOC MM Georgian Court, LLC, together with tax credit investment partner/syndicator's single purpose entity, will form the property owner limited liability corporation, HOC at Georgian Court, LLC.
- HOC MM Georgian Court, LLC will be the General Partner of the HOC at Georgian Court, LLC.
- HOC at Georgian Court, LLC will be the single purpose entity that will own Georgian Court Apartments.
- Three-tiered ownership structure is needed for disaffiliating HOC from the property owner Limited Partnership and therefore making the seller note, deferred developer fee, and potentially other loans extended by HOC to the limited partnership non-recourse liabilities.
- This structure will allow the tax credit investor/limited partner to maximize future tax deductions related to loan interest costs and therefore enhance investor yield. Without such disaffiliation, investor yield on the transaction, and consequently tax credit equity price, would be lower.



# Updated Predevelopment Costs

## Approved Predevelopment Costs

Items	Approved (May 2, 2018)	Revised Budget	Obligated Amount	Remaining Budget
Architect (Included Mechanical, Electrical, and Plumbing Engineers)	\$183,000	\$221,398	\$70,853	\$0
Property Condition Assessment	\$5,000	\$5,450	\$0	\$0
Phase I Environmental	\$5,000	\$12,944	\$0	\$0
Appraisal	\$7,500	\$7,500	\$7,500	\$0
Market Study	\$7,500	\$3,000	\$3,000	\$0
ALTA Survey	\$10,000	\$18,600	\$11,700	\$0
Energy Audit	\$10,000	\$11,500	\$0	\$0
Contingency	\$12,000	\$0	\$0	\$0
Legal	\$50,000	\$128	\$0	\$0
Pre Construction Services	\$60,000	\$0	\$0	\$0
Permit Expediter	\$0	\$4,980	\$4,980	\$0
Compliance Services	\$0	\$1,500	\$1,500	\$0
Finance & Development Consultant	\$0	\$63,000	\$45,000	\$0
<b>Total Predevelopment Budget</b>	<b>\$350,000</b>	<b>\$350,000</b>	<b>\$144,533</b>	<b>\$0</b>

## Projected Additional Predevelopment Costs

Items	Additional Predevelopment Costs
Building Permit	\$200,000
LIHTC Application and Tax Credit Allocation Fee	\$130,000
Pre Construction Services	\$15,000
Legal	\$50,000
Finance & Development Consultant	\$45,000
Contingency	\$60,000
<b>Total Additional Predevelopment Budget</b>	<b>\$500,000</b>

Staff requests approval of an increase of \$500,000 to the existing predevelopment budget funded with a loan from OHRF to prepare a LIHTC application for submission to the DHCD and to get the building permit.

# Summary and Recommendations

## Issues for Consideration

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

1. Approve of the selection of Hamel Builders as general contractor for the renovation of the Georgian Court Apartments and authorize the Executive Director to negotiate a contract with Hamel Builders,
2. Authorize HOC staff and the Property Manager to halt leasing of future vacant units for a total of up to 24 units required for each phase of renovation, for the duration of the renovation;
3. Authorize \$500,000 additional predevelopment budget to be funded with a loan from the OHRF,
4. Ratify the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction?

## Time Frame

For formal action at the June 9, 2021 meeting of the Commission.

## Budget/Fiscal Impact

There is no impact on the FY2021 Operating Budget; however, if approved, the loan totaling \$500,000 would reduce the available balance of the OHRF from \$1,266,280 (May 7, 2021) to \$766,280.

During the 24 months of the construction period, the Property is expected to maintain an 83% occupancy rate to ensure the project does not fall into an operating deficit. The debt service interest payments during the construction period will be capitalized and paid from the development budget.

# Summary and Recommendations (Continued)

## PREVIOUS COMMISSION APPROVALS

**Resolution 18-52** - Approval to Withdraw from the PNC Bank, N.A. Real Estate Revolving Line of Credit (RELOC) to Prepay Existing Mortgages for Georgian Court Apartments, Shady Grove Apartments, Stewartown Homes, and the Willows.

**Resolution 18-29** - Approval of Preliminary Development Plans and Predevelopment Funding for Georgian Court Apartments, Shady Grove Apartments, and Stewartown Homes.

**Resolution 19-77** - Approval to Withdraw Excess Yield Funds Under the Multifamily Housing Development Bond Resolution and to Make a Capital Contribution to Georgian Court to Fund Capital Expenditures and to Approve Selection of Edgewood Management Company, Property Manager to Project Manage the Proposed Capital Improvements Utilizing the Excess Yield Funds.

## Staff Recommendation and Commission Action Needed

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

1. Approve of the selection of Hamel Builders as general contractor for the renovation of the Georgian Court Apartments and authorize the Executive Director to negotiate a contract with Hamel Builders;
2. Authorize HOC staff and the Property Manager to halt leasing of future vacant units for a total of up to a total of 24 vacant units required for each phase of renovation, for the duration of the renovation;
3. Authorize \$500,000 additional predevelopment budget to be funded with a loan from the OHRF;
4. Ratify the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction.

The loan will be interest free and repaid from the proceeds of the renovation financing at closing, which are anticipated to be funded from the proceeds of tax-exempt bond issuance by HOC.



**SHADY GROVE: APPROVAL TO SELECT HAMEL BUILDERS AS GENERAL CONTRACTOR FOR THE RENOVATION OF SHADY GROVE APARTMENTS, APPROVAL TO FREEZE LEASING TO FACILITATE RENOVATION, APPROVAL OF REQUEST FOR ADDITIONAL PREDEVELOPMENT FUNDS, AND RATIFICATION OF THE FORMATION OF OWNERSHIP ENTITIES**

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**DERWOOD, MD**



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN  
ZACHARY MARKS  
HYUNSUK CHOI

May 21, 2021

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# Executive Summary

- Shady Grove (the “Property”) was originally constructed in 1977 and is a 144-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 45 one-bedroom, 83 two-bedroom, and 16 three-bedroom units. The property is currently operating under an extended-use covenant, which requires the following set aside; 144 units/100% (project-based Section 8 rental assistance) set aside at 50% of area median income (“AMI”). The Property maintains a waiting list comprised of 129 households for one-bedroom units, 55 households for two-bedroom units, and 37 households for three-bedroom units.
- The Property consists of five (5) three-story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 16125 Crabbs Branch Way, Derwood, MD 20855. After a modest rehabilitation in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior buildings, and the residents’ units. The renovation will be completed with residents in place, facilitated by temporarily ceasing leasing activity and moving up to 12 currently occupied units to an off-site location in order to create one vacant building or 12 vacant units.
- On March 5, 2021, HOC’s Procurement Office issued a Request for Proposal (RFP #2246) for general contracting services for renovation of Shady Grove Apartments, in accordance with HOC’s Procurement Policy. The response date was April 23, 2021.
- A pre-proposal meeting and conference was held virtually on March 12, 2021 to discuss with potential General Contractors (“GC”) the project, construction schedule, and other related matters.
- On April 23, 2021, staff received six (6) proposals from potential GCs and the scoring team (consisting of staff from Compliance, Asset Management, and Construction Management) reviewed the responses on April 27 and 28, 2021.
- Based on the evaluation of the proposals, staff recommends the selection of Hamel Builders, Inc. (“Hamel”) as general contractor for the renovation of the Property and requests authorization of the Executive Director to negotiate a contract with Hamel.
- Staff also requests approval of the Commission to create a maximum of 24 vacant units at the property by allowing staff to a) freeze leasing, and b) temporary relocate residents off-site to facilitate the renovation schedule.
- Finally, to complete the predevelopment phase of the development, staff requests an increase of \$485,000 to the existing predevelopment budget to be funded with a loan from the Opportunity Housing Reserve Fund (“OHRF”).

# Project Summary

<b>Project Name</b>	Shady Grove	<b>Units</b>	144	<b>Expected Closing Date</b>	2 <sup>nd</sup> Qtr FY22
<b>Location</b>	Derwood, MD	<b>Average Unit Size (SF)</b>	908	<b>Stabilization Date</b>	April 2024
<b>Product Type</b>	Garden-Style Apartment	<b>Occupancy (05/07/21)</b>	93.1%	<b>Recapitalization Strategy</b>	Rehab
<b>Year Built/Renovated</b>	1977/2001	<b>Total Rentable Sqft</b>	130,716	<b>Funding Strategy</b>	4% LIHTC/Bonds

Shady Grove (the “Property”) was originally constructed in 1977 and is a 144-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 45 one-bedroom, 83 two-bedroom, and 16 three-bedroom units. The Property currently operates as a LIHTC property with 144 units/100% (project-based Section 8 rental assistance) set aside at 50% of area median income. The Property consists of five (5) three-story garden-style masonry buildings with pitched roofs that include twelve (12) addresses located at 16125 Crabbs Branch Way, Derwood, MD 20855. After a modest rehabilitation in 2001, HOC is looking to do a comprehensive renovation and add significant improvements to energy-efficiency, the common areas, exterior grounds, and the residents’ units.

## Development Plan



- LIHTC equity (4%) and HOC-issued tax-exempt bond proceeds will fund all construction costs.
- Repay existing FHA Risk Share mortgage loan (est. balance of \$3,732,343) in the second quarter FY2022.
- Add eight (8) Uniform Federal Accessibility Standards (“UFAS”) units, including two units with roll-in showers:
  - Four one-bedroom units and four two-bedroom units;
  - Two units will be renovated to comply with requirements of the hearing and visually impaired.
- Create a gym next to a community room and leasing office.
- Remove all Asbestos-Containing Materials (“ACM”).
- Install radon mitigation systems.

# Shady Grove – Location



The Property was constructed in 1977 and consists of two parcels on either side of Crabbs Branch Way in Derwood, Maryland. The combined total for the Property size is 11.87 acres (per assessment record). The western parcel is 6.06 acres and the eastern parcel is 5.81 areas.

# Qualification and Selection of General Contractor(s)

## Shady Grove (RFP #2246) – Qualification

- HOC's Procurement Office issued a Request for Proposal (RFP #2246) for general contracting services for the renovation of Shady Grove Apartments on March 5, 2021 with a due date of April 23, 2021 in accordance with HOC Procurement Policy. A pre-proposal meeting and conference was held virtually on March 12, 2021.
- On April 23, 2021, staff received six proposals from six qualified firms to participate to be considered responsive and to be evaluated.
- The scoring team (consisting of staff from Compliance, Asset Management, and Construction Management) reviewed the responses on April 27 and 28, 2021, based on several criteria:
  - AIA A305 – Contractor's Qualification Statement
  - General Experience: Respondent's references shall demonstrate successful experience with the following:
    - Contractor must demonstrate the ability to handle environmental abatement
    - Contractor must demonstrate experience with the permitting, code compliance and inspection process
    - Contractor must demonstrate experience with major systems upgrades and utility/permitting coordination to include: electrical, plumbing, mechanical, life safety and monitoring systems
    - Contractor must demonstrate experience with undertaking and completing multifamily renovations similar to the proposed project involving affordable housing financing programs including HUD financing, and Davis Bacon and Related Acts
    - Contractors must demonstrate experience with completing multifamily renovations similar in scope of work, size & scale, with an emphasis on enhancing the sustainability and visual appeal of the development
  - Management and Operations: Provide a brief narrative description of the following management and operation procedures:
    - Staffing assignments, roles and responsibilities & Communication / Owner update methods and frequency
    - Quality Assurance / Quality Controls Prior to Punch Walks / Owner approvals & Safety Protocol
    - Continuing education / Employee training / Industry related designations and/or certifications
  - Price proposals should include detailed construction cost estimates for each Construction Specifications Institute ("CSI") Section / Division.
  - Minority/Female/Disabled ("MFD") participation above the minimum requirement of 25% of contracts for subcontract work and/or supplies (based on total contract value).

# Qualification and Selection of General Contractor(s)

## Shady Grove (RFP #2246) – Scope of Work

The property was originally constructed in 1977 and minor renovations were performed in 2001 with LIHTC equity and HOC mortgage proceeds. Staff has developed a renovation scope for this project that includes:

- Replace all exterior roofing, siding, gutters, downspouts, fascia, rakes, and soffits, and addition of entry canopies on each building.
- Upgrade interior kitchen and bathroom including but not limited to energy efficient appliances, new cabinets, countertops, fixtures and lighting.
- Install modern, energy efficient HVAC systems.
- Accessible path improvement, re-lamp existing light fixtures with LED lamps, re-stripe identified parking spaces.
- Remove and replace flooring in stair halls, landings, and flight of stairs in each stair hall.
- Replace existing fire alarm detection and notification systems with new system through-out.
- Update existing playground.
- Create eight new UFAS units, including two units with roll-in showers (four one-bedroom units and four two-bedroom units).
  - Two units will be renovated to comply with requirements of for the hearing and visually impaired.
- Install folding counter and refinish surfaces in common laundry rooms.
- Replace all existing domestic water piping with new brass valves.



**Current  
View of Kitchen**



**Open Kitchen Design**

These improvements will not only address curb appeal but also – and more importantly – increase energy efficiency, extend the property’s useful life, and allow the property to better compete in the marketplace.

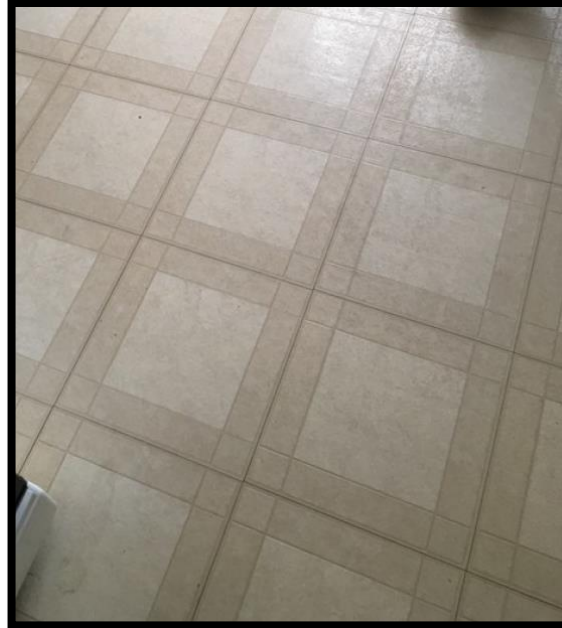
# Qualification and Selection of General Contractor(s)

## Shady Grove (RFP #2246) – Asbestos-Containing Materials (“ACM”) and Radon

HOC engaged with ECS for the ACM survey and Radon testing. Based on the laboratory analysis of the bulk samples collected during the survey, the following materials were reported to contain **asbestos**:

- Black caulk on building skylight flashing;
- Tan 12” x 12” vinyl floor tile with white square print in the living room and bathroom;
- Off-white 12” x 12” vinyl floor tile with brown diamond print in small closet.

Radon levels in excess of the Environmental Protection Agency (“EPA”) action limit were detected in five of the 12 buildings and four of the five building clusters. The radon concentrations were reported to range from 4.2 to 8.5 Picocuries per liter of air (“pCi/L”), above the EPA action limit of 4.0 pCi/L.



If these materials are discovered during construction activities, the GC should presume that materials contain asbestos and be treated as ACMs. Staff included the renovation scope to remove all ACMs and to install radon mitigation systems.



# Selection of General Contractor

## Shady Grove (RFP# 2246) – Scoring Summary

- RFP #2246: Shady Grove Apartments, staff received four (4) responses, and Hamel achieved the highest score of 96.3. The scoring team (consisting of staff from Compliance, Asset Management, and Construction Management) reviewed the responses on April 27 and 28, 2021.

RANK	General Contractor	AIA A305 – Contractor’s Qualification Statement (15)	General Experience (25)	Management and Operations (25)	Pricing (25)	Excess MFD Participation (10) *	Total AVG.
1	Hamel Builders	15.0	25.0	25.0	21.3	10.0	96.3
2	Harkin	15.0	22.7	22.7	9.0	10.0	79.3
3	Kane Construction	13.0	11.7	14.3	25.0	10.0	74.0
4	Hooten Construction	15.0	20.3	21.0	12.3	5.0	73.7
5	Nastos Construction	11.7	18.3	17.7	16.0	5.0	68.7
6	DD&B	12.3	9.3	14.0	8.7	10.0	54.3

\* MFD participation above the minimum requirement of 25% of contracts for subcontract work and/or supplies (based on total contract value). Range of scoring will be from 0 to 10 points. Respondents who meet the MFD subcontracting minimum requirement (i.e., 25%) will score zero (0) points. Respondents subcontracting 30 – 35% will receive 5 points, and respondents subcontracting 35% or above will receive 10 points. However, in the event the General Contractor is a certified MFD firm and subcontracts above 35% will receive an additional 10 bonus points.

# Selection of General Contractor

## RFP#2246– Summary with Price & MFD%

Rank	General Contractor	Construction Costs *	Per Unit	MFD %
1.	Hamel Builders	\$12,511,132	\$86,883	53.54%
2.	Harkins	\$14,221,829	\$98,763	35.76%
3.	Kane Construction	\$12,472,833	\$86,617	39.67%
4.	Hooten Construction	\$13,445,576	\$93,372	32.79%
5.	Nastos Construction	\$13,251,497	\$92,024	30.01%
6.	DD&B	\$13,446,564	\$93,379	36.00%

\* Costs includes bond & insurance, overhead, fees, HOC's Works Policy, Davis-Bacon Wage Scale-MD, and Alternates (Replacing domestic water piping with copper with new brass valves and countertops).

Hamel distinguished itself on firm financial strength, price, and relevant experience. HOC has worked with Hamel on a number of projects – most notably the RAD 6 renovation. In that case, Hamel stepped in to replace another contractor that unexpectedly pulled out of the project at the last moment. The renovation of the RAD 6 has completed with Hamel bringing the project in on budget in 2016. Additionally, Hamel completed the renovation of the Greenhills on time and budget in 2019.

- Staff proposes the selection Hamel Builders as general contractor for the renovation of Shady Grove Apartments and requests authorization for the Executive Director to enter into contract negotiations based on the following criteria, which indicate a more thorough, knowledgeable cost bid and experience:
  - Highest Score of **96.3** with significant multifamily renovation and LIHTC experience in Montgomery County.
  - **Only firm to provide** enclosed letters from clients of recently delivered projects during the COVID-19 health crisis due to disruptions in the supply chain.
  - **Only firm to provide COVID-19 Operation Plan** during renovation and **provide detailed Abatement Plan**.
  - A Certified EPA Lead Renovation, Repair, and Painting Contractor, defined by the EPA and collaborated with experienced and certified subcontractors to perform their work. Over the past five years, **Hamel and their subcontractors have performed \$12.6M of abatement work.**

# Preliminary Sources and Uses

## Sources and Uses of Funds

### Development Budget Highlights

Sources	Amount	Per Unit
Bond Financing <sup>(1)</sup>	\$30,050,469	\$208,684
LIHTC Equity <sup>(2)</sup>	\$19,325,725	\$134,206
Bridge Loan (HOC) <sup>(3)</sup>	\$9,338,444	\$64,850
Bridge Loan <sup>(3)</sup> (Redeemed with equity proceeds)	(\$9,338,444)	(\$64,850)
Other (GP Equity)	\$100	\$1
Seller Note <sup>(4)</sup>	\$16,372,306	\$113,697
<b>Total Sources</b>	<b>\$65,748,601</b>	<b>\$456,588</b>

Uses	Amount	Per Unit
Acquisition Costs <sup>(5)</sup>	\$39,600,600	\$275,004
Construction Costs <sup>(6)</sup>	\$13,762,235	\$95,571
Fees Related To Construction Costs	\$1,149,680	\$7,984
Financing Fees and Charges <sup>(7)</sup>	\$4,564,149	\$31,695
Syndication Related Costs	\$161,296	\$1,120
Guarantees and Reserves <sup>(8)</sup>	\$1,713,115	\$11,897
Developer's Fees	\$4,564,149	\$31,695
<b>Total Uses</b>	<b>\$65,748,601</b>	<b>\$456,588</b>

1. Estimated \$30.0 million bond financing with mortgage insurance under the FHA Risk Sharing Program.
2. Estimated Low Income Housing Tax Credit \$19.3 million (based on \$0.94 per credit)
3. Bridge Loan is approximately \$9.3M to the Partnership from the equity from sale proceeds. The loan will be repaid from LIHTC equity proceeds.
4. Based on appraised value as of \$39.2 million and the cash available to the transaction, HOC must take back seller note to complete the closing.
5. Acquisition price based on appraised as-is market price plus relocation costs for Shady Grove Apartments.
6. Estimated General Contractor cost included Construction Contingency.
7. Includes HOC's Origination Fee.
8. Included Soft Cost Contingency, six months of Operating Reserve and Initial Replacement Reserve at \$1,500/unit.

**Note:** Shady Grove currently has one replacement reserve account (appx. \$1.2M replacement reserve) and potentially staff can use this replacement reserve amount as the funding source, if needed or it may be distributed to the owner.

# Preliminary Stabilized Operations

Stabilized Proforma	CY 2024	Per Unit
Income	\$2,760,259	\$19,168
Expenses <sup>(1)</sup>	\$1,057,894	\$7,346
<b>NOI (Net Operating Income)</b>	<b>\$1,702,365</b>	<b>\$11,822</b>
Debt Service <sup>(2)</sup>	\$1,479,922	\$10,277
<b>Cash Flow</b>	<b>\$222,444</b>	<b>\$1,545</b>
Debt Service Coverage Ratio Target	<b>1.15</b>	

<sup>(1)</sup> Includes \$50,400 (\$350 per unit annually) in Replacement Reserves.

<sup>(2)</sup> Includes Loan Management Fee will be collected \$75,126 annually (0.25% of the original mortgage amount).

Max Mortgage Amount (est.)	\$30,050,469
Term (in years)	35
Interest Rate <sup>1</sup>	3.20%
Debt Service Constant	4.92%
MIP (Mortgage Insurance Premium)	0.25%
"All-In" Rate	3.45%
Debt Service Coverage Ratio Target	1.15x
NOI (Net Operating Income)	\$1,702,365
Debt Service	\$1,479,922

<sup>1</sup> As of May 7, 2021: Interest Rate 2,70% (35 years) Plus 0.50% cushion.

- The financing plan includes a 35-year mortgage insured under the FHA Risk Sharing Program.
- Occupancy projected at 95%, rent and expense growth rates at 2% and 3%, respectively.
- Total operating expenses are projected to be \$1,057,894 in CY 24 including funding of annual replacement reserves of \$350 per unit, per year and escalating at 3% annually.
- The net operating income (NOI) of \$1,702,365 in CY 2024 supports the permanent debt which is underwritten at 3.20% plus 25 basis points for mortgage insurance premium (MIP) costs pursuant to the FHA Risk Sharing Mortgage Insurance Program.
- Annual Contribution to Replacement Reserves: \$350 Per Unit.

# Team Assembly

## Architect

Bennett Frank McCarthy Architects, Inc (“BFM”), founded in Silver Spring, MD in 1977, is a full-service architectural firm of professionals whose diversity and experience enables them to handle the multifamily renovation projects.

- Selected from the Architectural Pool based on its proven track record with multifamily renovation and like-kind replacements.
- BFM has been the architect of record for the project since concept planning began in 2018.



## Property Management

Edgewood Management Corporation (“EMC”) offers a full suite of real estate management services and specializes in developing innovative solutions and repositioning troubled assets in all areas: operations, administrative, financial, compliance, and physical. EMC has been managing properties for 40 years and has expanded services to 14 states, including the District of Columbia. EMC is recognized as the 8th largest manager of Affordable Housing by the National Affordable Housing Management Association (“NAHMA”) and the 50th largest manager by the National Multi-Housing Council (“NMHC”).



## General Contractor

Founded in 1998, Hamel Builders, Inc., has earned a reputation for excellence in multifamily renovation and new construction in the mid-Atlantic region. Hamel has developed over 35,000 units of multifamily residential, affordable housing, adaptive reuse, senior living, historic, and mixed-use development, including about 7,000 resident-in-place renovations. Hamel has over 150 employees and supports over \$130 million annual volume.



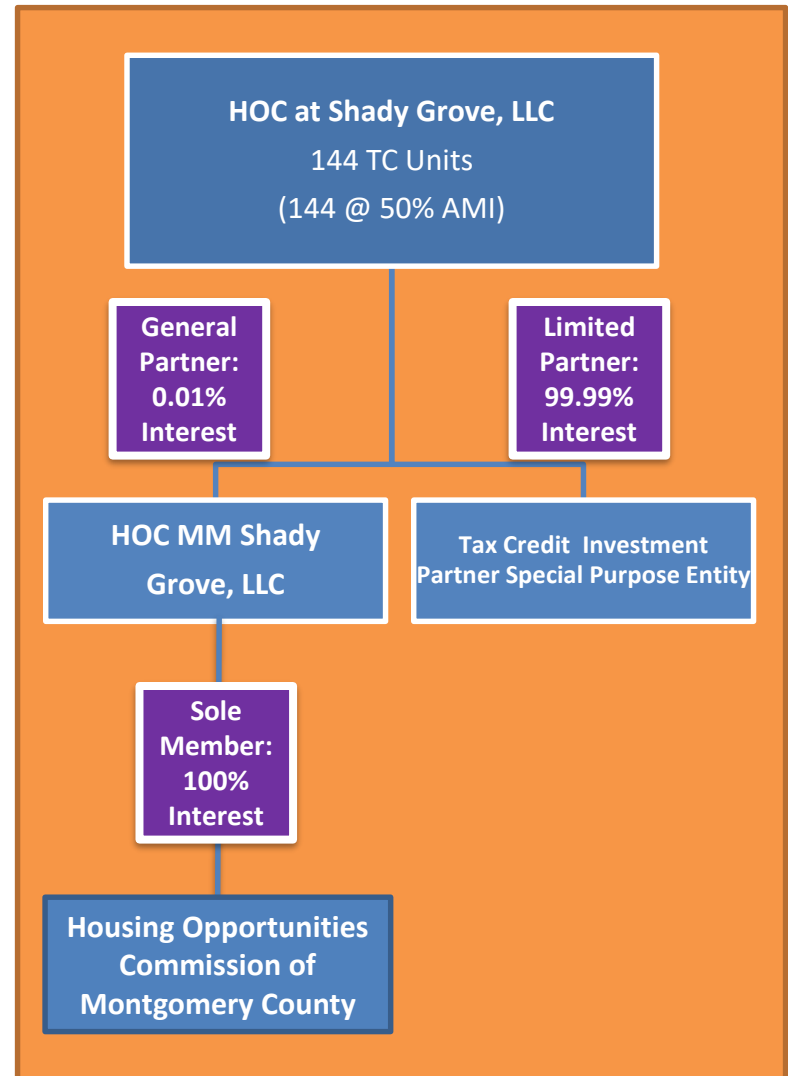
## LIHTC Investor

Staff will solicit proposals to select a LIHTC investor at a later date.

# Ownership Structure

## Shady Grove – New Ownership

- HOC controlled single purpose entity, HOC MM Shady Grove, LLC, together with tax credit investment partner/syndicator's single purpose entity, will form the property owner limited liability corporation, HOC at Shady Grove, LLC.
- HOC MM Shady Grove, LLC will be the General Partner of the HOC at Shady Grove, LLC.
- HOC at Shady Grove, LLC will be the single purpose entity that will own Shady Grove Apartments.
- Three-tiered ownership structure is needed for disaffiliating HOC from the property owner Limited Partnership and therefore making the seller note, deferred developer fee, and potentially other loans extended by HOC to the limited partnership non-recourse liabilities.
- This structure will allow the tax credit investor/limited partner to maximize future tax deductions related to loan interest costs and therefore enhance investor yield. Without such disaffiliation, investor yield on the transaction, and consequently tax credit equity price, would be lower.



# Updated Predevelopment Costs

## Approved Predevelopment Costs

Items	Approved (May 2, 2018)	Revised Budget	Obligated Amount	Remaining Budget
Architect (Included Mechanical, Electrical, and Plumbing engineers)	\$183,000	\$217,553	\$110,088	\$8,200
Property Condition Assessment	\$5,000	\$5,450	\$0	\$0
Phase I Environmental	\$5,000	\$12,193	\$0	\$0
Appraisal	\$7,500	\$6,750	\$6,750	\$0
Market Study	\$7,500	\$3,000	\$3,000	\$0
ALTA Survey	\$10,000	\$7,500	\$0	\$0
Energy Audit	\$10,000	\$10,599	\$0	\$0
Contingency	\$12,000	\$7,438	\$0	\$7,438
Legal	\$50,000	\$10,038	\$0	\$10,000
Pre Construction Services	\$60,000	\$0	\$0	\$0
Permit Expediter	\$0	\$4,980	\$4,980	\$0
Compliance services	\$0	\$1,500	\$1,500	\$0
Finance & Development Consultant	\$0	\$63,000	\$45,000	\$0
<b>Total Predevelopment Budget</b>	<b>\$350,000</b>	<b>\$350,000</b>	<b>\$171,318</b>	<b>\$25,638</b>

## Projected Additional Predevelopment Costs

Items	Additional Predevelopment Costs
Building Permit	\$200,000
LIHTC Application and Tax Credit Allocation Fee	\$115,000
Pre-Construction Services	\$15,000
Legal	\$50,000
Finance & Development Consultant	\$45,000
Contingency	\$60,000
<b>Total Additional Predevelopment Budget</b>	<b>\$485,000</b>

Staff requests approval of an increase of \$485,000 to the existing predevelopment budget funded with a loan from OHRF to prepare a LIHTC application for submission to the DHCD and to get the building permit.

# Summary and Recommendations

## Issues for Consideration

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

1. Approve of the selection of Hamel Builders as general contractor for the renovation of the Shady Grove Apartments and authorize the Executive Director to negotiate a contract with Hamel Builders;
2. Authorize HOC staff and the Property Manager to halt leasing of future vacant units for a total of up to a total of 24 units required for each phase of renovation, for the duration of the renovation;
3. Authorize \$485,000 additional predevelopment budget to be funded with a loan from the OHRF;
4. Ratify the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction?

## Time Frame

For formal action at the June 9, 2021 meeting of the Commission.

## Budget/Fiscal Impact

There is no impact on the FY2021 Operating Budget; however, if approved, the loan totaling \$485,000 would reduce the available balance of the OHRF from \$766,280 (May 7, 2021) to \$281,280.

During the 24 months of construction period, the project will continue to maintain 83% occupancy rate to ensure the project does not fall into an operating deficit. The debt service interest payments during the construction period will be capitalized and paid from the development budget.



# Summary and Recommendations (Continued)

## PREVIOUS COMMISSION APPROVALS

**Resolution 18-52** - Approval to Withdraw from the PNC Bank, N.A. Real Estate Revolving Line of Credit (RELOC) to Prepay Existing Mortgages for Georgian Court Apartments, Shady Grove Apartments, Stewartown Homes, and the Willows.

**Resolution 18-29** - Approval of Preliminary Development Plans and Predevelopment Funding for Georgian Court Apartments, Shady Grove Apartments, and Stewartown Homes.

## Staff Recommendation and Commission Action Needed

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

1. Approve of the selection of Hamel Builders as general contractor for the renovation of the Shady Grove Apartments and authorize the Executive Director to negotiate a contract with Hamel Builders;
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3. Authorize \$485,000 additional predevelopment budget to be funded with a loan from the OHRF;
4. Ratify the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction.

The loan will be interest free and repaid from the proceeds of the renovation financing at closing, which are anticipated to be funded from the proceeds of tax-exempt bond issuance by HOC.

**4527 AVONDALE STREET: AUTHORIZATION FOR THE  
EXECUTIVE DIRECTOR TO ENTER INTO A NON-  
BINDING LETTER OF INTENT FOR THE DISPOSITION OF  
4527 AVONDALE  
BETHESDA, MD**

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STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE BROWN  
ZACHARY MARKS

May 21, 2021

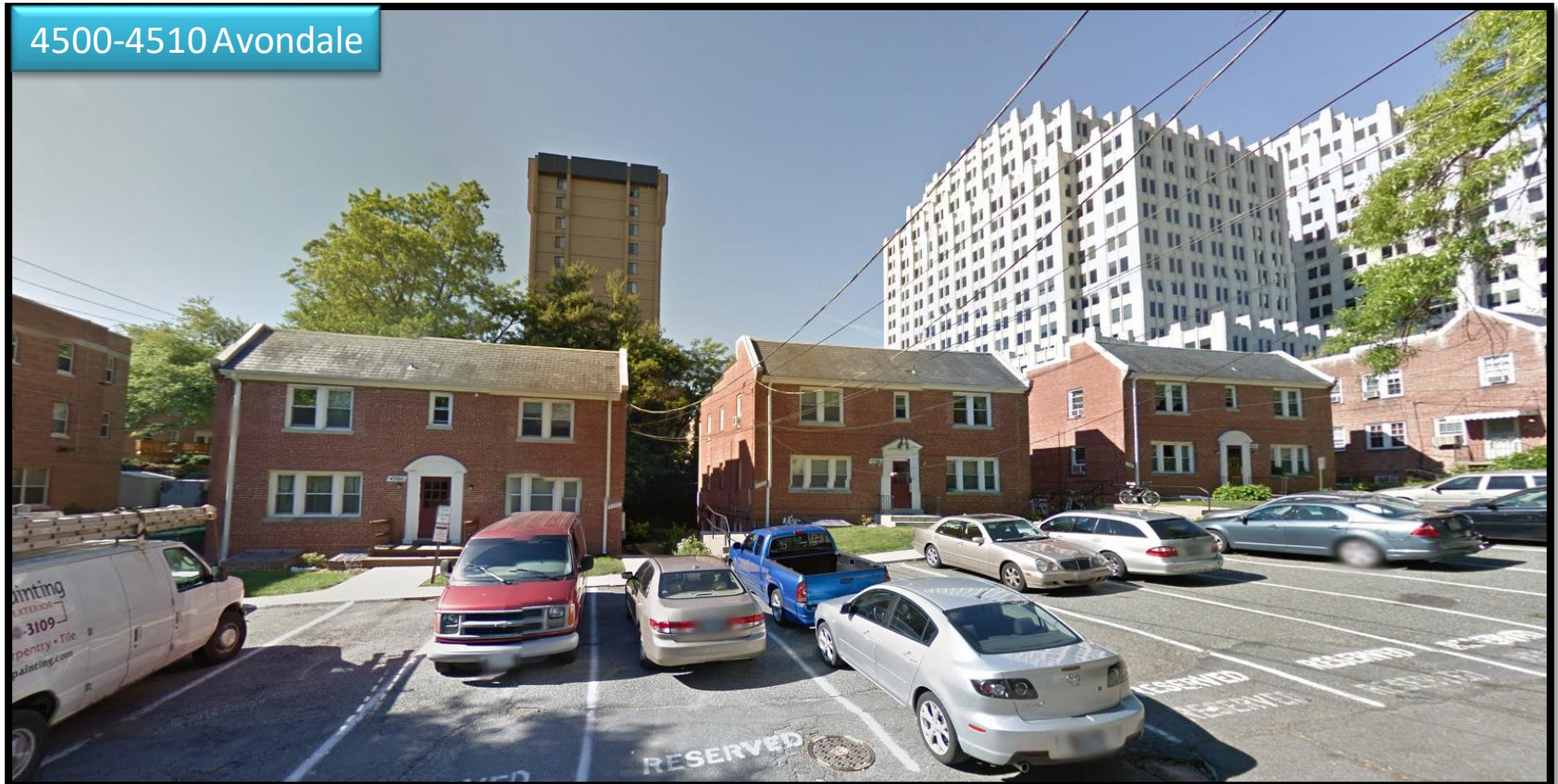
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# Property Background

On October 24, 2014, HOC received a right of first refusal package regarding the \$6.9MM purchase of 25 units located in four (4) two-story rental properties in downtown Bethesda (“Avondale Street Properties”).

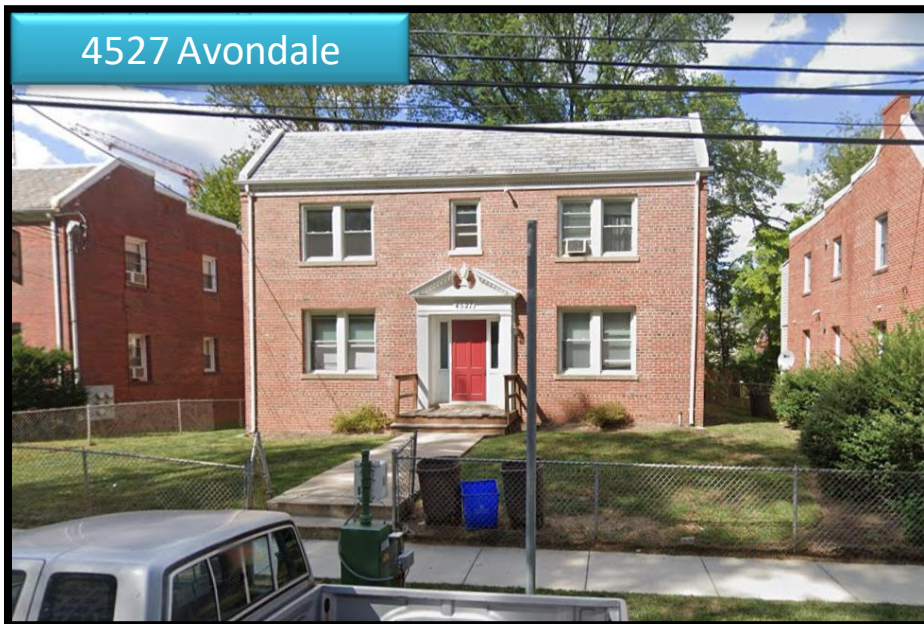
4500-4510 Avondale



Rents at these properties range from \$900 to \$1,700 per month. This is exceedingly affordable for the area; thus, preservation of these units was critical – particularly being in the Central Business District and near public transportation.

# Property Background

Staff first presented this an acquisition opportunity to the Commission on December 17, 2014. At that time, the Commission approved the exercising of HOC's Right of First Refusal ("ROFR") contingent on financial



draw in the amount of \$6.9MM, the purchase price of the 25 units as established by the contract entered into by the seller and the prospective buyer; and approved a draw of \$15,500 from the Opportunity Housing Reserve Fund ("OHRF") for due diligence related to the acquisition.

HOC closed on the Avondale Street Properties on April 14, 2015, using funds drawn on the PNC Bank, N.A. Real Estate Line of Credit ("RELOC"). Three (3) of four (4) properties sit on the eastern end and southern side of Avondale Street ("East End"). Those three (3) properties are adjacent to

HOC's Waverly House and are zoned CR 1.5. The fourth property – 4527 Avondale – is on the north side, near the west end, of Avondale Street.

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

There is one current vacancy at 4527 Avondale and two vacancies at the East End Properties.

# Executive Summary

Recently, HOC was approached by a local architect, Michael Belisle, who has secured control of 4531 Avondale Street, which is adjacent to HOC's 4527 Avondale Street ("4527 Avondale"). He is seeking to acquire 4527 Avondale from HOC for \$1,200,000 to combine with 4531 Avondale Street for redevelopment into for-sale condominium units. Mr. Belisle would strive to provide at least 20% MPDUs on site, which would likely yield at least eight MPDUs – a one-for-one replacement of all eight unrestricted units in place today.

Given that 4527 Avondale has only four units, has the highest-priced units among the Avondale Street Properties, has poor redevelopment prospects for rental, and would be used for the net increase in the County's housing stock; staff recommends the Commission enter into a non-binding letter



of intent for the disposition of 4527 Avondale to Michael Belisle for \$1,200,000.

Staff supports allowing the closing of the acquisition to be contingent upon the receipt of entitlement for the redevelopment. Closing would occur 60 days after site plan approval. Earnest money of \$36,000 ("Deposit") would be posted by Mr. Belisle at the execution of the sales contract. The Deposit would become non-refundable but applicable to the sales price at approval of site plan for the redevelopment.



# RoFR Fullfilment

In exercising its Right of First Refusal, HOC acquired 4527 Avondale to preserve the four naturally occurring affordable housing units present then and now. The units at 4527 Avondale rent at near-MPDU levels. Rents at 4531 Avondale Street are similar.

As the proposed buyer would commit to providing at least 20% of units as MDPU within his development, and he anticipates a total yield of at least 36 units (20% x 36 = 7.2; code requires always rounding up, so the total is 8 units), disposition of 4527 Avondale to Michael Belisle would have the effect of ensuring the naturally occurring affordable housing units within 4531 Avondale Street are also replaced – one for one – with restricted affordable units at the same income levels.

However, because the redevelopment would replace rental units with for-sale units, displacement of existing households will occur. Both the County (Department of Housing and Community Affairs) and HOC will want to work with the buyer to ensure existing families a presented acceptable options for relocation. While the buyer has indicated a willingness to work with all parties to achieve this outcome; ultimately, neither the County nor HOC will have waived their rights of first refusal on 4531 Avondale Street.

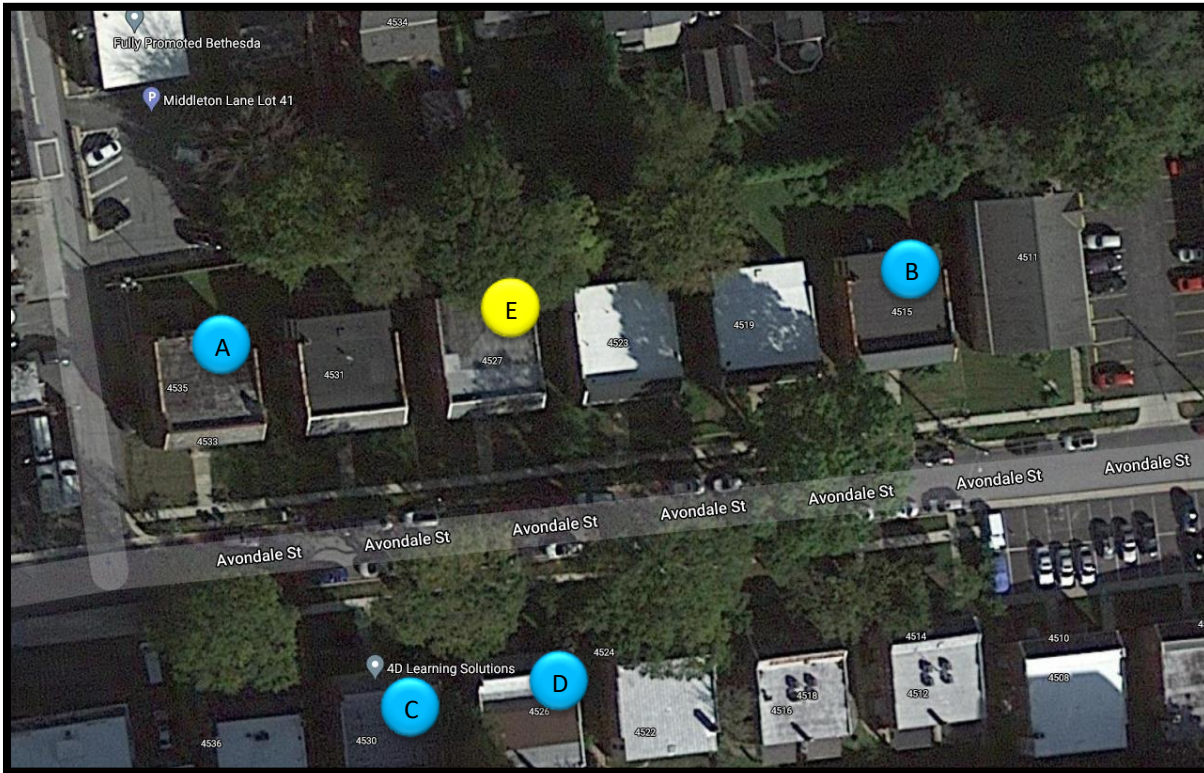
Given the small number of total households involved and HOC's extensive holdings in downtown Bethesda, HOC staff is confident existing households can be provided satisfactory permanent relocation housing. As entitlement of the new development would take approximately two years, there is ample time to work with existing households to produce a relocation plan.



# Sale Price Valuation

Based on a pro rata allocation (by units per building) of the \$6.9MM purchase price matched by HOC, the valuation ascribed to 4527 Avondale would be \$1,104,000. Other recent sales of similar buildings along Avondale Street suggest a \$1.2MM valuation to be appropriate for the north side of the street.

Values for the south side fetch a premium as they are zoned CR rather than CRN and are in the Height Incentive Area, which allows for MPDU bonus height and density.



## Recent Avondale Street Sales

- A** 4535 Avondale (Four Units): Sold for \$1.14MM on 6/3/2020.
- B** 4515 Avondale (Four Units): Sold for \$1.30MM on 10/23/2020.
- C** 4530 Avondale (Four Units): Sold for \$1.60MM on 10/17/2017.
- D** 4526 Avondale (Four Units): Sold for \$1.60MM on 10/17/2017.
- E** 4527 Avondale (Four Units): Subject property.



# Summary and Recommendations

## ISSUES FOR CONSIDERATION

Does the Development & Finance Committee join with staff in recommending to the full Commission the authorization for the Executive Director to enter into a non-binding letter of intent with Rousseau Enterprises LLC (wholly owned by Michael Belisle) for the sale of HOC's 4527 Avondale to Michael Belisle for \$1,200,000 on terms substantially those presented herein?

## BUDGET & FISCAL IMPACT

There is no adverse impact for the current Agency operating budget as the property will continue current operations during the entitlement of the property, which will extend beyond FY23. If approved and the transaction closes, proceeds of the sale would be applied to reduce the draw on the RELOC.

## TIME FRAME

For formal action at the June 9, 2021, meeting of the Commission.

## STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends to the Development & Finance Committee that it join with staff in recommending to the full Commission the authorization of the Executive Director to enter into a non-binding letter of intent with Rousseau Enterprises LLC (wholly owned by Michael Belisle) for the sale of HOC's 4527 Avondale to Michael Belisle for \$1,200,000 on terms substantially those presented herein.

## M E M O R A N D U M

**TO:** Housing Opportunities Commission, Development and Finance Committee

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Division: Mortgage Finance  
Staff: Kayrine Brown, Deputy Executive Director Ext. 9589  
Jennifer Hines Arrington, Acting Director of Mortgage Finance Ext. 9760

**RE:** **Multifamily Financing:** Authorization to Transfer Units from HOC to Strathmore Court Associates, LP; Authorization for Strathmore Court Associates Limited Partnership to Accept the Transfer of Units; and, Authorization for Strathmore Court Associates Limited Partnership to Complete the FHA Risk Share Refinance

**DATE:** May 21, 2021

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**STATUS:** Consent \_\_\_\_\_ Deliberation  X  Status Report \_\_\_\_\_

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### **OVERALL GOAL & OBJECTIVE:**

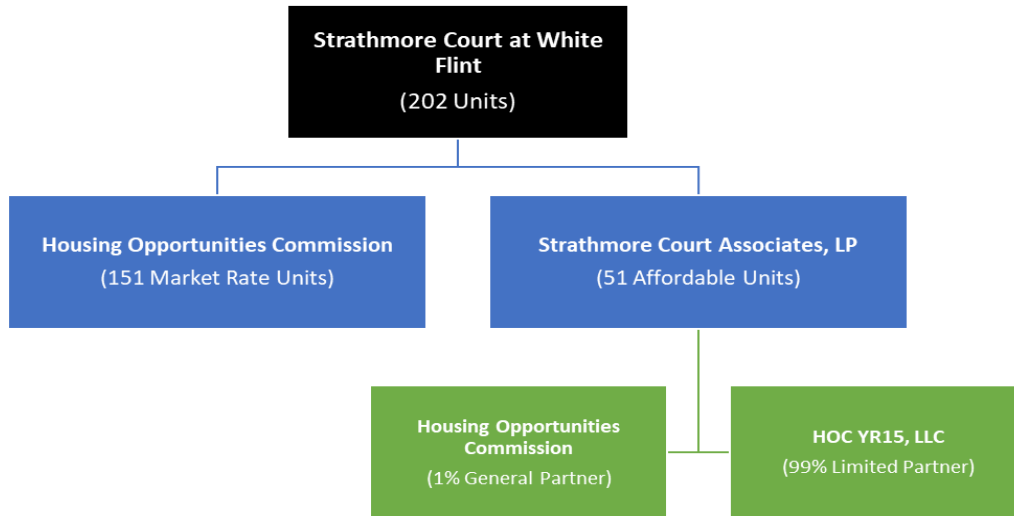
To authorize the transfer of the 151 market rate units at Strathmore Court at White Flint (the “Property”) from HOC (the owner of the market rate units) to Strathmore Court Associates Limited Partnership (the owner of the existing affordable units, wholly owned by HOC) in order to complete the FHA Risk Share refinancing of the Property.

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### **BACKGROUND:**

On June 3, 2020, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) approved several actions related to Strathmore Court at White Flint (“Strathmore Court” or the “Property”), a 202-unit multifamily community with 1- and 2-bedroom apartments located in North Bethesda. Those actions included among other things, 1) a Bond Authorizing Resolution under the Multifamily Housing Development Bond (“MHDB”) indenture, which funded the underlying mortgage for Strathmore Court; 2) authorization for staff to begin processing an FHA Risk Share application to refinance the mortgage for the Property; and, 3) authorizing the transfer of any and/or all assets securing the Property, including amounts pledged under the Multiple Purpose Indenture (initial financing for Strathmore Court) and any project-level reserves benefiting the Property, into the 1996 Indenture. Closing of the MHDB issuance occurred on July 8, 2020, and the FHA Risk Share application processing for the Property is almost complete.

When applying for FHA Risk Share credit enhancement, the borrower or mortgagor must be a single purpose ownership entity. Currently, 151 market units are owned by HOC, and 51 affordable units are owned by Strathmore Court Associates Limited Partnership (the “Partnership”). As of November 1, 2019, the Partnership is now 100% owned by the Commission given that an entity of the Commission, HOC YR15, LLC, has purchased the former Low Income Housing Tax Credit investor (Manufacturers and Traders Trust Company) limited partner’s interest (99%). Please see the current ownership structure below.



Staff has conferred with the Commission’s General Counsel, and recommends that the Commission transfer the 151 market rate units to the Partnership, so that one single asset legal entity owns the full community and may apply for FHA Risk Share credit enhancement, as the borrower. As of April 30, 2021, the Property’s outstanding mortgage balance was \$14,591,167.60. HOC will assume 25% of the risk and HUD will assume 75% of the risk of the transaction.

Upon Commission approval, staff will submit the FHA Risk Share application and anticipates receiving FHA’s endorsement by the end of June but no later than mid-July 2021.

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**ISSUES FOR CONSIDERATION:**

Will the Development and Finance Committee join staff’s recommendation to the Commission that the Commission authorize the transfer of the Property’s 151 market rate units to Strathmore Court Associates Limited Partnership; authorize Strathmore Court Associates Limited Partnership to accept the transfer of 151 market rate units; authorize Strathmore Court Associates Limited Partnership to complete the FHA Risk Share refinancing; and, approve HOC’s assumption of 25% of the risk in the FHA Risk Share transaction, as mortgagee?

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**PRINCIPALS:**

Housing Opportunities Commission of Montgomery County  
Strathmore Court Associates Limited Partnership

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**BUDGET IMPACT:**

None.

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**TIME FRAME:**

For formal action at the June 2, 2021 meeting of the Commission.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Development and Finance Committee support staff's recommendation that the Commission authorize the transfer of the Property's 151 market rate units to Strathmore Court Associates Limited Partnership; authorize Strathmore Court Associates Limited Partnership to accept the transfer of 151 market rate units; authorize Strathmore Court Associates Limited Partnership to complete the FHA Risk Share refinancing; and, approve HOC's assumption of 25% of the risk in the FHA Risk Share transaction, as mortgagee.