

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Special Session Minutes

May 11, 2021

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted via an online platform and teleconference on Tuesday, May 11, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 12:03 p.m. Those in attendance were:

Via Online/Teleconference

Roy Priest, Chair
Frances Kelleher, Vice Chair
Richard Y. Nelson, Chair Pro Tem
Jeffrey Merkowitz

Absent

Pamela Byrd
Linda Croom
Jackie Simon

Also Attending via Online/Teleconference

Stacy Spann, Executive Director
Aisha Memon, General Counsel
Christina Autin
Kristyn Greco

Kayrine Brown, Deputy Executive Dire
Eamon Lorinz, Deputy General Counsel
Zachary Marks
Nicolas Deandreis

Commission Support
Patrice Birdsong, Spec. Asst. to Commission

Chair Priest opened the meeting welcoming all to the Special Session of the Housing Opportunities Commission, and roll call of participating Commissioners.

I. ITEM REQUIRING DELIBERTION and/or ACTION

- A. **Holly Hall (Disposition of Land; Acquisition – Ground Lease):** Approval of the Sale of Holly Hall to Duffie Companies, Inc., and Authorization for the Executive Director to Execute Ground Lease with Duffie Companies, Inc. of HOC's Holly Hall Property (Post Sale)

Kayrine Brown, Deputy Executive Director, and Zachary Marks, Chief Real Estate Officer, were the presenters. Ms. Brown opened the meeting by summarizing the staff recommendation to authorize the Executive Director to execute a purchase and sale agreement with the Duffie Companies for the sale of

Holly Hall and to execute a ground lease post sale. Ms. Brown introduced Zachary Marks, Chief Real Estate Officer, who provided an overview in regards to a change to the structure of the existing partnership.

There was discussion among staff and Commissioners regarding the term of the agreements and ground lease.

A motion was made by Vice Chair Kelleher and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Priest, Kelleher, Nelson, and Merkowitz. Commissioners Byrd, Croom, and Simon were necessarily absent and did not participate in the vote.

RESOLUTION NO.: 21-49

**RE: Approval to Sell Holly Hall Apartments
Property to Hillandale Pad II, LLC and
Authorization to Enter into a Ground Lease with
Hillandale Pad II, LLC**

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”), is the owner of a vacated, to-be-demolished, 96-unit rental property in Hillandale known as Holly Hall Apartments located on approximately 4.35 acres of land at 10110 New Hampshire Avenue, Silver Spring, MD 20903 (“Holly Hall”); and

WHEREAS, HOC is the sole member of HOC at Hillandale Gateway, LLC (“HOC’s JV Member”), which is a member of Hillandale Gateway, LLC, the entity that will redevelop the Holly Hall site; and

WHEREAS, the Holly Hall property was approved for an increase in development density via a Sectional Map Amendment, which presents a unique opportunity for HOC to expand its housing presence in the East County, which has seen decades of disinvestment in housing; and

WHEREAS, the Duffie Companies and HOC formed a venture to redevelop Holly Hall where HOC contributes Holly Hall and the Duffie Companies contributes cash, both purchasing respective ownership interests in Hillandale Gateway, LLC; and

WHEREAS, on November 4, 2020, the Commission approved and funded the demolition of Holly Hall, which includes pre-demolition work, the demolition contract, and contingency; and

WHEREAS, on February 18, 2021, the Holly Hall site received site plan approval from the Montgomery County Planning Board for 463 units in two buildings –a 155-unit senior building and a 308-unit multifamily building (“Hillandale Gateway”); and

WHEREAS, on December 4, 2020, the Duffie Companies submitted to HOC an unsolicited offer to commit an increased amount of capital to the transaction by acquiring the Holly Hall property and leasing it back to Hillandale Gateway, LLC (“Sale-leaseback”); and

WHEREAS, the proposed terms of the ground lease component of the Sale-leaseback include a term of ninety-nine years with an option for HOC to purchase the land beginning 18 months prior to the end of the ninety-nine year term and a guaranty by HOC of payment and performance, which guaranty will terminate upon receipt of certificates of occupancy for the improvements and will have a liability cap of ten years of rent payment (the “Guaranty”); and

WHEREAS, the proposed terms of the property acquisition component of the Sale-leaseback include a purchase price of \$5,950,000, which is the value of the land as already established per the existing operating agreement for Hillandale Gateway, LLC between HOC and the Duffie Companies; and

WHEREAS, the Duffie Companies has formed Hillandale Pad II, LLC to take ownership of Holly Hall; and

WHEREAS, the Sale-leaseback structure will afford HOC greater ownership of Hillandale Gateway as well as increased flexibility in financing Hillandale Gateway.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director to execute a purchase and sale agreement in the amount of \$5,950,000 for the sale of the Holly Hall property to Hillandale Pad II and approves the sale of Holly Hall to Hillandale Pad II expected to occur on or about May 31, 2021.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of HOC at Hillandale Gateway, LLC, acting for itself and on behalf of Hillandale Gateway, LLC, that it authorizes the Executive Director to execute a (i) ground lease of the Holly Hall property that begins at the sale of Holly Hall, for which rent is deferred until the start of construction, at annual rent of 4% of sales price for the first five years of the lease, and at annual rent of 6% of sales price thereafter and (ii) the Guaranty; and otherwise substantially on the terms and conditions identified to the Commission and acceptable to the Executive Director and as advised by counsel.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized, without any further action on its part, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto and the amendment and restatement of the existing operating agreement for Hillandale Gateway, LLC.

There being no further business to come before this special session of the Commission, the meeting adjourned at 12:47 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Approved: June 9, 2021