



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



DEVELOPMENT AND FINANCE COMMITTEE

June 25, 2021

10:00 a.m.

YouTube Link: <https://youtu.be/8Avtx5tDtYY>

Approval of Minutes:

Title	Page
1. Minutes: Approval of Development and Finance Committee Minutes of May 21, 2021	3

Action Items:

Title	Page
1. Georgian Court: Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Georgian Court Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement	7
2. Shady Grove: Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Shady Grove Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement	17
3. Emory Grove Village: Approval to Select Tammal Enterprises Inc. as Demolition Contractor for Emory Grove Village in Accordance with Invitation for Bid ("IFB") #2253 and Authorization for the Executive Director to Negotiate and Execute a Contract for the Demolition	27
4. Willow Manor Propertie: Approval to Select PNC as the Tax Credit Syndicator and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement; Approval of Request for Additional Predevelopment Funds; and, Ratification of the Formation of Ownership Entities	35

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

May 21, 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, May 21, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:02 a.m., available for viewing [here](#). 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
Charnita Jackson
Leidi Reyes
Gio Kaviladze
Ellen Goff
Len Vilicic
Hyunsuk Choi

Kayrine Brown, Deputy Executive Director
Eamon Lorincz, Deputy General Counsel
Jennifer Arrington
Nathan Bovelie
Gail Willison
Christina Autin
Vivian Benjamin
Olutomi Adebo
Nicolas Deandreis
Terri Fowler

APPROVAL OF MINUTES

The minutes of the April 23, 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. Georgian Court: Approval to Select Hamel Builders as General Contractor for the Renovation of Georgian Court Apartments; Approval to Freeze Leasing to Facilities Renovation; Approval of Request for Additional Predevelopment Funds; and, Ratification of the Formation of Ownership Entities

Zachary Marks, Chief Real Estate Officer, and Hyunsuk Choi, Senior Financial Analyst, provided the presentation on recommending to the full Commission approval to select Hamel Builders as the general contractor, and authorize the Executive Director to negotiate a contract. Staff also recommended to the Development and Finance Committee authorization of HOC Staff and the Property Manager to halt leasing of future vacant units for each phase of renovation, authorize additional predevelopment budget to be funded by the Opportunity Housing Reserve Fund (OHRF), and ratify the formation of wholly-owned special purpose entities to serve as the new Property Owner and Managing Entities.

There was a detailed discussion among the Commissioners and Staff. A motion was made by Commissioner Nelson and seconded by Commissioner Simon to recommend the item for approval at the June 9, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon and Nelson. Commissioner Priest temporarily stepped away and did not participate in the vote.

2. 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

Hyunsuk Choi, Senior Financial Analyst, provided the presentation to recommend to the full Commission approval to select 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. Staff also recommends authorization of HOC Staff and Property Manager to halt leasing of future vacant units for duration of renovation, authorize additional predevelopment budget to be funded from the OHRF, and ratify the formation of wholly-owned special purpose entities to serve as the new Property Owner and Managing Member entities.

There was a discussion among the Commissioners and Staff. Commissioner Simon requested a profile of the Housing Choice Voucher Wait List. A motion was made by Commissioner Nelson and seconded by Commissioner Simon to recommend to the full Commission at the June 9, 2021 monthly meeting. Affirmative votes were cast by

Commissioners Simon and Nelson. Commissioner Priest temporarily stepped away and did not participate in the vote.

3. **Avondale: Authorization of the Executive Director to Execute a Letter of Intent for the Disposition of 4527 Avondale Street**

Zachary Marks, Chief Real Estate Officer, provided the presentation requesting the Development and Finance Committee to recommend to the full Board to authorize the Executive Director to enter into a non-binding letter of intent with Rousseau Enterprise LLC for the sale of HOC's 4527 Avondale to Michael Belisle, owner of Rousseau Enterprise LLC for terms herein presented.

Commissioners and Staff had a very in depth conversation regarding the request. Kayrine Brown, Deputy Executive Director, suggested that the item be tabled. Accordingly, no formal action was taken.

4. **Strathmore Court – Multifamily Financing: 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**

Jennifer Arrington, Acting Director of Mortgage Finance, provided the presentation requesting the Development and Finance Committee to recommend to the full Board to 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, authorize to complete the FHA Risk Share refinancing, and approve HOC's assumption of the risk in the FHA Risk Share transaction.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend the item for approval at the June 9, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

The meeting adjourned at 11:48 a.m.

Next scheduled meeting is June 25, 2021.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Discussion/Action Items

GEORGIAN COURT APARTMENTS: Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Georgian Court Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement

SILVER SPRING, MD



June 25, 2021

STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
ZACHARY MARKS
MARCUS ERVIN
HYUNSUK CHOI**

**June 25, 2021
Page 7 of 45**

Table of Contents

Topic	Page #
Executive Summary	3
Property Summary	4
Location	5
Investor Solicitation	6
Investor Proposal Terms	7
Summary and Recommendations	9

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 asides: 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.
- In June 2021, the Commission approved the selection of Hamel Builders, Inc. as general contractor for the renovation of the Property. Concurrently, the Commission authorized the request 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, the Commission approved an increase of \$500,000 to the existing predevelopment budget to be funded with a loan from the PNC Bank, N.A. Real Estate Line of Credit.
- In May 2021, staff solicited proposals from sixteen (16) LIHTC investors to select an equity investor for the Property. Four (4) investors’ Letters of Interest (“LOI”) were received: Boston Financial Investment (“Boston Financial”), Enterprise Community Investment (“Enterprise”), PNC Bank (“PNC”), and RBC Capital Markets (“RBC”). HOC has a good working relationship and project history with all four (4) investors.
- Following the review of proposed pricing, equity pay-in timing, and transaction exit and other terms, Staff recommends approving the selection of Boston Financial as the tax credit equity investor for the Property. Boston Financial’s proposal offers the most advantageous terms for HOC due to the combination of equity pricing, equity pay-in schedule, transaction underwriting assumptions and conditions, and year-15 partnership exit terms and projections.

Project Summary

Property Name	Georgian Court	Units	147	Expected Closing Date	2 nd Qtr FY22
Location	Silver Spring, MD	Average Unit Size (SF)	883	Stabilization Date	April 2024
Product Type	Garden-Style Apartment	Occupancy (06/25/21)	91.8%	Recapitalization Strategy	Rehab
Year Built/Renovated	1975/2001	Total Rentable Sqft	129,871	Funding Strategy	4% LIHTC/Bonds

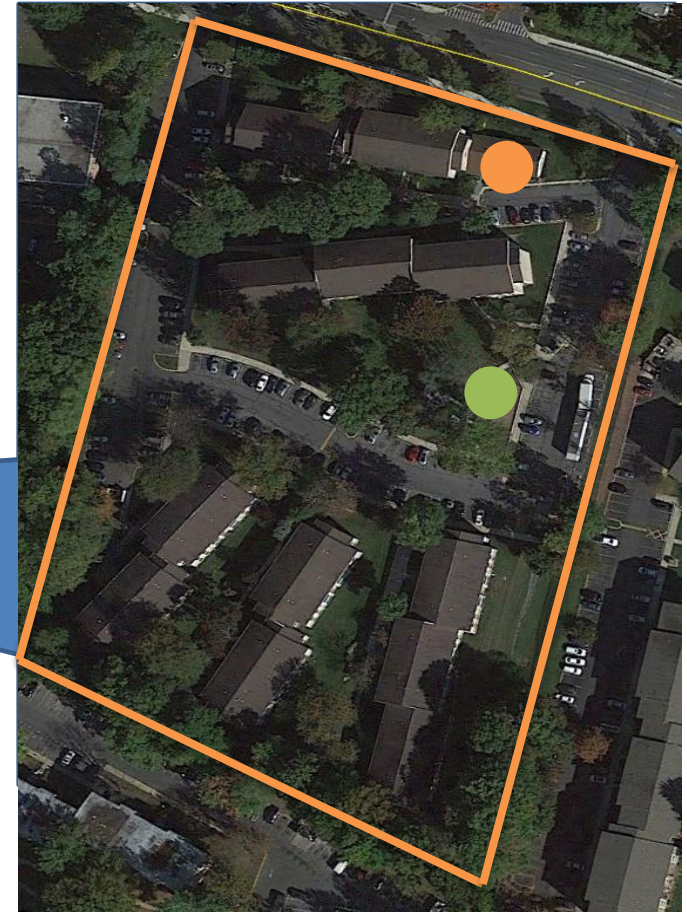
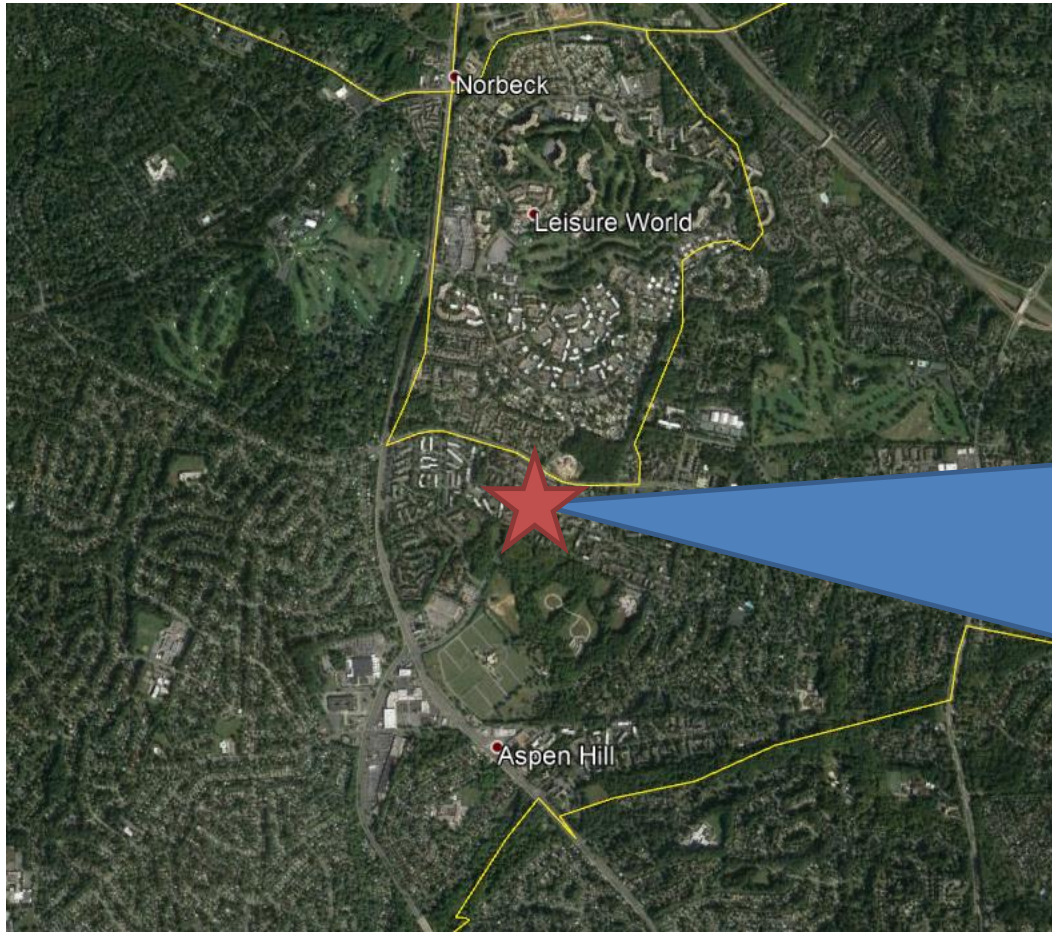
Georgian Court (the “Property”) was originally constructed in 1975 and is a 147-unit Low Income Housing Tax Credit (“LIHTC”) and Section 8 multifamily property that consists of 49 one-bedroom and 98 two-bedroom units. The property is currently operating under the extended-use covenant which requires the following set asides; 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

- Utilize (4%) LIHTC equity and HOC-issued tax-exempt bond proceeds to fund all construction costs.
- Repay an existing FHA Risk Share mortgage loan (est. balance of \$3,427,938 in the second quarter of FY2022).
- Add eight (8) Uniform Federal Accessibility Standards (“UFAS”) units with roll-in showers.
 - Five (5) two-bedroom units and three (3) one-bedroom units
 - Two (2) units will be renovated to comply with requirements for the hearing and visually impaired.
- Update the existing playground equipment as staff learned through its due diligence that many residents with children limit the use of the playground areas due to outdated equipment.

Georgian Court – Location





The Property was constructed in 1975, and is located on 6.75 acres (per the tax 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 within a Qualified Census Tract (“QCT”), which qualifies for the 30% basis boost under the LIHTC program.

 Georgian Court Apartments

June 25, 2021



 Leasing Office and Community Room
 Playground Area

Investor Solicitation

- Staff solicited proposals from sixteen (16) LIHTC investors/syndicators to select an equity investor.
- Staff received four (4) syndicator Letters of Interest (“LOI”) from Boston, Enterprise, PNC, and RBC for the Property.

#	LIHTC Investors Solicited
1	Aegon Real Assets US
2	Bank of America Merrill Lynch
3	Berkadia
4	Boston Financial Investment Management
5	Citi Community Capital
6	Community Affordable Housing Equity Corporation
7	CREA
8	Enterprise Community Investment
9	Hudson Housing Capital
10	PNC Bank
11	R4 Capital
12	Raymond James
13	RBC Capital Markets
14	Riverside Capital
15	Stratford Capital Group
16	Wells Fargo Community Lending and Investment



- Founded in 1969
- A leader in real estate investment management for over fifty years.
- Currently manage approximately \$15 billion in real estate investments for 140 institutional clients across the United States.
- Boston Financial was the LIHTC investor for Arcola Towers



- Syndicator founded in 1984 and based in Columbia, MD.
- Involved in financing nearly 529,000 multifamily developments in 49 states and the District of Columbia.
- Enterprise Community Investment was the investor for Bauer Park Apartments.



- Founded in 1994
- Places equity capital in high-quality, low-income housing tax credit developments around the country.
- PNC can provide a diversity of lending products (Construction Financing, Construction/Perm Financing (FHA), Letter of Credit, etc.)
- PNC Bank was the LIHTC investor for Greenhills Apartments and Forest Oaks Apartments.



- Founded in 1864
- Leading syndicator of Low Income Housing Tax Credits, Workforce/Impact Housing, Renewable Energy Tax Credits, Historic Tax Credits, and State Tax Credits
- Over 100 professionals has closed over \$12 billion in equity through 124 active funds with 93 institutional investors and 1,057 affordable housing tax credit assets.

Investor Proposal Terms

	Eligible Basis, Acquisition	Eligible Basis, Construction		Boston Financial	Enterprise	PNC	RBC
Adjusted Project Costs	\$38,505,180	\$19,643,343	Tax Credit Pricing	\$0.960	\$0.910	\$0.920	\$0.945
Adjustment for Federal QCT		130%	Equity Pay-In Schedule				
Qualified Basis	\$38,505,180	\$25,536,346	Construction Closing	20.0%	20.0%	10.0%	20.0%
Applicable Percentage (Now Fixed at 4%)	4.00%	4.00%	Construction Completion	25.0%	25.0%	5.9%	67.0%
LIHTC Eligible	\$1,540,207	\$1,021,454	Permanent Closing	50.0%	50.0%	74.4%	10.0%
Combined LIHTC Eligible		\$2,561,661	Form 8609s	5.0%	5.0%	9.7%	2.0%
Maximum Tax Credit Amount Over 10 Year Period		\$25,616,610	Developer Fee Pay-In Schedule				
			Construction Closing	20.0%	20.0%	25.0%	25.0%
			Construction Completion	35.0%	35.0%	25.0%	35.0%
			Permanent Closing	25.0%	17.0%	25.0%	27.9%
			Form 8609s	20.0%	28.0%	25.0%	12.2%
			LIHTC Upward Timing	\$0.50	\$0.40	\$0.3856	\$0.40
			LIHTC Downward Timing	\$0.50	\$0.69	\$0.6144	\$0.65
			LIHTC Upward Basis	\$0.96	\$0.40	\$0.10	\$0.9475
			LIHTC Downward Basis	\$0.96	\$0.69	N/A	\$0.9475
			Estimated LP Minimum Gain in Year 15 (Based on Investor Financial Model)	\$7,983,173	\$8,128,928	\$9,316,407	\$4,426,470 (Too Low)
			Estimated Exit Taxes in Year 15 (Based on 25% corporate tax rate)	\$1,995,793	\$2,032,232	\$2,329,102	\$1,106,618
			Right of First Refusal/Purchase Option (After the end of the compliance period)	3 years	1 year	1 year	1 year
			Guaranty Amount (5 years Term)	6 Month OPEX and DS	6 Month OPEX and DS	12 Month OPEX and DS	6 Month OPEX and DS
			Release of Guaranty	12 Months Achieve 1.15x	24 Months Achieve 1.15x	12 Months Achieve 1.15x	15 Months Achieve 1.15x

- Boston Financial offered the highest credit price at \$0.960, with RBC close behind at \$0.945.
- All four (4) LOIs have relatively comparable equity pay-in schedules.
- Pay-in schedules can be further negotiated to take into account HOC preferences. However, change in Pay-in schedules can adversely affect credit pricing.

June 25, 2021



OPEX (Operating Expenses)
DS (Debt Services)

Investor Proposal Terms (Continued)

After the review of proposed pricing, equity pay-in timing, and transaction exit and other terms, staff recommends approving selection of Boston Financial as the tax credit equity investor for the following reasons:

1. Highest credit price of \$0.960 yielding the highest equity amount;
2. Most favorable timing adjustment. The biggest risk and possible gain on a construction project is the schedule. Boston Financial offers the highest credit price adjustment for early delivery of credits and lowest price adjustment for late delivery of credits;
3. Based upon the investor financial model, they offer the lowest exit taxes at the end of the 15 year compliance period; and
4. Most favorable guaranty provision; and
5. Longest time allowed to exercise the Right of First Refusal or Purchase Option.

Benefits of one LIHTC Investor for both Georgian Court and Shady Grove

- Potentially better pricing.
- Ability to negotiate the Limited Partnership Agreement (“LPA”) for both properties at one time (reduced legal costs and expedited closing to meet the proposed financing schedule).
- Developer and investor will have the same legal counsel for both deals allowing the investor and their counsel the ability to process other portions of the deal (e.g., loan documents, construction contracts, HOC insurance program) on an expedited basis since the contracts and insurance policies will be on substantially similar forms.
- Easier construction administration and asset management dealing with one LPA (one point of contact).

Summary and Recommendations

Issues for Consideration

Will the Development & Finance Committee join staff's recommendation to the Commission to:
Approve the Selection of Boston Financial Investment Management as the Tax Credit Syndicator for Georgian Court Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement ("LPA")?

Time Frame

For formal action at the regular meeting of the Commission on July 7, 2021.

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY2021 and FY2022 operating budget.

The investment will raise approximately \$24.5 million of tax credit equity for the renovation of Georgian Court Apartments. The Commission will earn Development Fees in an estimated amount of \$6.2 million and Financing Commitment Fees in an estimated \$358,000. The Commitment Fee is projected to be received by the Commission in Q2 of FY2022.

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.

Resolution 21-57A - 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.

Resolution 21-57B - Approval to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Fund Costs Related to the Georgian Court Apartments Transaction.

Staff Recommendation and Commission Action Needed

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

Approve the Selection of Boston Financial Investment Management as the Tax Credit Syndicator for Georgian Court Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement.

After negotiations are complete, staff will return to the Commission with a request for approval of the Executive Director to execute the LPA.

SHADY GROVE APARTMENTS: Approval to Select Boston Financial Investment Management as the Tax Credit Syndicator for Shady Grove Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement

DERWOOD, MD



June 25, 2021

STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
ZACHARY MARKS
MARCUS ERVIN
HYUNSUK CHOI**

**June 25, 2021
Page 17 of 45**

Table of Contents

Topic	Page #
Executive Summary	3
Property Summary	4
Location	5
Investor Solicitation	6
Investor Proposal Terms	7
Summary and Recommendations	9

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.
- In June 2021, the Commission approved the selection of Hamel Builders, Inc. as general contractor for the renovation of the Property. At the same time, the Commission also authorized the request 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, the Commission approved an increase of \$485,000 to the existing predevelopment budget to be funded with a loan from the PNC Bank, N.A. Real Estate Line of Credit.
- In May 2021, staff solicited proposals from sixteen (16) LIHTC investors to select an equity investor for the Property. Three (3) investors’ Letters of Interest (“LOI”) were received: Boston Financial Investment (“Boston Financial”), PNC Bank (“PNC”), and RBC Capital Markets (“RBC”). HOC has a good working relationship and project history with all three (3) investors.
- Following the review of proposed pricing, equity pay-in timing, and transaction exit and other terms, Staff recommends approving the selection of Boston Financial as the tax credit equity investor for the Property. Boston Financial’s proposal offers the most advantageous terms for HOC due to the combination of equity pricing, equity pay-in schedule, transaction underwriting assumptions and conditions, and year-15 partnership exit terms and projections.

Project Summary

Project Name	Shady Grove	Units	144	Expected Closing Date	2 nd Qtr FY22
Location	Derwood, MD	Average Unit Size (SF)	908	Stabilization Date	April 2024
Product Type	Garden-Style Apartment	Occupancy (06/14/21)	93.1%	Recapitalization Strategy	Rehab
Year Built/Renovated	1977/2001	Total Rentable Sqft	130,716	Funding Strategy	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

- Utilize (4%) LIHTC equity and HOC-issued tax-exempt bond proceeds to fund all construction costs.
- Repay an 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 (2) units with roll-in showers:
 - Four (4) one-bedroom units and four (4) two-bedroom units;
 - Two (2) units will be renovated to comply with requirements for the hearing and visually impaired.
- Create a gym adjacent to the community room and leasing office.
- Remove all Asbestos-Containing Materials (“ACM”).
- Install radon mitigation systems.

Shady Grove – Location



- ★ Shady Grove Apartments
- ★ King Farm Development
- ★ Hurston at Westside Shady Grove Project

The Property was constructed in 1977 and consists of two (2) parcels on either side of Crabbs Branch Way in Derwood, Maryland. The combined total acreage for the Property is 11.87 acres (per the tax assessment record). The western parcel is 6.06 acres and the eastern parcel is 5.81 areas.

Investor Solicitation

- Staff solicited proposals from sixteen (16) LIHTC investors/syndicators to select an equity investor.
- Staff received three (3) syndicator Letters of Interest (“LOI”) from Boston Financial, PNC, and RBC for the Property.

#	LIHTC Investors Solicited
1	Aegon Real Assets US
2	Bank of America Merrill Lynch
3	Berkadia
4	Boston Financial Investment Management
5	Citi Community Capital
6	Community Affordable Housing Equity Corporation
7	CREA
8	Enterprise Community Investment
9	Hudson Housing Capital
10	PNC Bank
11	R4 Capital
12	Raymond James
13	RBC Capital Markets
14	Riverside Capital
15	Stratford Capital Group
16	Wells Fargo Community Lending and Investment



- Founded in 1969
- A leader in real estate investment management for over fifty years.
- Currently manage approximately \$15 billion in real estate investments for 140 institutional clients across the United States.
- Boston Financial was the LIHTC investor for Arcola Towers.



- Founded in 1994
- Places equity capital in high-quality, low-income housing tax credit developments around the country.
- PNC can provide a diversity of lending products (Construction Financing, Construction/Perm Financing (FHA), Letter of Credit, etc.)
- PNC Bank was the LIHTC investor for Greenhills Apartments and Forest Oaks Apartments.



- Founded in 1864
- Leading syndicator of Low Income Housing Tax Credits, Workforce/Impact Housing, Renewable Energy Tax Credits, Historic Tax Credits, and State Tax Credits
- Over 100 professionals has closed over \$12 billion in equity through 124 active funds with 93 institutional investors and 1,057 affordable housing tax credit assets .

Investor Proposal Terms

	Eligible Basis, Acquisition	Eligible Basis, Construction		Boston Financial	PNC	RBC
Adjusted Project Costs	\$38,480,030	\$18,457,502	Tax Credit Pricing	\$0.920	\$0.925	\$0.880
Adjustment for Federal		100%	Equity Pay-In Schedule			
Qualified Basis	\$38,480,030	\$18,457,502	Construction Closing	10.0%	20.0%	20.0%
Applicable Percentage (Now Fixed at 4%)	4.00%	4.00%	Construction Completion	73.3%	62.2%	65.0%
LIHTC Eligible	\$1,539,201	\$738,300	Permanent Closing	15.7%	12.0%	12.2%
Combined LIHTC Eligible		\$2,277,501	Form 8609s	1.0%	5.8%	2.8%
Maximum Tax Credit Amount Over 10 Year Period		\$22,775,013	Developer Fee Pay-In Schedule			
			Construction Closing	25.0%	25.0%	25.0%
			Construction Completion	25.0%	25.0%	30.0%
			Permanent Closing	45.0%	25.0%	33.0%
			Form 8609s	5.0%	25.0%	12.0%
			LIHTC Upward Timing	\$0.50	\$0.3856	\$0.40
			LIHTC Downward Timing	\$0.50	\$0.6144	\$0.65
			LIHTC Upward Basis	\$0.92	\$0.10	\$0.88
			LIHTC Downward Basis	\$0.92	N/A	\$0.88
			Estimated LP Minimum Gain in Year 15 (Based on Investor Financial Model)	\$2,599,762	\$7,574,022	\$78,375 (Too Low)
			Estimated Exit Taxes in Year 15 (Based on 25% corporate tax rate)	\$649,941	\$1,893,506	\$19,594
			Right of First Refusal/Purchase Option (After the end of the compliance period)	3 years	1 year	1 year
			Guaranty Amount (5 years Term)	6 Month OPEX and DS	12 Month OPEX and DS	6 Month OPEX and DS
			Release of Guaranty	12 Months Achieve 1.15x	12 Months Achieve 1.15x	15 Months Achieve 1.15x

- PNC offered the highest credit price at \$0.925, with Boston Financial close behind at \$0.920.
- **PNC's insurance provisions are less favorable than Boston Financial's**, staff anticipates that the insurance requirements will increase ongoing operating costs, due to the transaction's inability to use the County's Self Insurance program for property insurance.

Investor Proposal Terms (Continued)

Based on the proposed pricing, PNC and Boston Financial offer the two leading proposals; however, after a close review of proposed pricing, equity pay-in timing, and transaction exit and other terms, staff recommends approving selection of Boston Financial as the tax credit equity investor for the following reasons;

1. Second highest credit price (\$0.925 PNC to \$0.920 Boston Financial); and
2. Fastest payment of equity (82.23% PNC to 83.3% Boston Financial); and
3. Fastest payment of development fee to stabilization (75% PNC to 95% Boston Financial); and
4. Most favorable timing adjustment. The biggest risk and possible gain on a construction project is schedule. Boston Financial offer the highest credit price adjustment for early delivery of credits and lowest price adjustment for late delivery of credits; and
5. Most favorable guaranty provision; and
6. Longest time allowed to exercise the Right of First Refusal or Purchase Option.

Benefits of one LIHTC Investor for both Georgian Court and Shady Grove

- Potentially better pricing.
- Ability to negotiate the Limited Partnership Agreement (“LPA”) for both properties at one time (reduced legal costs and expedited closing to meet the proposed financing schedule).
- Developer and investor will have the same legal counsel for both deals allowing the investor and their counsel the ability to process other portions of the deal (e.g., loan documents, construction contracts, HOC insurance program) on an expedited basis since the contracts and insurance policies will be on substantially similar forms.
- Easier construction administration and asset management dealing with one LPA (one point of contact).

Summary and Recommendations

Issues for Consideration

Will the Development & Finance Committee join staff's recommendation to the Commission to:
Approve the Selection of Boston Financial Investment Management as the Tax Credit Syndicator for Shady Grove Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement("LPA")?

Time Frame

For formal action at the regular meeting of the Commission on July 7, 2021.

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY2021 and FY2022 operating budget.

The investment will raise approximately \$20.9 million of tax credit equity for the renovation of Shady Grove Apartments. The Commission will earn Development Fees in an estimated of \$4.9 million and Commitment Fees in an estimated amount \$600,000. The Commitment Fee is projected to be received by the Commission in Q2 of FY2022.

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 21-58A - 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.

Resolution 21-58B - Approval to Draw on the PNC Bank, N.A. Real Estate Line of Credit to Fund Costs Related to the Shady Grove Apartments Transaction.

Staff Recommendation and Commission Action Needed

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

Approve the Selection of Boston Financial Investment Management as the Tax Credit Syndicator for Georgian Court Apartments and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement.

After negotiations are complete, staff will return to the Commission with a request for approval of the Executive Director to execute the LPA.

**EMORY GROVE VILLAGE: APPROVAL TO SELECT TAMMAL
ENTERPRISES INC. AS THE DEMOLITION CONTRACTOR FOR EMORY
GROVE VILLAGE IN ACCORDANCE WITH INVITATION FOR BID (“IFB”)
#2253 AND AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO
NEGOTIATE AND EXECUTE A CONTRACT FOR THE DEMOLITION**

GAITHERSBURG, MD



STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
ZACHARY MARKS
MARCUS ERVIN
PAUL VINCIGUERRA**

Table of Contents

Topic	Page #
Executive Summary	3
Method of Procurement	4
Scope of Work	5
Bid Evaluation	6
Demolition Contractor Recommendation	7
Summary and Recommendation	8

Executive Summary

- Emory Grove Village, located at 8107 Morning View Drive in Gaithersburg, is a 54-unit former Public Housing community.
- Emory Grove Village is currently vacant and the four (4) buildings and management office on the site have reached the end of their useful life cycles.
- On February 6, 2019, the Commission approved the demolition of Ambassador Apartments (Wheaton) and Emory Grove Village. The Ambassador completed demolition in April 2020, but Emory Grove was not demolished and the original Invitation for Bid (“IFB”) for the demolition contractor which was approved at that time, has expired.
- On April 23, 2021, HOC issued Invitation for Bid No. 2253 (“IFB #2253”) for the Demolition of Emory Grove Village. HOC received seven (7) bids ranging in price from \$488,000 to \$1,181,450.
- 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 received, staff recommends that the Commission award IFB #2253 to Tammal Enterprises Inc. (“Tammal”), and authorize the Executive Director to negotiate and execute a contract for the demolition of Emory Grove Village.
 1. Staff has determined that Tammal is a responsive and responsible bidder and that its proposal meets the qualification and financial requirements of IFB #2253.
 2. The Tammal bid of \$488,000 was the lowest received. The award of IFB #2253 will be funded from Capital Improvement Program (“CIP”) funds provided by Montgomery County.
 3. Staff is including the demolition of a small shed and garage to the scope of work, which added \$4,800 to Tammal's final price, which still has Tammal as the lowest qualified bidder at \$492,800 for demolition.
 4. Staff proposes a contingency of 15%, totaling \$73,920, to be added to the demolition price of \$492,800 totaling \$566,720.
 5. There is \$806,241.68 of CIP funding currently available for use by HOC to fund the demolition of Emory Grove Village.
- The demolition for Emory Grove Village is expected to start in August 2021 and should take approximately 60 days to complete.

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/IFB is generally the preferred method for procuring construction, supplies, and other well defined services in excess of \$150,000.

A Sealed Bid/Invitation for Bid is generally used in procurement 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 complete 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 which meets these requirements and offers the lowest price is selected to perform the work.

Scope of Work

A summary of the scope of work (“Scope of Work”) and contract requirements for IFB #2253 is provided below:

Contractor is responsible for:

- Demolishing Emory Grove Village (consisting of four (4) buildings and one (1) management office) down to grade. All asphalt, curbs and gutters are to remain.
- Ensuring that water and sewer are disconnected and capped off prior to demolition.
- Rodent inspection and treatment, and obtaining pest removal letter necessary for raze permit.
- Dust control and adhering to any applicable noise ordinances.
- Removal and abatement of hazardous material.
- Pulling the Montgomery County Demo/Raze permit(s) and any costs associated therewith.
- Engaging Minority, Female and Disabled (“MFD”) subcontractors and/or suppliers, as certified by a Federal or locally recognized certification program with respect to at least twenty percent (25%) of its contracts for subcontract work and supplies.
- Complying with all prevailing federal, state and local codes and regulations and in strict conformance with all prevailing Montgomery County Codes.

Owner (HOC) is responsible for:

- Site fencing to be funded by available County CIP funds for the demolition project.

Bid Evaluation

Tammal Enterprises Inc. provided the lowest bid. Bids ranged in price from \$488,000 to \$1,181,450. A summary of the bids received appears to the right.

Initially, the IFB did not include the demolition of a small shed and garage, which were recently being used by HOC's maintenance staff, but it has since been determined that these structures are no longer needed and could be demolished. Tammal increased its original bid by \$4,800 for demolition of these structures, which increased its overall bid to \$492,800. Staff did not solicit revised bids from the other bidders because Tammal Enterprises was still the lowest bidder with the additional scope.

The demolition of Emory Grove Village will be funded by CIP funding provided by Montgomery County and managed by HOC.

Tammal Enterprises Inc. will meet 25% MFD with its subcontractors.

	Company Name	Address	Bid
1	Tammal Enterprises Inc.	5705 Arundel Avenue Rockville, MD 20852	\$488,000 \$492,800*
2	D.S.I. Services	16377 Bennet Road Culpeper, VA 22701	\$494,898
3	The Berg Corporation	2519 Wilkens Avenue Baltimore, MD 21223	\$535,000
4	Rodgers Brother Custodial Services	1535 Antelope Lane Capitol Heights, MD 20743	\$550,000
5	B.S. Environmental	5406 Crows Nest Court Sykesville, MD 21784	\$559,450
6	Goel Services, Inc.	3027 Hubbard Road Suite 101 Landover, MD	\$950,000
7	Renascent, Inc.	80 M Street SE Washington, D.C. 20003	\$1,181,500

Initial scope of \$488,000 plus additional scope of \$4,800 for shed and garage.

Demolition Contractor Recommendation

Tammal Enterprises Inc. is a Montgomery County based demolition contractor with 32 plus years of experience in demolition and environmental abatement services. The company has performed projects with a similar scope in the past five years totaling \$2,795,292 with contact values of at least \$500,000.



Summary and Recommendations

Issues for Consideration

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

- Select Tammal Enterprises Inc. as the demolition contractor for Emory Grove Village in accordance with IFB #2253 and authorize the Executive Director to negotiate and execute a contract for \$492,800 with the firm to complete the demolition of Emory Grove Village?
- Approve the demolition budget of \$566,720, including a contingency of \$73,720 to be funded from funds appropriated by Montgomery County's CIP?

Budget/Fiscal Impact

There is no impact on HOC; this demolition will be funded by County CIP funds.

Time Frame

For formal action at the regular meeting of the Commission on July 7, 2021.

Staff Recommendation

Staff recommends that the Development and Finance Committee join staff's recommendation to the Commission to:

- Select Tammal Enterprises Inc. as the demolition contractor for Emory Grove Village in accordance with IFB #2253 and authorize the Executive Director to negotiate and execute a contract for \$492,800 with the firm to complete the demolition of Emory Grove Village; and
- Approve the demolition budget of \$566,720, including a contingency of \$73,720 to be funded from funds appropriated by Montgomery County's CIP.

**Willow Manor Properties: AUTHORIZATION TO SELECT PNC AS TAX CREDIT SYNDICATOR
AND AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE A LETTER OF
INTENT OUTLINING THE TERMS OF A LIMITED PARTNERSHIP AGREEMENT; APPROVAL AND
RATIFICATION OF THE FORMATION OF OWNERSHIP ENTITIES; APPROVAL OF REQUEST FOR
ADDITIONAL PREDEVELOPMENT AND PREPAID CLOSING FUNDS**

Silver Spring, Germantown and Olney, MD



STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
ZACHARY MARKS
MARCUS ERVIN
KATHRYN HOLLISTER**

June 25, 2021
Page 35 of 45

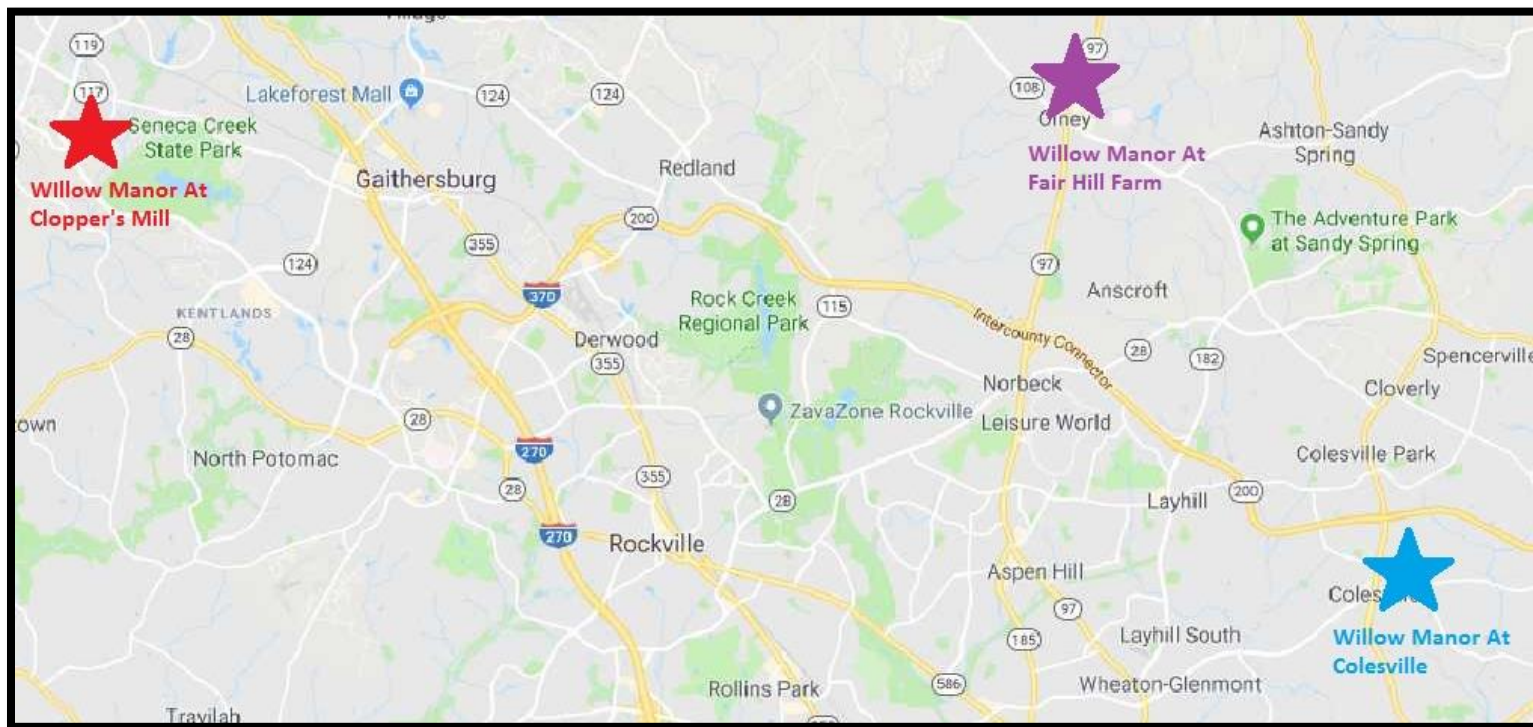
Table of Contents

Topics	Page
Executive Summary	3
Map Overview	4
Property Overview	5
Investor Solicitation	6
Syndicator Proposal Terms	7
Ownership Structure	8
Preliminary Development Schedule and Funding	9
Summary and Recommendations	10

Executive Summary

- On November 1, 2018, HOC acquired the following properties (collectively, the “Willow Manor Properties” or “Properties”), which were built approximately 16 years ago.
 1. **Willow Manor at Clopper’s Mill (“Clopper’s Mill”)**, consists of 102 age-restricted (62+) Low Income Housing Tax Credit (“LIHTC”) and market-rate apartments in Germantown was constructed in 2005;
 2. **Willow Manor at Fair Hill Farm (“Fair Hill Farm”)**, consists of 101 age-restricted (62+) LIHTC apartments in Olney was constructed in 2005; and
 3. **Willow Manor at Colesville (“Colesville”)**, consists of 83 age-restricted (62+) LIHTC apartments in Silver Spring was constructed in 2004.
- On April 1, 2020, the Commission approved a predevelopment plan and funding in the amount of \$400,000 to pursue a scattered site LIHTC resyndication and renovation of the Properties. As a result of the renovation, the Properties will see improvements to energy efficiency, the common areas and property exteriors, and resident's units will be modernized.
- On April 1, 2021, the Commission approved a Preliminary Development Plan for the scattered site LIHTC resyndication and renovation, including the selection of Nastos Construction, Inc. as the General Contractor and authorization to hold up to 20 units vacant (7% vacancy) to facilitate the renovation phasing. The Commission also authorized restricting Clopper’s Mill’s 20 market-rate units to households earning at or below 80% AMI and utilizing the Income Averaging set aside to comply with the requirement that 100% of scattered site LIHTC units must be restricted.
- In April 2021, staff solicited proposals from sixteen (16) LIHTC investors/syndicators to select an equity investor. Two (2) syndicators’ Letters of Interest (“LOI”) were received: Boston Financial and PNC. HOC has a working relationship and project history with both syndicators.
- After reviewing the LOIs, staff recommends approving PNC as the tax credit equity syndicator for the transaction. While Boston Financial’s proposal offers the most advantageous combination of equity price and equity pay-in schedule, PNC’s proposal offers the greatest certainty of executing the desired transaction structure.
- Staff is also requesting approval and ratification of new ownership entities for the LIHTC transaction as well additional predevelopment and prepaid closing funds in the amount of \$541,200 and \$920,000, respectively. These funds will be outstanding for less than four (4) months and will be repaid at LIHTC closing.

Map Overview



1. Willow Manor at Clopper's Mill, 18003 Mateny Rd, Germantown, MD 20874
2. Willow Manor at Fair Hill Farm, 18301 Georgia Ave, Olney, MD 20832
3. Willow Manor at Colesville, 601 E Randolph Rd, Silver Spring, MD 20904

Property Overview



- All three Willow Manor properties are senior (62+) rental communities that have reached the end of their initial 15-year LIHTC compliance period. Colesville’s initial 15-year compliance period ended on December 31, 2019; Clopper’s Mill and Fair Hill Farm initial compliance periods ended on December 31, 2020.
- The properties are of similar construction and design. The properties have been well maintained and are in good condition, but are in need of updating to remain marketable and improve operational performance.
- Property amenities include: fitness center, library, business center, community room, kitchen, billiards room, movie room, health room, hospitality suite, laundry room and shuttle service.
- Habitat America (“Habitat”) manages all three properties. Habitat was formed in 1988 and is a woman-owned and operated third-party property management firm with over 30 years of experience. Habitat manages more than 85 senior, affordable and market-rate apartment communities in Maryland, Delaware, Pennsylvania, Virginia and Washington, DC.

Willow Manor Properties: Unit and Affordability Mix			
UNIT TYPE	UNIT COUNT	UNIT SIZE	TOTAL SQFT
1 BED / 1 BATH	71	666	47,294
2 BED / 1 BATH	130	907	117,879
2 BED / 1.5 BATH	7	953	6,671
2 BED / 2 BATH	78	982	76,632
	286	869	248,476

AMI TARGET	UNIT COUNT
40%	57
50%	20
60%	189
Market*	20
	286

*A scattered site LIHTC syndication requires that 100% of the units are income-restricted. Staff is proposing restricting the 20 market rate units at the Properties to 80% AMI.

Investor Solicitation

- Staff solicited proposals from sixteen (16) LIHTC investors/syndicators to select an equity investor. Staff received two (2) Letters of Interest (“LOI”): Boston Financial and PNC Bank.
- The Income Averaging set aside (“IA”) proposed for this transaction posed a significant hurdle for investors, in both their interest in offering an LOI and pricing offered. While HOC has executed a number of IA transactions (Fenton Silver Spring (formerly 900 Thayer), Elizabeth House III and Upton II), recent IRS actions has chilled investor appetite for IA deals.
- The IRS released proposed regulations in October 2020 that were intended to provide clarity around the average income set-aside, the third minimum set-aside for LIHTC. However, in their proposed form, they are having the effect of making many LIHTC investors resistant or even completely unwilling to invest in Housing Credit developments that use IA.

#	LIHTC Investors Solicited
1	Aegon Real Assets US
2	Bank of America Merrill Lynch
3	Berkadia
4	Boston Financial Investment Management
5	Citi Community Capital
6	Community Affordable Housing Equity Corporation
7	CREA
8	Enterprise Community Investment
9	Hudson Housing Capital
10	PNC Bank
11	R4 Capital
12	Raymond James
13	RBC Capital Markets
14	Riverside Capital
15	Stratford Capital Group
16	Wells Fargo Community Lending and Investment



• Founded in 1969

- Manages approximately \$15 billion in real estate investments for 140 institutional clients across the United States.
- Boston Financial was the LIHTC investor for Arcola Towers.



• Founded in 1994

• Places equity capital in high-quality, low-income housing tax credit developments around the country.

- PNC can provide a diversity of lending products (Construction Financing, Construction to Perm Financing (FHA), Letter of Credit, and etc.)
- PNC Bank was the LIHTC investor for Greenhills Apartments.

In follow up conversations with Syndicators, additional reasons (beyond the IA issue) for not providing an LOI were:

- Lack of debt opportunity.
- Not actively investing in LIHTC at the present time.
- Resources already committed for CY21 and into CY22.
- Equity pricing too low to be competitive.
- Lack of investor need for \$20MM+ of equity.

Syndicator Proposal Terms

Eligible Basis, Acquisition	\$44,971,270
Eligible Basis, Construction	\$18,855,199
Total Eligible Basis	\$63,826,468
Applicable Percentage	4.00%
Maximum Tax Credit Amount Over 10 Year Period	\$25,530,587

	Boston Financial	PNC	Difference
Tax Credit Pricing (Raise Ratio)	\$0.900	\$0.8825	\$0.0175
Tax Credit Proceeds	\$22,977,529	\$22,530,743	\$446,785
TC Equity Reduction Due to Pricing	\$2,553,059	\$2,999,844	
Equity Pay-In Schedule			
At LIHTC Closing	15.00%	10.00%	5.00%
50% Construction Completion	0.00%	0.00%	0.00%
Construction Completion	65.00%	5.25%	59.75%
Draft Cost Certification	0.00%	63.59%	-63.59%
Rental Achievement/Final Cost Certification Form 8609	0.00%	7.36%	-7.36%
	20.00%	13.79%	6.21%
Present Value of Tax Credit Amount (Est)	\$21,739,626	\$21,148,441	\$591,185
TC Equity PV Reduction Due to Pay-In Timing	\$1,237,903	\$1,382,303	
Total Equity Reduction due to Pricing and Timing	\$3,790,962	\$4,382,147	
Developer Fee Schedule			
At LIHTC Closing	22.60%	25.00%	-2.40%
50% Construction Completion	0.00%	0.00%	0.00%
Construction Completion	0.00%	25.00%	-25.00%
Draft Cost Certification	0.00%	0.00%	0.00%
Rental Achievement/Final Cost Certification Form 8609	0.00%	35.00%	-35.00%
	77.40%	15.00%	62.40%
Exit Taxes (Assuming 25% Corporate Tax Rate)	\$0	\$451,203	

Equity Terms

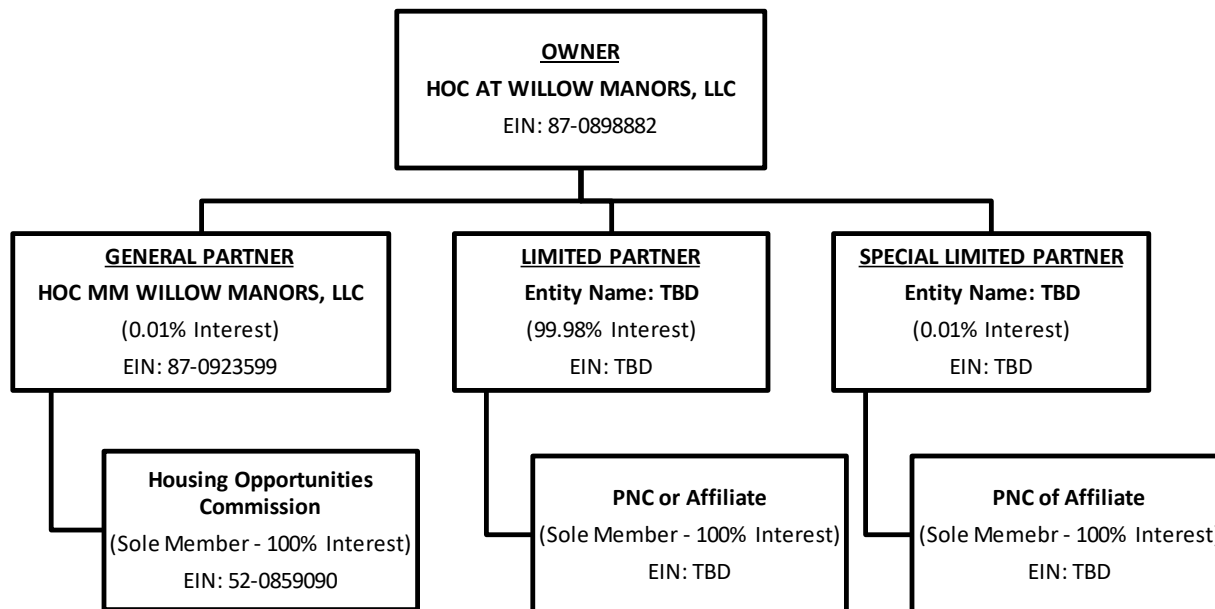
- **Boston Financial offered a higher credit price at \$0.90. PNC proposed a price per credit of \$0.8825.** Each cent in pricing difference is worth about \$255,306 in tax credit equity proceeds.
- Boston Financial also offered a more favorable equity pay-in schedule.
- Overall, Boston Financial offers the smallest reduction of equity proceeds due to pricing and pay-in timing.

Other Terms

- Year 15 exit taxes are also estimated to be less under Boston Financial's LOI (\$0) than PNC's (\$451,203).
- PNC's insurance provisions are less favorable than Boston Financial's. Staff anticipates that the insurance requirement as proposed will increase ongoing operating costs by approximately \$50,000 per property per year. Staff is working with PNC to see if it will allow HOC to use the County Self Insurance Fund for property insurance to avoid these increased costs.
- However, **Boston Financial's LOI had a significant caveat regarding Income Averaging, whereas PNC is able to execute the Income Averaging transaction as proposed.** Boston Financial's LOI would require that all 80% AMI units at the property be restricted to 60% AMI and for the transaction to comply with the 40% @ 60% set aside, unless the IRS issues new or revised guidance re: Income Averaging, which would severely impact NOI and would also threaten displacing existing residents who qualify at 80% AMI but not at 60% AMI.
- Given the impact to NOI and the risk of displacement in the event all 80% AMI units are restricted to 60% AMI, Staff recommends PNC as the LIHTC syndicator.

Ownership Structure

- HOC controlled single purpose entity (HOC MM Willow Manors, LLC), together with PNC's Limited Partner and Special Limited Partner, will form the property owner (HOC at Willow Manors, LLC).
- HOC MM Willow Manors, LLC will be the General Partner of the HOC at Willow Manors, LLC.
- HOC at Willow Manors, LLC will be the single purpose entity that will own the Willow Manor Properties.
- Three-tiered ownership structure is needed for disaffiliating HOC from the property owner LP / LLC and therefore making any loans extended by HOC (e.g. the seller note or deferred developer fee) 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, will be lower.



Preliminary Development Schedule and Funding

- On April 1, 2020, the Commission approved a predevelopment budget and funding in the amount of \$400,000.
- While only ~\$123K has been spent to date, funds in the amount of ~\$271K have been obligated, leaving approximately \$5,650 in remaining available funds
- Staff is requesting an additional \$541,200 in predevelopment funding, to be funded in the form of a loan from the FHA Risk Sharing/MIP Cash Reserve and repaid at LIHTC closing in October 2021. These funds would be drawn between July and October 2021 and would be outstanding for less than four (4) months.
- Staff is also requesting approval of \$920,000 in prepaid closing costs from the FHA Risk Sharing/MIP Cash Reserve, to be repaid at LIHTC closing. These funds would be drawn between September and October 2021 and would be outstanding for less than 60 days.
- As of March 31, 2021, the FHA Risk Sharing/MIP Cash Reserve had an available balance of \$11,073,705. Approval of these items would reduce the available balance to \$9,612,505.

Predevelopment Budget – Feasibility Phase	
Due Diligence and Feasibility Reports (Appraisal, Market Study, Environmental, Capital Needs Assessments, Survey, Etc.)	\$100,000
Consultants (Energy Consultant, Legal Counsel, Etc.)	\$100,000
Fees (LIHTC Application Fee, Allocation Fee, Etc.)	\$150,000
Contingency	\$50,000
TOTAL	\$400,000
Predevelopment Budget – Pre-Closing Phase	
Updates to Due Diligence Reports (Appraisal, Market Study, Environmental, Capital Needs Assessments, Etc.)	\$25,000
Design and Engineering (Architect, MEP, Interior Design, Etc.)	\$142,000
Consultants (Energy Consultant, Legal Counsel, Etc.)	\$125,000
Preconstruction Costs (Model Unit, Moving and Storage, Etc.)	\$200,000
10% Contingency	\$49,200
TOTAL PREDEVELOPMENT	\$541,200
Prepaid Closing Costs (MIP, Underwriter Fee, Insurance, Etc.)	\$920,000
TOTAL PREDEV + PREPAID CLOSING COSTS	\$1,461,200

Timeline	Dates
Submit LIHTC Application	May 2021
Approval of LIHTC Syndicator	July 2021
Approval of Final Development Plan and Finance Plan	September 2021
LIHTC Closing	October 2021
Construction Start	November 2021
Construction Complete	October 2023

Summary and Recommendations

Issues for Consideration

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

1. Approve the Selection of PNC as the Tax Credit Syndicator for the Willow Manor Properties and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement ("LPA")?
2. Ratify the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction?
3. Approve additional predevelopment funds in the amount of \$541,200, to be funded with a loan from the FHA Risk Sharing/MIP Cash Reserve, which will be repaid at the LIHTC closing?
4. Approve prepaid closing funds in the amount of \$920,000, to be funded with a loan from the FHA Risk Sharing/MIP Cash Reserve, which will be repaid at LIHTC closing?

Budget /Fiscal Impact

There is no adverse impact for the Agency's FY2021 budget. As of March 31, 2021, the FHA Risk Sharing/MIP Cash Reserve had an available balance of \$11,073,705. Approval of these items would reduce the available balance to \$9,612,505.

Time Frame

For formal action at the regular meeting of the Commission on July 7, 2021.

Summary and Recommendations (Continued)

Staff Recommendation and Commission Action Needed

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

1. Approve the Selection of PNC as the Tax Credit Syndicator for the Willow Manor Properties and Authorization for the Executive Director to Negotiate and Execute a Letter of Intent Outlining the Terms of a Limited Partnership Agreement (“LPA”).
 - After negotiations are complete, staff will return to the Commission with a request for approval for the Executive Director to execute the LPA.
2. Ratify the formation of wholly-owned special purpose entities to serve as the new Property owner and managing member entities for the transaction,
3. Approve additional predevelopment funds in the amount of \$541,200, to be funded with a loan from the FHA Risk Sharing/MIP Cash Reserve, which will be repaid at the LIHTC closing.
 - These funds would be drawn between July and October 2021, and would be outstanding for less than four (4) months. As of March 31, 2021, the FHA Risk Sharing/MIP Cash Reserve had an available balance of \$11,073,705.
4. Approve prepaid closing funds in the amount of \$920,000, to be funded with a loan from the FHA Risk Sharing/MIP Cash Reserve, which will be repaid at LIHTC closing.
 - These funds would be drawn between September and October 2021 and would be outstanding for less than 60 days. As of March 31, 2021, the FHA Risk Sharing/MIP Cash Reserve had an available balance of \$11,073,705.