



DEVELOPMENT AND FINANCE COMMITTEE

October 24, 2022

11:30 a.m.

YouTube Link: <https://youtu.be/N0k59NGMgpU>

Approval of Minutes:

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1. Minutes: Approval of Development and Finance Committee Minutes of September 28, 2022	3

Discussion/Action Items:

Title	Page #
1. Residences on the Lane: Approval of Amended Finance Plan, Amended Bond Authorizing Resolution, and Draw on the PNC Bank, N.A. Line of Credit to Provide Interim Financing	7
2. Sandy Spring Missing Middle: Approval to Select and Execute Contract with Zavos Architecture & Design as Architect; Fourth Phase of Predevelopment Funding, Final Site Design; and Authorization to Submit Site Plan to Planning Commission	22

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

September 28, 2022

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Development and Finance Committee was conducted via a hybrid model on September 28, 2022, with some participating by online platform/teleconference, and others participating in-person at 10400 Detrick Avenue, Kensington, Maryland beginning at 1:15 p.m., available for viewing [here](#). Those in attendance were:

Present

Jackie Simon, Chair – Development and Finance Committee
Richard Y. Nelson, Jr. – Commissioner
Jeffrey Merkwowitz – Commissioner

Also Attending

Chelsea Andrews, Executive Director

Kayrine Brown, Deputy Executive Director

Attending via Zoom

Aisha Memon, General Counsel
Zachary Marks
Timothy Goetzinger
Eugenia Pascual
John Brouille
Leidi Reyes
Hyunsuk Choi
Paulette Dudley
Gio Kaviladze
Vivian Ikoro

Paige Gentry, Deputy General Counsel
Marcus Ervin
Terri Fowler
Fred Swan
Kathryn Hollister
Nathan Bovelie
Jay Shepherd
Ellen Goff
Olutomi Adebo

IT Support

Aries Cruz

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

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

APPROVAL OF MINUTES

The minutes of the August 26, 2022, Development and Finance Committee open session meeting was approved upon a motion by Commissioner Nelson and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

DISCUSSION ITEMS

1. 8800 Brookville Road/Town Center Apartments: Approval to Select and Execute Contracts for Real Estate Brokerage Services for the Marketing and Sale of Town Center Apartments and 8800 Brookville Road, Two (2) Housing Opportunities Commission Assets

Chelsea Andrews, Executive Director, provided an overview and introduction of Marcus Ervin, Director of Development, and Zachary Marks, Chief Real Estate and Investment Officer, who provided the presentations requesting recommendation to the full Commission to (1) select CBRE as the third party real estate broker for the marketing and sale of the 8800 Brookville Road in Silver Spring, Maryland; (2) select Scheer Partners as the third-party real estate broker for the marketing and sale of 90 Monroe Street (Town Center Apartments) in Rockville, Maryland; (3) authorize the Executive Director to take any and all other actions necessary and proper to carry out the transaction; and (4) make a loan from the Opportunity Housing Reserve Fund to fund incidental expenses related to the sale of 90 Monroe.

There was detailed discussion among Commissioners and Staff. Staff addressed the various questions of the Commissioners. During the discussion there was a decision to split the request of the two properties. A motion was made by Commissioner Nelson, and seconded by Commissioner Merkowitz, that the Committee supports the staff's recommendation for contract for real estate brokerage for 8800 Brookville Road in Silver Spring. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

2. Single Family: Approval of New Participating Lenders for the Single Family Mortgage Purchase Program

Chelsea Andrews, Executive Director, provided an overview and introduction of Paulette Dudley, Program Specialist, who provided the presentation requesting recommendation to the full Commission to approve Meridian Bank Mortgage, WesBanco Bank, Inc., Bay Capital Mortgage Corporation, and Direct Mortgage Loans, LLC as new participating lenders in the Single Family Mortgage Purchase Program.

There was detailed discussion among Commissioners and Staff. Staff addressed the various questions of the Commissioners. A motion was made by Commissioner Nelson, and seconded by Commissioner Merkowitz, to recommend to the full Commission for approval. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

Based upon this report and there being no further business to come before this session of the Development and Finance Committee, the meeting adjourned at 2:30 p.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/pmb

Discussion/Action Items

**RESIDENCES ON THE LANE: APPROVAL OF AMENDED FINANCING PLAN,
AMENDED BOND AUTHORIZING RESOLUTION, AND AUTHORIZATION TO DRAW
ON THE PNC BANK, N.A. LINE OF CREDIT TO PROVIDE INTERIM FINANCING FOR
THE RECYCLING OF VOLUME CAP
198 EAST MONTGOMERY AVENUE, ROCKVILLE**



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

JENNIFER HINES WASHINGTON, ACTING DIRECTOR OF MORTGAGE FINANCE

VICTORIA DIXON, SENIOR MULTIFAMILY UNDERWRITER

LEN VILICIC, FINANCIAL ANALYST

October 24, 2022

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EXECUTIVE SUMMARY

Residences on the Lane (the “Property” and f/k/a “Upton II”) is a 150-unit, age-restricted (62+), apartment community constructed in Rockville Town Center, Rockville, Maryland, as part of a larger residential development. Construction of the Property was part of a master development sponsored by Duball (“Master Developer”), including residential, retail, and public parking. HOC and Victory Housing, Inc. (“VHI”), through a single purpose entity called HOC at the Upton II, LLC (the “Owner” or “Borrower”), own and operate the Property.

The Property is an important element in HOC’s portfolio, with 90% (135) of units restricted for senior households with income between 40% and 80% of Area Median Income (“AMI”), and as relocation housing for 112 households previously residing in the nearby Rockville Town Center Apartments.

Previously Approved Finance Plan - On January 9, 2019, the Commission approved the Property’s Finance Plan with subsequent amendments on February 6, 2019 and February 22, 2019. The Finance Plan of approximately \$51.5 million includes, (1) a privately placed, tax-exempt, \$24 million construction loan, funded by M&T Bank (“Construction Loan”), to be refinanced with a FHA Risk Share permanent mortgage loan of up to \$27.5 million (“Permanent Loan”); (2) a \$12 million bridge loan to be funded by way of draws on the Commission’s PNC Bank, N.A. Real Estate Line of Credit (“RELOC”); (3) Low Income Housing Tax Credit (“LIHTC”) Equity of approximately \$11.8 million; (4) an acquisition loan for up to \$7.8 million from HOC’s Opportunity Housing Reserve Fund (“OHRF”); (5) a subordinate \$5 million County Loan; (6) deferred developer fees totaling approximately \$2.4 million; and, (7) interim operating income of approximately \$725,000. The Commission also approved issuing up to \$24 million in tax-exempt bonds, allocating up to \$24 million of HOC’s volume cap for the transaction, and hedging interest rate risk with a Counterparty by executing two (2) swap agreements; one during construction phase and one at permanent phase, as it was anticipated to issue variable rate bonds (“VRDOs”) to fund the permanent mortgage. Closing of the construction financing and LIHTC equity occurred in March 2019 and November 2019, respectively.

Additional Amendments to Finance Plan - The Property is nearing completion of the construction and stabilization phases, staff has reconciled development costs during the construction phase (see page 9), and has concluded the underwriting for the Permanent Loan projected to close in February 2023. The permanent swap was executed at a lower rate and the Property’s Net Operating Income is projected higher than originally estimated; therefore, the Property will now support a 40-year tax-exempt Permanent Loan of \$27 million at an estimated interest rate of 4.01%.

Given the private activity nature of the transaction, additional volume cap will be required. However, considering volume cap is a limited resource, the Maryland Community Development Administration (“CDA”) has agreed to permit recycling of its multifamily private activity volume cap of up to \$5 million from the repayment of a portion of CDA’s bonds maturing on December 1, 2022. Recall that the Commission has previously recycled CDA’s multifamily volume cap with The Laureate transaction in 2020. Staff recommends utilizing HOC’s Line of Credit with PNC Bank, N.A. (“PNC LOC”), to provide interim financing to complete the recycling of private activity volume cap from CDA for the transaction. Such draws on the PNC LOC will be repaid from proceeds of the newly issued bonds at closing in February 2023.



EXECUTIVE SUMMARY

Further, with this bond issuance, the Commission’s Financial Advisor recommends funding the bond reserve under the 1996 Indenture. Therefore, to fund the new Permanent Loan amount and bond reserves, staff recommends increasing the amount of the Bond Authorizing Resolution from up to \$24 million to \$29 million. The below chart represents elements of the Finance Plan approved by the Commission in 2019 and the current amendment request.

FINANCE PLAN	PREVIOUSLY APPROVED 1/9/19	PREVIOUSLY APPROVED 2/6/19	PREVIOUSLY APPROVED 2/22/19	PROPOSED AMENDMENT 11/2/22
Total Sources & Uses ¹	\$49,500,000	-	\$51,500,000	\$51,600,000
Total Tax-Exempt Bond Issuance (up to)	\$24,000,000	-	-	\$29,000,000
Total Volume Cap Allocated (up to)	\$24,000,000	-	-	-
Additional Recycled Volume Cap (up to)	-	-	-	\$5,000,000
Total Tax-Exempt Construction Loan (via M&T Bank)	\$24,000,000	-	-	-
Total FHA Risk Share Permanent Mortgage Loan Commitment (up to)	\$24,000,000	-	\$27,500,000	-
Est. FHA Risk Share Permanent Mortgage Interest Rate ²	5.5%	-	-	4.0%
HOC Bridge Loan (via PNC RELOC)(up to)	\$12,000,000	-	-	-
HOC Acquisition Loan (via OHRF)(up to)	\$6,000,000	-	\$7,800,000	-
# of Interest Rate Hedge or Swap Agreements ³	1	2	-	-

¹Detailed Sources & Uses are found on page 9.

²Interest rate includes MIP, Loan Management Fee, and cushion.

³In January 2019, the Commission approved entering into one (1) Swap Agreement to cover variable interest rate during both the construction and permanent loan periods; in February 2019, the Commission approved entering into two (2) Swap Agreements, one for the construction loan and one for the permanent loan, which will begin at conversion, and notably brings down the anticipated permanent loan interest rate.

EXECUTIVE SUMMARY

Staff recommends the Development and Finance Committee join in recommending that the Commission to approve the following:

- 1) Amended Financing Plan for Residences on the Lane, totaling approximately \$51.6 million, that includes the following sources: a) permanent loan insured by the FHA Risk Share program, which will repay the existing Construction Loan; b) bridge funding by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; c) interim funding by way of draws on the Commission's PNC Bank, N.A. Line of Credit; d) LIHTC equity; e) a subordinate County Loan; f) a loan from HOC; and g) deferred developer fees.
- 2) A Bond Authorizing Resolution for the issuance and delivery of tax-exempt bonds in a aggregate principal amount not to exceed \$29,000,000 to fund (a) the Permanent Loan for the transaction of up to \$27,000,000, (b) bond reserves under the 1996 Indenture, and (c) repay the PNC LOC.
- 3) For HOC to loan up to \$5,000,000 to the Borrower by way of short-term, taxable draws on the PNC LOC, which shall be used to provide interim financing to complete recycling of private activity volume cap from CDA and will be repaid upon closing of the Permanent Loan.

TRANSACTION HIGHLIGHTS

Public Purpose	The Property provided 112 (75%) of replacement affordable units and an additional 23 new affordable units for households between 40 – 80% of AMI. The remaining 15 units will be unrestricted.	
County Interest	Construction of this property replaced and added safe, quality, affordable housing for seniors in the County who have fixed and limited income. The transaction benefits from a \$5 million of subordinate loan from the County and exemption from all city, county, and state taxes for the entire property.	
Volume Cap/Recycling	Up to \$29 million – An initial \$24 million was allocated from the Agency’s annual allocation upon closing of the Construction Loan. To save the Agency’s remaining 2022 volume cap, CDA has agreed to permit recycling of multifamily private activity volume cap of up to \$5,000,000 from repayment of CDA’s bonds maturing December 1, 2022. See page 10 for additional details.	
Bond Issuance	Up to \$29 million – The issued bonds will be long term, private activity refunding bonds in the form of Variable Rate Demand Obligations (“VRDOs”). To protect against rising interest rates, a forward-starting permanent swap was obtained in the amount of \$27,000,000. Bond proceeds and the recycled repayments from CDA will fund the 40-year, FHA Risk Share mortgage and repay the PNC LOC and privately placed, tax-exempt M&T Bank construction loan. Remaining bond proceeds will fund a bond reserve. The estimated interest rate for the mortgage is 4.01% and includes the existing swap rate, and the estimated liquidity and remarketing fees.	
Credit Enhancement	The permanent mortgage loan will be credit enhanced with FHA Risk Share mortgage insurance. HOC will share 25% of the risk and FHA 75%.	
Bridge Loan	\$12.0 million – short-term, PNC RELOC taxable at 1 Month LIBOR plus 58 basis points. Draws will be repaid with LIHTC equity.	
LIHTC Equity	Approximately \$14.6 million – The tax credit equity will be paid in stages: 1) initial closing (10%); 2) 50% completion (8%); 3) construction completion (2%); 4) permanent conversion with stabilized debt service coverage (78%); and 5) the issuance of the final 8609s with cost certification (2%).	
Developer Fee	The developer’s fee will be \$4,855,826; however, \$2,427,913 is deferred until repaid from available cash flow unless accelerated from capital proceeds.	
Development Team	Owner/Developer:	HOC at the Upton II, LLC / HOC and Victory Housing Inc.
	Master Developer:	Duball, LLC
	General Contractor:	Paradigm Contractors, LLC
	Architect:	Torti Gallas Partners
	Property Management:	Edgewood Management Company
	LIHTC Syndicator/Investor:	Wells Fargo
	Trustee:	US Bank under the 1996 Multi-Family Development Bond Resolution.

PROPERTY OVERVIEW



Location 198 East Montgomery Avenue, Rockville
Owner HOC at the Upton II, LLC
Property Manager Edgewood Management Company

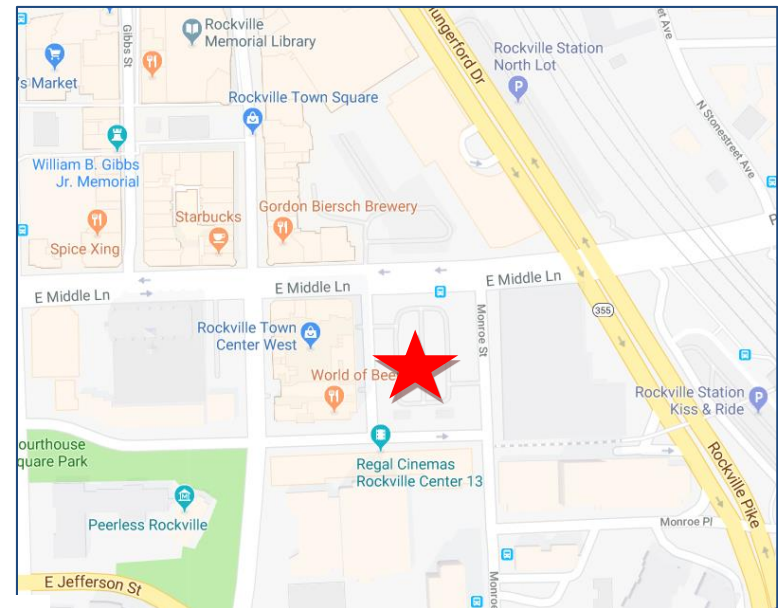
UNITS	AMI TARGET	AVE SIZE	UNITS	GROSS RENT	UTILITY ALLOW.	EFFECTIVE RENT	LIHTC LIMIT (NET)	Δ
1 BR*	40%	654	24	\$ 1,967	\$ 85	\$ 1,882	\$ 983	\$ 899
1 BR*	60%	654	84	\$ 1,831	\$ 85	\$ 1,746	\$ 1,517	\$ 229
2 BR*	60%	1051	4	\$ 2,346	\$ 112	\$ 2,234	\$ 1,809	\$ 425
1BR + DEN	80%	812	13	\$ 2,017	\$ 85	\$ 1,932	\$ 2,051	\$ (119)
2 BR	80%	1051	10	\$ 2,412	\$ 112	\$ 2,300	\$ 2,450	\$ (150)
1BR	MKT	654	15	\$ 1,818	\$ -	\$ 1,818	N/A	N/A

*Eighty-two (82) households have tenant rent subsidies above LIHTC rent limits.

Public Purpose Residences on the Lane is a mixed-income, age restricted community with 135 units reserved for families and individuals earning between 40% and 80% of AMI and 15 unrestricted units. Eighty-two (82) households have tenant rent subsidies that are above LIHTC rent limits.

Amenities A multi-level parking garage, fitness and yoga space, wellness room for preventative care services, and clubrooms. Neighborhood amenities include Regal Cinemas, Rockville Memorial Library, and various restaurants, services, and retailers including Starbucks with additional connectivity via the Rockville WMATA Station (Red Line).

Type of Construction A steel enforced structure, with poured concrete decking, brick façade, and dedicated HVAC split system.



STABILIZED PRO FORMA

	2019 UNDERWRITING	CY 2023 BUDGET	VARIANCE	CY 2023 PER UNIT
Effective Gross Income (EGI)	\$2,571,292	\$3,046,546	\$475,254	\$20,310
Operating Expenses	\$838,061	\$1,040,199	\$202,138	\$6,935
Replacement Reserves	\$45,000	\$45,000	\$0	\$300
Net Operating Income (NOI)	\$1,688,231	\$1,961,346	\$273,115	\$13,076
Debt Service	\$1,468,027	\$1,371,753	(\$95,275)	\$9,145
Cash Flow Before Distributions	\$220,204	\$589,593	\$369,389	\$3,931
Debt Service Coverage (DSC)	1.15	1.43	0.28	

- The Property is expected to achieve 93% occupancy during October 2022. Property revenue (EGI) is higher than originally projected as there are currently 82 residents with tenant based vouchers permitting collection of rents above LIHTC limits. As a senior building, turnover of these residents is expected to be low.
- The increase to Operating Expenses is primarily due to anticipated Payroll Expenses and the actual Condominium Association Fee. The Property benefits from Payment in Lieu of Taxes (“PILOT”) Agreements from Montgomery County (75%) and the City of Rockville (90%).
- Annual replacement reserves contributions will be \$300/unit (\$45,000 annually). At closing of the permanent loan, initial deposit to replacement reserves will be \$500/unit (\$75,000).
- To mitigate interest rate risk for the permanent loan, a \$27 million interest rate swap at a fixed rate of 2.39% was obtained, as approved by the Commission in 2019. With inclusion of additional costs, underwriting of the Property supports a permanent loan of \$27 million with a DSCR of 1.43. Sizing is based on an estimated interest rate of 4.01% all-in (including mortgage insurance premium (“MIP”), loan management fee (“LMF”), and an estimated 30 basis points (“bps”) cushion). "
- Assuming a worst case scenario where all 82 of tenant based voucher households were to vacate and rents for those units return to LIHTC limits, Property NOI is projected to be \$1,620,749 and result in a DSCR of 1.18. Whereas, if half of the voucher households were lost, Property NOI is estimated at \$1,791,048 for DSCR of 1.31.

AMENDED FINANCING PLAN

The transaction contemplates: a) a tax-exempt FHA Risk Share permanent mortgage; b) bridge funding during by way of short-term, taxable draws on the PNC RELOC; c) LIHTC equity, which will mostly be contributed upon permanent conversion; d) a subordinate County Loan; e) a loan from HOC funded by way of the PNC RELOC; and, f) Deferred Developer's Fee.

The privately placed tax-exempt construction loan is to be repaid by tax-exempt refunding bond proceeds issued from the 1996 indenture, which will fund the Permanent Loan with mortgage insurance under the FHA Risk Sharing Program. Private activity bond cap of \$24 million was allocated by HOC at the outset for the Construction Loan and an additional \$5 million in volume cap will be from the completion of bond recycling with CDA. Further discussion on the recycling is found on page 10.

To mitigate interest rate risk, in 2019 the Commission approved entering into a \$27 million swap, which is supported based on current underwriting of the permanent, 40-year, FHA Risk Share mortgage loan.

Subsequent to the original approval and closing of the construction loan, the transaction received a Difficult Development Area designation, resulting in a higher LIHTC equity contribution of \$14.6 million of which approximately \$2.6 million has been received to date.

The Bridge Loan and remaining portion of the developer fee will be paid with equity contributions of the tax credit investor.

The subordinate County Loan has an interest only period with required amortization of the loan subject to available cash flow.

SOURCES	FINANCE PLAN RECONCILED POST CONSTRUCTION	PROPOSED AMENDMENT 11/2/22	VARIANCE	NEW AMENDMENT/ UNIT
Tax-Exempt Bonds (a)	\$24,000,000	\$27,000,000	\$3,000,000	\$180,000
LIHTC Proceeds / Bridge (b)(c)	\$11,829,654	\$14,672,756	\$2,843,102	\$97,818
Subordinate County Loan (d)	\$5,000,000	\$5,000,000		\$33,333
HOC Loan (e)	\$7,300,000	\$2,505,983	(\$4,794,017)	\$16,707
GP Equity	\$100	\$100	-	\$1
Deferred Developer Fee(f)	\$2,427,913	\$2,427,913	-	\$16,186
Interim Property Income	\$725,475	-	(\$725,475)	-
Total Sources	\$51,283,142	\$51,606,752	\$323,610	\$344,045

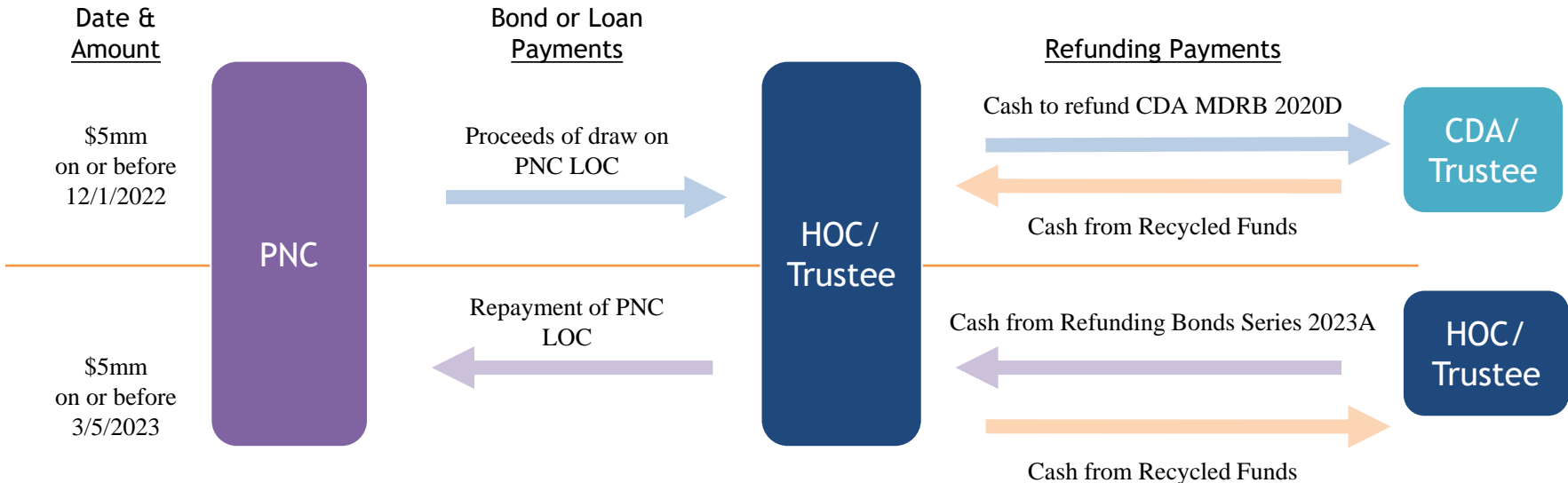
USES				
Acquisition Cost	\$6,244,941	\$6,170,975	(\$73,966)	\$41,140
Construction Cost	\$30,858,071	\$31,138,961	\$280,890	\$207,593
Fees Related to Construction	\$3,566,793	\$4,436,571	\$869,778	\$29,577
Relocation Costs	\$142,800	\$76,245	(\$66,555)	\$508
Financing & Legal Costs	\$2,380,869	\$2,282,119	(\$98,750)	\$15,214
Construction Interest	\$2,087,650	\$1,613,960	(\$473,690)	\$10760
Development Fees	\$4,957,705	\$4,855,826	(\$101,879)	\$32,372
Initial Replacement Reserves	\$75,000	\$75,000	-	\$500
Operating Reserves	\$969,313	\$957,095	(\$12,218)	\$6,381
Total Uses	\$51,283,142	\$51,606,752	\$323,610	\$344,045

RECYCLING VOLUME CAP

The Housing and Economic Recovery Act of 2008 (“HERA”) and provisions of the Code, which governs the issuance of Private Activity Bonds, allows the recycling of multifamily volume cap into new multifamily transactions to preserve volume cap. In addition, HERA requires that the recycling refunding bonds be issued before maturity or redemption of the currently outstanding original bonds (refunded bonds) and that the recycling refunding bonds be issued (i) within six (6) months of repayment of the initial loan and that a new loan of the repayment be made within that six (6) month period to fund a new multifamily project, (ii) not later than four (4) years after the issuance of the refunded bonds, and (iii) with the latest maturity of the recycling refunding bonds not exceeding 34 years from the issue date of the refunded bonds. Refunded bonds have to be redeemed within 90 days of the issuance of refunding bonds.

In 2019, private activity volume cap from HOC was allocated to fund a \$24 million tax-exempt construction loan for the Property. The Property is now able to support a \$27 million Permanent Loan. In order to fund the Permanent Loan and bond reserves, HOC intends with Commission approval, to issue \$29 million of new tax-exempt Refunding Bonds. To take advantage of lower-rate tax-exempt financing and preserve \$5 million of HOC’s volume cap for 2022, HOC will use proceeds of the Refunding Bonds to recycle up to \$5 million of CDA volume cap, previously allocated and used for tax-exempt short-term bonds issued by CDA in 2020, which mature on December 1, 2022. HOC and CDA partnered on recycling CDA’s multifamily volume cap for The Laureate transaction in 2020, which with recycling of volume cap from 900 Thayer, allowed HOC to issue \$99.25 million in tax-exempt bonds without requiring new volume cap.

To execute the recycling, staff recommends drawing on the PNC LOC for up to \$5 million in order to refund CDA’s maturing bonds. Repayments in the same amount that CDA receives from its borrower (“Recycled Funds”) will then be deposited with U.S. Bank, HOC’s Trustee for the 1996 Indenture. The Recycled Funds held with the Trustee will be deposited into a special designated account and used to fund a portion of the Permanent Loan. The foregoing will only occur after proceeds of the Refunding Bonds have repaid the PNC LOC, and therefore release Recycled Funds for use. Please see the below for the recycling flow of funds:

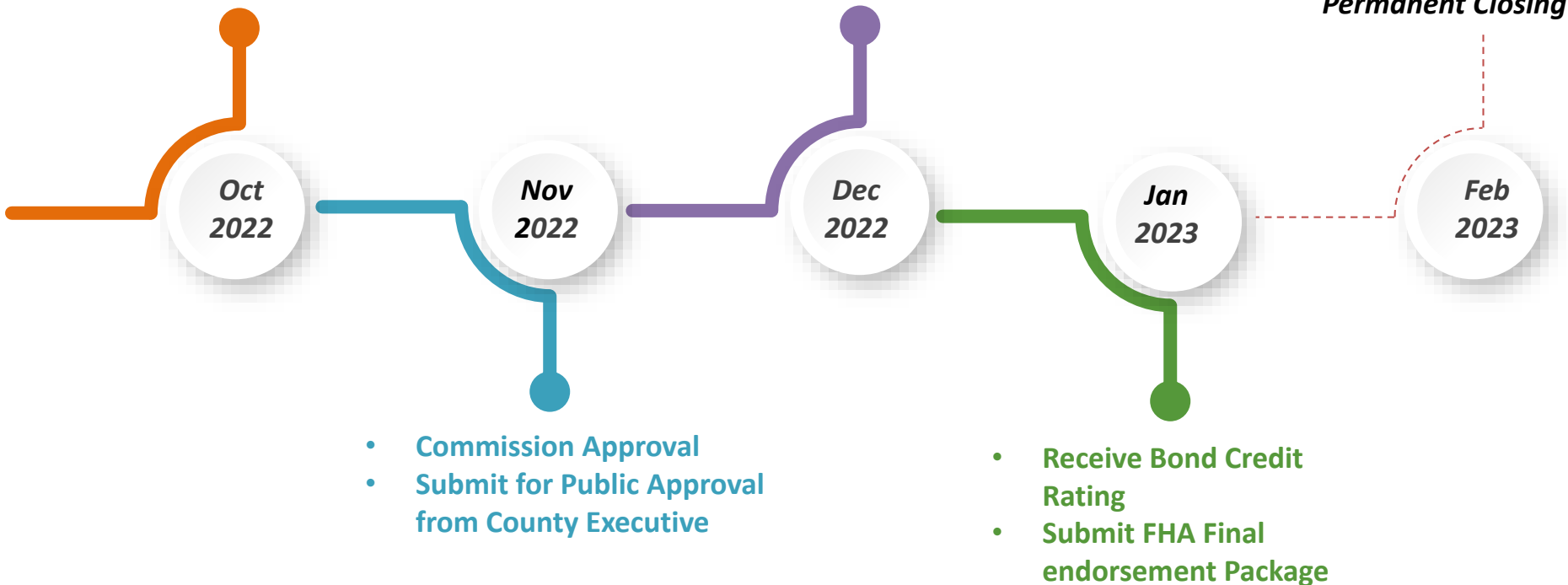


FINANCING SCHEDULE

- Solicit Liquidity/Remarketing Providers
- Reach Stabilized Occupancy

- Close on Recycle of CDA Bonds
- Receive Public Approval from County Executive

- *Receive FHA Final Endorsement*
- *Bond Issuance and Permanent Closing*



SUMMARY OF BOND AUTHORIZING RESOLUTION

The Bond Authorizing Resolution prepared by the Commission's Bond Counsel, Kutak Rock, LLP, outlines key elements of the transaction which the Commission must authorize to enable the financing to proceed. A summary of the main approvals is outlined below:

1. Issuance of tax-exempt refunding bonds, notes or other tax-exempt indebtedness (the "Tax-Exempt Indebtedness") permitted under the 1996 Multifamily Housing Development Bonds Trust Indenture in an amount not to exceed \$29,000,000 to fund bond reserves and a Permanent Loan to the Borrower.
2. Execution and delivery of a series indenture or other trust document securing the Tax-Exempt Indebtedness.
3. Execution of any documents related to the issuance and delivery of the Tax-Exempt Indebtedness, the security for the Tax-Exempt Indebtedness, and the construction of the project, including, without limitation, purchase documents, credit and/or liquidity documents, including swap documents, continuing disclosure agreements, regulatory agreements, real estate documents and related tax documents.
4. Approval for Chairman, Vice Chairman, Chairman Pro Tem, and Executive Director, or one or more of their designees, to proceed with the issuance and delivery of the Tax-Exempt Indebtedness.
5. Establishment of terms relating to the Tax-Exempt Indebtedness and the security therefor and authority for the Executive Director or her designee to make ongoing determinations relating thereto including dates, maturities, interest payment dates, denominations, terms of redemption, etc.
6. Selection of Trustee or Fiscal Agent (if any), Underwriter, Financial Advisor and Bond Counsel.

ISSUES FOR CONSIDERATION

Does the Development & Finance Committee wish to join staff recommendation to the Commission to approve the following:

- 1) An Amended Financing Plan for Residences on the Lane totaling approximately \$51.6 million, which includes the following sources: a) permanent loan insured by the FHA Risk Share program, which will repay the existing Construction Loan; b) bridge funding by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; c) interim funding by way of draws on the Commission's PNC Bank, N.A. Line of Credit; d) LIHTC equity; e) a subordinate County Loan; f) a loan from HOC; and g) deferred developer fees;
- 2) A Bond Authorizing Resolution for the issuance and delivery of tax-exempt indebtedness in an aggregate principal amount not to exceed \$29,000,000 to fund, (a) the Permanent Loan for the transaction of up to \$27,000,000, (b) bond reserves under the 1996 Indenture, and repay the PNC LOC; and
- 3) For HOC to loan up to \$5,000,000 to the Borrower by way of short-term, taxable draws on the PNC LOC, which shall be used to provide interim financing to complete recycling of private activity volume cap from CDA which shall be repaid upon closing of the Permanent Loan?

TIME FRAME

For deliberation at the October 24, 2022 meeting of the Development and Finance Committee and formal action of the Commission at its monthly meeting on November 16, 2022.

BUDGET/FISCAL IMPACT

There is no adverse impact on the Commission's FY2023 Operating Budget.

When drawn, the \$5,000,000 short-term loan on the PNC LOC will temporarily reduce the Commission's general obligation borrowing capacity until it is repaid upon closing of the Permanent Loan, which is expected to occur in February 2023.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

As these changes will enable the property's construction to convert to the permanent mortgage, in support HOC's mission to provide safe and affordable housing to the citizens of Montgomery County, staff recommends that the Development and Finance Committee to join its recommendation that the Commission approve the following:

- 1) An Amended Financing Plan for Residences on the Lane totaling approximately \$51.6 million, which includes the following sources: a) permanent loan insured by the FHA Risk Share program, which will repay the existing Construction Loan; b) bridge funding by way of draws on the Commission's PNC Bank, N.A. Real Estate Line of Credit; c) interim funding by way of draws on the Commission's PNC Bank, N.A. Line of Credit; d) LIHTC equity; e) a subordinate County Loan; f) a loan from HOC; and g) deferred developer fees.
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- 3) For HOC to loan up to \$5,000,000 to the Borrower by way of short-term, taxable draws on the PNC LOC, which shall be used to provide interim financing to complete recycling of private activity volume cap from CDA, which shall be repaid upon closing of the Permanent Loan.

**Housing Opportunities Commission
PNC Bank Line of Credit
Outstanding as of Sept 30, 2022**

	PNC Bank Line of Credit - Authorized Amount beginning of the year		\$ 60,000,000
(1)	Line of Credit - Outstanding Balance Beginning of Year		
	MHLP VII	(488,549)	
	Fairfax Court Apartments	(306,021)	
	Lyttonsville/8800 Brookville Road (Res18-94AS2-11/07/2018)	(10,850,000)	
	Lindsay Ford Holdings/Wheaton Flats LLC (Res19-13AS/Res19-13AS2- 01/09/2019)	(11,530,881)	
	Chevy Chase Multi Family (Res19-88AS2)	(8,825,047)	
	Alexander House (Res19-87AS2)	(8,053,290)	
	HOC Fenwick & Second Headquarters (Res18-69AS)	(2,246,339)	
	Brooke Park Construction Bridge Loan (Res20-58)	(1,800,000)	
	MPDU I (64) Mortgage Prepayment (Res21-31A/21-31B)	(895,819)	
	Sub-total		(44,995,946)
(2)	Retired this year:		
	Sub-total		-
	<i>Represents Retired Loans and Principal Payments for the Fiscal Year Related to the Mortgage Loans.</i>		
(3)	Issued this year:		
	Sub-total		-
	<i>Total Obligated as of 09/30/2022</i>		<i>(44,995,946)</i>
	PNC Bank Line of Credit - Available Ending Balance		<u>15,004,054</u>
(4)	Encumbered Amount:		
	Single Family Mortgage Backed Security Program (Res 15-78)	(5,000,000)	
	Silver Spring Building (Res 18-69AS)	(572,142)	
	Lindsay Ford Holdings Site/Wheaton Flats (Res#19-13AS(2), Jan 2019)	(104,119)	
	Fenwick Silver Spring LLC - Design Contract (Res#19-45AS2)	(89,819)	
	HOC Fenwick & Second HQ (22-33a)	(2,112,456)	
	MPDU I (64) Mortgage Prepayment	(504,181)	
	Sub-total		(8,382,717)
	Total Outstanding and Obligated		\$ (53,378,663)
	Amount Available for future Needs		<u>\$ 6,621,337</u>

SANDY SPRING MISSING MIDDLE: APPROVAL TO SELECT AND EXECUTE CONTRACT WITH ZAVOS ARCHITECTURE & DESIGN AS ARCHITECT; FOURTH PHASE OF PREDEVELOPMENT FUNDING, FINAL SITE DESIGN; AND AUTHORIZATION TO SUBMIT SITE PLAN TO PLANNING COMMISSION

SANDY SPRING



CHELSEA J. ANDREWS, EXECUTIVE DIRECTOR

**Zachary Marks, Chief Real Estate Officer
Marcus Ervin, Director of Development
Jay Shepherd, Housing Acquisitions Manager**

October 24, 2022

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Executive Summary

- Since early 2020, the Commission has approved \$1,010,000 in predevelopment funding, including legal costs related to furthering the joint venture between Maryland-National Capital Park and Planning Commission (“M-NCPPC”) and HOC on the Pilot Missing Middle Initiative at Sandy Spring Meadow (Resolution 20-25AS), (Sandy Spring “Missing Middle Pilot Project,” or “Sandy Spring Missing Middle,” or “SSMM”). Missing Middle Housing is a range of multi-unit or clustered housing types compatible with neighborhoods with detached single-family homes.
- SSMM is a 3.27 +/- acre parcel acquired in 2015 and located at 617 Olney Sandy Spring Road within the Sandy Spring Meadow community. As proposed, SSMM is immediately adjacent to the Sandy Spring Village Center and will cluster new units close to the village center along Skymeadow Way. The most intensive unit types and densities are closest to the village center, which then transition to lower-density building types as one travels south and north along Skymeadow Way. The existing Sandy Spring Meadow portion would create new open space and recreational opportunities.
- During the initial phase of feasibility, staff assembled a preliminary design team. It began to draft the concept plan weaving a new scale, density, character, stormwater management, utilities, parking, and pedestrian access into a cohesive group.
- Staff submitted its Concept Plan to Park and Planning in June 2021, then met with and incorporated ideas from key staff members in the Planning Department to further refine the combined Preliminary Plan/Site Plan application for submittal, with the following attributes:
 - Retention of eleven (11) existing detached houses;
 - Demolition of one (1) detached house at 617 Olney-Sandy Spring Road;
 - **Construction of two (2) new semi-detached houses;**
 - **Construction of ten (10) new stacked duplex dwelling buildings;**
 - **Construction of six (6) new Side-by-Side Duplex dwelling buildings;**
 - **Construction of one (1) new attached townhouse;**
 - Construction of approximately 960 square feet of community space; and
 - Creation of new community open spaces, pathways, and recreational facilities.

19 new units

Current Staff Requests:

1. Staff is requesting authority to submit the combined Preliminary and Site Plan applications to Planning; and
2. Staff is requesting the fourth tranche of \$559,000 from the Opportunity Housing Reserve Fund (“OHRF”) to fund the final Site Plan, Record Platting, and Permitting costs for the Sandy Spring Missing Middle opportunity;
3. Staff seeks authority to contract with Zavos Architecture & Design as Architect and associated engineering for Sandy Spring Missing Middle Opportunity.



Sandy Spring Missing Middle Site Plan Preparation Materials – Elevation. August 2022.

Parcel Aggregation History and Prior Commission Actions

Parcel Aggregation History: In May 2013, the Montgomery County Planning Department (“Planning”) began revising the Sandy Spring Rural Village Plan. From the outset, HOC staff actively participated in the revision process to produce viable redevelopment capacity for Sandy Spring Meadow itself and realign the town center intersection of Brooke Road and Route 108 to accommodate the creation of a more formal town square. On January 14, 2015, the Commission approved the purchase of the single-family house and lot located at 617 Olney Sandy Spring Road (“617 O-SS”), immediately adjacent to Sandy Spring Meadow Apartments. The HOC investment created new mixed-income housing opportunities with the purchase, increased connectivity to and around the Sandy Spring Meadow property, fostered long-term relationships with Montgomery County agencies and enhanced the property’s economic viability.

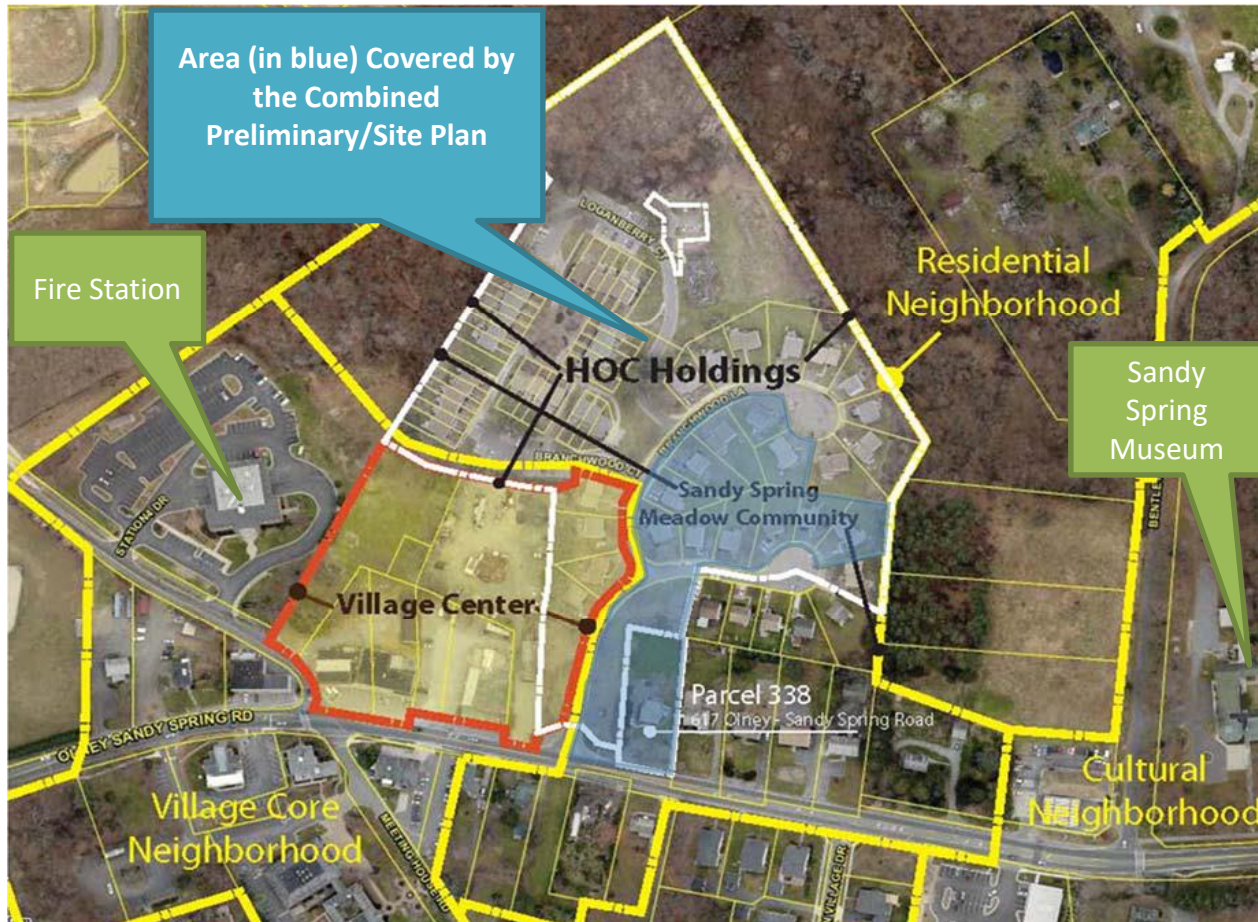
Further enhancing the goals of the Sandy Spring Master Plan and the community, a second Sandy Spring opportunity is the potential acquisition of three (3) lots adjacent to the east side of Sandy Spring Meadow along Bentley Road. These lots are currently owned by a small development firm that entitled the three (3) three (3) single-family detached homes. The development firm has expressed a desire to sell its interest.

Prior Approved Commission actions include the following:

- 1. March 4, 2020** - The Commission approved \$75,000 in feasibility funding from the OHRF to explore the joint venture between M-NCPPC and HOC on the Pilot Missing Middle Initiative at Sandy Spring Meadow (**Resolution 20-25AS**).
- 2. July 1, 2020** - The Commission approved the second tranche of funding in the amount of \$330,000 to continue predevelopment activities at the Pilot Missing Middle Initiative, to be funded by a draw on the Opportunity Housing Reserve Fund. (**Resolution 20-55**).
- 3. January 13, 2021** - The Commission approved a Task Order under the current pool contract with Selzer, Gurvitch, Rabin, Wertheimer & Polott, P.C. for approximately \$280,000 for legal land use services for the entitlement of the SSMM Initiative development, including Predevelopment Budget increase the authorization for the Sandy Spring Missing Middle Initiative and authorization for the Executive Director to execute purchase orders of up to the current budget authority of \$280,000 for legal services, which includes an 11.38% contingency (**Resolution 21-08**).
- 4. May 5, 2021** - The Commission approved the third tranche of funding in the amount of \$425,000 from the OHRF to allow Concept Plan Application and Submittal to Planning (**Resolution 21-47**).

Sandy Spring Rural Village Plan

In May 2013, the Montgomery County Planning Department (“Planning”) began the process of revising the Sandy Spring Rural Village Plan (the “Plan”). From the outset, HOC staff actively participated in the revision process to produce viable redevelopment capacity for Sandy Spring Meadow itself and realign the town center intersection of Brooke Road and Route 108 to accommodate the creation of a more formal town square. The result of the effort is the recommended plan, included in the revised Plan adopted by the County Council, in March 2015.



The plan transforms Skymeadow Way from a straitened entry road to the eastern frontage for the future town square. Planning and Council placed a high value on creating connectivity among properties within the Plan and adding open space. Sandy Spring currently has virtually no public open space.

Bracketing the Plan area, the Sandy Spring Volunteer Fire Department station, and Sandy Spring Museum – technically private institutions – are the two predominant event venues. Traversing from one location to another by foot or bicycle is impossible.

Figure 2. The vicinity Map of Sandy Spring shows the master-planned village center, the HOC holdings, and the Concept Plan Application area in blue. Previous dedications are not shown.

Missing Middle Demonstration/Pilot Project

The Sandy Spring Missing Middle is a proposed planned development on the aggregated redevelopment of the 617 Olney Sandy Spring lot (purchased by the Commission in 2015), and the undeveloped portion of Sandy Spring Meadow near the property's entrance is immediately adjacent to the Sandy Spring Village Center. It is a pilot program to integrate affordable housing composed of multi-unit housing types (duplexes, triplexes, bungalow courts, and mansion apartments) into blocks with primarily single-family homes. The outcome creates diverse housing choices and enough density to support transit and locally-serving commercial use. Thus far, no one has attempted to deliver a Missing Middle prototype despite strong interest from both housing advocates and the Director of Planning.



As a Demonstration/Pilot project, HOC is recording critical documentation of the issues associated with this housing type and will also implement several public policy goals, including enhancing the Sandy Spring village center, increasing affordable housing, and providing an incubator project for the study, documentation, and assessment of the Missing Middle Housing concept.

HOC is ready to begin the work of fine-level drawings for permits and construction beyond the concept drawings done so far and has solicited its Architectural pool to engage in that work.



Figure 3. Typical Side-by-Side Duplex. The ground floor is an Accessible Dwelling, and floors 1 & 2 contain a 2-bedroom dwelling.

Preliminary and Site Plan Design

SITE PLAN NO. 820220090 AND PRELIMINARY PLAN NO. 120220050

As consistent with the intent of the Sandy Spring Rural Village Plan, HOC has prepared Preliminary and Site Plan Applications on whereby the following is constructed:

1. Nineteen (19) dwelling units in the form of one (1) townhouse and eighteen (18) duplex units (located on eleven (11) record lots), including a minimum of 25% Moderately Priced Dwelling Units ("MPDUs"), and
2. Retention of eleven (11) single-family detached dwelling units developed as part of the Cluster Subdivision on the Property. The duplex units are comprised of a mix of stacked and semi-detached duplex units, as shown in the figure. There will be 33 parking spaces and private amenities. The Project will provide a minimum of 25% MPDUs across different housing typologies per the Master Plan's goal of providing infill housing opportunities for all ages and income levels.



Lot	Building Type	Floor(s)/Location	Unit	Bedrooms	Approx. GSF	Accessible
1	Stacked Duplex	1	Community Space	n/a	888	Yes
		2	Flat	2	831	No
		3	Flat	2	915	No
2	Stacked Duplex	1	Flat	1	872	Yes
		2/3	2-story	4	1,850	No
3	Stacked Duplex	1	Flat	Studio	494	Yes
		2/3	2-story	2	988	No
4	Townhouse	All	3-story/2-car gar.	2	868*	No
5	Side-by-Side Duplex	Front	3-story	2***	1,482	No**
		Rear	3-story/2-car gar.	2	868*	No
6	Side-by-Side Duplex	Front	3-story	2***	1,482	No**
		Rear	3-story/2-car gar.	2	868*	No
7	Side-by-Side Duplex	Front	3-story	2***	1,482	No**
		Rear	3-story/2-car gar.	2	868*	No
8	Stacked Duplex	1	Flat	1	944	Yes
		2/3	2-story	4	1,850	No
9	Stacked Duplex	1	Flat	1	944	Yes
		2/3	2-story	4	1,850	No
10	Semi-Detached	All	3-story	2	988*	No
11	Semi-Detached	All	3-story	2***	1,482	No**

*GSF does not include garage.
 **Not currently accessible, but could be modified so lowest level is accessible.
 ***Number of bedrooms could be increased by modifying lower level.



Preliminary and Site Plan Design

- The architectural concept for the Project was informed by the Master Plan that strongly encouraged “infill housing for all ages and income levels” that allows Sandy Spring Meadow to ‘reconnect’ to the greater village.
- The existing Sandy Spring Meadow comprises single-family detached homes and larger townhomes, so it was determined that a compliment would be the addition of smaller duplexes and townhouses to provide the larger spectrum of opportunities envisioned in the master plan.
- All buildings are designed to have the architectural treatment, form, scale, and appearance of single-family homes. Porches are included in all buildings. Buildings face onto the two (2) frontage roads, and parking is generally in the rear of the structures with substantial landscaping to screen it from abutting properties.
- All units are rental and will be owned by the Applicant. Unit sizes vary from small studio apartments of approximately 500 square feet to including 3- and 4-bedroom units for families up to 1,874 square feet.



Figure 4. Proposed elevation view of the Project from MD Route 108 (Olney Sandy Spring Road),, looking north.



Figure 5. Proposed elevation view of the Project from Skymeadow Way, looking east.

Preliminary and Site Plan Design

Slides 9 through 12 illustrate the proposed housing types for the community. Further refinements to interior layouts, design and MEP Engineering have yet to be completed.



Preliminary and Site Plan Design



Preliminary and Site Plan Design



Site Plan – Universal Design

Universal Design

The Sandy Spring Missing Middle Building Configurations include accessibility considerations by starting with a design mandate for inclusion and flexibility.

The Site Plan provides four (4) fully-accessible units that would not have been otherwise offered within a Single-Family Zone, which is a proven benefit of the Missing Middle project.



For instance, the fully accessible unit in the main building in the center of the site is an example of how the design of both duplexes (side-by-side and stacked) will promote an accessible unit on the ground floors. The ground floor of this proposed building is an example of where accessibility can be incorporated into the landscape and building using the natural grade to promote ease of access with a covered porch, zero-step entrance, an accessible parking space, and adjacent accessible aisle which are a few of the primary Universal Design principles. The subsequent slide will illustrate Universal Design features that are being considered for the building interiors, all of which will continue to be explored by Staff and the design team.

Site Plan – Universal Design

The proposed Community Building with the units above contains several accessible and Universal Design features, including:

- One-story living with the dining, sleeping, and living rooms located on one level;
- An accessible bathroom located on the first floor with a roll-in shower;
- A zero-step entry and covered porch; and
- Wide doorways and hallways allow residents to move freely throughout the unit.

While the interior design spaces are still in the programming phase, Staff will continue exploring methods for implementing additional Universal Design features to promote inclusivity and aging-in-place.



Architectural RFP and Selection

In 2018, HOC's Procurement Office issued a Request for Proposal and selected and contracted for a pool of architecture firms (Contract 18-2080). On June 10, 2022, staff solicited all thirteen (13) firms in the pool with a request for pricing proposals for the Architectural and Engineering Design of Contract #18-2080, Residential townhouses and duplex units in Sandy Spring, Maryland.

The scope of services outlined in RFP #2330 included the need for services over an estimated 26-month period from award to completion:

- **Schematic Design, including Mechanical, Electrical, and Plumbing ("MEP"),**
- **Design Development, including Structural, MEP, Fire Sprinkler, and Landscape, if required,**
- **Construction Documentation, Permitting, and Bidding Phase,**
- **Construction Documentation and GMP Package,**
- **Permitting and Bidding,**
- **Phasing, Demolition, and Grading Plans, and**
- **Construction Administrative Services (Projected by the owner at 12 months)**

Four (4) firms responded, and all four (4) were deemed responsive and responsible. Firms were evaluated based on the following criterion:

Company Information and Qualifications

Proposed Project Team Qualifications and Availability, including written assurances that if awarded the Project, the proposed team will be assigned for the entire duration of the Project to maintain consistency in the team.

Project Approach

- Describe the firm's design philosophy and how it relates to the County and this Project.
- Describe their methodology for completing this Project, including coordination with project stakeholders and the selected Construction Manager/General Contractor.
- Describe their approach to designing a unique yet appropriately located residential development to accomplish the vision and goals of this Project.
- Describe their firm's approach to determining the most efficient and cost-effective MEP systems for the Project. Identify their experience with various types of MEP systems. Identify any unique opportunities for this Project related to these systems.

Compensation, including the Architect Fee Matrix.

Architectural RFP and Selection- Bidders

HOC received four (4) responsive proposals in response to the RFP under 18-2080 by the proposal deadline on July 8, 2022, at 3:00 pm and are listed alphabetically below.

CONTRACT #18-2080 RESPONDENT, REQUEST FOR PROPOSAL – PRICING FOR ARCHITECTURAL AND ENGINEERING DESIGN

Company Name	Address	Notes
BENNETT FRANK MCCARTHY ARCHITECTS, INC.	1400 SPRING STREET, SUITE 320 SILVER SPRING, MD 20910-2755	NO EXCEPTIONS – PROCEED TO REVIEW.
KARL RIEDEL ARCHITECTURE, P.C.	4 LOUDOUN STREET, SW LEESBURG, VA 20175	NO EXCEPTIONS – PROCEED TO REVIEW.
MINER FEINSTEIN ARCHITECTS, LLC.	241 EAST 4 TH STREET, SUITE 207 FREDERICK, MD 21701	NO EXCEPTIONS – PROCEED TO REVIEW.
ZAVOS ARCHITECTURE & DESIGN, LLC	21 BYTE COURT, STE 1 FREDERICK, MD 21702	NO EXCEPTIONS – PROCEED TO REVIEW.

Architectural RFP and Selection- Scoring

Four (4) design firms provided the pricing in a Fee Matrix that was consolidated to show a comparison between the firms.

RFP Solicitation to Contract 18-2080	Project Role/Discipline	Respondents			
		BFM	KRA	MFA	ZAD
	Architecture	\$ 309,300	\$ 273,300	\$ 376,000	\$ 120,000
Proposed Sub-consultants: (Note that the HOC may elect to initiate a separate procurement process in collaboration with the Architect to select certain or all sub-consultants.)					
	Landscape Architecture	\$ 4,250	\$ 11,880	\$ 10,800	\$ -
	Civil Engineering	\$ -	\$ -	\$ -	\$ -
	Structural Engineering	\$ 71,300	\$ 67,100	\$ 41,900	\$ 89,500
	MEP Engineering	\$ 132,500	\$ 141,205	\$ 127,367	\$ 49,500
	Cost Estimation	\$ -		\$ -	
	Rows Following are Add / Alternate			\$ -	
	Add rows for other as relevant specialty services not listed above (e.g. Sustainability, Life Safety, Solar, etc.) **Team will investigate the appropriate level of sustainability for the project.	\$ -			
		\$ -			
	[Additional Role]				
	[Additional Role]				
Other Proposed Services: As applicable, identify any additional fee(s) associated with Building Information Modeling ("BIM") production and list the itemized costs if any. Provide allowance for design level site survey.		\$ -		\$ -	
		\$ -		\$ -	
	Reimbursable Expenses Allowance =	\$ 5,000	\$ 4,935	\$ 7,800	\$ 7,500
	Grand Total LESS Total Add/Alternate	\$522,350	\$498,420	\$563,867	\$266,500

Scoring Analysis:

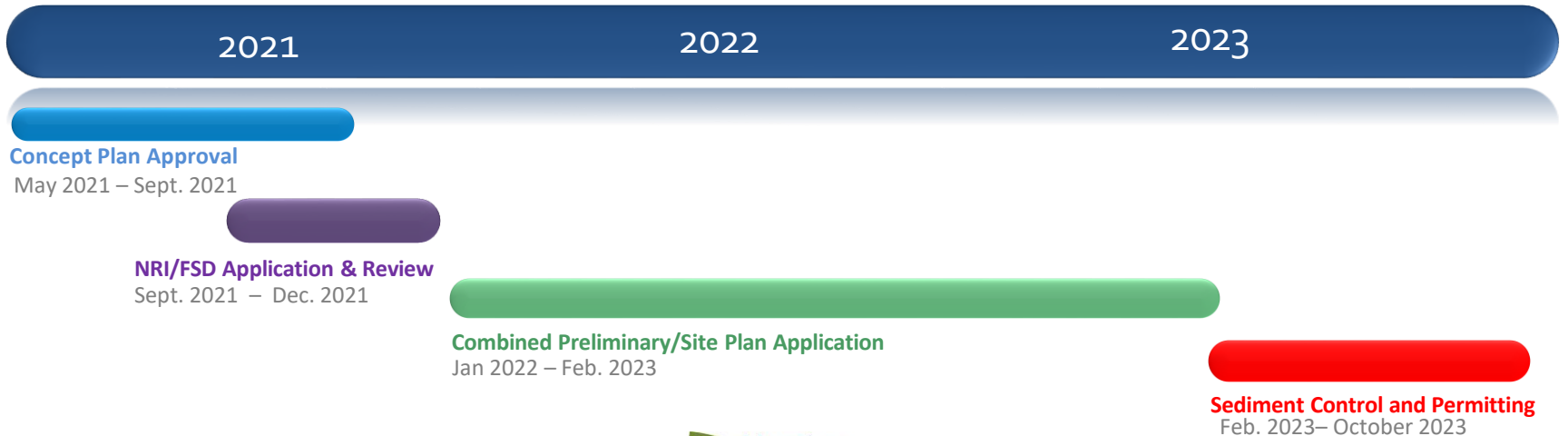
- Zavos Architecture ("ZAD") offered the lowest price at \$266,500 while being the most responsive bidder, beating the highest-priced firm, Miner Feinstein ("MFA"), by nearly \$300,000. Karl Reidel ("KRA") was priced at \$498,420 and was the second lowest, and Bennett Frank McCarthy ("BFM") was priced at \$522,350.
- Most recently, all four (4) firms have worked with HOC: KRA - Georgian Court Apartments/880 Bonifant Office; MFA - Alexander House/Metropolitan; BFA Shady Grove Apartments; and ZAD Stewarttown Homes.
- ZAD did not provide a landscape price and, upon inquiry, stated they would use the approved Landscape Plan prepared by Townscape Design in the Natural Resource Inventory submission. The other bidders confirmed they could use the existing plan as-is, too, so that layer of pricing could be removed from each firm with a negligible difference in price ranking.
- ZAD also confirmed that the team presented in this RFP submission should remain on the project through the duration of the entire project.
- Staff proposes proceeding with Zavos Architecture and Design to complete the work and execute a contract based on this pricing. HOC Works Compliance will be met.

Projected Development Timeline

The application process for infill development on 3.27 +/- acres within the Sandy Spring Meadow community, which is immediately adjacent to the Sandy Spring Village Center, is envisioned as a Demonstration/Pilot Project to implement Missing Middle Housing as proceeding under the R-60 MPDU Optional Method project.

Site Plan Approval Timeline in 2023

1. **Combined Preliminary / Site Plan Submittal (Planning Board). November Submission / February (tent.) Hearing.**
2. **Certified Site Plan and Record Plat. March 2023**
3. **Sediment Control – Agency approval at the staff level. October 2023**
4. **Apply for Construction permits such as SHA road improvements, WSSC improvements, etc. February 2023.**
5. **Apply for Building permits. February 2023.**
6. **Close on Financing, estimated in October 2023.**



Predevelopment Budget

Phase(s) 1-4 Budget

rev. 9.1.22

Sources				OHRF
Resolution 20-25AS				\$75,000.00
Resolution 20-55				\$330,000.00
Resolution 21-08				\$180,000.00
Resolution 21-47	PHASE III			\$425,000.00
Resolution 22-XX	PHASE IV			\$559,000.00
Total				\$1,569,000.00

Uses - PHASE I & II	Vendor	PO	Approved Budget	Actual
				\$0.00
Total Phase I and II			\$93,627.75	\$93,627.75

Uses - PHASE III	Vendor	PO	Approved Budget	Actual
Total Phase III			\$916,372.25	\$661,291.25

Uses - Phase IV Site Plan to Closing on Financ	Vendor	PO	Budget	Total Expected
Land Planning	Townscape Design		\$50,000.00	\$50,000.00
Architectural (SD, DD, CD)	TBD		\$225,000.00	\$225,000.00
MEP			\$116,000.00	\$116,000.00
Structural			\$56,950.00	\$56,950.00
Specialty (incl. sustainability and ADA)	Various		\$184,800.00	\$184,800.00
Noise Study	Phoenix		\$8,892.50	\$8,892.50
Civil Engineering	AMT		\$50,000.00	\$50,000.00
Dry Utility Consultant (incl. test pitting)	DFM		\$66,500.00	\$66,500.00
Real Estate Counsel	TBD		\$15,000.00	\$15,000.00
Subdivision Record Plat - Surveying	TBD		\$0.00	\$0.00
Permit and Application Fees			\$0.00	\$0.00
Historical Research	History Associates Inc.		\$0.00	\$0.00
Contingency			\$40,938.50	\$40,938.50
Total Phase III			\$814,081.00	\$814,081.00

Combined Total USES Phase I-IV			\$1,824,081	\$1,569,000.00
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Current Phase Four Objectives:

- Site Plan Submission
- Complete Development Team Procurement, including but not limited to Site Civil, Land Planning, and Architectural & Engineering.
- Obtain Site Plan approval.
- Receive NRI/FSD approval.
- File and receive record plats.
- File and receive building permits.
- Prepare and release RFP for General Contractor and Construction Manager selections. Review and prepare for Commission Approvals.
- Negotiate and execute MOU with development partner(s).
- Prepare Financing Plan.
- Develop a final schedule of costs for financing, sustainability, third-party testing, Builders Risk Insurance, Subdivision Bonds, and other fees pre-construction.

Staff is requesting \$559,000 for FY23 feasibility funding for the Sandy Spring Missing Middle redevelopment. This includes engagement of additional Land Planning, Site Civil, Dry Utilities, Architectural & Engineering, Plat Surveying, and Permit and Application Fees brought forward in the predevelopment phase of the project. Staff recommends utilizing the Opportunity Housing Reserve Fund (OHRF) as the source of this feasibility funding, to be repaid upon closing the construction financing. Future Commission requests will include the Final Development and Financing Plans, General Contractor selection, and all other pre-construction funding requests if not covered by the current budget.

Summary and Recommendations

ISSUES FOR CONSIDERATION

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

- Authorize submission of the combined Preliminary and Site Plan applications to Planning;
- Approve the fourth tranche of \$559,000 from the Opportunity Housing Reserve Fund ("OHRF") to fund the final Site Plan, Record Platting, and Permitting costs for the Sandy Spring Missing Middle opportunity; and
- Authorize the Executive Director to negotiate and execute a contract with Zavos Architecture & Design to provide architectural and associated engineering services for Sandy Spring Missing Middle Opportunity?

BUDGET/FISCAL IMPACT

The decision will not involve changes to HOC's current FY2022 operating budget. The fiscal impact is that if these funds are approved, they will not be available for use on other projects and will reduce available cash in the OHRF by \$559,000. The OHRF had a sufficient balance at the time of writing to cover these costs and will be reduced by \$559,000 for this item.

TIME FRAME

For discussion at the October 24, 2022 meeting of the Development and Finance Committee and formal action at the November 16, 2022 meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

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

- Authorize submission of the combined Preliminary and Site Plan applications to Planning;
- Approve the fourth tranche of \$559,000 from the Opportunity Housing Reserve Fund ("OHRF") to fund the final Site Plan, Record Platting, and Permitting costs for the Sandy Spring Missing Middle opportunity; and
- Authorize the Executive Director to negotiate and execute a contract with Zavos Architecture & Design to provide architectural and associated engineering services for Sandy Spring Missing Middle Opportunity.