

DEVELOPMENT AND FINANCE COMMITTEE

September 24, 2021
10:00 a.m.

YouTube Link: <https://youtu.be/ruTY1kntMrU>

Approval of Minutes:

Title	Page
1. Minutes: Approval of Development and Finance Committee Minutes of August 20, 2021	3

Discussion/Action Items:

Title	Page
1. Georgian Court: Approval of the Financing Plan, Feasibility and Public Purpose; Authorization to Issue Loans at HOC at Georgian Court, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan	9
2. Shady Grove: Approval of the Financing Plan, Feasibility and Public Purpose; Authorization to Issue Loans at HOC at Shady Grove, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan	25
3. Upton II: Approval to Remove Cap of \$6.5MM and Restore the Maximum Bridge Loan of \$12MM Approved from Draws on the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") for the Upton II Financing	41
4. Westside Shady Grove: Approval to name the property The Hurston	44
5. Upton II: Approval to name the property Ten Gibson	46

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

August 20, 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, August 20, 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
Richard Y. Nelson, Jr. - Commissioner
Jeffrey Merkowitz – Commissioner

Commissioners Also Present

Roy Priest
Frances Kelleher

Also Attending via Online

Kayrine Brown, Acting Executive Director	Aisha Memon, General Counsel
Zachary Marks	Victoria Dixon
Timothy Goetzinger	Jennifer Arrington
Cornelia Kent	Nathan Bovel
Claire Kim	Christina Autin
Charnita Jackson	Jay Shepherd
Marcus Ervin	Vivian Benjamin
Jocelyn Cruz	Kathryn Hollister
Ellen Goff	Darcel Cox
Eugenia Pascual	Paul Vinciguerra
Hyunsuk Choi	Gail Willison
Len Vilicic	Jay Berkowitz
	Patrice Birdsong, Spec. Asst. to Commission

Commissioner Simon welcomed Commissioner Merkowitz to the Development and Finance Committee. Commissioner Simon also noted the celebration held on August 17, 2021 introducing solar development at Paddington Square.

APPROVAL OF MINUTES

The minutes of the June 25, 2021 Development and Finance Committee were approved upon a motion by Commissioner Nelson and seconded by Commissioner Simon. Affirmative votes were cast by Commissioners Simon and Nelson. Commissioner Merkowitz abstained

DISCUSSION ITEMS

- 1. Westside Shady Grove Building D: Approval to Select Kim Engineering, Inc. for Construction Materials Testing and Third-Party Inspector and Authorization for the Acting Executive Director to Execute a Contract in Accordance with Request for Proposal #2265**

Marcus Ervin, Acting Director of Development, introduced Paul Vinciguerra, Construction Manager, who provided a presentation on recommending to the full Commission Approval to Select Kim Engineering, Inc. as Construction Material Testing and Third Party Inspector for new construction of the Westside Shady Grove Building D project, and Authorize the Acting Executive Director to execute a Contract.

There was discussion among the Commissioners and Staff in regards to the process. Commissioner Nelson suggested that the packet be edited before submission for full Commission approval. A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend the item for approval at the September 1, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

- 2. Willow Manor: Approval of Final Development Plan, Including the Approval and Acceptance of a Seller Note and Bridge Financing for the Transaction, and Approval to Execute a Contract and Early Start Agreement with Nastos Construction, Inc.**

Kathryn Hollister, Senior Financial Analyst, provided the presentation to recommend to the full Commission to request approval of the final development plan for renovation, to authorize staff to negotiate with Montgomery County DHCA to consolidate a loan, refinance and resubordinate the properties three HIF loans, for the new property owner to accept the loan, authorize the Acting Executive Director to sign a purchase and sale agreement between the properties, and various other action as explained.

Commissioners and Staff discussed the recommended actions. A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend to the full

Commission at the September 1, 2021 monthly meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

3. **Willow Manor: Approval of the Financing Plan, Feasibility and Public Purpose for Willow Manor Properties; Authorization to Issue Loans to HOC at Willow Manor, LLC for Acquisition and Construction Financing; Authorization to Issue a Commitment for Permanent Financing; and, Authorization for the Borrower to Accept Loans in Accordance with the Finance Plan**

Jennifer Arrington, Acting Director Mortgage Finance, introduced Victoria Dixon, Senior Multifamily Underwriter, who provided the presentation requesting action of the Development and Finance Committee to recommend to the full Board the approval of Willow Manor financing plan, approval of the feasibility and public purpose for the Property, approval of a Bond Authorizing Resolution, as well as other actions to be approved.

Staff addressed Commissioners questions. A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend to the full Commission at the September 1, 2021 monthly meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

4. **The Upton II: Approval for the Acting Executive Director to Execute Change Order to Continue CFI Construction for Construction Management Services**

Jay Shepherd, Housing Acquisition Manager, provided a presentation requesting the Development and Finance Committee to recommend to the full Board approval to execute change order to continue CFI Construction for Construction Management Services.

A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend the item for approval at the September 1, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

5. **Georgian Court: Approval of the Final Development Plan for Georgian Court and Authorization for the Acting Executive Director to Sign the General Contract with Hamel Builders, Inc.**

Kayrine Brown, Acting Executive Director, introduced Hyunsuk Choi, Acquisitions Manager, who provided a presentation requesting the Development and Finance Committee to recommend to the full Board to approve the final development budget with proposed renovations of the Property, authorization of the Acting Executive Director to sign the general contract with Hamel Builders, Inc., to authorize a Limited Scope Contract to allow Hamel to

execute agreement with subcontractors and suppliers, approve the sale of Georgian Court Apartments to HOC at Georgian Court, LLC, and enter into an Operating Agreement with Boston Financial.

Staff addressed Commissioners questions. A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend the item for approval at the September 1, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Nelson and Merkowitz.

6. **Shady Grove: Approval of the Final Development Plan for Shady Grove and Authorization for the Acting Executive Director to Sign the General Contractor Contract with Hamel Builders, Inc.**

Hyunsuk Choi, Acquisitions Manager, provided a presentation requesting the Development and Finance Committee to recommend to the full Board approval of the final development plan for Shady Grove and authorize the Acting Executive Director to sign the General Contractor contract with Hamel Builders, Inc.

A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend the item for approval at the September 1, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

7. **Mortgage Finance: Approval to Renew the Contracts of the Underwriting Team Consisting of a Senior Manager, Co-Senior Manager, and Co-Managers in Accordance with the Current Contracts and the Procurement Policy**

Jennifer Arrington, Acting Director Mortgage Finance, provided a presentation requesting the Development and Finance Committee to recommend to the full Board to approve the final one-year renewal of the contracts with Bank of America Merrill Lynch, PNC Capital Markets, LLC, Morgan Stanley, RBC Capital Markets, Jefferies, LLC, and Wells Fargo, N.A. to continue to serve as Underwriters.

A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend the item for approval at the September 1, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Nelson, and Merkowitz.

8. **Wheaton Gateway: Discussion of Wheaton Gateway Development Approach – i) Approach to Sustainability and Building Resiliency; ii) Approach to Building Construction Technologies; iii) Key Site Layout Components**

Kayrine Brown, Acting Executive Director, provided an overview of the discussion item prior to introducing Zachary Marks, Chief Investment Officer, and Marcus Ervin, Acting Director Real Estate, as presenters.

There was discussion among the Commissioners and Staff. No action necessary.

The meeting adjourned at 1:23 p.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

Deliberation and/or Action

**GEORGIAN COURT: APPROVAL OF THE FINANCING PLAN, FEASIBILITY AND PUBLIC PURPOSE;
AUTHORIZATION TO ISSUE LOANS TO HOC AT GEORGIAN COURT, LLC FOR ACQUISITION AND
CONSTRUCTION FINANCING; AUTHORIZATION TO ISSUE A COMMITMENT FOR PERMANENT
FINANCING; AND, AUTHORIZATION FOR THE BORROWER TO ACCEPT LOANS IN ACCORDANCE
WITH THE FINANCE PLAN**

GEORGIAN COURT, SILVER SPRING, MD



KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

JENNIFER HINES ARRINGTON

VICTORIA DIXON

LEN VILICIC

September 24, 2021

TABLE OF CONTENTS

Topic	Page #
Executive Summary	3
Financing Schedule	7
Property Overview	8
Transaction Highlights	9
Stabilized Pro Forma	10
Financing Plan	11
Volume Cap Needs/Uses	12
Summary of Bond Authorizing Resolution	13
Issues for Consideration	14
Time Frame, Fiscal/Budget Impact	15
Staff Recommendation and Commission Action Needed	16

EXECUTIVE SUMMARY

Georgian Court (the “Property”) is an existing 147-unit income restricted community in Silver Spring, MD , formerly under Section 236 of the National Housing Act. Constructed in 1975, the Property was renovated in 2001 using Low Income Housing Tax Credit (“LIHTC”) equity.

The Property is currently operating under an extended-use covenant which is set to expire on December 31, 2030, which requires the units to be restricted as follows: 29-units (Project-Based Section 8 rental assistance) set aside at or below 50% of area median income (“AMI”), and 118 units set aside at or below 60% of AMI.



On September 1, 2021, the Commission approved the Final Development Plan (“Development Plan”) estimated at \$72.3 million to acquire, renovate, and equip the Property with improvements to energy-efficiency, common areas, building exteriors, and in-unit upgrades of finishes and appliances in bathrooms and kitchens. Phased renovations are projected to take up to 24 months for completion by November 2023.

As part of the Development Plan, the Property will be acquired by HOC at Georgian Court, LLC (the “Borrower”), controlled by HOC MM Georgian Court, LLC (“Managing Member”). HOC will retain controlling interest of the Borrower and General Partner. The Property is expected to be awarded an allocation of 4% LIHTCs in September with Boston Financial Investment Management (“Boston Financial”) as LIHTC Syndicator.

In order to execute the Development Plan, staff proposes the following Financing Plan to include these combined sources: (a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the Multifamily Housing Development Bond Resolution (the “1996 Indenture” or “Indenture”) to fund an FHA Risk Share mortgage loan with balloon payment (“Mortgage Loan”) for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; (b) LIHTC equity; (c) a loan to bridge receipt of LIHTC equity proceeds (“Bridge Loan”); (d) deferred developer fee; (e) a subordinate loan from the seller entity (“Seller Loan”); and, (f) available property cash. Closing is expected to occur in November 2021. Stabilization of the Property is expected to occur by April 2024 with conversion to permanent debt to occur by September 2024.

EXECUTIVE SUMMARY

Date	Res.	Description of Commission Resolutions
May 2, 2018	18-29	Approval to (i) a Preliminary Development to renovate Shady Grove Apartments, Georgian Court, and Stewartown Homes properties using 1,050,000 from the Opportunity Housing Reserve Fund (“OHRF”) or PNC Real Estate Line of Credit (“RELOC”), to be repaid upon refinance or re-syndication of the properties, (ii) withdrawal of excess earnings (Excess Yield) of up to \$650,000, generated from refunding prior series of bonds issued in the Multifamily Housing Development Bond Resolution (the “1996 Indenture” or the “Indenture”) to fund upfront capital expenditures in the form of a capital contribution or loan to Georgian Court.
July 11, 2018	18-52	Withdrawal of \$10,910,561 from the RELOC to prepay existing mortgages of Georgian Court (\$2,666,306), Shady Grove (\$4,597,448), Stewartown (\$1,817,646), and The Willows (\$1,829,161) until repaid upon refinancing or re-syndication of the properties.
July 10, 2019	19-77	Approval to (i) withdraw Excess Yield from the 1996 Indenture to make a capital contribution to Georgian Court for capital improvements, repairs, and replacements with a total cost estimate of \$713,000, and (ii) for such work to be managed by the third-party property manager, Edgewood Management, for a fee estimated to be 3.5% of the work or \$25,000.
June 9, 2021 & July 7, 2021 (Amendment)	21-57A 21-57B 21-67	Approval to (i) select Hamel Builders Inc. as General Contractor (“GC”) for renovation of Georgian Court, (ii) begin negotiations of the GC contract; (iii) hold 24 units vacant to facilitate renovations; (iv) fund additional predevelopment work of \$500,000 from the RELOC; (v) ratified formation of the Borrower and Managing Member entities for the transaction.
July 7, 2021	21-70	Approval of Boston Financial as LIHTC syndicator for the transaction and authorization for the Executive Director to negotiate and execute a Letter of Intent as well as negotiate an Operating Agreement.
September 1, 2021	21-86	Approval of (i) the Final Development Plan, (ii) negotiation and execution of an Operating Agreement with a tax credit investor affiliate of Boston Financial (“Investor”) for admission of the Investor as a non-managing member holding 99.99% interest, with execution of related documents, (iii) approval for negotiation and execution of a Purchase and Sale Agreement, (iv) transfer of the Property from Georgian Court Silver Spring Limited Partnership (“Seller”) to the Borrower, with execution of related documents; (iv) negotiation and execution of a GC contract not to exceed \$13.6 million; (v) execution of an Early Start Agreement with the GC not to exceed \$941,330, to be paid from transactions sources or existing replacement reserves; and (vi) authorization for the Acting Executive Director, Kayrine Brown, or her designee, to execute any and all documents to effectuate the actions contemplated.

EXECUTIVE SUMMARY

Staff has completed its underwriting and with the support of the Development and Finance Committee, recommends the following actions to the Commission:

- 1) Approval of the Georgian Court Financing Plan totaling approximately \$73.8 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the 1996 Indenture to fund a Mortgage Loan for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) deferred developer fee; e) subordinate Seller Loan; and, f) available property cash.
- 2) Approval of the feasibility and public purpose for the Property and the allocation of up to \$29,300,000 in volume cap for the transaction.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of a combination of short-term and long-term tax-exempt private activity bonds and taxable bonds in an amount of up to \$30,050,000 under the 1996 Indenture.
- 4) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount up to \$29,300,000 with a balloon payment at or before year 25.
- 5) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 25% and 75% of the risk for the transaction.
- 6) Approval for net sales proceeds (approximately \$9.2 million) to the Seller to be funded to the OHRF on an unrestricted basis.
- 7) Approval for HOC to provide a Bridge Loan of approximately \$3.5 million to the Borrower during construction when needed, to bridge the receipt of LIHTC equity proceeds for repayment, with a maximum term of up to five years from closing, to be funded from the OHRF.
- 8) Approval to release available cash held by the Seller of (a) approximately \$975,000 of replacement reserves to repay outstandings plus interest of approximately \$922,000 on the RELOC with remaining funds to be deposited to the OHRF; and (b) approximately \$613,593 of operating cash and \$27,765 mortgage escrow to be deposited to HOC's General Fund Operating Reserve.
- 9) Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan.

EXECUTIVE SUMMARY

Borrower	HOC at Georgian Court, LLC	
Units/Affordability	147 Units 100% Affordable	
	29	≤ 50% AMI
	118	≤ 60% AMI
	1	Non-Revenue
Stabilized Net Operating Income (estimated)	\$1,024,303 (FY 2024)	
Bond Issuance (up to)(tax-exempt and taxable)	\$30,050,000 1996 Multifamily Housing Development Bond Resolution	
Tax-Exempt Bonds / Volume Cap (up to)	\$29,300,000	
Taxable Bond Reserve (up to)	\$750,000	
First Mortgage (up to)	\$29,300,000 FHA Risk Share Mortgage	
Permanent Mortgage Interest Rate (estimated)	3.67%	
Mortgage Insurance	FHA Risk Share - 25% HOC / 75% FHA	
Permanent Loan Amortization / Term (up to)	35 Years / 38 Years	
Debt Service Coverage Ratio	1.15	
County Participation (estimated)	Real Estate Tax Exemption	

FINANCING SCHEDULE

- Commission Approval
- Submit FHA Risk Share Application

- Begin Renovations (24 months)

- *Outside date for Permanent Conversion*



PROPERTY OVERVIEW

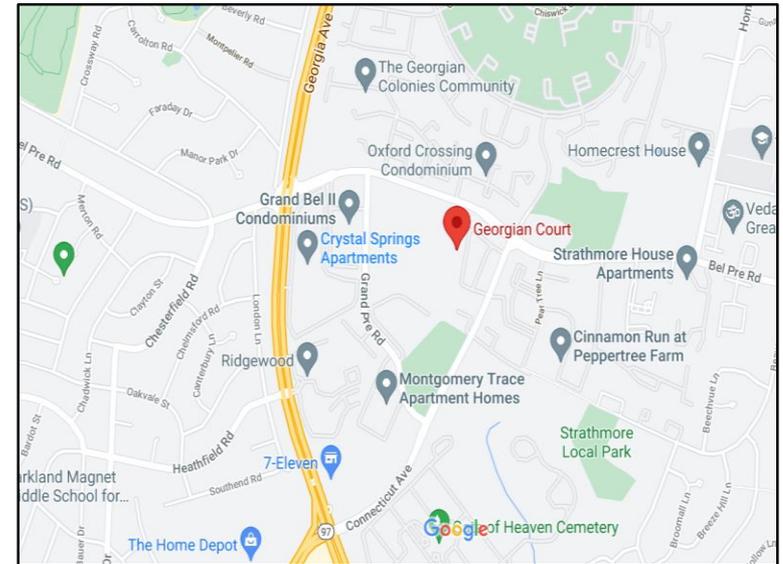


Amenities The community includes a community room with public kitchen, common area laundry facilities, and a playground. Neighborhood amenities, which include Aspen Hill Shopping Center, a grocery anchored community mall (Giant) and various retailers, services and restaurants nearby, including ALDI, CVS Pharmacy, Home Depot, with nearby local parks, North Gate and Aquarius.

Planned Renovation Constructed in 1975 and previously renovated in 2001, the property consists of 11 three-story and one (1) four-story garden-style buildings. Proposed renovations will modernize unit interiors, update common area amenities and building mechanical systems, and improve site conditions, to include: (a) upgrading kitchens to open concept with installation of new appliances, cabinetry, countertops, fixtures, flooring, painting and lighting; bathrooms renovations with new bath/shower surrounds; and new HVAC; (b) creation of eight new UFAS units with roll-in showers, (c) new flooring in common area stair wells and hallways; (d) exterior improvements will include installation of new entrance canopies, replacing roofing and siding, improved lighting, parking lot re-striping; (e) a new playground; and (f) removal of asbestos-containing materials.

Property Name	Georgian Court
Location	3600 Bel Pre Rd, Silver Spring, MD 20906
Property Manager	Edgewood Management Corporation
Total Units	147
Unit Mix	49 units – 1BR/1BA 98 units – 2BR/1BA

100% restricted, 29 units (project-based Section 8 rental assistance expires 12/31/2036) set aside for households earning 50% of AMI or below, and 118 units set aside for households earning 60% AMI or below.



TRANSACTION HIGHLIGHTS

Public Purpose	All 147 units of the Properties will be income restricted, of which 29 units for those households earning 50% of AMI or below and 118 units for those with incomes at 60% AMI or below. In addition, renovations will create eight (8) new UFAS units. Additional details on Property Overview slides.	
County Interest	Acquisition and renovation of the Property will preserve quality, affordable housing for families in the County. The Property also will continue to benefit from a real estate tax exemption from the County for the 147 units (100%).	
Volume Cap Allocation	Up to \$29.3 million in HOC volume cap will be required for tax-exempt bond financing to meet the 50% test. See page 14 for HOC's Volume Cap Need/Uses matrix.	
Bond Financing	Up to \$30.05 million will be issued under the 1996 Indenture. Proceeds from a combination of short-term and long-term tax-exempt private activity bonds that will fund a Mortgage Loan for the construction and permanent loans phases of the Property with a term of up to 38 years. Upon conversion to permanent, the Mortgage Loan will begin a 35-year amortization schedule and will be repaid from property revenues. A 25-year balloon payment option may be pursued.	
Credit Enhancement	The Mortgage Loan will be enhanced with FHA Risk Share mortgage insurance. HOC will assume 25% of the risk for the transaction and FHA 75%.	
Construction Bridge Loan	Based upon review of the Developer Draw Schedule, an estimated \$3.5 million of bridge financing will be needed during the construction.	
LIHTC Equity	Approximately \$23 million – The tax-credit equity will be paid in stages: 1) loan closing (10%); 2) construction completion (6%); 3) cost certification (63%); 4) stabilized occupancy and permanent mortgage conversion (8%); and, 5) issuance of the final 8609s (13%). The property is located within a Qualified Census Tract ("QCT"), which qualifies for a 30% basis boost under the LIHTC program.	
Developer Fee	The developer's fee will be approximately \$4.7 million.	
Development Team	Owner/Developer:	HOC at Georgian Court, LLC / HOC
	General Contractor:	Hamel Builders, Inc.
	Architect:	Karl Riedel Architecture, P.C.
	Property Management:	Edgewood Management Corporation
	Construction Management:	Owner Rep Consulting
	LIHTC Syndicator:	Boston Financial Investment Management

STABILIZED PRO FORMA

Stabilized Proforma	(FY 2024)	Per Unit
Gross Residential Revenue	\$ 2,102,417	\$ 14,302
Vacancy, Concessions, Bad Debt	\$ (107,198)	\$ (729)
Effective Gross Income (EGI)	\$ 1,995,219	\$ 13,573
Operating Expenses	\$ 919,466	\$ 6,255
Replacement Reserves	\$ 51,450	\$ 350
Net Operating Income (NOI)	\$ 1,024,303	\$ 6,968
Debt Service	\$ 890,223	\$ 6,056
Cash Flow Before Distributions	\$ 134,080	\$ 912
Debt Service Coverage Ratio (DSCR)	1.15	

- To facilitate renovations, vacancy at the Property of up to 24 units at a time will be held, in order to create one vacant building.
- Stabilized Vacancy, Bad Debt, and Concessions are underwritten at 5.10%.
- Post-renovation, the Property is expected to reach 95% occupancy by April 2023. Rent and expense annual growth rates are projected at 2% and 3%, respectively.
- Initial replacement reserves will be established at \$1,500 per unit from capital sources. Stabilized annual replacement reserves contribution of \$350/unit is subject to confirmation from engineer to contemplate renovation scope.

- Existing rents at the property for households at or below 60% AMI are significantly below the maximum LIHTC rents. Per Commission approval, rents for these existing tenants will not be maximized, but will receive an increase of 5% when residents return to newly renovated units, and an additional 5% increase for the subsequent year. For returning over-income tenants, rents will increase by 10% in the first year and 5% for the following year.
- The Property is projected to benefit from continuing real estate tax exemption from the State and Montgomery County.
- Current debt sizing of \$17,280,000 is based on an estimated interest rate of 3.67% (including Mortgage Insurance Premium ("MIP") of 25 basis points, HOC Loan Management Fee ("LMF") of 0.25% on the original mortgage amount, and a 0.50% cushion). Subject to interest rate movements, staff anticipates that the Property will support a permanent loan of up to approximately \$18.5 million with a DSCR of 1.15:1.00.

FINANCING PLAN

The Georgian Court transaction contemplates: a) Issuance of bonds up to \$30,050,000; b) LIHTC equity; c) Bridge Loan; d) County Loan; and e) subordinate Seller Loan.

- (a) The subject Mortgage Loan and Indenture Bond Reserve will be funded by way of issuing a combination of short-term and long-term tax-exempt private activity bonds and taxable bond proceeds, of no more than \$30,050,000. The short-term bonds will be retired, prior to the Mortgage Loan's conversion to permanent, via LIHTC equity contributions. Volume cap of up to \$29,300,000 will be allocated from the State for closing of the Mortgage Loan. Current sizing of a \$17.3 million permanent Mortgage Loan at conversion is based on an estimated interest rate of 3.67%, including MIP, LMF, and cushion for interest rate movements.
- (b) The transaction, as presented, requires approximately \$29.25 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately \$22.9 million in tax credit equity, which will be contributed in stages, primarily at cost certification and at receipt of the IRS Form 8609s. The developer fee will be paid from LIHTC equity contributions. A Bridge Loan of up to \$3.5 million will be needed to bridge the receipt of LIHTC equity. The Bridge Loan is proposed to be funded from the OHRF using net sale proceeds to HOC, estimated at approximately \$9.2 million, on a revolving basis if applicable.
- (c) The Property was appraised at \$33 million 'as is'. The Seller Loan from HOC will represent contributed land equity into the transaction. Proceeds will be used to payoff the existing \$1.4 million loan from the County, intercompany payables, predevelopment costs, and fund the Bridge Loan, with remaining excess proceeds deposited to the OHRF on an unrestricted basis.
- (d) Property Cash of \$476,350 represents residual receipts, subject to HUD approval to release.

SOURCES	AMOUNT	PER UNIT
Long Term Bonds / Mortgage Loan (a)	\$ 17,280,000	\$ 60,420
Short Term Bonds / Mortgage Loan (a)	\$ 11,974,078	\$ 41,867
LIHTC Proceeds / Bridge (b)	\$ 22,959,434	\$ 80,278
Seller Loan / Land Equity (c)	\$ 20,122,354	\$ 70,358
GP Equity	\$ 100	\$ 0
Deferred Developer Fee	\$ 1,000,000	\$ 3,497
Property Cash (d)	\$ 476,350	\$ 1,666
Total Sources	\$ 73,812,316	\$ 258,085
USES	AMOUNT	PER UNIT
Acquisition Cost	\$ 33,000,000	\$ 115,385
Construction Cost	\$ 14,853,519	\$ 51,935
Fees Related to Construction	\$ 2,346,051	\$ 8,203
Relocation Costs	\$ 449,000	\$ 1,570
Financing & Legal Costs	\$ 14,760,422	\$ 51,610
Construction Interest	\$ 2,528,040	\$ 8,839
Development Fees	\$ 4,724,214	\$ 16,518
Initial Replacement Reserves	\$ 220,500	\$ 771
Operating Reserves	\$ 930,570	\$ 3,254
Total Uses	\$ 73,812,316	\$ 258,085

The stabilized proforma heretofore discussed, illustrates that the transaction generates sufficient net operating revenue to pay operating expenses and debt service to meet the base FHA Risk Share underwriting DSCR of 1.15:1.00. Furthermore, the total sources of funds are sufficient to meet all the projected uses of the Financing Plan; therefore, the transaction is determined to be feasible.

VOLUME CAP NEED/USES (\$'000)

Year	2020	Projected 2021
Balance Carried Forward	\$0	\$13,125
Annual Bond Cap Allocation	\$38,791	\$40,638
	2.3%	4.8%
Special Allocation / Adjustment		63,700
TOTAL BOND CAP AVAILABLE	\$38,791	\$117,464
HOC PROGRAMS		
Single Family	\$0	\$0
Bauer Park	\$25,665	
Shady Grove*		\$30,750
Georgian Court*		\$29,300
Stewartown		\$16,145
Willow Manor Properties*		\$45,402
TOTAL HOC PROGRAMS	\$25,665	\$121,597
PRIVATE DEVELOPERS		
TOTAL PRIVATE ACTIVITY	\$0	\$0
TOTAL BOND CAP REMAINING (SHORTFALL)	\$13,125	(\$4,133)

*Estimates for transactions not yet closed

- **Annual Volume Cap:** HOC carried over \$13.1 million of CY2020 volume cap and received a \$40.6 million allocation of volume cap in CY2021.
 - After the closing of Stewartown in June 2021, the remaining available volume cap is approximately \$101.3 million.
 - The projected volume cap usage for CY2021 is approximately \$122 million (all for HOC programs; no private deals), which exceeds estimated available bond cap for the year.
 - CDA is considering a request by HOC to advance up to \$5 million of HOC's 2022 volume cap to complete the 2021 transactions.
- **Requests for Additional Bond Cap:** HOC meets with Maryland's Community Development Administration ("CDA") annually to review its annual volume cap needs, and last met on March 25, 2021.
 - In 2021, HOC was awarded a Special Allocation of \$63.7 million of volume cap from the Department of Housing and Community Development ("DHCD") 2021 allocation.
 - HOC may request additional bond cap from the Maryland Department of Commerce, the state agency responsible for the allocation of bond cap.
 - Prior year unused volume cap carried forward by CDA can only be used by CDA.

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 and taxable bonds in one or more series, as applicable (the "Bonds"), in order to use the proceeds, thereof, to (i) finance a mortgage loan in the name of the Borrower to be insured under the FHA Risk Sharing Program to fund the acquisition, renovation, and permanent finance of the Property, and (ii) the required 1996 Indenture bond reserves in an amount not to exceed \$30,050,000.
2. Execution and delivery of a Series Indenture, certain tax-related documents, a Disclosure Agreement and any and all related documents.
3. Approving the preparation, execution and distribution of preliminary and final offering documents relating to the financing.
4. Authorizing the execution of any other documents necessary for the issuance of the Bonds and the accomplishment of the Financing Plan described herein.
5. Authorizing the Chairman, Vice Chairman or Chairman Pro Tem and Executive Director or other authorized representative to proceed with the issuance and delivery of the Bonds.
6. Authorizing the Executive Director or other authorized representative to establish the terms relating to the Bonds and to make ongoing determinations relating thereto.
7. Selection of the Underwriters, Financial Advisor and Bond Counsel.

ISSUES FOR CONSIDERATION

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

1. Approval of the Georgian Court Financing Plan, totaling approximately \$73.8 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the 1996 Indenture to fund a Mortgage Loan for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) deferred developer fee; e) subordinate Seller Loan; and, f) available property cash;
2. Approval of the feasibility and public purpose for the Property and the allocation of up to \$29,300,000 in volume cap for the transaction;
3. Approval of a Bond Authorizing Resolution for the issuance and delivery of a combination of short-term and long-term tax-exempt private activity bonds and taxable bonds in an amount of up to \$30,050,000 under the 1996 Indenture;
4. Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount of up to \$29,300,000 with a balloon payment at or before year 25;
5. Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 25% and 75% of the risk for the transaction;
6. Approval for net sales proceeds of approximately \$9.2 million to the Seller to be funded to the OHRF on an unrestricted basis;
7. Approval for HOC to provide a Bridge Loan of approximately \$3.5 million to the Borrower during construction when needed, to bridge the receipt of LIHTC equity proceeds for repayment, with a maximum term of up to five years from closing, to be funded from the OHRF;
8. Approval to release available cash held by the Seller of (a) approximately \$975,000 of replacement reserves to repay outstandings plus interest of approximately \$922,000 on the RELOC with remaining funds to be deposited to the OHRF; and (b) approximately \$613,593 of operating cash and \$27,765 mortgage escrow to be deposited to HOC's General Fund Operating Reserve; and
9. Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan?

TIME FRAME

For discussion at the September 24, 2021 meeting of the Development and Finance Committee and formal action at the October 6, 2021 meeting of the Commission.

FISCAL/BUDGET IMPACT

- Closing of the subject transaction is expected to occur in November 2021. The Commission will earn Development and Commitment Fees, MIP, and LMF income. Based on current underwriting, staff projects income collected for the transaction will be (\$347,632) lower than budgeted for the Agency's fiscal year, due to incorporation of a deferred developer fee in order to realize higher LIHTC equity.
- Costs of issuance are expected to be a maximum of \$578,238 and will be paid from sources of the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends the Development and Finance Committee join its recommendations to the Commission to approve the following actions:

- 1) Approval of the Georgian Court Financing Plan, totaling approximately \$73.8 million, funded by the following sources:
 - a) a combination of (i) tax-exempt proceeds from the issuance of short-term and long-term private activity bonds under the 1996 Indenture to fund a Mortgage Loan for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) deferred developer fee; e) subordinate Seller Loan; and, f) available property cash.
- 2) Approval of the feasibility and public purpose for the Property and the allocation of up to \$29,300,000 in volume cap for the transaction.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of a combination of short-term and long-term tax-exempt private activity bonds and taxable bonds in an amount of up to \$30,050,000 under the 1996 Indenture.
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- 9) Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan.

**SHADY GROVE: APPROVAL OF THE FINANCING PLAN, FEASIBILITY AND PUBLIC PURPOSE;
AUTHORIZATION TO ISSUE LOANS TO HOC AT SHADY GROVE, LLC FOR ACQUISITION AND
CONSTRUCTION FINANCING; AUTHORIZATION TO ISSUE A COMMITMENT FOR PERMANENT
FINANCING; AND, AUTHORIZATION FOR THE BORROWER TO ACCEPT LOANS IN ACCORDANCE
WITH THE FINANCE PLAN
SHADY GROVE, DERWOOD, MD**



KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

**JENNIFER HINES ARRINGTON
VICTORIA DIXON
LEN VILICIC**

September 24, 2021

TABLE OF CONTENTS

Topic	Page #
Executive Summary	3
Financing Schedule	7
Property Overview	8
Transaction Highlights	9
Stabilized Pro Forma	10
Financing Plan	11
Volume Cap Needs/Uses	12
Summary of Bond Authorizing Resolution	13
Issues for Consideration	14
Time Frame, Fiscal/Budget Impact	15
Staff Recommendation and Commission Action Needed	16

EXECUTIVE SUMMARY

Shady Grove Apartments (the “Property” or “Shady Grove”) is an existing 144-unit income restricted community in Derwood, MD owned by Shady Grove Apartments Limited Partnership (“Seller”), an entity controlled by HOC.

Constructed in 1980 and renovated in 2001 using Low Income Housing Tax Credit (“LIHTC”), the property is currently operating under an extended-use covenant which is set to expire on December 31, 2028. In addition, 100% of units are subject to project-based Section 8 rental assistance, with all units restricted for households at or below 50% of area median income (“AMI”).

On September 1, 2021, the Commission approved the Final Development Plan (“Development Plan”) estimated at \$60.7 million to acquire, renovate, and equip the Property with improvements to energy-efficiency, common areas, building exteriors and in-unit upgrades of finishes and appliances in bathrooms and kitchens. Phased renovations are projected to take up to 24 months for completion by November 2023.

As part of the Development Plan, the Property will be acquired by HOC at Shady Grove, LLC (the “Borrower”), controlled by HOC MM Shady Grove, LLC (“Managing Member”). HOC will retain controlling interest of the Borrower and General Partner. The Property is expected to be awarded an allocation of 4% LIHTC in September 2021, with Boston Financial Investment Management (“Boston Financial”) as LIHTC Syndicator.

In order to execute the Development Plan, staff proposes the following Financing Plan to include these combined sources: (a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the Multifamily Housing Development Bond Resolution (the “1996 Indenture” or “Indenture”) to fund an FHA Risk Share mortgage loan with balloon payment (“Mortgage Loan”) for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture (“Indenture Bond Reserve”); (b) LIHTC equity; (c) a loan to bridge receipt of LIHTC equity proceeds (“Bridge Loan”); (d) a subordinate loan from the seller entity (“Seller Loan”); and (e) deferred developer fee. Closing is expected to occur in November 2021. Stabilization of the Property is expected to occur by April 2024 with conversion to permanent debt to occur by September 2024.



EXECUTIVE SUMMARY

Date	Res.	Description of Commission Resolutions
May 2, 2018	18-29	Approval of a Preliminary Development to renovate Shady Grove Apartments, Georgian Court, and Stewartown Homes properties using 1,050,000 from the Opportunity Housing Reserve Fund (“OHRF”) or PNC Real Estate Line of Credit (“RELOC”), to be repaid upon refinance or re-syndication of the properties.
July 11, 2018	18-52	Withdrawal of \$10,910,561 from the RELOC to prepay existing mortgages of Georgian Court (\$2,666,306), Shady Grove (\$4,597,448), Stewartown (\$1,817,646), and The Willows (\$1,829,161) until repaid upon refinancing or re-syndication of the properties.
June 9, 2021 & July 7, 2021 (Amendment)	21-58A 21-58B 21-67	Approval to (i) select Hamel Builders Inc. as General Contractor (“GC”) for renovation of Shady Grove, (ii) begin negotiations of the GC contract; (iii) hold 24 units vacant to facilitate renovations; (iv) fund additional predevelopment work of \$485,000 from the RELOC; (v) ratified formation of the Borrower and Managing Member entities for the transaction.
July 7, 2021	21-71	Approval of Boston Financial as LIHTC syndicator for the transaction and authorization for the Executive Director to negotiate and execute a Letter of Intent as well as negotiate an Operating Agreement.
September 1, 2021	21-86	Approval of (i) the Final Development Plan, (ii) negotiation and execution of an Operating Agreement with a tax credit investor affiliate of Boston Financial (“Investor”) for admission of the Investor as a non-managing member holding 99.99% interest, with execution of related documents, (iii) approval for negotiation and execution of a Purchase and Sale Agreement, (iv) transfer of the Property from Georgian Court Silver Spring Limited Partnership (“Seller”) to the Borrower, with execution of related documents; (iv) negotiation and execution of a GC contract not to exceed \$13.2 million; (v) execution of an Early Start Agreement with the GC not to exceed \$941,330, to be paid from transactions sources or existing replacement reserves; and (vi) authorization for the Acting Executive Director, Kayrine Brown, or her designee, to execute any and all documents to effectuate the actions contemplated.

EXECUTIVE SUMMARY

Staff has completed its underwriting and with the support of the Development and Finance Committee, recommends the following actions of the Commission:

- 1) Approval of the Shady Grove Financing Plan totaling approximately \$61.4 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the 1996 Indenture to fund an FHA Risk Share mortgage loan with balloon payment (“Mortgage Loan”) for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) subordinate Seller Loan; and e) deferred developer fee.
- 2) Approval of the feasibility and public purpose for the Property setting aside 100% of units for households earning at or below 50% AMI, and the allocation of up to \$30,750,000 in volume cap for the transaction.
- 3) Approval of a Bond Authorizing Resolution for the issuance and delivery of tax-exempt private activity bonds and taxable bonds in an amount of up to \$31,500,000 under the 1996 Indenture.
- 4) Authorization for HOC to issue a Financing Commitment for a Mortgage Loan in an amount up to \$30,750,000 with a balloon payment at or before year 25.
- 5) Approval for HOC to provide credit enhancement via FHA Risk Share Mortgage Insurance, pursuant to the Risk Sharing Agreement between HOC and HUD, and for HOC and HUD to assume, respectively, 25% and 75% of the risk for the transaction.
- 6) Approval for net sales proceeds (approximately \$18.1 million) to the Seller to be funded to the OHRF on an unrestricted basis.
- 7) Approval for HOC to provide a Bridge Loan of approximately \$13.6 million to the Borrower during construction to bridge the receipt of LIHTC equity proceeds for repayment with a maximum term of up to five years from closing to be funded from the OHRF.
- 8) Approval to release available cash held by the Seller of (a) approximately \$1,252,965 of replacement reserves to repay outstanding plus interest of approximately \$922,088 on the RELOC with remaining funds to be deposited to the OHRF; and (b) approximately \$542,019 of operating cash and \$33,810 mortgage escrow to be deposited to HOC’s General Fund Operating Reserve.
- 9) Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan.

EXECUTIVE SUMMARY

Borrower	HOC at Shady Grove, LLC	
Units/Affordability	144 Units 100% Affordable	
	141 (Section 8)	≤ 50% AMI
	3 None	≤ 50% AMI Non-Revenue
Stabilized Net Operating Income (estimated)	\$1,695,365 (FY 2023)	
Bond Issuance (tax-exempt and taxable) (up to)	\$31,500,000 1996 Multifamily Housing Development Bond Resolution	
Tax-Exempt Bonds / Volume Cap (up to)	\$30,750,000	
Taxable Bond Reserve (up to)	\$750,000	
First Mortgage (up to)	\$30,750,000 FHA Risk Share Mortgage	
Permanent Mortgage Interest Rate (estimated)	3.67%	
Mortgage Insurance	FHA Risk Share - 25% HOC / 75% FHA	
Permanent Loan Amortization / Term (up to)	35 Years / 38 Years	
Debt Service Coverage Ratio	1.15	
County Participation (estimated)	Real Estate Tax Exemption	

FINANCING SCHEDULE

- Commission Approval
- Submit FHA Risk Share Application

- Begin Renovations (24 months)

- *Outside date for Permanent Conversion*



PROPERTY OVERVIEW

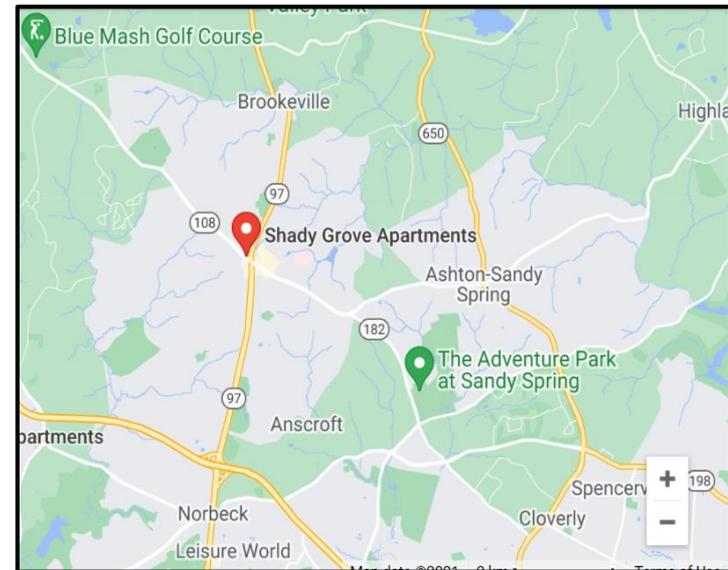


Property Name	Shady Grove Apartments
Location	16125 Crabbs Branch Way, Derwood, MD 20855
Property Manager	Edgewood Management Company
Total Units	144
Unit Mix	45 units – 1BR/1BA 83 units – 2BR/1BA 16 units – 3 BR/1.5 BA

Amenities The community includes a business/computer center, clubhouse, central laundry, and a playground. Neighborhood amenities include grocery anchored 270 Shopping Center (MOM's Organic) and King Farm Village Center (Safeway), Nordstrom Rack, Home Depot, CVS Pharmacy, and various retailers, services, and restaurants, adjacent Rock Creek Park, with the Shady Grove Metro Station (Red Line) two blocks away.

Planned Renovation Constructed in 1980 and previously renovated in 2001, the property consists of five three-story garden-style buildings. Proposed renovations will modernize unit interiors, update common area amenities and building mechanical systems, and improve site conditions, to include: (a) upgrading kitchens to open concept with installation of new appliances, cabinetry, countertops, fixtures, flooring, painting and lighting; bathrooms renovations with new bath/shower surrounds; and new HVAC; (b) create eight new UFAS units, (c) new flooring in common area stair wells and hallways; (d) exterior improvements will include installation of new entrance canopies, replacing roofing and siding, improved lighting, parking lot re-striping; (e) a new playground; and (f) removal of asbestos-containing materials and installation of radon mitigation systems.

100% restricted for households earning up to 50% AMI (including 141 units with project based Section 8 vouchers).



TRANSACTION HIGHLIGHTS

Public Purpose	All 144 units of the Properties will be restricted for those households with incomes at 50% AMI or below, including 141 households with project-based Section 8 rental assistance. In addition, renovations will create eight (8) new UFAS units. Additional details on Property Overview slides.												
County Interest	Acquisition and renovation of the Property will preserve quality, affordable housing for families in the County. The Property also will continue to benefit from a real estate tax exemption from the County for the 144 units (100%).												
Volume Cap Allocation	Up to \$30,750,000 in HOC volume cap will be required for tax-exempt bond financing to meet the 50% test. See page 14 for HOC's Volume Cap Need/Uses matrix.												
Bond Financing	Up to \$31,500,000 will be issued under the 1996 Indenture. Proceeds from tax-exempt private activity bonds will fund a Mortgage Loan for the renovation and permanent loan phases of the Property with a term of up to 38 years. Upon conversion the permanent Mortgage Loan will begin a 35-year amortization schedule and will be repaid from property revenues. A 25-year balloon payment option may be pursued.												
Credit Enhancement	The Mortgage Loan will be enhanced with FHA Risk Share mortgage insurance. HOC will assume 25% of the risk for the transaction and FHA 75%.												
Construction Bridge Loan	Based upon review of the Developer Draw Schedule, an estimated \$13.6 million of bridge financing will be needed during the construction.												
LIHTC Equity	Approximately \$19.3 million – The tax-credit equity will be paid in stages: 1) loan closing (10%); 2) construction completion (73%); 3) cost certification, stabilized occupancy and permanent mortgage conversion (16%); and, 5) issuance of the final 8609s (1%).												
Developer Fee	The developer's fee will be approximately \$4.6 million.												
Development Team	<table border="0"> <tr> <td>Owner/Developer:</td> <td>HOC at Shady Grove, LLC / HOC</td> </tr> <tr> <td>General Contractor:</td> <td>Hamel Builders Inc.</td> </tr> <tr> <td>Architect:</td> <td>Bennett Frank McCarthy</td> </tr> <tr> <td>Property Management:</td> <td>Edgewood Management Company</td> </tr> <tr> <td>Construction Management:</td> <td>JDC Construction</td> </tr> <tr> <td>LIHTC Syndicator:</td> <td>Boston Financial Investment Management</td> </tr> </table>	Owner/Developer:	HOC at Shady Grove, LLC / HOC	General Contractor:	Hamel Builders Inc.	Architect:	Bennett Frank McCarthy	Property Management:	Edgewood Management Company	Construction Management:	JDC Construction	LIHTC Syndicator:	Boston Financial Investment Management
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STABILIZED PRO FORMA

Stabilized Proforma	(FY 2023)	Per Unit
Gross Residential Revenue	\$ 2,905,536	\$ 20,177
Vacancy, Concessions, Bad Debt	\$ (148,169)	\$ (1,029)
Effective Gross Income (EGI)	\$ 2,757,367	\$ 19,148
Operating Expenses	\$ 1,011,601	\$ 7,025
Replacement Reserves	\$ 50,400	\$ 350
Net Operating Income (NOI)	\$ 1,695,366	\$ 11,773
Debt Service	\$ 1,473,916	\$ 10,236
Cash Flow Before Distributions	\$ 221,449	\$ 1,538
Debt Service Coverage Ratio (DSCR)	1.15	

- To facilitate renovations, vacancy at the Property of up to 24 units at a time is being requested of the Commission.
- Stabilized Vacancy and Concessions are underwritten at 5.10%.
- Post-renovation, the Property is expected to reach 95% occupancy by April 2024. Rent and expense annual growth rates are projected at 2% and 3%, respectively.
- Initial replacement reserves will be established at \$1,500 per unit from capital sources. Stabilized annual replacement reserves contribution of \$350/unit is subject to confirmation from engineer to contemplate renovation scope.

- The Property is projected to benefit from continuing real estate tax exemption from the State and Montgomery County.
- Current sizing of \$28,610,000 is based on an estimated interest rate of 3.67% (including Mortgage Insurance Premium (“MIP”) of 25 basis points, HOC Loan Management Fee (“LMF”) of 0.25% on the original mortgage amount, and a 0.50% cushion). Subject to interest rate movements, staff anticipates that the Property will support a permanent loan of approximately \$30.6 million with a DSCR of 1.15:1.00.

FINANCING PLAN

The Shady Grove transaction contemplates: a) Issuance of bonds of up to \$31.5 million; b) LIHTC equity; c) Bridge Loan; d) subordinate Seller Loan; and, e) deferred developer fee.

- (a) The subject Mortgage Loan and Indenture Bond Reserve will be funded by way of issuing tax-exempt private activity bonds and taxable bonds in an approximate amount of no more than \$31.5 million. Private activity, tax-exempt, volume cap of up to \$30.75 million will be allocated from the State for closing of the Mortgage Loan. Current sizing of a \$28.6 million Mortgage Loan is based on an estimated interest rate of 3.67%, including MIP, LMF, and cushion for interest rate movements.
- (b) The transaction, as presented, requires approximately \$28.6 million of tax-exempt financing to qualify for 4% tax credits and to meet the 50% test. The transaction is expected to generate approximately \$19.3 million in tax credit equity, which will be contributed in stages, primarily at construction completion. The developer fee will be paid from LIHTC equity contributions. A bridge loan of approximately \$13.6 million will be needed to bridge the receipt of LIHTC equity, and will be funded from the OHRF using net sale proceeds to HOC.
- (c) The Property was appraised at \$33.2 million ‘as is’. The Seller Loan from HOC will represent contributed land equity into the transaction. Proceeds will be used to payoff the existing \$3.5 million of intercompany payables, remaining \$262,000 County Loan, and fund the Bridge Loan, with remaining excess proceeds deposited to the OHRF on an unrestricted basis.

The stabilized proforma heretofore discussed, illustrates that the transaction generates sufficient net operating revenue to pay operating expenses and debt service to meet the base FHA Risk Share underwriting DSCR of 1.15:1.00.

Furthermore, the total sources of funds are sufficient to meet all the projected uses of the Financing Plan; therefore, the transaction is determined to be feasible.

SOURCES	AMOUNT	PER UNIT
Bonds / Mortgage Loan (a)	\$ 28,610,000	\$ 198,681
LIHTC Proceeds / Bridge (b)	\$ 19,315,735	\$ 134,137
Seller Loan / Land Equity (c)	\$ 11,437,984	\$ 79,430
GP Equity	\$ 100	\$ 1
Deferred Developer Fee	\$ 2,000,000	\$ 13,889
Property Cash	\$ -	\$ -
Total Sources	\$ 61,363,819	\$ 426,138

USES	AMOUNT	PER UNIT
Acquisition Cost	\$ 33,200,000	\$ 230,556
Construction Cost	\$ 14,439,205	\$ 100,272
Fees Related to Construction	\$ 1,450,764	\$ 10,075
Relocation Costs	\$ 400,600	\$ 2,782
Financing & Legal Costs	\$ 3,310,190	\$ 22,987
Construction Interest	\$ 2,440,569	\$ 16,948
Development Fees	\$ 4,637,336	\$ 32,204
Initial Replacement Reserves	\$ 216,000	\$ 1,500
Operating Reserves	\$ 1,269,155	\$ 8,814
Total Uses	\$ 61,363,819	\$ 426,138

VOLUME CAP NEED/USES (\$'000)

	2020	Projected 2021
Balance Carried Forward	\$0	\$13,125
Annual Bond Cap Allocation	\$38,791	\$40,638
	2.3%	4.8%
Special Allocation / Adjustment		63,700
TOTAL BOND CAP AVAILABLE	\$38,791	\$117,464
HOC PROGRAMS		
Single Family	\$0	\$0
Bauer Park	\$25,665	
Shady Grove*		\$30,750
Georgian Court*		\$29,300
Stewartown		\$16,145
Willow Manor Properties*		\$45,402
TOTAL HOC PROGRAMS	\$25,665	\$121,597
PRIVATE DEVELOPERS		
TOTAL PRIVATE ACTIVITY	\$0	\$0
TOTAL BOND CAP REMAINING (SHORTFALL)	\$13,125	(\$4,133)

*Estimates for transactions not yet closed

- **Annual Volume Cap:** HOC carried over \$13.1 million of CY2020 volume cap and received a \$40.6 million allocation of volume cap in CY2021.
 - After the closing of Stewartown in June 2021, the remaining available volume cap is approximately \$101.3 million.
 - The projected volume cap usage for CY2021 is approximately \$122 million (all for HOC programs; no private deals), which exceeds estimated available bond cap for the year.
 - CDA is considering a request by HOC to advance up to \$5 million of HOC's 2022 volume cap needed to complete all 2021 transactions.
- **Requests for Additional Bond Cap:** HOC meets with Maryland's Community Development Administration ("CDA") annually to review its annual volume cap needs, and last met on March 25, 2021.
 - In 2021, HOC was awarded a Special Allocation of \$63.7 million of volume cap from the Department of Housing and Community Development ("DHCD") 2021 allocation.
 - HOC may request additional bond cap from the Maryland Department of Commerce, the state agency responsible for the allocation of bond cap.
 - Prior year unused volume cap carried forward by CDA can only be used by CDA.

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 and taxable bonds in one or more series, as applicable (the "Bonds"), in order to use the proceeds, thereof, to (i) finance a mortgage loan in the name of the Borrower to be insured under the FHA Risk Sharing Program to fund the acquisition, renovation, and permanent finance of the Property, and (ii) the required 1996 Indenture bond reserves in an amount not to exceed \$31,500,000.
2. Execution and delivery of a Series Indenture, certain tax-related documents, a Disclosure Agreement and any and all related documents.
3. Approving the preparation, execution and distribution of preliminary and final offering documents relating to the financing.
4. Authorizing the execution of any other documents necessary for the issuance of the Bonds and the accomplishment of the Financing Plan described herein.
5. Authorizing the Chairman, Vice Chairman or Chairman Pro Tem and Executive Director or other authorized representative to proceed with the issuance and delivery of the Bonds.
6. Authorizing the Executive Director or other authorized representative to establish the terms relating to the Bonds and to make ongoing determinations relating thereto.
7. Selection of the Underwriters, Financial Advisor and Bond Counsel.

ISSUES FOR CONSIDERATION

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

1. Approval of the Shady Grove Financing Plan totaling approximately \$61.4 million, funded by the following sources: a) a combination of (i) tax-exempt proceeds from the issuance of private activity bonds under the 1996 Indenture to fund an FHA Risk Share mortgage loan with balloon payment for acquisition and renovations of the Property, and (ii) taxable bonds to fund a bond reserve required under the 1996 Indenture; b) LIHTC equity; c) Bridge Loan, d) subordinate Seller Loan; and e) deferred developer fee;
2. Approval of the feasibility and public purpose for the Property setting aside 100% of units for households earning at or below 50% AMI, and the allocation of up to \$30,750,000 in volume cap for the transaction;
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9. Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan?

TIME FRAME

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FISCAL/BUDGET IMPACT

- Closing of the subject transaction is expected to occur in November 2021. The Commission will earn Development and Commitment Fees, MIP, and LMF income. Based on current underwriting, staff projects income collected for the transaction will be lower than budgeted for the Agency's fiscal year, due to incorporation of a deferred developer fee in order to realize higher LIHTC equity.
- Costs of issuance are expected to be a maximum of \$572,200 and will be paid from sources of the transaction.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

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- 7) Approval for HOC to provide a Bridge Loan of approximately \$13.6 million to the Borrower during construction to bridge the receipt of LIHTC equity proceeds for repayment with a maximum term of up to five years from closing to be funded from the OHRF.
- 8) Approval to release available cash held by the Seller of (a) approximately \$1,252,965 of replacement reserves to repay outstandings plus interest of approximately \$922,088 on the RELOC with remaining funds to be deposited to the OHRF, and (b) approximately \$542,019 of operating cash and \$33,810 mortgage escrow to be deposited to HOC's General Fund Operating Reserve.
- 9) Approval for the Borrower to accept the proposed Mortgage Loan and Bridge Loan.

- d) Subordinate County Loan; and
- e) Acquisition loan from HOC (“HOC Loan”); and
- f) Deferred Developer Fees.

Timing of Funding Issue & Resolution

Due to the bifurcated closing timeline, Resolution 19-09(2) which was approved on February 6, 2019 authorized taxable draws on the PNC RELOC totaling up to \$12,000,000 to bridge the acquisition and construction financing for the Upton II until such time as sufficient LIHTC equity contributions are received. The Bridge Loan Promissory Note and Loan Agreement (“Bridge Note”) for \$12,000,000 was executed on February 28, 2019. It included a provision specifying a balance cap of \$6,500,000 assuming the need for the bridge funding would be reduced once the LIHTC equity closed. The \$6.5MM cap on the Bridge Note was deemed sufficient at the time based on estimates for construction draw timing and the projected LIHTC pay-in schedule. Despite the \$6.5MM cap on the maximum outstanding balance, the RELOC has always carried, and continues to carry, a \$12MM obligation.

By the time the Equity Contribution closed in November 19, 2019, the difference between the Term Sheet and the Final Equity Schedule increased the total LIHTC equity proceeds to the deal by more than \$3MM, but delayed the overall receipt of equity thereby creating a temporary shortfall in available proceeds during construction, before the preponderance of the Equity Contribution arrived at Stabilized Occupancy (approximately five (5) months after achieving certificates of occupancy and construction completion).

Upton II LIHTC Funding Schedule at Each of Two Closing Phases

Milestone	Source Name	Financing Source	At Partnership Closing (a)	At 50% Construction Completion (b)	At Certificate of Occupancy (x)	At 1.15 DSCR for 90 Consecutive Days, Permanent Loan Close/ Conversion (d)	Receipt of IRS Form(s) 8609 (t)	Total
Construction Funding	Equity – Federal LIHTC	Wells Fargo Bank	\$1,160,393	\$2,035,610	\$2,371,500	\$5,786,428	\$250,000	\$11,603,931
LIHTC Closing	Equity – Federal LIHTC	Wells Fargo Bank	\$1,467,276	\$1,202,188	\$344,700	\$11,408,392	\$250,000	\$14,672,556
Difference in Pay-in Amounts			\$306,883	➕ (\$833,422)	➕ (\$2,026,800)			
Additional Bridge Needed Because of Change in Timing of Pay-in								(\$2,553,339)

At the time of the November 2019 LIHTC closing, the \$6.5MM cap on maximum balance outstanding was too low. As currently projected, the maximum balance outstanding will be approximately \$9.0MM, occurring just before stabilization and the release of the remaining Equity Contribution that will fully repay the RELOC. To date, the \$6.5MM cap on maximum balance outstanding has been respected. Construction is expected to be complete by January 2022, and stabilization is expected to occur in June 2022.

Upon construction completion and subsequent stabilized occupancy, staff will return to the Commission to request approval of a Final Permanent Finance Plan, including the issuance of refunding bonds to retire the outstanding construction debt with M&T Bank.

ISSUES FOR CONSIDERATION:

Does the Development and Finance Committee join staff's recommendation to the Commission to approve to amend the Bridge Note for the Upton II, thereby removing the balance cap on the Bridge Loan Funding approved by Resolution 19-09(2) to allow for up to \$12M to be drawn from the PNC Bank, N.A. Real Estate Line of Credit ("RELOC")?

PRINCIPALS:

Housing Opportunities Commission of Montgomery County
HOC at the Upton II, LLC

BUDGET IMPACT:

No impact to the Commission's FY 2022 operating budget. Interest on the RELOC will be borne by the project's Development Budget.

TIMEFRAME:

For deliberation at the Development and Finance Committee on September 24, 2021 and Commission formal action at the Commission meeting on October 6, 2021.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:

Staff recommends the Development and Finance Committee recommend approval to amend the Bridge Note for the Upton II thereby removing the balance cap on the Bridge Loan Funding approved by Resolution 19-09(2) to allow for up to \$12M to be drawn from the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") as needed to bridge LIHTC equity receipts for the transaction.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County
Development and Finance Committee

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Marcus Ervin Division: Real Estate Development
Christina Autin Division: Legislative & Public Affairs

RE: Westside Shady Grove: Permanent Name Selection

DATE: Friday, September 24, 2021

STATUS: Consent Deliberation Status Report Future Action

OVERALL GOAL & OBJECTIVE:

To request the Development and Finance Committee recommend approval of recommended permanent name “The Hurston” for HOC’s Westside Shady Grove property under development in Rockville at the Shady Grove Metro Station.

BACKGROUND:

In April 2019, the Housing Opportunities Commission of Montgomery County (“HOC”) entered into a Letter of Intent (“LOI”) to form a joint venture with Bozzuto Development Company (“Bozzuto”) and EYA/CSP Associates, LLC (“EYA”) to develop a 268-unit mixed-use and mixed-income multifamily building at the Shady Grove Block D parcel, Westside Shady Grove apartments (the “Property”), located adjacent to the Shady Grove Metro and owned by Montgomery County at the time. EYA had the right to purchase the Property from Montgomery County and, in partnership with Bozzuto, had already entitled the site and obtained Preliminary and Site Plan approvals. In December 2019, HOC purchased the land from Montgomery County by HOC at Westside Shady Grove, LLC. A partnership entity was formed and project financing closed in January 2021. Construction commenced shortly thereafter in February 2021 and the development is currently beginning wood framing with other major construction activities underway.

To support the overall branding, marketing efforts, and develop a permanent name for the community, the development team engaged Hickok Cole (“HC”) in the Summer of 2020 leading up to the January 2021 financial closing of the development. HC was previously engaged for the rebranding efforts for HOC’s signature mixed-income Lindley development in Chevy Chase, MD. Following the first of two (2) branding and naming sessions that began in August 2020 with the team to replace the generic project name, Ownership advised HC that the initial naming options lacked substance/context and did not align with development’s aesthetic. The former Executive Director tasked the team with developing a new set of names for consideration in accordance with the Commission’s naming guidelines that i.) honored outstanding individuals in society with a connection to the area and ii.) placed an emphasis on women and persons of color.

Subsequently, the Commission has requested that staff draft and follow a set of guidelines for all permanent name recommendations for future and existing HOC properties and facilities. Recommendations for permanent names will flow through the Development and Finance Committee for ultimate consideration and approval by the full Board of Commissioners.

Naming Guidelines

The naming guidelines require consideration of the following principles for the selection of a permanent name of a property or facility:

1. Have a strong positive image and should stand the test of time;
2. Have appropriate regard to the facility's location, geography, natural land feature, and/or history;
3. Commemorate places, people or events that are of continued importance to the town, region, state, and/or nation;
4. Recognize outstanding accomplishments by an individual for the good of the community. Quality of the contribution should be considered along with the length of service by the individual.

In the team's work to select a recommended permanent name for Westside Shady Grove, the principles for the naming guidelines have been observed. Below is a summary of the history and reasoning for staff's recommendation to approve the permanent name "The Hurston" for the Westside Shady Grove property.

The Hurston was inspired by Zora Neale Hurston, an accomplished and stylish African American female author, anthropologist, and filmmaker who began her studies at Howard University in Washington, D.C. She was well known for being a central figure of the Harlem Renaissance and published works that focused on the African American experience and the challenges faced as an African American woman.

Furthermore, staff understands the importance of viewing every piece of our work through the lens of race, equity, and inclusion. Recognizing that the contributions of persons and communities of color have historically been overlooked in our society, staff strongly believes that focus on the significant contributions of Black communities and communities of color should be honored and uplifted in our own work.

Aligned with principles that draw upon (1) a strong positive image, (2) appropriate regard for history; (3) commemorating people of continued importance to the region; and (4) recognizing accomplishments by an individual for the good of the community, and in accordance with the naming guidelines, the name "The Hurston" was selected by staff and approved by the Acting Executive Director for recommendation to the Development and Finance Committee and the Commission.

ISSUES FOR CONSIDERATION:

Does the Development and Finance Committee wish to join staff's recommendation that the Commission approve the permanent name, "The Hurston" for HOC's Westside Shady Grove property now under construction in Rockville, MD at the Shady Grove Metro Station?

TIME FRAME:

For review by the Development and Finance Committee during the September 2021 committee meeting and for formal approval by the Commission meeting on October 6, 2021.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends the Commission accept staff's recommendation to approve the permanent name, "The Hurston", for HOC's Westside Shady Grove property now under construction in Rockville, MD.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County
Development and Finance Committee

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Marcus Ervin Division: Real Estate Development
Jay Shepherd Division: Real Estate Development
Christina Autin Division: Legislative & Public Affairs

RE: Upton II: Permanent Name Selection

DATE: Friday, September 24, 2021

STATUS: Consent ___ Deliberation X Status Report ___ Future Action ___

OVERALL GOAL & OBJECTIVE:

To request the Development and Finance Committee recommend approval of recommended permanent name, "Ten Gibson" for HOC's Upton II property now under construction in Rockville, MD.

BACKGROUND:

In April 2019, HOC broke ground on Upton II, new construction senior housing in Rockville, Maryland. In anticipation of the first units ready for delivery in October 2021, and to support marketing efforts for the property, Real Estate Division staff approached Legislative and Public Affairs Division staff in March 2021 to assist with selection of a permanent recommended name for the property. Real Estate Division staff, Legislative and Public Affairs staff, and the Executive Director participated in two "naming discovery" sessions with an explicit focus on Black history and important figures in Rockville and in Montgomery County.

Subsequently, the Commission has requested that staff draft and follow a set of guidelines for all permanent name recommendations for future and existing HOC properties and facilities. Recommendations for permanent names will flow through the Development and Finance Committee for ultimate consideration and approval by the full Board of Commissioners.

Naming Guidelines

The naming guidelines require consideration of the following principles for the selection of a permanent name of a property or facility:

1. Have a strong positive image and should stand the test of time;
2. Have appropriate regard to the facility's location, geography, natural land feature, and/or history;
3. Commemorate places, people or events that are of continued importance to the town, region, state, and/or nation;
4. Recognize outstanding accomplishments by an individual for the good of the community. Quality of the contribution should be considered along with the length of service by the individual.

In staff's work to select a recommended permanent name for Upton II, the principles for the naming guidelines have been observed. Below is a summary of the history and reasoning for staff's recommendation to approve the permanent name "Ten Gibson" for the Upton II property.

The selection of "Ten Gibson" is an homage to Robert and Sarah Gibson, founders of the Gibson Grove community in Cabin John, Maryland. The Gibsons played a critical role in establishing a thriving, free, African American community in Montgomery County after the Civil War. In 1882, the community organized the first black school in the district. In 1885, it established a benevolent society: Morningstar Tabernacle No. 88 of the Order of Moses. In 1898, Sarah Gibson gave land to formally establish the Gibson Grove AME Zion Church. The school for the local black children never had a dedicated building; it was alternatively housed in the church and the Moses Hall lodge. In the early part of the 20th century, the original stretch of homes in Gibson Grove was called No. 10 Road because of the ten houses of Gibson Grove residents. The community shorthand subsequently became "No. 10." The name "Ten Gibson" recognizes the significant community contributions of the Gibsons and draws upon the historical "No. 10" reference to the community.

Furthermore, staff understands the importance of viewing every piece of our work through the lens of race, equity, and inclusion. Recognizing that the contributions of persons and communities of color have historically been overlooked in our society, staff strongly believes that focus on the significant contributions of Black communities and communities of color should be honored and uplifted in our own work.

Aligned with principles that draw upon (1) a strong positive image, (2) appropriate regard for history; (3) commemorating people of continued importance to the region; and (4) recognizing accomplishments by an individual for the good of the community, and in accordance with the naming guidelines, the name "Ten Gibson" was selected by staff and approved by the Acting Executive Director for recommendation to the Development and Finance Committee and the Commission.

ISSUES FOR CONSIDERATION:

Does the Development and Finance Committee wish to join staff's recommendation that the Commission approve the permanent name, "Ten Gibson" for HOC's Upton II property now under construction in Rockville, MD?

TIME FRAME:

For review by the Development and Finance Committee during the September 2021 committee meeting and for formal approval by the Commission meeting on October 6, 2021.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends the Commission accept staff's recommendation to approve the permanent name, "Ten Gibson" for HOC's Upton II property now under construction in Rockville, MD.