

Revised: April 22, 2021



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



DEVELOPMENT AND FINANCE COMMITTEE

April 23, 2021

10:00 a.m.

YouTube Link: <https://youtu.be/cM23YQfAg2w>

Approval of Minutes:

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1. Minutes: Approval of Development and Finance Committee Minutes of March 26, 2021	03

Action Items:

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1. Single Family Mortgage Purchase Program: Approval of New Participating Lenders for the Single Family Mortgage Purchase Program	07
2. Single Family Bond Issuance: Approval of Structure, Cost of Issuance Budget, and Adoption of a Series Resolution for 2021 Series A and 2021 Series B Single Family Mortgage Revenue Bonds for the Purpose of Issuing New Debt and Refunding Single Family Mortgage Revenue Bonds	11
3. Housing Production Fund: Approval of a Master Resolution Providing for the Creation of a Revolving Housing Production Fund to Provide Construction Bridge Financing for Multifamily Housing in Montgomery County; Approval to Enter into a Funding Agreement with Montgomery County Maryland to Provide Funding for the Revolving Housing Production Fund; Approval of the Program Parameters of the Housing Production Fund; and Approval of Structure and Cost of Issuance Budget of, and Adoption of Series Resolution for the Issuance of Limited Obligation Bonds (Revolving Housing Production Fund) 2021 Series	24
4. Sandy Spring Missing Middle: Approval of Third Phase of Predevelopment Funding and Concept Plan Application Preparation for Submittal to Planning Commission	43

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Development and Finance Committee Minutes

March 26, 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, March 26, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:04 a.m. Those in attendance were:

Present

Jackie Simon, Chair – Development and Finance Committee
Roy Priest - Commissioner
Richard Y. Nelson, Jr. – Commissioner

Also Attending

Kayrine Brown, Deputy Executive Director	Aisha Memon, General Counsel
Eamon Lorincz, Deputy General Counsel	Zachary Marks
Marcus Ervin	Jennifer Arrington
Cornelia Kent	Nathan Bovelle
Claire Kim	Darcel Cox
Terri Fowler	Kathryn Hollister
Jay Berkowitz	Jay Shepherd
Victoria Dixon	Len Vilicic
Ellen Goff	Nicolas Deandreis
Contessa Weber	Danh Nguyen

APPROVAL OF MINUTES

The minutes of the February 19, 2021 Development and Finance Committee were approved upon a motion by Commissioner Nelson and seconded by Commissioner Priest. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

DISCUSSION ITEMS

1. Paddington Square: Approval of a Refinancing Plan; Authorization to Negotiate and Execute a Permanent Financing Commitment with Love Funding Corporation; Authorization for Borrower to Accept Loan in Accordance with Refinancing Plan

Kayrine Brown, Deputy Executive Director, introduced Victoria Dixon, Senior Multi-Family Underwriter, who provided the presentation. There was a discussion as to why there had not been a discussion with Montgomery County's Department of Housing and Community Affairs (DHCA). Staff explained that they wanted to present it before the HOC Board for approval prior to discussion with DHCA.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend the item for approval at the April 7, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

2. Willow Manor: Approval of General Contractor and Approval of Preliminary Development Plan for the Willow Manor Properties

Kayrine Brown, Deputy Executive Director, introduced Kathryn Hollister, Senior Financial Analyst, who provided the presentation to recommend to the full Commission approval of a preliminary development plan to include approval of Nastos Construction, Inc. as General Contractor, to hold up 7% vacancy, and approval to restrict all existing market rate units to 80% AMI as part of the LIHTC scattered sit resyndication.

The Commissioners suggested to staff to create system to track Minority-Owned Business Enterprise (MBE) and provide updates to the Development and Finance Committee.

Commissioner Simon recommended that staff consider roll in showers as a safety mechanism in senior properties.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to recommend the item for approval at the April 7, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

3. Financial Advisor Contract: Renewal with Caine Mitter and Associates Incorporated ("CMA") in Accordance with the Current Contract, Prior Approvals and the Procurement Policy

Kayrine Brown, Deputy Executive Director, was the presenter. Ms. Brown provided a presentation requesting the Development and Finance Committee recommend to the full Commission approval of a third and final renewal of the current financial advisor services contract with Caine Mitter and Associates, Inc. for one year in accordance with the current contract and Procurement Policy.

A motion was made by Commissioner Priest and seconded by Commissioner Nelson to recommend the item for approval at the April 7, 2021 monthly Commission meeting. Affirmative votes were cast by Commissioners Simon, Priest and Nelson.

A motion was made by Commissioner Nelson and seconded by Commissioner Priest to adjourn the meeting. Affirmative votes were cast by Commissioners Simon, Priest, and Nelson. The meeting adjourned at 10:50 a.m.

Next scheduled meeting is April 23, 2021.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Discussion/Action Items

M E M O R A N D U M

TO: Housing Opportunities Commission, Development and Finance Committee

VIA: Stacy L. Spann, Executive Director

FROM: Division: Mortgage Finance
Staff: Kayrine Brown, Deputy Executive Director Ext. 9589
Jennifer Hines Arrington, Acting Director of Mortgage Finance Ext. 9760
Paulette Dudley, Program Specialist III Ext. 9596

RE: **Single Family Lending:** Approval of New Participating Lenders for the Single Family Mortgage Purchase Program

DATE: April 23, 2021

STATUS: Consent _____ Deliberation X Status Report _____

OVERALL GOAL & OBJECTIVE:

To approve Ameris Bank Mortgage, First Heritage Mortgage, LLC and Severn Savings Bank, as new participating lenders for the Single Family Mortgage Purchase Program in an effort to broaden the reach of the program, which provides mortgage financing to low-to-moderate income first-time homebuyers in Montgomery County at below market rates.

BACKGROUND:

The Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) has approved the continuous participation of lenders from program to program and an on-going admission of new lenders to the Single Family Mortgage Purchase Program (“MPP” or the “Program”). As lenders apply for participation in the MPP, the requests are submitted to the Commission for approval. Increasing lender participation broadens the exposure of the Commission’s Single Family mortgage products, as well as to the Revolving County Closing Cost Assistance Program and other special Closing Cost programs, which must be used in conjunction with a MPP first mortgage.

All approved and participating lenders are advised that continued participation in the MPP requires mortgage loan production. If the lender does not submit a mortgage loan within any 12-month period, that lender may be subject to suspension, as a participating lender in the MPP. Over the years, HOC has approved 34 lenders, but through non-participation or the mortgage company’s notice to no longer participate in the Program, there are currently 17 lenders that are active participants in the MPP. Lenders can be activated again with approval by HOC and training, and also, verification that they are approved by U.S. Bank, N.A. (“U.S. Bank”), the Program’s Mortgage Backed Securities (“MBS”) master servicer.

The criteria for lender participation in the MPP are: 1) the lender is not a mortgage broker and can close loans in its own name; and 2) the lender is approved to do business with Freddie Mac and/or Fannie Mae, or the lender is an approved FHA originating lender. New lenders are also required to be approved by U.S. Bank for the MBS Program.

Ameris Bank Mortgage, First Heritage Mortgage, LLC, and Severn Savings Bank have submitted a request to participate in the MPP. All three (3) lenders meet the criteria for approval, are approved sellers/servicers with FHA, FNMA and Freddie Mac, and are approved lenders with U.S. Bank's Mortgage Revenue Bond Program ("MRBP") division.

Approved lenders receive training from HOC staff and U.S. Bank before they are allowed to begin originating and closing loans in the MPP. Under the MPP's MBS Program, HOC underwrites for Program compliance and the lenders underwrite for credit worthiness.

Lender approval will apply to the 1979 Single Family Mortgage Revenue Bond Resolution, the 2009 Single Family Housing Revenue Bond Resolution and the 2019 Program Revenue Bond Resolution.

Ameris Bank Mortgage

Founded in 1971, Ameris Bank Mortgage ("Ameris"), while headquartered in Atlanta, Georgia, operates over 300 financial centers across the Southeast. The merger of Fidelity Bank into Ameris was approved by the Federal Deposit Insurance Corporation ("FDIC") on May 6, 2019, pursuant to Section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c). Ameris is well capitalized and well managed under applicable law. Fidelity Bank was a former participant in the MPP.

Ameris maintains a satisfactory rating under the Community Reinvestment Act ("CRA"); the lending test is rated satisfactory; and, the community development test is rated outstanding. It has full-service locations in several states to include mortgage-only locations in Maryland and Virginia.

The lender is approved with Maryland's Community Development Administration ("CDA") Mortgage Program, as a "Silver Level Lender". CDA's ratings are determined by the number of loans originated by the lender on a quarterly basis (gold is 30 or more loans; silver is 15 to 29 loans, and bronze is 3 to 14 loans).

Ameris is willing to market any affordable housing programs that work in conjunction with lending programs at HOC. Non-English speaking borrowers are accommodated with a loan officer, who can communicate in their native language whenever possible.

First Heritage Mortgage, LLC

Founded in 1996, First Heritage Mortgage ("First Heritage"), is headquartered in Fairfax, VA. Its loan officers average more than 15 years of mortgage banking experience. Mortgage applications may be received in various office in the following locations: Bethesda, MD; Hanover, MD; Prince Frederick, MD; Fairfax, VA; and, Woodbridge, VA. The lender is an approved lender with Maryland's CDA Mortgage Program, as a "Silver Level Lender".

First Heritage will market any affordable housing programs that work in conjunction with lending programs at HOC. The company has stated that it will make every reasonable accommodation requested by an applicant for non-English speaking, hearing impaired and disabled applicants.

Severn Savings Bank

Established since 1946, Severn Savings Bank ("Severn Savings") is a federally chartered bank, and is headquartered in Annapolis since 1980. Severn Savings, as a community bank is dedicated to lending to a broad spectrum of homeowners, including first-time home buyers with low to moderate income. Severn Savings Bank offers various programs, which provides for additional closing cost assistance

to First Responders, Veterans, Educators, Active Military, Law Enforcement, and several other professions. In addition, it also participates in Habitat for Humanity lending, recently closing a first mortgage transaction for a first-time home buyer with a 0% interest rate. As a participating lender, it believes that some of its grants and programs could be "stacked" with the MPP, if allowable, to maximize the potential for a homeowner to receive as much credit and assistance as possible.

The programs that they participate in are actively marketed to local realtors via social media, email outreach, and housing conferences in the counties where they do business – they would educate area homeowners in the same manner regarding the MPP.

Severn Savings participates in the Federal Home Loan Bank of Atlanta programs and are an approved bank partner. The lender is an approved lender with Maryland's CDA Mortgage Program, as a "Bronze Level Lender" rating. At the county level, they are approved through various Maryland counties, such as the Charles, Frederick, Howard, and Anne Arundel County programs.

Severn Savings provides applications and forms that are translated from English to Spanish, and employ staff within the bank that are bilingual to assist with any potential language challenge with our applicants. In addition, Severn Savings is able to provide services for the hearing impaired.

SERVICING

Under the HOC MBS Program, lenders will release servicing and receive a loan origination fee of between 0% and 2% based on the time lapse between loan origination and purchase. Lenders receive a higher origination fee the earlier the loan is purchased. Servicing is handled by U.S. Bank, as Master Servicer.

ISSUES FOR CONSIDERATION:

Will the Development and Finance Committee join staff's recommendation to the Commission that the Commission approve Ameris Bank Mortgage, First Heritage Mortgage, LLC and Severn Savings Bank for participation in the Mortgage Purchase Program?

PRINCIPALS:

Ameris Bank Mortgage, First Heritage Mortgage, LLC and Severn Savings Bank
Housing Opportunities Commission of Montgomery County

BUDGET IMPACT:

None.

TIME FRAME:

For formal approval at the May 5, 2021 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Development and Finance Committee support staff's recommendation that the Commission approve Ameris Bank Mortgage, First Heritage Mortgage, LLC and Severn Savings Bank as new participating lenders in the Mortgage Purchase Program.

Attachment 1

Approved Active HOC/U.S. Bank Lenders

- Apex Home Loans, Inc.
- Caliber Funding LLC.
- Embrace Home Loans, Inc.
- Fairway Independent Mortgage Corporation
- First Home Mortgage Corp
- HomeBridge Financial Services, Inc.
- Homeside Financial LLC
- loandepot.com
- Mortgage Access Corp
- Movement Mortgage, LLC
- NFM, Inc. dba NFM Lending
- NVR Mortgage Finance, Inc.
- Presidential Bank, FSB
- PrimeLending, a Plains Capital Company
- Prosperity Home Mortgage, LLC
- Sandy Spring Bank
- TowneBank Mortgage

**APPROVAL OF STRUCTURE, COST OF ISSUANCE BUDGET, AND ADOPTION OF SERIES
RESOLUTION(S) FOR THE ISSUANCE OF SINGLE FAMILY MORTGAGE REVENUE BONDS**

SINGLE FAMILY MORTGAGE FINANCE



STACY L. SPANN, EXECUTIVE DIRECTOR

**Kayrine V. Brown
Jennifer Hines Arrington
Paulette Dudley**

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EXECUTIVE SUMMARY

Since the creation of the Single Family Mortgage Purchase Program (the “Program” or “MPP”) in 1979, the Commission has issued multiple series of bonds under the Single Family Mortgage Revenue Bond (“MRB”) Resolution (the “1979 Indenture”) to provide low-interest rate mortgages to first-time homebuyers. The Commission also may issue bonds under the Single Family Housing Revenue Bond (“HRB”) Resolution 2009 Indenture (the “2009 Indenture”) and under the newly formed Program Revenue Bond (“PRB”) Resolution 2019 Indenture (the “2019 Indenture”). In addition, the Commission has utilized the practice of issuing refunding bonds in the Program to (i) recycle and extend the life of volume cap it allocates to each bond issue (“Replacement Refunding”) and/or (ii) refinance its outstanding bond debt at a lower bond yield, thus lowering costs of the Program (“Economic Refunding”).



Currently, there are approximately \$10 million remaining in bond proceeds for the Program, a portion of which is held back to be lent in conjunction with the anticipated 2021 issuance of bonds under the 1979 Indenture (the “2021 Bonds”). The 2021 Bonds will consist of:

- 2021 Bonds used for Replacement Refunding (the “2021 Replacement Refunding Bonds”) will be used to (1) repay the Program’s \$10 million draw on the PNC Bank, N.A. Line of Credit (“PNC LOC”) on January 1, 2021 that replacement refunded several series of MRBs, HRBs, and PRBs, and (2) replacement refund additional MRBs, HRBs, and PRBs, scheduled for redemption on July 1, 2021. The total amount of 2021 Replacement Refunding Bonds is expected to be approximately \$25 million but may exceed that amount depending on the amount of prepayments and repayments received under the Program up to the time of the issuance.
- 2021 Bonds used for Economic Refunding (the “2021 Economic Refunding Bonds”), totaling approximately \$16 million, will be used to refund bonds under the 2009 Indenture that are optionally callable on or before July 1, 2021 in order to achieve a lower cost of borrowing for the Program. Using conservative assumptions for structuring and prepayment considerations, the net present value savings from the Economic Refunding is expected to be between \$850,000 to \$900,000 (5.3% to 5.7%) over the life of the bonds.
- As a result of issuing the 2021 Bonds, approximately \$25 million is expected to be made available to the Program to make new mortgage loans at below-market rates. Assuming an average loan of \$300,000, this bond issue will generate approximately 83 mortgages. The total amount of the 2021 Bonds is expected to be approximately \$41 million, and no more than \$50 million.

EXECUTIVE SUMMARY

The 2021 Bonds are expected to include two or more series of non-AMT and AMT, Serial and Term bonds. The bond issuance may also include a taxable component to optimize proceeds and interest rate, should market conditions at the time of sale favor such issuance. The bonds are expected to be sold at par or a premium, but may also be sold at a discount. Up to \$20 million of the 2021 Bonds may bear interest at a variable rate; the remaining 2021 Bonds will bear interest at a fixed rate. If the structure includes variable rate bonds, an interest rate hedge agreement (or “Swap”) may be entered into contemporaneously with the sale of the 2021 Bonds or on a future date, depending on prevailing market conditions.

Currently, 2021 Series A is proposed as fixed rate, non-AMT Replacement and Economic Refunding bonds (approximately \$32.4 million), and the 2021 Series B is proposed as variable rate, AMT Replacement and Economic Refunding bonds (approximately \$8.6 million). Any taxable bonds would be included in a third series. While the transaction is private activity, tax-exempt in nature, no volume cap will be required, as volume cap is being recycled and extended by executing the Replacement Refunding. An Economic Refunding does not require volume cap.

The cost of issuance is estimated to be approximately \$660,000, will be commensurate with the size and structure of the overall issuance, and will be paid from funds available under the 1979 Indenture.

In addition, one or more Series Resolutions will be set forth, among other things, authorization to issue the bonds, the purpose of the bonds and the application of proceeds, redemption provisions, types of accounts to be created, and authority to execute necessary documents. The Series Resolution(s) will be prepared by Kutak Rock, LLP and HOC Bond Counsel, which will be presented to the full Commission for approval.

Staff recommends that the Development & Finance Committee join its recommendation to the Commission of the following actions:

1. Approval of the structure and issuance of the 2021 Bonds under the 1979 Mortgage Revenue Bond Resolution in an amount not to exceed \$50 million in aggregate, of which no more than \$20 million may bear interest at a variable rate.
2. Approval of the cost of issuance budget, estimated to be approximately \$660,000, to be funded by the 1979 Indenture.
3. Authorization to execute an interest rate hedge agreement relating to the variable rate 2021 Bonds, subject to prevailing market conditions.
4. Adoption of one or more Series Resolutions authorizing the issuance of the 2021 Bonds.

TRANSACTION STRUCTURE: OVERVIEW

The overall financing plan is comprised of a Replacement Refunding of approximately 16 series of MRBs, HRBs and PRBs for approximately \$25 million and an Economic Refunding of approximately \$16 million, producing a total issuance of approximately \$41 million. The bonds which have been identified for Economic Refunding are from the 2009 Indenture – 2009 Series C-1, 2009 Series C-2, 2009 Series C-3 and 2011 Series A bonds. The new issuance will include two (2) or more series of bonds. The following is a discussion of the transaction’s structure. Amounts are approximate.

	2021 Series A (Non-AMT)	2021 Series B (AMT)	Total
New Money			
Replacement Refunding Bonds	\$18,300,000	\$6,700,000	\$25,000,000
Economic Refunding	\$14,105,000	\$1,880,000	\$15,985,000
TOTAL	\$32,405,000	\$8,580,000	\$40,985,000

Structure of Issuance

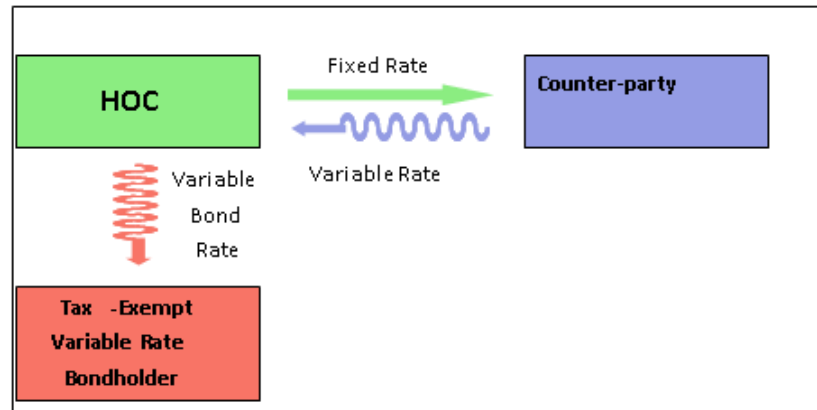
- Issue up to \$50 million under the 1979 Indenture
- Fixed and variable rate, tax-exempt, non-AMT and AMT Serial, Term and Premium bonds. If market conditions allow, the bond issuance may include a taxable component to optimize the bond issue and the pricing (the resolution will state more than one series).
- Latest Maturity – year 2050 (29 years)
- Two (2) or more series of bonds, which currently assumes:
 1. 2021 Series A will include fixed rate, non-AMT Replacement and Economic Refunding bonds (est. \$32.4 million);
 2. 2021 Series B will include variable rate, AMT Replacement and Economic Refunding bonds (est. \$8.6 million but no more than \$20 million); and,
 3. A third series may include a taxable component.

TRANSACTION STRUCTURE: HIGHLIGHTS

<p>Replacement Refunding & Lendable Proceeds</p>	<ul style="list-style-type: none"> • Replacement Refunding of approximately \$25 million will be issued to (1) repay the Program’s \$10 million draw on the PNC Bank, N.A. Line of Credit (“PNC LOC”) on January 1, 2021 that refunded several series of MRBs, HRBs, and PRBs, and (2) refund additional MRBs, HRBs, and PRBs, scheduled for redemption on July 1, 2021. • Lendable proceeds, as a result of the replacement refunding (totaling approximately \$25 million), will be made available to make low interest rate loans and provide funds for down payment and closing cost assistance for first-time homebuyers. • No volume cap is required for this bond issuance, as no new money bonds are expected to be issued.
<p>Variable Rate Bonds / Liquidity</p>	<ul style="list-style-type: none"> • Under current market conditions, the cost of funds will not be low enough to offer a below-market interest rate to first time homebuyers. The 2021 Bonds may include variable rate demand obligations (“VRDOs”), a form of variable debt used by the Commission on prior bond issues to achieve a lower cost of funds. VRDO bonds are long-term debt instruments with interest rates that reset periodically (generally weekly) at a rate that reflects the current market level for short term securities. One of the characteristics of VRDO bonds is the need for liquidity at each periodic remarketing date. • On each remarketing period date, bondholders of the variable rate securities may tender their bonds with certain notice. If those bonds are not bought by another investor, the liquidity provider steps in to purchase the bonds until they may be successfully remarketed to another investor. • The Commission’s financial advisor has identified PNC Bank, N.A., as the liquidity provider for variable 2021 Bonds, as it has provided the lowest bid, 30 basis points (bps), for the liquidity facility. Under current market conditions, the VRDO rate, including liquidity, would be approximately 0.38%. This rate would be reset weekly by a remarketing agent for an additional 8 to 10 bps. • The 1979 Indenture has capacity for additional variable rate debt. • If a sufficiently low cost of funds can be achieved without variable rate debt, an all fixed-rate issue would be considered.
<p>Interest Rate Hedge Agreement (“Swap”)</p>	<ul style="list-style-type: none"> • Under current market conditions, the rate on a swap is inefficient and would not result in a materially lower borrowing cost in comparison to fixed rate debt. The Commission will monitor the market for interest rate hedge agreements and, if pricing becomes favorable, will enter into an agreement to hedge any variable rate 2021 Bonds. See page 7 for a discussion on swaps.

TRANSACTION STRUCTURE: SWAP OPTION

An interest rate hedge agreement or swap is a mechanism used in variable rate bond transactions to hedge against the rise in interest rates and obtain a fixed rate that is lower than that available in the market. The swap contract is an agreement between two parties that agree to swap interest rates. The parties are the issuer (the Commission) and a Counterparty (a commercial bank). The Commission would issue variable rate bonds and would have an obligation to pay its investors at a floating interest rate. To protect itself against the possibility of the interest rate on those bonds rising, the Commission would agree to pay the Counterparty a fixed rate. The Counterparty, in turn, would assume the variable rate obligation of the Commission. Thus, the Commission has swapped rates with the Counterparty and now has a fixed rate obligation instead of a variable rate obligation. The flow of payments is depicted below:



Currently, relative to an all fixed rate bond issue, the all-in bond yield reduction of using variable rate with a swap for a portion of the structure would be approximately 5 to 15 basis points, depending on the amount of variable/swap used. This is considerably lower than the 20 to 50 basis point benefit that HOC has achieved in recent years when using swaps. Therefore, leaving the 2021 Bonds unhedged leaves open the potential for significantly greater benefit, and introduces a manageable amount of interest rate risk.

If market conditions shift and the benefit of using a swap improves to historical norms, staff recommends that the Commission seek entering into a swap agreement with a Moody's highly rated counterparty, such as Bank of America, N.A. (rated Aa2), Wells Fargo, N.A. (rated Aa1) or Royal Bank Canada (rated Aa2). Under such swap agreement, the Commission would pay a fixed rate and receive a floating rate index, such as 100% of SIFMA, 70% of LIBOR, 70% of SOFR or some combination thereof. This may be beneficial for the 2021 Bonds because the lower rate on the portion of the bond issue that will be supported by a swap agreement, may be blended in the entire bond issue to reduce the overall mortgage rates for the program.

ECONOMIC REFUNDING

The structure of the proposed issuance provides benefits to the Single Family Program because the combined Replacement and Economic Refunding issue permits lending at lower rates, while enabling the Commission to earn full spread on the bond issue.

The table that follows identifies the outstanding bonds in the 2009 Indenture that expect to be Economically Refunded and the total amount of Economic Refunding bonds expected to be issued. Amounts are approximate.

2009 Series C-1	\$4,730,000
2009 Series C-2	\$7,580,000
2009 Series C-3	\$1,880,000
2011 Series A	<u>\$1,795,000</u>
Total Bonds to be Economically Refunded	\$15,985,000
Total Economic Refunding Bonds Issued	\$15,985,000

Using conservative assumptions for structuring and prepayment considerations, the net present value savings from the Economic Refunding over the life of the bonds is expected to be between \$850,000 to \$900,000 (5.3% to 5.7%).

COST OF ISSUANCE BUDGET

Up to \$50 Million MRB Issuance	AMOUNT
Underwriters Spread	
Underwriters Counsel	50,000
Miscellaneous	95
CUSIP	1,430
DTC	800
Bookrunning	5,275
Takedown	312,500
Management	37,500
Underwriter's Spread - Total	407,600
Other Cost of Issuance	
Bond Counsel	52,000
Financial Advisor	43,750
Financial Advisor - Computer	29,000
Universal cap	19,250
OS printing	2,500
Rating	41,500
Auditor	6,920
Trustee	4,500
Trustee Counsel	8,000
Program Marketing	30,000
Miscellaneous / Disbursements	14,980
Other Cost of Issuance - Total	252,400
TOTAL COST OF ISSUANCE BUDGET	660,000

The cost of the issuance is estimated to be \$660,000 based upon the not-to-exceed bond issuance amount of \$50 million. The amount of the cost of issuance is commensurate with the size of the overall issue of the 2021 Bonds.

As with other transaction costs for the Single Family Program, the cost of issuance is paid from funds available under the 1979 Indenture.

Revenues generated from the issuance of the 2021 Bonds will accumulate over time in the 1979 Indenture.

SERIES RESOLUTION(S) FOR THE 2021 BONDS

For each bond issue, the Commission is asked to approve one or more Series Resolutions which contain specific information about the series of bonds being issued. A Series Resolution authorizes the issuance of one or more series of bonds defining, among other things, the bonds' purpose, redemption provisions, creation of certain accounts, and use of the bond proceeds.

Bond Counsel of the Commission, Kutak Rock, LLP, will prepare one or more Series Resolutions for the 2021 Bonds.

The Series Resolution(s) will set forth the structure of the bonds as described previously herein. The interest rates on the 2021 Bonds will be determined when the bonds are priced. Currently, the 2021 Bonds are expected to price in June 2021.

SCHEDULE (SUBJECT TO CHANGE)

April 2021

- Approval of the Structure, Cost of Issuance Budget and Adoption of Series Resolution(s) for the 2021 Bonds (Development & Finance Committee)
- Draft POS
- Draft Series Resolution(s)

May 2021

- Approval of the Structure, Cost of Issuance Budget and Adoption of Series Resolution(s) for the 2021 Bonds (Commission)
- Receive Auditor's Consent Letter and Verbal Assurances
- Receive Rating
- Post POS

June 2021

- Bond Sale
- Clear OS
- Closing (est. 6/29/2021)
- Repay PNC LOC
- Redeem Economic Refunded Bonds

ISSUES FOR CONSIDERATION

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

1. Approval of the structure and issuance of the 2021 Bonds under the 1979 Mortgage Revenue Bond Resolution in an amount not to exceed \$50 million in aggregate, of which no more than \$20 million may bear interest at a variable rate?
2. Approval of the cost of issuance budget, expected to be approximately \$660,000, to be funded by the 1979 Indenture?
3. Authorize the execution of an interest rate hedge agreement relating to the variable rate 2021 Bonds, subject to prevailing market conditions?
4. The adoption of one or more Series Resolutions authorizing the issuance of the 2021 Bonds?

PRINCIPALS

- Housing Opportunities Commission of Montgomery County
- Caine Mitter & Associates Incorporated – Financial Advisor
- Kutak Rock, LLP – Bond Counsel
- BofA Securities – Senior Managing Underwriter
- PNC Capital Markets – Co-Senior Managing Underwriter (sole Underwriter of the variable rate 2021 Bonds, if any)
- Chapman and Cutler LLP – Underwriter's Counsel
- Bank of New York Mellon – Trustee

FISCAL/ BUDGET IMPACT

Expenses of the Single Family Program are borne from excess revenue in the program. Savings from reduced bond cost remain with the indenture.

TIME FRAME

For deliberation at the April 23, 2021 Development & Finance Committee Meeting, and for action at the May 5, 2021 Commission Meeting.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

Staff recommends that the Development & Finance Committee join its recommendation to the Commission to approve the following actions:

1. Approval of the structure and issuance of the 2021 Bonds under the 1979 Mortgage Revenue Bond Resolution in an amount not to exceed \$50 million in aggregate, of which no more than \$20 million may bear interest at a variable rate.
2. Approval of the cost of issuance budget, expected to be approximately \$660,000, to be funded by the 1979 Indenture.
3. Authorize the execution of an interest rate hedge agreement relating to the variable rate 2021 Bonds, subject to prevailing market conditions.
4. The adoption of one or more Series Resolutions authorizing the issuance of the 2021 Bonds.

REVOLVING HOUSING PRODUCTION FUND

FUNDING, STRUCTURE, LOGISTICS, AND AUTHORIZING RESOLUTION



Stacy L. Spann, Executive Director

Kayrine Brown
Zachary Marks

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Executive Summary

Over the past nine years, HOC has worked to establish a consistent, new construction pipeline. Since 2016, HOC has begun construction on at least one ground-up development each year. Most of these developments were highly subsidized RAD destination properties. However, some were HOC's standard mixed-income developments, which married private conventional equity with HOC resources.

Use of private conventional equity is critical to maintaining HOC's pipeline given the lack of new public resources and the inefficiencies of the LIHTC program. The County's Housing Initiative Fund ("HIF") remains a key source and a meaningful commitment to the expansion of the County's affordable housing stock. Developments that are majority affordable or fully affordable are often not viable without the HIF. Recent strain placed on the budget by the impacts of COVID-19 have blunted the ability of Montgomery County Council ("Council") to increase the HIF despite a strong desire to do so.

Thus, without the identification of new funding resources, staff projects this level of production of one or two new starts per year is at risk should financial markets deteriorate. HOC's existing pipeline is crucial to the County's ability to meet its Metropolitan Washington Council of Governments ("COG") housing production goals; and, the Council has encouraged HOC increase its pipeline beyond current levels.

So, Council and HOC staff have worked together over the previous year to develop a new source of funding structured specifically for use with HOC's mixed-income model. On March 23, 2021, the Housing Production Fund ("HPF") was approved by Council establishing a \$50MM fund to provide revolving, low-cost, construction-period financing to HOC's developments. To fund the HPF and subject to appropriation, the County will fund the annual principal and interest payments of no more than \$3.4 million to fund a bond issuance of \$50 million or less in HOC-issued bonds. The bonds will be repaid over twenty years, after which the fund will continue to revolve at no additional cost to the County.

HOC staff seeks the Commission's approval of the Master Resolution creating the HPF, the Series Resolution, entrance into a Funding Agreement with Montgomery County, HPF program parameters, HPF program structure, and cost of issuance for the bond issuance funding the HPF. Finally, staff requests approval of an Authorizing Resolution of the issuance of up to \$50 million of taxable bonds to fund the Housing Production Fund.

Executive Summary

Highly Efficient

- For \$3.4MM in annual appropriated funds over a period of 20 years¹, Montgomery County creates a permanent, revolving \$50MM Housing Production Fund (“HPF”) that:

Produces new, mixed-income communities

Becomes permanent after 20 years of appropriations

Revolves every four-to-five years, resulting in \$250MM of construction loans²

Provides committed capital for part of HOC’s 5,500-unit pipeline

Uses the model of existing revolving MPDU/Property Acquisition Fund

Yields an average of 100 affordable units per transaction

Self Sufficient

- Without the HPF, these HOC pipeline of new units would need significant upfront HIF investment. So, the HPF *increases* the availability of the HIF for other projects.
- The HPF allows HOC transactions to proceed without using other limited affordable housing resources like LIHTC equity and volume cap, leaving these resources to other worthy projects.

Ready to Execute

- The HPF structure is fully and immediately executable. The first transaction to be funded by the program is expected to occur in June 2021.

Scalable Design

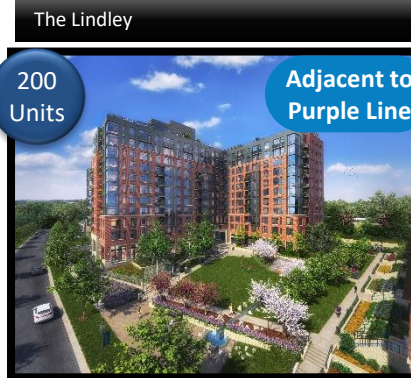
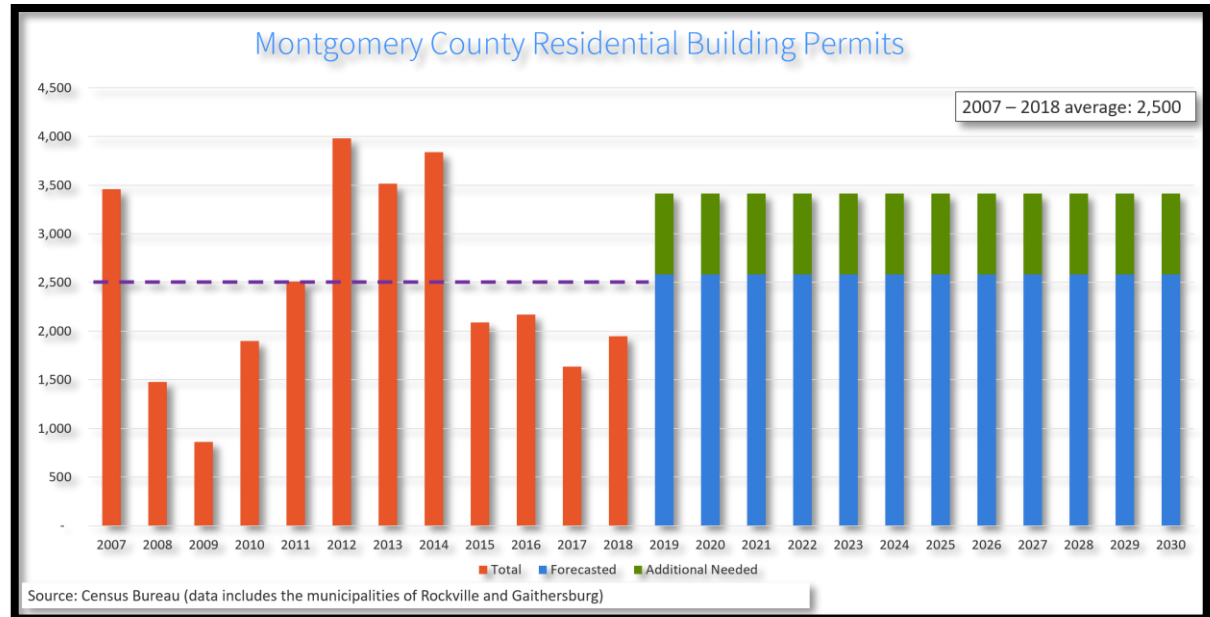
- At \$50MM, the HPF will fund roughly 3,500² units over the 20-year life of the bonds.
- The HPF creates a timely and efficient avenue for private developers and private non-profits to participate in this expansion of housing in the County.
- The HPF can easily be increased by additional appropriations and bond issuance.

¹If annual project interest paid is sent back to the HIF (as described later in this presentation), the annual net use of the HIF would be approximately \$900,000.
²Should Council decide to send project interest paid back to the HPF, construction production increases by \$127M during the 20-year life of the bonds, resulting in a total of approximately 4,375 units would be produced over the 20-year life of the bonds.

Primary Goal & Delivery Channel

HPF Focus

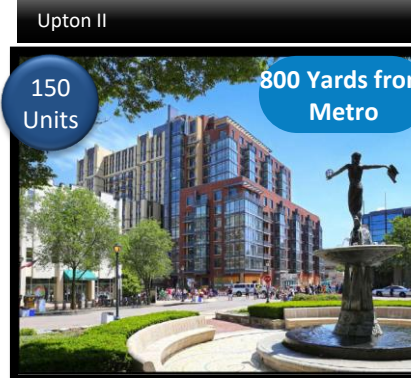
- Catalyze County pursuit of COG goal of 41,000 units over next 10 years (i.e., 1,000 additional units per year).
- In 2019, the County fell short of the Council of Government based target for the year by 275 units.
- HOC pipeline expected to grow to 350 units per year starting in 2021.



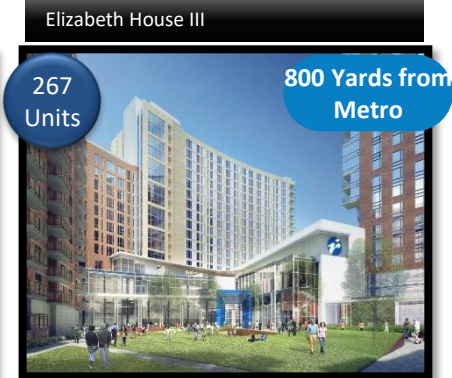
Started: 2016



Started: 2017



Started: 2018



Started: 2019

Primary Goal & Delivery Channel

HPF Channel

- Accelerating HOC's mixed-income housing development pipeline.
- Dedicated, revolving construction equity financing funded with County-serviced bond issuance.
- At \$50MM, approximately 1,750 of 5,445 units in HOC's identified pipeline would be funded with the HPF.
- HOC has two P3 developments starting in FY21 and FY22 that would fully utilize all of first \$50MM.
- Availability of HPF allows HOC to add to the identified pipeline as funding resources are expanded; HOC has another 2,500 units it could secure reasonably quickly but hasn't pursued for insufficient resources.

HOC Identified Pipeline (5,445 Units)

First Five Years

Total Units
3,447

Second Five Years

Total Units
1,998

HPF: First \$50MM

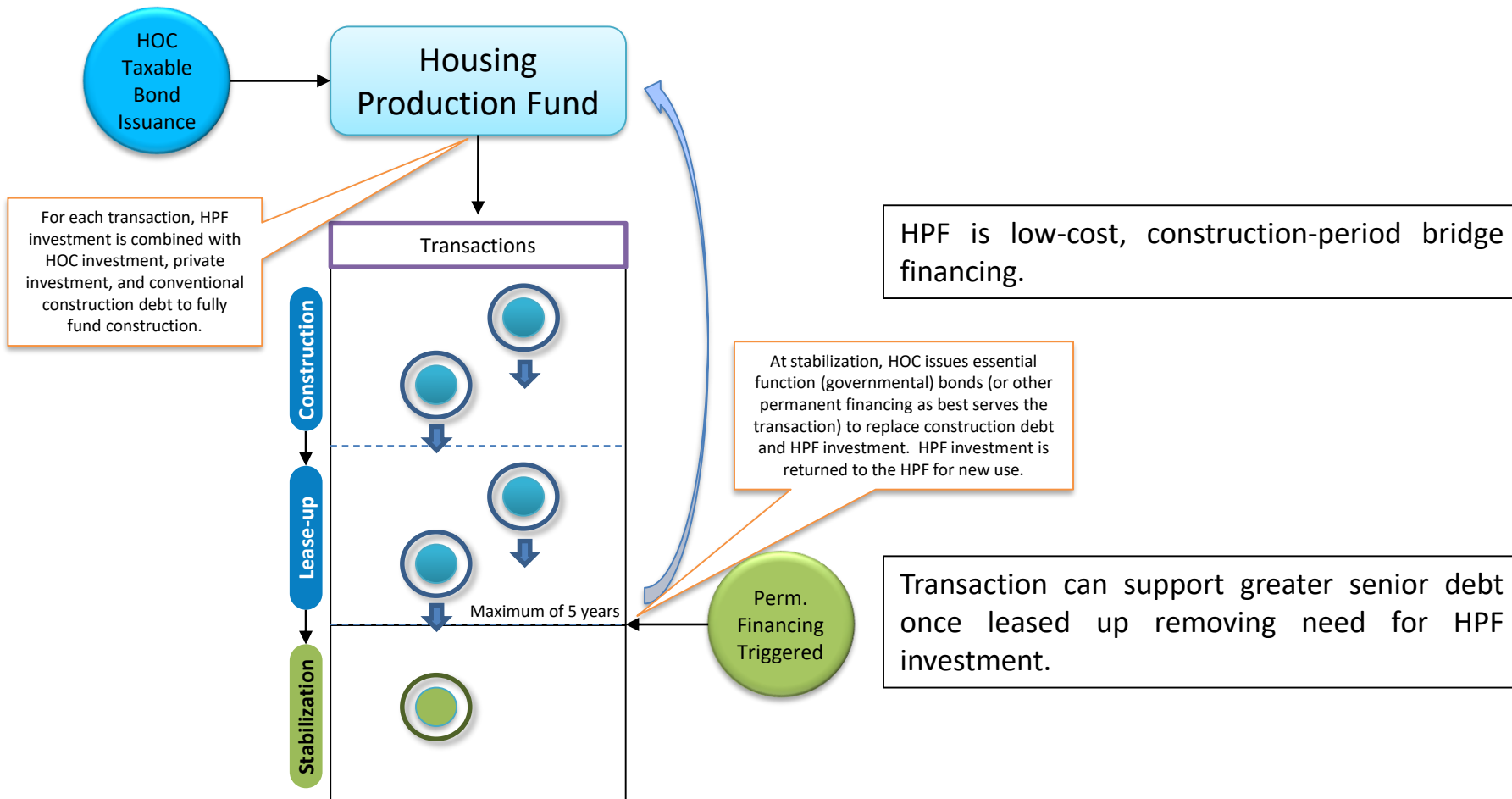


Started: 2021



Starts: 2022

Production Fund Mechanism



Issuance, Interest Capitalization, & the HIF

- With an initial \$50MM funding, approximately \$250MM in project loans can be issued over the 20-year life of the bonds.
- The developments that use the Fund will pay 5% annually on the loan amount (and can be paid current because interest is capitalized for the construction and lease-up period).
- The \$250MM does not include any reinvestment of project interest paid.
- As approved by Council, interest is currently to be paid to the HIF to offset portion allocated to HPF. This can be amended.
- As with the existing MPDU/Property Acquisition Fund in the County's CIP, the Production Fund will continue to serve at this level and frequency after the bonds are paid off.

Leveraging of County Funds*

25-to-1

*The \$50MM fund produces \$247MM in project loans over the 20-year period of the bonds – leverage of 5x. The project loans themselves are approximately 20% of a given project's capital stack. So, the leverage of 5x is leveraged again by 5x.

HPF @ \$50MM (Project Interest to HIF)**

	Bonds Issued	Bond P+I	Project Loans	Interest Paid
FY21	\$50,000,000	\$0	\$14,300,000	\$0
FY22		\$3,284,363	\$35,050,000	\$1,299,167
FY23		\$3,225,192		\$2,500,000
FY24		\$3,225,838		\$2,500,000
FY25		\$3,220,262	\$14,300,000	\$2,500,000
FY26		\$3,227,495	\$35,050,000	\$2,500,000
FY27		\$3,224,224		\$2,500,000
FY28		\$3,223,609		\$2,500,000
FY29		\$3,222,223	\$14,300,000	\$2,500,000
FY30		\$3,225,190	\$35,050,000	\$2,500,000
FY31		\$3,224,781		\$2,500,000
FY32		\$3,225,837		\$2,500,000
FY33		\$3,223,257	\$14,300,000	\$2,500,000
FY34		\$3,221,813	\$35,050,000	\$2,500,000
FY35		\$3,226,260		\$2,500,000
FY36		\$3,218,753		\$2,500,000
FY37		\$3,225,036	\$14,300,000	\$2,500,000
FY38		\$3,223,628	\$35,050,000	\$2,500,000
FY39		\$3,224,530		\$2,500,000
FY40		\$3,222,665		\$2,500,000
			\$246,750,000	\$46,299,167

**As of April 15, 2021.

HPF Cost & Scalability

Phase I - \$50MM

Portion of County HIF covers principal and interest for \$50MM HOC bond issuance.



FY21 FY22 FY23 FY24

Production Fund @ \$100MM	(\$50MM)	(\$50MM)
	Westside @ Shady Grove (266 Units)	Wheaton Gateway (322 Units)
	Hillandale Gateway (463 Units)	Clarksburg (184 Units)

Phase II - \$50MM

A second \$50MM issuance could cover at least two more transactions with an increase in annual appropriations to ~\$6.5MM. It may be advantageous to the HPF for this issuance to occur in FY22 to ensure it is done in the current low interest rate environment.

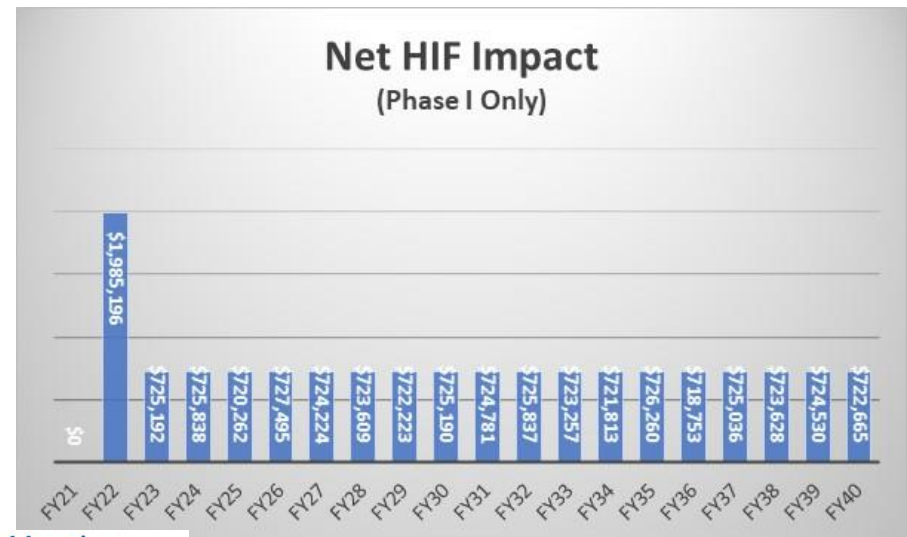
A Phase II has not been approved by the County Council.

HPF Project Interest Income – Paid into HIF

Projects using the HFP pay 5% annual interest back to HPF for use. These funds could be used to offset HIF impact or increase HPF.



If used to offset impact to HIF, net impact to HIF is less than \$725,000 annually (other than the first year).



HPF Project Interest Income – Reinvested in HPF

Were project interest (at 5%) reinvested, the initial \$50MM would result in \$370MM in loans.

Leveraging of County Funds*

37-to-1

*The \$50MM fund produces \$370MM in project loans over the 20-year period of the bonds – leverage of 7.4x. The project loans themselves are approximately 20% of a given project’s capital stack. So, the leverage of 7.4x is leveraged again by 5x.

HPF @ \$50MM (Project Interest Reinvested in HPF)				
	Bonds	Bond	Project	Interest
	Issued	P+I	Loans	Paid
FY21	\$50,000,000	\$0	\$14,300,000	\$0
FY22		\$3,284,363	\$35,405,000	\$1,305,083
FY23		\$3,225,192		\$2,485,250
FY24		\$3,225,838		\$2,485,250
FY25		\$3,220,262	\$21,460,000	\$2,485,250
FY26		\$3,227,495	\$38,070,000	\$2,843,250
FY27		\$3,224,224		\$2,976,500
FY28		\$3,223,609		\$2,976,500
FY29		\$3,222,223	\$30,325,000	\$2,976,500
FY30		\$3,225,190	\$41,265,000	\$3,419,750
FY31		\$3,224,781		\$3,579,500
FY32		\$3,225,837		\$3,579,500
FY33		\$3,223,257	\$40,985,000	\$3,579,500
FY34		\$3,221,813	\$45,110,000	\$4,112,500
FY35		\$3,226,260		\$4,304,750
FY36		\$3,218,753		\$4,304,750
FY37		\$3,225,036	\$53,805,000	\$4,304,750
FY38		\$3,223,628	\$49,735,000	\$4,945,750
FY39		\$3,224,530		\$5,177,000
FY40		\$3,222,665		\$5,177,000
			\$370,460,000	\$67,018,333

Legacy of Mixed-Income Success



107
Units

53
Aff

Timberlawn

1989



305
Units

122
Aff

Alexander
House

1992



202
Units

51
Aff

Strathmore

1996



308
Units

92
Aff

Metropolitan

1997



173
Units

53
Aff

MetroPointe

2008



200
Units

40
Aff

The Lindley

2018

HOC originated the mixed-income model in the County and continues to be the leader in mixed-income development.

HPF Program Parameters

Required Affordability

- 10% of project units at MPDU rents (65% and 70% for garden and high rise, respectively)
- 20% of project units at 50% AMI

Project Interest Payments

- Rate fixed at 5%, interest only
- Projected payments fully capitalized
- Developer remits semi-annual interest payments to Trustee

Term of Investment

- Not longer than five years
- Must be repaid as part of refinancing

Program Control

- HOC determines target developments
- Each loan approval by an internal HOC Review Committee
- Annual reporting to Council

County Payments

- Remits semi-annual to Trustee per Funding Agreement
- Receives semi-annual payments from Trustee (developer interest)

Commission Ownership

- Projects funded by the HPF owned or controlled by HOC or an affiliate
- Takeout financing will be presented with each HPF loan approval

Sizing & Logistics of the Bond Issuance

The Bond Issue:

- Maximum HOC issuance of \$50 million supported by maximum annual debt service of \$3.4 million
- Taxable Bonds to maintain maximum flexibility of ownership
- Removes the need for allocation of private activity volume cap
- Montgomery County 2021 allocation of \$40 million for housing (formulaic by population size)

Security for the Bonds:

- Funding Agreement between HOC and Montgomery County
- Revenues in the Indenture
- Not be a general obligation of Montgomery County or HOC
- Subject to annual appropriation by the County

Bond Amortization:

- Full amortization of the bonds over 20 years
- Level debt payment
- Annual debt service payment from the HIF is known and constant.

HOC and Trustee Management of Funds:

- All funds and accounts are held by a Trustee and utilized in accordance with the governing documents under the indenture
- Loans approved by HOC

Governing Documents:

- Master Resolution, Series Resolution, Funding Agreement

Debt service payments:

- Annual appropriation by Montgomery County from the Housing Initiative Fund
- Semi-annual payments to Trustee for bondholders debt service payment on January 1 and July 1

Bond Issuance Structure

One Series - Taxable Bonds

- Size: \$50,000,000
- Overall Yield (est.): 2.60%
- Term: 20 years

Serial Bonds

- Size: \$32,460,000
- Maturity: Each January 1, 2022 and July 1, 2022 through July 1, 2035
- Semi-annual interest payments July 1 and January 1
- Weighted Average Coupon (est.) : 1.39%

Term Bonds

- Size \$17,540,000
- Maturity: 7/1/2041
- Semi-annual interest payments July 1 and January 1
- Bond Yield (est.) 3.075%

All amounts, yield, and maturity dates above are estimates.

Summary of Governing Documents

Master Resolution

- Governs all series of bonds issued pursuant to this Master Resolution
- Authorization, Form, and Registration of Bonds
- Redemption of Bonds Before Maturity
- Pledged Revenues and Flow of Funds
- Trustee Matters; Covenants
- Event of Default & Remedies
- Supplemental Resolutions
- Amendment of Funding Agreement
- Bond Defeasance

Series Resolution

- Addresses Matters Related to the Specific Series of Bonds being issued.
- Authorization, Form, and Registration of Bond Series
- Redemption Provisions
- Sale of Series of Bonds, Authentication, and Application of Proceeds

Authorizing Resolution

- Commission Approval to Issue the Housing Production Fund Bonds
- Approves the Governing Documents
- Naming the Series of Bonds
- Selection Financial Advisor, Senior Manager, Bond Counsel and Trustee

Funding Agreement

Funding Agreement

- Representations & Undertakings
 - Commission and County representations
 - Reliance by Bondholders
- Security; Title
 - Security for payments under this Contract
 - Security for payment of the bonds
 - Obligations of the County
 - Non-appropriation
- Projects; Issuance of Bonds; Project Funds
 - Agreement to acquire, construct and install projects
 - Agreement to issue bonds; application of proceeds
 - Investment of Funds and accounts
 - Issuance of additional bonds
- Ownership of projects; payment provisions, nature of obligations of the County
 - Term of the contract
 - Commission ownership of projects
 - County payment obligation
 - Place of payment
 - Nature of obligation
- Continuing Disclosure
- Assignment and Redemption
- Event of Default and Remedies

Cost of Issuance Budget

\$50,000,000

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

Limited Obligation Bonds (Revolving Housing Production Fund) ESTIMATED COST OF ISSUANCE

BOND COST OF ISSUANCE

\$50,000,000

	New Money	\$/1000
<u>UNDERWRITER'S SPREAD</u>		
EXPENSES		
Underwriters Counsel	45,000.00	0.90
Ipreo	5,112.00	0.10
CUSIP	1,136.00	0.02
DTC	800.00	0.02
Travel & Closing	-	-
TOTAL EXPENSES	52,048.00	1.04
TAKEDOWN	312,500.00	6.25
MANAGEMENT	37,500.00	0.75
TOTAL SPREAD	402,048.00	8.04
<u>COST OF ISSUANCE</u>		
Bond Counsel	50,000.00	1.00
Financial Advisor	45,000.00	0.90
Financial Advisor - Computer	40,500.00	0.81
OS Printing	2,200.00	0.04
Rating	45,000.00	0.90
Auditor	6,920.00	0.14
Trustee Upfront & 1st Annual	3,650.00	0.07
Trustee Counsel	3,250.00	0.07
Misc/Disbursements	11,432.00	0.23
TOTAL COST OF ISSUANCE	207,952.00	4.16
TOTAL ESTIMATED BOND COI	610,000.00	12.20

Financing Team

Financial Advisor

- Caine Mitter & Associates, Incorporated

Underwriters

- PNC Capital Markets (Senior Manager)
- Wells Fargo Company (Co-Senior Manager)
- PNC CM will be designated 75% of the bonds and Wells Fargo 25%, similar to the Westside Shady Grove bond issuance.

Counsel

- Kutak Rock (Bond Counsel)
- Aisha Memon and Eamon Lorincz (HOC Legal)

Trustees (Open Indentures)

- TBD (Procurement in progress)

Rating Agency

- Moody's Investors Service

Montgomery County

- Financial Advisor, Public Financial Management, Inc.
- Bond Counsel, McKennon, Shelton, & Henn LLP

Bond Issuance Schedule

April 2021 - Introduction

- 4/21/2021 Prelim. COI
- 4/21/2021 Kick-off Call
- 4/21/2021 Notify Rating Agency
- 4/21/2021 Notify Auditors
- 4/27/2021 Draft POS Distributed
- 4/12/2021 Draft Cash Flows

May 2021 – Processing

- 5/4/2021 3rd Draft of POS
- 5/5/2021 Commission Approval - Bond Auth. Resolution
- Financing Plan
- 5/5/2021
- 5/17/2021 Distribute Due Diligence Questions
- 5/19/2021 Underwriters Due Diligence Conference
- 5/19/2021 Receive Rating
- 5/20/2021 Clear POS
- 5/21/2021 Distribute Preliminary List of Closing Documents
- 5/25/2021 Comments Due on 1st Draft of Resolution
- 5/27/2021 3rd Draft Bond Purchase Agreement
- 5/28/2021 Distribute Request to Bidders

June 2021 – Pricing & Closing

- 6/1/2021 Pre-Pricing Call
- 6/2/2021 Retail Order Period
- 6/3/2021 Final Structure
- 6/16/2021 Print and Mail Official Statement
- 6/22/2021 HOC Executed Final Closing Documents
- 6/23/2021 Pre-closing
- 6/24/2021 Execute GIC Documents
- 6/24/2021 Bond Closing

July 2021+ - Disbursement

- 7/1/2021 First Loan Disbursement
- 4/1/2022 Second Loan Disbursement

Summary and Recommendations

Issues for Consideration

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

1. Approval of a Master Resolution Providing for the Creation of a Revolving Housing Production Fund to Provide Construction Bridge Financing for Multifamily Housing in Montgomery County;
2. Approval to Enter into a Funding Agreement with Montgomery County Maryland to Provide Funding for the Revolving Housing Production Fund;
3. Approval of the Program Parameters of the Housing Production Fund; and Approval of Structure and Cost of Issuance Budget of, and Adoption Of Series Resolution for the Issuance of Limited Obligation Bonds (Revolving Housing Production Fund)?

Budget /Fiscal Impact

Transaction fees will be paid from proceeds of the bond issue and are not expected to adversely impact the current operating budget of the Commission. Proceeds of the bond issuance will provide capital for HOC's multifamily construction financing.

Time Frame

For formal action at the May 5, 2021 meeting of the Commission.

Staff Recommendation and Commission Action Needed

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

1. Approval of a Master Resolution Providing for the Creation of a Revolving Housing Production Fund to Provide Construction Bridge Financing for Multifamily Housing in Montgomery County;
2. Approval to Enter into a Funding Agreement with Montgomery County Maryland to Provide Funding for the Revolving Housing Production Fund;
3. Approval of the Program Parameters of the Housing Production Fund; and Approval of Structure and Cost of Issuance Budget of, and Adoption Of Series Resolution for the Issuance of Limited Obligation Bonds (Revolving Housing Production Fund).

SANDY SPRING MISSING MIDDLE: APPROVAL OF THIRD PHASE OF PREDEVELOPMENT FUNDING AND CONCEPT PLAN APPLICATION PREPARATION FOR SUBMITTAL TO PLANNING COMMISSION

SANDY SPRING



Stacy L. Spann, Executive Director

Kayrine Brown
Zachary Marks
Jay Shepherd

April 23, 2021
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Executive Summary

- In 2020, the Commission approved \$585,000 in predevelopment funding including legal costs related to further 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 “M2P2”). Missing Middle Housing is a range of multi-unit or clustered housing types—compatible in scale with neighborhoods with detached single family homes.
- Sandy Spring Missing Middle (“SSMM”) is 3.27 +/- acres within the Sandy Spring Meadows community and the lot acquired in 2015 at 617 Olney Sandy Spring Road. SSMM is immediately adjacent to the Sandy Spring Village Center and, as proposed, 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 from south and north along Skymeadow Way. New open space and recreational opportunities would be created in the portion of existing Sandy Spring Meadow.
- During the initial phase of feasibility, staff assembled a preliminary design team and began to draft the concept plan weaving a new scale, density, character, storm water management, utilities, parking and pedestrian access together into a cohesive group.
- Staff then met with and incorporated ideas from key staff members from the Planning Department further refining the concept plan for submittal. Staff also has begun to draft a communications plan for community outreach and information sharing pathways.
- As envisioned, the concept plan would proceed as an R-60 MPDU Optional Method project with the following attributes:
 - Retention of 11 existing detached houses;
 - Demolition of one detached house at 617 Olney-Sandy Spring Road;
 - Construction of two (2) new detached houses;
 - Construction of four (4) new duplex dwelling buildings;
 - Construction of three (3) new triplex dwelling buildings;
 - Construction of four (4) new attached townhouses (carriage houses);
 - Construction of approximately 960 square feet of community space; and
 - Creation of new community open space, pathways, and recreational facilities.
- The redevelopment would include a total of 32 residential dwelling units, of which 13 would be detached houses (40.6%), and 19 would be a combination of duplexes, triplexes, and townhouses (59.4%). Staff is requesting a third tranche of \$425,000 from the Opportunity Housing reserve Fund (“OHRF”) to fund a second phase of entitlement costs for the Sandy Spring Missing Middle opportunity.



Figure 1. Sandy Spring Missing Middle Concept Plan, March 2021.

Previous Commission Actions

In May 2013, the Montgomery County Planning Department (“Planning”) began the process of revising the Sandy Spring Rural Village Plan (“Plan”). From the outset, HOC staff was an active participant in the revision process with the goal of producing viable redevelopment capacity for Sandy Spring Meadow itself as well as realigning the town center intersection of Brooke Road and Route 108 to accommodate the creation of a more formal town square.

- On **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).
- On **July 1, 2020**, the Commission approved a 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).
- On **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 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).

¹ Source: <https://missingmiddlehousing.com/>

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 was an active participant in the revision process with the goal of producing viable redevelopment capacity for Sandy Spring Meadow itself as well as realigning 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 – both technically private institutions – are the two predominate venues for events. Traversing from one location to the other by foot or bicycle is not possible.

Figure 2. Vicinity Map of Sandy Spring showing 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 617 Olney Sandy Spring lot (purchased by the Commission in 2015) and the undeveloped portion of Sandy Spring Meadow near the property's entrance, which is immediately adjacent to the Sandy Spring Village Center. It is a pilot program to integrate affordable housing composed of multi-unit housing types (such as 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.



In fact, in 2019 as a part of a strategic plan to increase affordable housing in Montgomery County, the Planning Department prepared a study of Missing Middle Housing. It is our understanding that this housing strategy will be formalized, and made a part of a county-wide functional plan for affordable housing. It is also our understanding that this Missing Middle Master Plan will inform the updated Thrive Montgomery, the General Plan update that is currently in process.

As a Demonstration/Pilot project, HOC will be providing key 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.



Figure 3. Zoning Map. Concept Plan Application is highlighted in blue overlay.

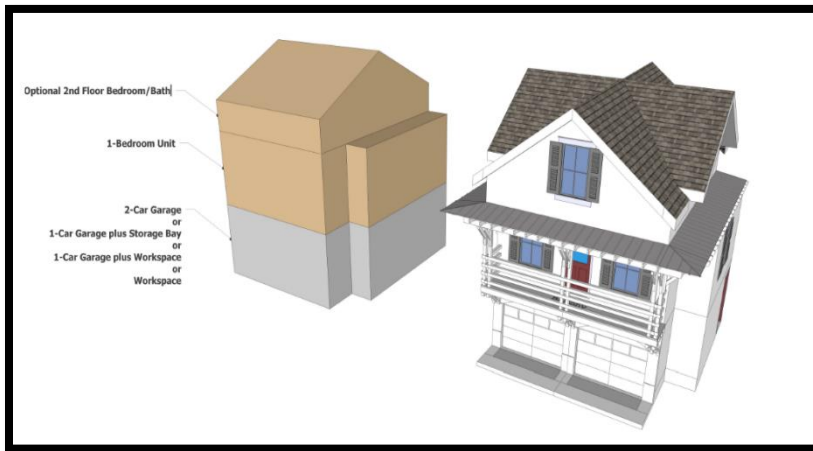
Concept Redevelopment Plan Evolution

Staff met with a team from the Montgomery County Planning Department (“MCPD”) in May 2020 to present the concept and solicit feedback for a final Concept Plan submission. Highlighted items were an all-rental community, the inclusion of Attached Dwelling Units (“ADU”), the potential for Triplex/Three-unit living, and general zoning questions. There was positive feedback on the design and approach and staff were responsive to the comments.

Primarily, the updated Concept Plan addresses concerns to maintain the character of the MD 108 street frontage, specifically regarding bulk, height and architectural character. Multiple MCPD staff did not support the concept of ADUs in an all rental community, but were supportive of additional duplex units as an alternative. HOC responded that ADUs are deleted and replaced by carriage house concepts.



Concept Redevelopment Plan Evolution



MD 108 Frontage: MCPD expressed a desire to maintain the character of the MD 108 frontage, specifically regarding bulk, height, and architectural character. Staff agreed to look at alternative designs that lower building heights, reduce overall massing, and include architecture that is more in keeping with the character of Sandy Spring



ADUs: Multiple MCPD staff did not support the concept of ADUs in an all rental community, but were supportive of additional duplex units as an alternative. HOC responded that ADUs would be deleted from future designs.

The carriage house footprint varies based on the nature of the stairs (internal or external) and the number of garage spaces and/or workspace below the unit. The footprint can be as small as 14' x 22' for a studio over a single car garage to as large as 36' x 22' for a 2-bedroom unit over a 3-car garage. The carriage houses can be attached with vertical party walls and line one or both sides of an alley where site conditions permit.

Concept Redevelopment Plan

Sandy Spring Missing Middle Pilot Project Draft Building Configurations:

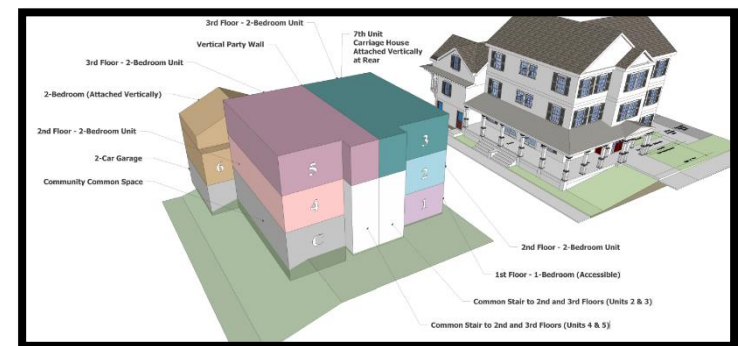
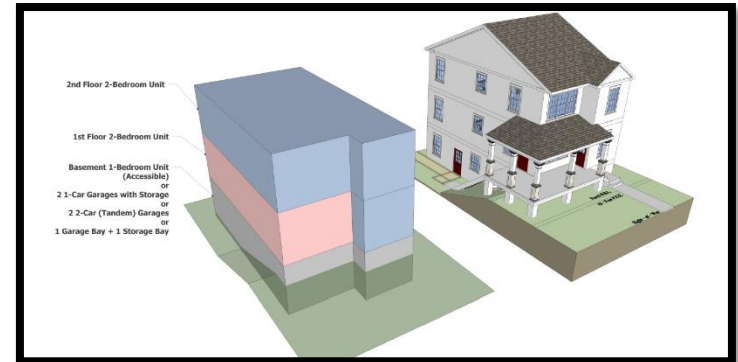
The following diagrams illustrate potential one, two, three, four, five, six, seven, and eight-unit configurations utilizing carriage houses, duplexes, and stacked triplexes. There are no more than three units in a building module without a vertical partition wall. Most configurations utilize individual entrances for each unit. One building configuration proposes a common stair for two upper units. The common stair allows these same upper units to be easily combined into a large three, four, or five-bedroom unit for large and/or extended families.

The stacked flats utilize a standard footprint of 23' x 40' with a three-foot extension for stairs and vestibules. Stairs and vestibules can penetrate the front BRL by up to three-feet in all zones. The basement of this building type can be an additional unit, garage parking, storage, or some combination. The garage parking can be integral to the unit above with inclusion of an internal stair, or can be unbundled for use by other tenants.

The side-by-side duplex/triplex building type utilizes a standard building module of 19' x 26' with a 12' x 12' optional rear extension for a third bedroom. The basement of this building type can be an additional unit, garage parking, storage, or some combination. The parking can be integral to the unit or unbundled for use by other tenants. The duplexes can be modified to triplexes by including a living unit in the basement where site conditions permit.

The four-unit configurations (two basement studios) are possible but require at least one unit to meet accessibility standards (Fair Housing).

All units are proposed as rental. There are no single-unit building configurations proposed at Sandy Spring.



Preliminary Development Timeline

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

Site Plan Approval Timeline

1. **Concept Plan Submittal**– goes to Montgomery County Planning Department Development Review Committee, comments only.
2. **Natural Resource Inventory/Forest Stand Delineation(NRI/FSD)** – staff review only, requires approval before next step.
3. **Combined Preliminary / Site Plan (Planning Board).**
4. **Certified Site Plan.**
4. **Sediment Control – Agency approval at staff level.**
5. **Apply for Construction permits such as SHA road improvements, WSSC improvements, etc.**
6. **Apply for Building permits.**



Predevelopment Budget

Feasibility Budget

Budget for Sandy Spring Missing Middle

Sources				Base
Resolution 20-25AS				\$75,000.00
Resolution 20-55				\$330,000.00
Resolution 21-08				\$180,000.00
Resolution 21-XX	Needed for PHASE III			\$425,000.00
Total				\$1,010,000.00

Uses - PHASE I & II	Vendor	PO	Budget	Contract Amount
Land Planning	Townscape Design (includes Davos A&E)	330020	\$0.00	\$39,600.00
Architectural Concept Design	Davos		\$0.00	\$0.00
Civil	AMT	330777	\$1,765.00	\$12,235.00
Civil Addtl Services	AMT	331060	\$3,670.00	\$0.00
Site Survey	MASER	338372	\$0.00	\$4,900.00
Land Planning CO#1	Townscape Design	1092	\$0.00	\$11,500.00
Land Planning CO#2	Townscape Design	1109	\$0.00	\$7,091.25
Legal Costs	LEB	631231	\$0.00	\$14,866.50
SubtotalTotal			\$5,435.00	\$90,192.75
BalanceRemaining				\$314,807.25

Uses - PHASE III	Vendor	PO	Budget	Contract Amount
Land Planning	Townscape Design		\$126,575.00	\$0.00
Architectural Concept Design	TBD		\$150,000.00	\$0.00
Civil Engineering	AMT		\$108,500.00	\$0.00
Dry Utility Consultant (incl. test pitting)	TBD		\$60,000.00	\$0.00
Land Use Counsel	Selzer Gurvitch + LEB		\$0.00	\$251,381.25
Subdivision Record Plat - Surveying	TBD		\$15,000.00	\$0.00
Permit and Application Fees			\$130,000.00	\$0.00
Contingency @10%			\$0.00	\$59,007.50
SubtotalTotal			\$590,075.00	\$310,388.75
BalanceRemaining				\$19,343.50

Third Phase Objectives:

- Concept Plan Submission
- Complete Development Team Procurement, including but not limited to site civil, land planning, and Architectural & Engineering.
- Engage County Development and Review Committee (“DRC”) on Concept Plans.
- Complete NRI/FSD plan.
- Continue to investigate all site opportunities and constraints.
- Determine maximum unit count the site can yield.
- Solve for any parking, water management, pedestrian, and traffic circulation issues.

Staff is requesting \$425,000 for FY22 feasibility funding for the Sandy Spring Missing Middle redevelopment. This includes engagement of additional land planning, site civil, dry utility architectural, 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 permanent financing. The OHRF had a balance of \$2,970,878 as of March 31, 2021.

Summary and Recommendations

ISSUES FOR CONSIDERATION

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

1. Approve a loan of \$425,000 from the OHRF to fund the third phase of predevelopment costs for the Missing Middle concept at the aggregated 617 O-SS & Sandy Spring Meadow development?

BUDGET/FISCAL IMPACT

The decision does not involve changes to HOC's current FY2021 operating budget. The fiscal impact is that, if these funds are approved, they will not be available for use on other projects and reduces available cash in the OHRF by \$425,000. The OHRF had a balance of \$2,970,878 as of March 31, 2021 and will be reduced by \$425,000 for this item reducing the overall OHRF balance to \$2,545,878.

TIME FRAME

For formal action at the May 5, 2021 meeting of the Commission.

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED

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

1. Approve a loan of \$425,000 from the OHRF to fund the third phase of predevelopment costs for the Missing Middle concept at the aggregated 617 O-SS & Sandy Spring Meadow development.