



**New Cultural Center & Artists Flats
Summer 2020 Working Group #3**

Working Group Meeting #3

Housing, Contracting and Compliance Issues

Agenda

- Housing Overview (Artists Flats)
- Contracting and Compliance Issues
- Modified Proposal
- Next Steps
- Opportunity for Public Comments

Housing Overview

Artists Flats



Artists Flats Housing and Parking Program

Apartment Building

174 Units – Some units in rear of building on Floor 2, most on Floors 3 to 7

- Mix of 1, 2, & 3 bedroom units
 - 87 affordable
 - 87 market rate
- Lobby & Leasing Office – Floor 1
- Fitness Center / Resident Lounge – Floor 3
- Veranda and Courtyard – Floor 3

Parking Garage – Levels 4 to 8

- 288 spaces reserved for residential use

Artists Flats








Parking Garage

5 Stories of Housing
174 Units

Dinner Theater

Arts and Cultural Center

Housing Lobby /
Leasing Office

LEGEND	
	DINNER THEATER
	EDUCATION AND STUDIOS
	PERFORMANCE ART
	RESIDENTIAL
	SERVICE

Artists Flats



Housing Program – Bedroom Mix

	Affordable	Market	Total
1 BR	39	48	87
2 BR	29	38	67
3 BR	19	1	20
Total	87	87	174



Housing Program – Mix of Incomes and Rent Levels

% of Median Income	Number of Units	Rent (Varies by BR Size)	Maximum Income (Varies by BR Size)
20%	11	\$314 to \$341	\$15,600 to \$18,720
30%	22	\$483 to \$651	\$23,400 to \$32,448
40%	6	\$678 to \$809	\$31,200 to \$37,440
50%	33	\$873 to \$1,192	\$39,000 to \$54,800
60%	15	\$1,068 to \$1,462	\$46,800 to \$64,896
Total Affordable	87		
Market Rate	87	1BR - \$1,994 2 BR - \$2,350 3 BR - \$3,400	NA

- Rents are set based on 2020 Area Median Income of \$104,000 for a Four Person Household.
- Affordable Rent and Income will vary by bedroom size and household composition.
- Project includes 31 Project Based Vouchers. Tenants pay 30% of their income for rent and utilities.

Project Financing

- Project funding awarded by DHCD in 2019.
- No County funds are being used for the housing portion of the project.
- Project will use a “twin” LIHTC structure. Separate condominium ownership structure required to use 4% and 9% LIHTC and maximize federal funding.

Sources	Amount
Private Loan	\$6,585,733
Tax Exempt Housing Bonds (Issued by the MD DHCD)	\$26,887,449
Low Income Housing Tax Credit Equity (Tax Credits Awarded and Issued by MD DHCD)	\$18,894,547
MD DHCD - Rental Housing Works Program	\$2,500,000
MD DHCD - Partnership Rental Housing Program	\$5,395,480
Columbia Downtown Housing Corporation	\$2,500,000
Deferred Developer Fee	\$1,810,889
Federal Home Loan Bank - Affordable Housing Program	\$700,000
Total Sources	\$65,274,099

Business Structure - Housing

Orchard Development and Housing Commission are co-developers.

- Orchard Development Roles and Responsibilities:
 - Lead design and County approval process
 - Joint responsibility for predevelopment costs
 - Manage construction process, provide construction guarantees
 - Provide property management through Armiger Management Services
- Housing Commission Roles and Responsibilities:
 - Responsible for securing project financing
 - Joint responsibility for predevelopment costs
 - Will serve as managing general partner in ownership
 - Provide operating guarantees to investors and lenders
- Developer Fees and Cash Flow
 - Split of Developer Fees: 49.8% to Orchard, 50.2% to Housing Commission
 - Future cash flow to Housing Commission

School Projections

- Dept. of Planning and Zoning Conducted Analysis
 - Based on number of students at Housing Commission properties Monarch Mills and Burgess Mill Station
 - Adjusted downward for fewer bedrooms at Artists Flats
 - Does not adjust downward for other factors:
 - Downtown location likely to attract fewer school age children
 - Multi-story elevator building and parking garage may attract households with few or no children

School Level	# of Students
Elementary School	38
Middle School	21
High School	27
Total	86

Status and Next Steps

- **Summer 2019** – Received Award from MD DHCD of tax credits and other funding. DHCD funding is extremely competitive, only 15 out of 47 projects received LIHTC award.
- **Winter 2020-2021** - Complete construction and permit plans concurrently with NCC. Permits for housing to be issued prior to housing construction start.
- **Late Fall 2022** – Construction of housing begins.
- **Fall 2024** – Construction of housing complete. Leasing begins.
- **End of 2024** – LIHTC deadline to complete housing. Has been extended by 1 year already.

New Cultural Center

Contracting & Compliance Issues



Project Conception

- Downtown Plan identified a need for an arts and cultural center.
- Toby's and Orchard Development created concept for arts and cultural center with housing above on site of Toby's.
- Project concept was proposed to the County and Housing Commission. Parties agree to pursue, HCHC anticipated to own the building and issue all bonds.
- Project was included in the Downtown Columbia DRRA in 2016.
- Toby's and Orchard executed a purchase and sale agreement in 2017.
- County decided it will own NCC and issue bonds in 2019.

Project Cost Review by County

- With County's decision to own NCC and issue bonds, DPW was engaged to review Orchard Development team and ensure fair market pricing.
- DPW engaged its consultant Arcadis to conduct detailed review of general contractor (Whiting-Turner) pricing.
- Arcadis found Whiting-Turner's pricing to be competitive and below its cost estimates.

General Contractor Selection

- Orchard Development conducted bidding process with 3 local general contractors.
- Whiting-Turner was selected based on price and understanding of the scope of work.
- Whiting-Turner has been involved in design process to provide ongoing feedback on pricing.
- GC contract will be a Guaranteed Maximum Price contract.
 - Provides cost certainty with not-to-exceed price.
 - Allows owner (County) to share in any cost savings.

Sole Source Review Process

- Sole source review process conducted after bond funding is authorized.
- Sole source procurements are not unusual, but are a small percentage of County procurements. Process exists to review circumstances and cost.
- DPW to complete a memo providing justification of unique circumstances, which could include:
 - Project is to be built on privately owned property, development team is managing design and construction process
 - Development team was evaluated by Maryland DHCD and awarded funding for housing
 - Competitive bidding managed by private entity
 - Cost review completed by third party (Arcadis)
- Approval process depends on the dollar amount of the procurement:
 - NCC is valued at over \$100,000, requires approval by the Contract Review Committee, which is comprised of the Chief Administrative Officer, Director of Finance and the County Auditor.

Compliance with Contracting Requirements

- Maryland DHCD goal is 29% MBE/WBE participation
- Howard County Equal Business Opportunity Goal:
 - 15% of subcontracting amount
- Howard County Living Wage Requirement:
 - Must pay employees minimum of \$15.75 per hour
- Green Building:
 - LEED Silver for the NCC portion and Energy Star
 - National Green Building Standard (NGBS) for the Residential portion
- Whiting Turner Compliance:
 - Uses extensive outreach to subcontractors to meet or exceeds goals
 - In 2019, awarded over \$100 million in subcontracts to MBE/WBE firms in Maryland alone
 - Met all goals for recently completed EMT station near NCC site

New Cultural Center

New Cultural Center Modified Proposal



Modified Proposal to Council

- Reduce capital cost amount
- Reduce reliance on project revenue to service bond debt
- Lower operating costs

Reduce Capital Cost

- Cost saving measures proposed to reduce hard costs by up to \$7 million
- Total GO bond issuance reduced from \$62 to \$55 million

Current Budget	NCC	Garage	Total
Total	\$59,766,396	\$13,106,223	\$72,872,619

Cost Savings Measures	NCC	Garage	Total	Cumulative Savings
Arcadis / Whiting-Turner Repricing	\$3,066,255	\$0	\$3,066,255	\$3,066,255
Eliminate 120 Parking Spaces	\$0	\$2,677,875	\$2,677,875	\$5,744,130
Defer Half of Developer Fee	\$1,050,000	\$0	\$1,050,000	\$6,794,130
Other Value Engineering Measures	\$205,870	\$0	\$205,870	\$7,000,000
Total	\$4,322,125	\$2,677,875	\$7,000,000	\$7,000,000

Reduce Reliance on Project Revenue to Service Bond Debt

	Original Proposal with Reduced Cost	Modified Proposal with Reduced Cost	Difference TIF Increased by \$5M IR Reduced to 3%
TIF Revenue			
Loan Amount	\$34,000,000	\$39,000,000	\$5,000,000
Interest Rate	4.50%	3.00%	(1.5%)
Annual Payment	\$2,596,062	\$2,595,517	(\$545)
Annual Revenue	\$2,596,062	\$2,596,062	\$0
Balance (Revenue - Payment)	\$0	\$545	\$545
Project Revenue			
Loan Amount	\$21,000,000	\$16,000,000	(\$5,000,000)
Interest Rate	4.50%	3.00%	(1.5%)
Annual Payment	\$1,594,276	\$1,064,827	(\$529,449)
Annual Revenue	\$1,677,550	\$1,677,550	\$0
Balance (Revenue - Payment)	\$83,274	\$612,723	\$529,449
Totals			
Total Bonds	\$55,000,000	\$55,000,000	\$0
Total Payment	\$4,175,486	\$3,660,344	(\$515,142)
Total Revenue	\$4,273,612	\$4,273,612	\$0
Balance (Revenue - Payment)	\$83,274	\$613,268	\$529,994

Reduce Reliance on Project Revenue to Service Bond Debt

- Increase portion of debt supported by TIF revenue from \$34 to \$39 million
 - At 3% interest rate, can service \$5 million more debt with same annual payment
 - No impact to schedule of Downtown Projects financed by TIF
- Reduce portion of debt supported by project revenue from \$21 to \$16 million
 - At 3% interest rate, annual debt payment can be reduced by ~\$530,000
 - DRP revenue needed to service debt is reduced by over \$600,000
 - Majority of DRP revenue can be used to offset operational costs

New Bond Payment:	\$1,065,000
CCTA Lease Payment:	\$808,550
<u>Revenue Needed From DRP:</u>	<u>\$256,000</u>
Remaining DRP Revenue:	\$613,000

Lower Operating Costs

- Dept. of Recreation and Parks and Dept. of Public Works refined budgets and projections from what was submitted to Council in the spring
- Projected operating costs have been lowered significantly through additional analysis, no change to program operations
- DRP – Reduced budget from \$848,000 to \$755,000
 - Lower projected staffing costs
- DPW – Reduced budget significantly from \$2,400,000 to \$641,000
 - Budget adjusted to remove CCTA portion of utilities and common area maintenance
 - Applied data from more modern County facilities to provide a better estimate of operating costs
 - Conducted additional research to provide more accurate parking garage maintenance costs

New Cultural Center

Next Steps



Proposed Next Steps in Process

Action	Immediate Action	1 Month Delay	2 Month Delay
Additional work session (if needed)	End of Aug	End of Aug	End of Aug
CE to submit request for legislation	Aug 27	Sept 24	Oct 22
Legislation is agendized	Sept 8	Oct 5	Nov 2
Council work session on legislation	Sept 21	Oct 19	Nov 16
Vote to remove funding from contingency	Oct 5	Nov 2	Dec 7
Purchase & Sale Contract deadline to secure financing	Sept 1, 2020	Must Extend	Must Extend
Construction Documents finalized	Oct – Dec 2020	Nov 2020 - Jan 2021	Dec 2020 - Feb 2021
County Permit Review Complete	Jan - March 2021	Feb - Apr 2021	March – May 2021
Construction Start	April 2021	May 2021	June 2021
Housing Construction	Oct 2022 – Oct 2024	Nov 2022 – Nov 2024	Dec 2022 – Dec 2024
Leasing & Occupancy Start	Oct 2024	Nov 2024	Dec 2024
LIHTC deadline for housing occupancy	Dec 31, 2024	Dec 31, 2024	Dec 31, 2024

What Is the Impact If Funding Is Not Approved This Fall?

- **Project Will be Presumed Dead**. Parties have spent 5 years on process and over \$2 million on predevelopment. Deadlines and key decisions cannot be delayed indefinitely.
- **Affordable Housing Lost**: Loss of 87 affordable housing units. County will turn down **\$65 million** in outside funding for its housing needs. Commission to be penalized in future funding applications; will be very difficult to secure funding for future mixed-use projects such as the library, fire station, and transit center.
- **Downtown Plan Jeopardized**: The construction of affordable housing is a requirement of the DRRA. Unclear how or by whom this will be met.
- **Toby's and CCTA Future in Doubt**: Current facility is aging and in need of capital investment. Owners must decide whether to sell the business, the property, or both. Future of CCTA uncertain without a permanent home.
- **No Downtown Arts and Cultural Center**: Site control for the arts and cultural center will be lost. No other location is identified for such a facility.

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Opportunity for Public Comment



Future Meetings and Topics

- **Additional Working Group Meetings if Needed**
- **Housing Affordability Public Forum**

September – Date and Time TBD



**New Cultural Center & Artists Flats
Conclude August 11, 2020 Working Group**