

# Novogradac Journal of Tax Credits

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## One Year Later: TEB Development Honored For Sustainability, Green Features

By Jennifer Dockery, Assignment Editor, Novogradac & Company LLP

In 2010, the Maryland Department of Housing and Community Development (MDHCD), Maryland Asset Building and Community Development Network, and the Maryland Home Builders Association recognized The Residences at Ellicott Gardens with awards for excellence in sustainability, innovation and green building. The 106-unit affordable apartment complex, developed by the Howard County Housing Commission (HCHC) and Bender Property II LLC, incorporates a number of energy saving and generating measures, including a wind turbine, to reduce utility costs. After operating for more than a year, the tax-exempt bond (TEB)-financed development has sustained itself and maintained a high level of occupancy.

“[F]rom a business perspective, our goal is for the community to take in enough cash flow to cover its expenditures, including capital expenditures. From a mission perspective, our goal was to create 106 new well-designed, amenity-rich and energy-efficient affordable housing units that will continue to provide housing opportunities for the citizens of Howard County. Obtaining these goals ensures that [the] quality of the project and its affordability will be sustainable throughout its expected lifetime,” said Stacy L. Spann, director of the Howard County Department of Housing & Community Development.

The Residences at Ellicott Gardens is a 106-unit affordable housing complex in Ellicott City, Md. The 3.4 acre development features 95 one-bedroom and 11 two-bedroom units for families as well as 11 accessible units, three of which are



Photo: Courtesy of Howard County Housing Commission

Common areas at The Residences at Ellicott Gardens feature timers and motion detectors to conserve energy.

accessible to persons with hearing or vision impairments. The community amenities include libraries for children and adults, a community/theater room with warming kitchen, computer lab, activities room, tot-lot and exercise room. The units are targeted toward working professionals earning no more than 50 to 60 percent of the \$82,200 area median income for a family of four. The property manager, Equity Management II LLC, connects residents with area services and food programs, such as local food banks, housing and energy assistance programs, and senior services. The Ellicott Gardens Resident Association assists Equity Management II with producing community newsletters, as well as

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organizing yard sales and hosting game, craft and movie nights.

In addition to the amenities offered residents benefit from a number of green features that HCHC and Bender incorporated into the property. Green design features include low emissivity (low-E) windows, Energy Star appliances, high performance mechanical systems, heat reflective roofing and shingles, motion detection lighting, lockable programmable thermostats in the common areas, programmable thermostats in the units and common area lighting, solar entrance signage lighting, and energy saving light bulbs throughout the community. The community also has a windmill on site that feeds into the grid system for the building. Ellicott Gardens' general contractor, Old Town Construction LLC, donated the windmill, which received a state grant.

"Our green design features ... collectively assist us in reducing energy consumption. The residents that we have surveyed have found that their utility costs are affordable," said Spann.

HCHC has found that monthly utilities average \$50 for a one-bedroom unit and \$90 for two-bedroom units. Common area electric bills have averaged \$5,600 per month during the last 12 months. Spann said that part of the reduction comes from the locked programmable thermostats that help HCHC control energy use in the common areas. Timed lighting in common areas and motion-activated lighting in common area bathrooms has also reduced energy use.

Funding for the \$174 million The Residences at Ellicott Gardens came from several public and private sources. The development used nearly \$5 million in LIHTC equity and approximately \$6.5 million in TEB funding during construction. Maryland provided approximately \$3.5 million through its Partnership Rental Housing Program and Howard County provided a \$1 million loan through its Rental Housing Development Program. The remaining \$1.4 million was covered by a combination of deferred developer fee and equity. HCHC converted the permanent debt on December 1, 2010. PNC structured \$6.5 million in permanent financing through a Freddie Mac Forward Commitment for credit enhancement of variable-rate TEBs issued by the MDHCD. PNC also provided an interest rate swap that converts the variable rate on the bond to a fixed pay rate for the borrower.

"This is exactly the sort of investment opportunity that PNC is seeking for itself and our investor clients," said Todd Crow, executive vice president at PNC and manager of PNC Real Estate's Tax Credit Capital. He added that the property's affordable nature and green features reflected PNC's commitment to both affordable housing and the environment.

HCHC brought the units on line in September 2009 and attained

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full occupancy within four months. Since that initial lease up, the property has historically maintained at least a 90 percent occupancy rate. HCHC's management company predicted a 99 percent occupancy rate by March 1, 2011. ♦

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