

WORKSESSION

MEMORANDUM

February 14, 2012

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst 

SUBJECT: **Worksession** – FY13-18 Recommended Capital Improvements Program
Department of Housing and Community Affairs
Affordable Housing Acquisition and Preservation

Those expected for this worksession:

Richard Nelson, Director, Department of Housing and Community Affairs
Tim Goetzinger, Department of Housing and Community Affairs
Mary Beck, Office of Management and Budget
Jennifer Bryant, Office of Management and Budget

**Affordable Housing Acquisition and Preservation
(FY13-18 Recommended PDF © 1)**

For FY13-16, the County Executive is recommending \$23.350 million in expenditures for this project, which is a revolving account that must be used for acquisition and/or renovation of properties for the purpose of preserving or increasing the county's stock of affordable housing. The following two tables show the recommended expenditures and revenues.

Affordable Housing Acquisition and Preservation – EXPENDITURE SCHEDULE

	Total	Thru FY12	6 Years	FY13	FY14	FY15	FY16	FY17	FY18
FY11 Approved	92,500	92,500	0	0	0	0	0	0	0
Recommend	108,320	84,970	23,350	13,350	10,000	0	0	0	0
Difference	15,820	(7,530)	23,350	13,350	10,000	0	0	0	0

Affordable Housing Acquisition and Preservation – FUNDING SOURCES for FY13-18 Recommended

	Total	Thru FY12	6 Years	FY13	FY14	FY15	FY16	FY17	FY18
HIF Revolving Program (Proceeds from Bond)	92,720	80,000	12,720	10,000	2,720	0	0	0	0
Loan Repayments	13,100	2,470	10,630	3,350	7,280	0	0	0	0
HIF – Current Revenue	2,500	2,500	0	0	0	0	0	0	0
TOTAL	108,320	84,970	23,350	13,350	10,000	0	0	0	0

As the Committee is aware, this project originated in FY09 when the Council approved the County Executive’s recommendation to issue \$25 million in taxable bonds in each of FY09 and FY10 to create a \$50 million revolving acquisition and preservation program within the Housing Initiative Fund. The creation of a short-term (up to 36 month) property acquisition fund and a long-term revolving equity fund were both recommendations included in the Affordable Housing Task Force Report. The debt service for these bonds is backed by the general revenues appropriated to the cash side of the HIF. The Executive proposed issuing an additional \$50 million in taxable bonds to fund expenditures in FY11 and FY12. The Council appropriated \$15 million in each of FY11 and FY12 to create a total fund of \$80 million. The Department of Housing and Community Affairs has expended \$43 million as of the 2nd quarter of FY12 and has committed or is considering projects that would commit an additional \$38.7 million.

For FY13 and FY14, the project shows loan repayments of \$13,100,000 as a source of revenue for the account. The Executive has determined that when loan repayments are made, they should be held and appropriated in the following fiscal year. This is an appropriate way to control the expenditures, but it should be noted that the portion of the repayment that is principal is really revolving the previously approved funding into the account.

In addition, the Executive is recommending \$12,720,000 in FY13 and FY14 be funded through taxable bond proceeds.

Council staff recommends the PHED Committee defer its recommendation on this CIP project until it can be considered with the Operating Budget portion of the HIF. Depending on the amount of resources the Council determines the HIF should have, it may be necessary to increase the level of taxable bond funding.

Affordable Housing Acquisition and Preservation -- No. 760100

Category
Subcategory
Administering Agency
Planning Area

Community Development and Housing
Housing
Housing & Community Affairs
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

January 09, 2012
No
None.
On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY11	Est. FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
Planning, Design, and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	108,320	40,751	44,219	23,350	13,350	10,000	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	108,320	40,751	44,219	23,350	13,350	10,000	0	0	0	0	0

FUNDING SCHEDULE (\$000)

	Total	FY11	FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
HIF Revolving Program	92,720	38,251	41,749	12,720	10,000	2,720	0	0	0	0	0
Loan Repayment Proceeds	13,100	0	2,470	10,630	3,350	7,280	0	0	0	0	0
Montgomery Housing Initiative Fund	2,500	2,500	0	0	0	0	0	0	0	0	0
Total	108,320	40,751	44,219	23,350	13,350	10,000	0	0	0	0	0

DESCRIPTION

This project provides funding for acquisition and/or renovation of properties for the purpose of preserving or increasing the county's affordable housing inventory. The county may purchase properties or assist not-for-profit, tenant, or for-profit entities, or HOC with bridge financing to purchase and renovate properties. The monies may be used to purchase properties that are offered to the county under the Right of First Refusal law or otherwise available for purchase. A portion of the units in these properties must serve households with incomes that are at or below incomes eligible for the Moderately Priced Dwelling Unit (MPDU) program. A priority should be given to rental housing.

COST CHANGE

The issuance of \$12.7 million of debt and the use of loan repayments provides continued support for the Housing Initiative Fund (HIF) Property Acquisition Revolving Program created in FY09.

JUSTIFICATION

To implement Section 25B, Housing Policy, and Section 53A, Tenant Displacement (Right of First Refusal), of the Montgomery County Code.

Opportunities to purchase property utilizing the County's Right of First Refusal arise without advance notice and cannot be planned in advance. Properties may be acquired by the County, non-profit developers, HOC or other entities that agree to develop or redevelop property for affordable housing.

OTHER

Resale or control period restriction to ensure long term affordability should be a part of projects funded with these monies.

FISCAL NOTE

Debt service will be financed by the Montgomery Housing Initiative Fund. In addition to the appropriation show below, this PDF assumes that any actual revolving loan repayments received will be appropriated in the subsequent year as displayed above. Future loan repayments are expected and will be used to finance future housing activities in this project.

APPROPRIATION AND EXPENDITURE DATA			
Date First Appropriation	FY01		(\$000)
First Cost Estimate			
Current Scope	FY13	108,320	
Last FY's Cost Estimate		92,500	
Appropriation Request	FY13	13,350	
Appropriation Request Est.	FY14	10,000	
Supplemental Appropriation Request		0	
Transfer		0	
Cumulative Appropriation		84,970	
Expenditures / Encumbrances		40,751	
Unencumbered Balance		44,219	
Partial Closeout Thru	FY10	0	
New Partial Closeout	FY11	0	
Total Partial Closeout		0	

COORDINATION
Housing Opportunities Commission (HOC)
Nonprofit housing providers
Private sector developers

MAP

