



Housing

PROGRAM DESCRIPTION AND OBJECTIVES

The County's Housing Program is designed to provide funding for preservation and acquisition of affordable rental properties that are in need of rehabilitation or are at risk of having significant rent increases that would result in displacement of low-to-moderate-income working families.

HIGHLIGHTS

- Increases funding for affordable housing by \$195 million.
- Add \$50 million in FY25 to the Affordable Housing Acquisition and Preservation Project and provide an annual allocation of \$22 million in each of FY29 and FY30 to preserve and increase the stock of affordable housing for the County.
- Add \$30 million to more than double the new Nonprofit Preservation Fund. The Department, together with the Housing Opportunities Commission, will operate this \$50 million project. The project will provide funding to preserve existing affordable housing in developments at risk of rent escalation to higher market rents.
- Add \$20 million in loan repayments to the Affordable Housing Opportunity Fund to provide seed money to establish a public-private preservation commitment of funds which will proactively leverage public and private capital to support affordable housing developments.
- Add \$10 million over the six-year period for a new to Revitalization for Troubled and Distressed Common Ownership Communities project to provide financial and technical support for aging neighborhoods with homeowner and condominium associations to address delayed maintenance and rehabilitation of their common areas.

PROGRAM CONTACTS

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Contact Pofen Salem of Department of Housing and Community Affairs at 240.777.3728 or Anita Aryeetey of the Office of Management and Budget at 240.777.2784 for more information regarding this department's housing capital budget.

CAPITAL PROGRAM REVIEW

Two new projects and two ongoing housing projects comprise the recommended FY25-FY30 Capital Improvements Program in Housing for Department of Housing and Community Affairs, for a total six-year cost of \$242 million. Overall, funding for affordable housing has increased by 195 million. The increase in direct expenditures in this program are mainly attributed to the increase in total County investment in the Affordable Housing Acquisition and Preservation Program with the addition of \$50 million in FY25 and \$22 million in each of FY29 and FY30, and two new programs, the \$50 million Nonprofit Preservation Fund with a total funding of \$50 million and the \$10 million Revitalization for Troubled and Distressed Common Ownership Communities. These increases are partially offset by the completion of the Preservation of Naturally Occurring Affordable Housing Fund project (\$70.2 million) prior to the six-year period. An additional \$20 million in FY26 and FY27 is also committed to the Affordable Housing Opportunity Fund, resulting in a total project cost of \$40 million to attract investors and leverage additional private capital to preserve at-risk affordable rental units. FY24 loan repayments funding has also increased by \$56 million.



Affordable Housing Acquisition and Preservation

(P760100)

Category	Community Development and Housing	Date Last Modified	01/11/24
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Land	556,654	296,231	63,423	197,000	82,000	27,000	22,000	22,000	22,000	22,000	-
TOTAL EXPENDITURES	556,654	296,231	63,423	197,000	82,000	27,000	22,000	22,000	22,000	22,000	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Current Revenue: General	50,000	-	-	50,000	50,000	-	-	-	-	-	-
Current Revenue: Montgomery Housing Initiative	4,775	4,775	-	-	-	-	-	-	-	-	-
HIF Revolving Program	320,216	187,675	30,032	102,509	17,355	16,331	15,740	16,956	17,370	18,757	-
Loan Repayment Proceeds	152,123	99,241	23,391	29,491	4,645	5,669	6,260	5,044	4,630	3,243	-
Recordation Tax Premium (MCG)	29,540	4,540	10,000	15,000	10,000	5,000	-	-	-	-	-
TOTAL FUNDING SOURCES	556,654	296,231	63,423	197,000	82,000	27,000	22,000	22,000	22,000	22,000	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 25 Request	82,000	Year First Appropriation	FY01
Appropriation FY 26 Request	27,000	Last FY's Cost Estimate	441,986
Cumulative Appropriation	359,654		
Expenditure / Encumbrances	306,545		
Unencumbered Balance	53,109		

PROJECT 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 Housing Opportunities Commission 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

Cost increase reflects loan repayment proceeds received in FY24, additional funds in FY25 to leverage resources from impact investors to produce and preserve additional affordable units and additional funding in FY29 and FY30 for this ongoing project net of transfers and shifts of loan repayments to the Nonprofit Preservation Fund.

PROJECT 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 restrictions 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 (MHI) Fund. In addition to the appropriation shown above, future loan repayments are expected and will be used to finance future housing activities in this project. FY22 supplemental appropriation in Loan Repayment Proceeds for the amount of \$14,749,992.

In FY24, \$7.980 million in Loan Repayment Proceeds were transferred to the Nonprofit Preservation Fund. In FY25, \$5 million in Loan Repayment Proceeds will be shifted to the Nonprofit Preservation Fund.

DISCLOSURES

Expenditures will continue indefinitely.

COORDINATION

Housing Opportunities Commission, non-profit housing providers, and private sector developers.



Affordable Housing Opportunity Fund

(P762101)

Category	Community Development and Housing	Date Last Modified	01/07/24
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Land	40,000	9,456	10,544	20,000	-	5,000	15,000	-	-	-	-
TOTAL EXPENDITURES	40,000	9,456	10,544	20,000	-	5,000	15,000	-	-	-	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Current Revenue: General	2,916	-	2,916	-	-	-	-	-	-	-	-
Loan Repayment Proceeds	20,000	-	-	20,000	-	5,000	15,000	-	-	-	-
Recordation Tax Premium (MCG)	17,084	9,456	7,628	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	40,000	9,456	10,544	20,000	-	5,000	15,000	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 25 Request	-	Year First Appropriation	FY21
Appropriation FY 26 Request	5,000	Last FY's Cost Estimate	20,000
Cumulative Appropriation	20,000		
Expenditure / Encumbrances	9,456		
Unencumbered Balance	10,544		

PROJECT DESCRIPTION

This project provides funding to address the urgent challenge of preservation and development of affordable housing in areas at risk of rent escalation to higher market rents, including the Purple Line Corridor and other County transit corridors. The funds will be used to provide seed money to establish a public-private preservation commitment of funds which will proactively leverage public and private capital to support affordable housing developers in preserving and producing targeted affordable housing. The County commitment of funds will allow establishing parameters of a contractual agreement with a fund manager, such as a Community Development Financial Institution (CDFI), which would coordinate commitment of private capital to align with the County's funds and support acquisitions of properties to create long-term affordability. The County's project funds would be dedicated as available to acquisition transactions in combination with the private capital under predetermined terms, with County lending based on approval of each transaction. The approved funds are expected to support financing activity within six months of allocation, based on time needed to identify partners, develop investment guidelines, and document responsibilities. The funds will be used to assist affordable housing developers purchasing properties offered for sale, and potentially to purchase property from the County which it acquires under the Right of First Refusal law. 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. Loan terms will primarily be short term (up to 36 months) in duration. Funds are expected to revolve based on refinancing or redevelopment financing.

COST CHANGE

Cost increase due to the addition of anticipated loan repayment proceeds in FY26 and FY27.

PROJECT JUSTIFICATION

The County has a severe shortage of affordable housing and needs to maximize and leverage private investment in the preservation and creation of dedicated affordable housing. The fund structure will establish predetermined underwriting parameters and qualifications for rapidly purchasing targeted properties. The fund structure will allow time for implementing a range of longer-term actions addressing specific property opportunities from rental agreements to redevelopment. The expectation is that these funds will leverage approximately \$4 for every \$1 of County funding. Opportunities to purchase property utilizing the County's Right of First Refusal could arise without advance notice and would not be planned in advance. Other targeted acquisitions would benefit from access to a dedicated source of ready funding. Properties may be acquired by the County, the Housing Opportunities Commission, non-profit developers or other entities that agree to maintain affordability, or develop/redevelop a property for affordable housing.

OTHER

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

FISCAL NOTE

FY21 approved supplemental for \$8,000,000. Future loan repayments are expected and will be used to finance future housing activities in this project.

COORDINATION

Montgomery County Revenue Authority, Housing Opportunities Commission, non-profit housing providers, private sector developers, and financing institutions.



Nonprofit Preservation Fund

(P762301)

Category	Community Development and Housing	Date Last Modified	01/07/24
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Land	50,000	-	35,000	15,000	15,000	-	-	-	-	-	-
TOTAL EXPENDITURES	50,000	-	35,000	15,000	15,000	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Current Revenue: General	1	-	1	-	-	-	-	-	-	-	-
Loan Repayment Proceeds	49,999	-	34,999	15,000	15,000	-	-	-	-	-	-
TOTAL FUNDING SOURCES	50,000	-	35,000	15,000	15,000	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 25 Request	15,000	Year First Appropriation	FY24
Appropriation FY 26 Request	-	Last FY's Cost Estimate	-
Cumulative Appropriation	35,000		
Expenditure / Encumbrances	-		
Unencumbered Balance	35,000		

PROJECT DESCRIPTION

This project provides funding to preserve existing affordable housing in developments at risk of rent escalation to higher market rents. The fund is expected to reach \$20 million in FY24, with the goal of up to \$50 million in the revolving fund. The Nonprofit Preservation Fund (NPF) CIP will be used to provide capital lending to nonprofit entities to support acquisitions and preservation to ensure continued affordability of the County's existing affordable housing stock.

To qualify for capital lending, entities must be a 501(c)(3) with experience in affordable housing development or be the local housing authority. Loans will be for specific properties, which must:

- have been constructed at least 20 years ago;
- have other necessary capital identified for the acquisition, unless this requirement is conditionally waived for 90 days;
- restrict rental increases on the affordable units to no more than the Voluntary Rent Guidelines (VRG) issued by the Department of Housing & Community Affairs (DHCA);
- agree to a minimum 30-year affordability restriction; and
- achieve at least 20 percent of units at 50 percent of Area Median Income (AMI) or below and 10 percent of units at MPDU level or below within three (3) years of acquisition.

Lending applications will be considered on a rolling basis and are subject to available funds. HOC shall conduct underwriting for each loan and will connect applicants to potential investors for individual projects. DHCA will administer the Fund and will review and approve or reject loan recommendations. County priorities will be taken into consideration during the review of applications.

While HOC is eligible for loans from the Fund, HOC cannot be awarded more than 25 percent of the fund at any given time. Loans will include an origination fee of 1 percent, except for HOC projects, which would not include an origination fee. The maximum loan term is for seven (7) years, which may be extended to a total of ten (10) years in certain instances.

COST CHANGE

Cost change is due to the addition of \$49.99 million funded with an initial transfer of \$19.999 million per Council Resolution 20-239, FY24 Executive transfers and shifts of loan repayments from the Preservation of Naturally Occurring Affordable Housing Fund and the Affordable Housing Acquisition and Preservation projects totaling \$30 million.

PROJECT JUSTIFICATION

The County has over 25,900 unrestricted housing units affordable to households earning under 65 percent of area median income; however, the 2020 Planning Department Preservation Study identified the risk of losing between 7,000 to 11,000 affordable housing units due to expected rent increases.

The Nonprofit Preservation Fund will support efforts by the County's nonprofit development partners to preserve these at-risk properties and will provide much needed additional capital to preserve and create affordable housing units.

OTHER

Resale or control period restrictions will be included to ensure long-term affordability for activities funded with this project.

FISCAL NOTE

The Council may direct up to \$20 million in loan repayments associated with the Preservation of Naturally Occurring Affordable Housing Fund (P762201) project that is received in FY24 to this CIP project. FY24 supplemental in Current Revenue: General for the amount of \$1,000.

FY24 transfers of \$7.020 million in loan repayments from the Preservation of Naturally Occurring Affordable Housing Fund and \$7.980 million of loan repayments in FY24 from the Affordable Housing Acquisition and Preservation projects. FY25 shift of \$15 million from the Preservation of Naturally Occurring Affordable Housing Fund (\$10 million) and the Affordable Housing Acquisition and Preservation (\$5 million) projects.

COORDINATION

Department of Housing and Community Affairs, Housing Opportunities Commission, and nonprofit housing providers and developers.



Preservation of Naturally Occurring Affordable Housing Fund

(P762201)

Category	Community Development and Housing	Date Last Modified	01/12/24
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Land	70,200	70,200	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	70,200	70,200	-	-	-	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Current Revenue: General	40,000	40,000	-	-	-	-	-	-	-	-	-
Loan Repayment Proceeds	30,200	30,200	-	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	70,200	70,200	-	-	-	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 25 Request	-	Year First Appropriation	FY22
Appropriation FY 26 Request	-	Last FY's Cost Estimate	70,200
Cumulative Appropriation	70,200		
Expenditure / Encumbrances	70,200		
Unencumbered Balance	-		

PROJECT DESCRIPTION

This project provides funding to preserve current naturally occurring affordable housing (NOAH) in areas at risk of rent escalation to higher market rents, including the Purple Line Corridor and other County transit corridors. The Fund will be used to provide capital to support acquisitions and preservation to ensure continued affordability of currently naturally occurring affordable housing. Price pressures in housing, particularly housing near transit corridors, have increased and will likely continue to increase due to housing demand.

The dedication of funding will increase the capacity of the County to assist affordable housing developers in acquisition of naturally occurring affordable housing. By focusing on the NOAH property market, this project will complement the County's existing funds for affordable housing.

PROJECT JUSTIFICATION

The County has over 25,000 unrestricted housing units affordable to households earning under 65% of area median income; however, the 2000 Planning Department Preservation Study identified the risk of losing between 7,000 to 11,000 affordable housing units due to expected rent increases. As an example, the Purple Line Corridor Coalition analysis identified 6,500 affordable housing units within one mile of a Purple Line station where rents are expected to increase due to transit proximity. The dedication of County resources in the NOAH fund will support a focused effort to preserve these at-risk properties and will provide much needed additional capital to preserve and create affordable housing units.

OTHER

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

FISCAL NOTE

FY22 supplemental in Current Revenue: General for the amount of \$40,000,000.

FY23 supplemental in Loan Repayment Proceeds for the amount of \$30,200,000.

The project is expected to be closed out contingent upon the passage of changes in the Right of First Refusal (ROFR) Law. In FY24, \$7.020 million in loan repayments were transferred to the Nonprofit Preservation Fund. In FY25 a shift of \$10 million in loan repayments will be made to the Nonprofit Preservation Fund. Any additional loan repayment proceeds will be transferred to other CIP Housing projects. To avoid duplication, this project will eventually be closed.

COORDINATION

Housing Opportunities Commission, non-profit housing providers, and private sector developers.



Revitalization for Troubled and Distressed Common Ownership Communities

(P762504)

Category	Community Development and Housing	Date Last Modified	01/07/24
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Planning, Design and Supervision	3,550	-	-	3,550	700	800	800	550	500	200	-
Construction	6,220	-	-	6,220	500	1,000	1,250	1,450	1,045	975	-
Other	230	-	-	230	30	50	50	50	25	25	-
TOTAL EXPENDITURES	10,000	-	-	10,000	1,230	1,850	2,100	2,050	1,570	1,200	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY23	Est FY24	Total 6 Years	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	Beyond 6 Years
Current Revenue: General	10,000	-	-	10,000	1,230	1,850	2,100	2,050	1,570	1,200	-
TOTAL FUNDING SOURCES	10,000	-	-	10,000	1,230	1,850	2,100	2,050	1,570	1,200	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 25 Request	1,230	Year First Appropriation	
Appropriation FY 26 Request	1,850	Last FY's Cost Estimate	-
Cumulative Appropriation	-		
Expenditure / Encumbrances	-		
Unencumbered Balance	-		

PROJECT DESCRIPTION

This project will provide financial and technical support for neighborhoods with Homeowner and Condominium associations, also known as Common Ownership Communities (COCs). All participating COCs must be duly registered, and their respective Board of Directors must have a current and valid certificate of completion for the required Community Governance Fundamentals training.

PROJECT JUSTIFICATION

A vast amount of the housing stock in Common Ownership Communities are now 30 years or older; this is a point where issues associated with aging infrastructure are more prominent and often require immediate attention. In addition, many older multifamily and single-family properties located in the COCs of Montgomery County have become mired in financial instability and adverse economic conditions. As a result, condominium and homeowner associations are forced to defer regular maintenance if members are unable or

unwilling to pay their monthly assessments. These loans are expected to help COCs address improvements including replacement of outdated and inefficient streetlights; community wide exterior home improvements; community wide replacement of condemned balconies; underground and surface stormwater issues; repairs to sidewalks, pathways and parking lots; improvements to courtyards; community signage; other common area improvements and structural issues associated with lack of maintenance. This program will require the condominium or homeowner's association to invest a minimum of 20 percent of the total construction costs.

COORDINATION

Office of the County Executive, Regional Services Centers, Office of the County Attorney, Department of Permitting Services, Office of Procurement, the Maryland-National Capital Park and Planning Commission, Maryland Department of the Environment, and Montgomery County Economic Development Corporation.