

MEMORANDUM

March 12, 2015

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst 

SUBJECT: **Updates:** Housing Opportunity Commission (HOC) Rental Assistance Demonstration (RAD) and Chevy Chase Lake Redevelopment

Expected to attend this session:

Stacy Spann, Executive Director, HOC
Kayrine Brown, Director of Mortgage Finance
Zachary Marks, Assistant Director for New Development

At this session, representatives from the Housing Opportunities Commission will update the PHED Committee on progress with the conversion of public housing properties under the Housing and Urban Development's (HUD) Rental Demonstration Program and the coordinated renovation or redevelopment of each project. In addition, HOC will update the Committee on the redevelopment of its Chevy Chase Lake property.

The PHED Committee and Council had an update on the RAD last spring as a part of CIP worksessions. The following is a link to the Council packet from March 18, 2014.

http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=6&clip_id=6747&meta_id=60711

RAD Update

The RAD is a HUD program that allows Public Housing Authorities to convert public housing units to Project-based Section 8 Vouchers or Project-based Rental Assistance. This gives Public Housing Authorities full ownership of these units which means that they can leverage the value of the asset to renovate or redevelop the housing, which could not be done under the Public Housing program. The Public Housing Authority retains a subsidy for the same

number of units, retaining affordability for residents. The 1st component of the RAD program was capped at 60,000 units nationwide. HOC was proactive in submitting its applications. HUD received application for more than 176,000 units. The HUD website says that “RAD is a central part of the Department's rental housing preservation strategy, which works to preserve the nation's stock of deeply affordable rental housing, promote efficiency within and among HUD programs, and build strong, stable communities.”

Information for this update is attached at ©1-16. HOC also provides extensive information on RAD projects on its website. HOC lists the following as reasons why HOC is participating in RAD:

- The average age of HOC’s multi-family buildings is 36 years old.
- Many repairs to buildings have not been completed because there is inadequate funding from HUD.
- Project-based Section 8 subsidy is far safer from budget cuts and better funded than Public Housing subsidies.
- RAD will allow HOC to access funding from sources in addition to those from HUD to complete repairs and renovations that will greatly improve the living conditions of cluster and multi-family Public Housing building residents.
- Funding can be used for renovations or new construction that will greatly improve the living conditions of HOC’s multi-family residents.

There are 11 properties in the current RAD effort. They are:

- Arcola Towers
- Elizabeth House
- Emory Grove
- Holly Hall
- Ken Gar and Parkway Woods
- Sandy Spring Meadow
- Seneca Ridge
- Towne Center Place
- Washington Square
- Waverly House

HOC provides links on its website to information on each project including an overview of the project, expected timeline, contact information, information on resident meetings, and a link to a powerpoint presentation. As examples, the following are links to information on Arcola Towers, Elizabeth House, and Towne Center Place.

<http://www.hocmc.org/Properties/RAD-Information003A-Arcola-Towers.aspx>

<http://www.hocmc.org/Properties/RAD-Information003A-Elizabeth-House.aspx>

<http://www.hocmc.org/Properties/RAD-Information003A-Town-Centre-Place.aspx>

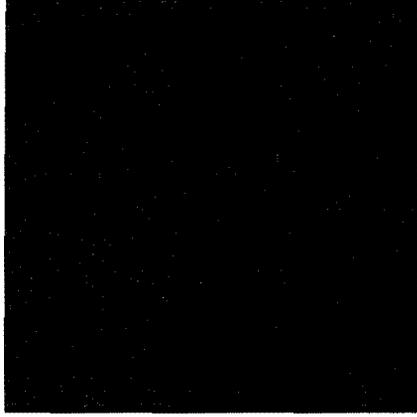
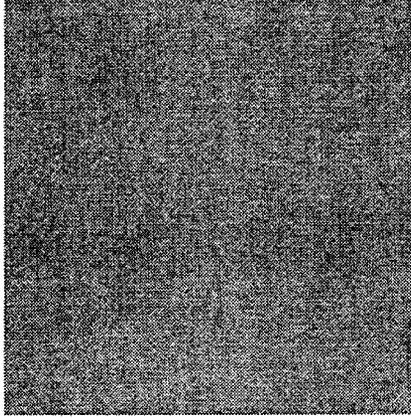
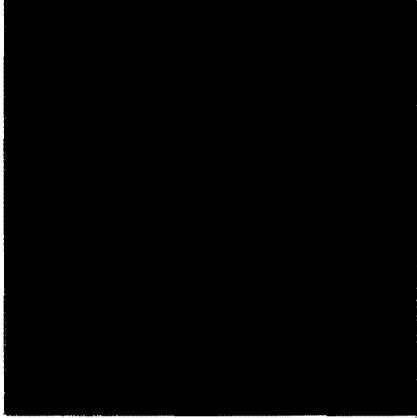
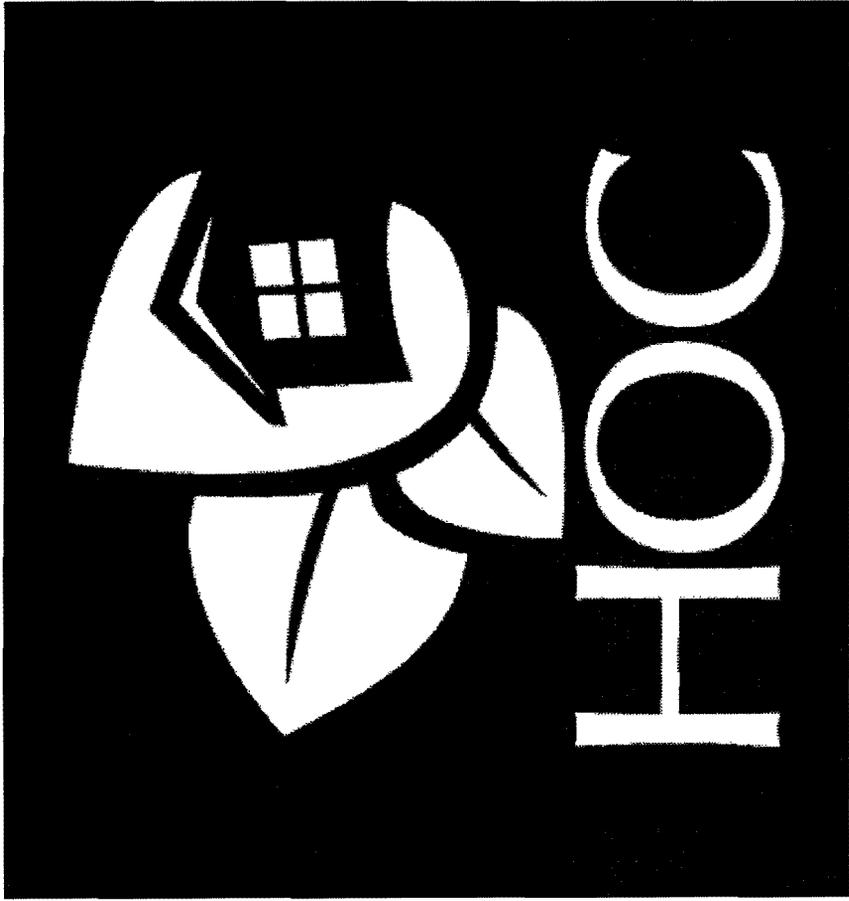
The information in the attached presentation notes that no residents have been disqualified to date (©5) and there are wide allowances for existing residents to be able to remain in units. Some projects that have had recent renovations will be stabilized, some will have major renovations, and some will be permanently relocated (©8). The Committee will see that the renovations will include new exteriors and that the interiors of the units will have renovated kitchens and bathrooms, new floors, and new appliances. This will greatly improve the quality of the units for HOC residents (©10).

HOC's RAD effort will also increase the total number of affordable units that are available across all projects. The information on ©15-16 shows that there will be the same or more units in each development. In some developments there will be an increase in the number of market-rate units which will not only stabilize the financing but will create mixed-income communities. The only two buildings that will remain 100% affordable units are the senior housing at Arcola Towers and Waverly House which are undergoing full renovation.

Chevy Chase Lake

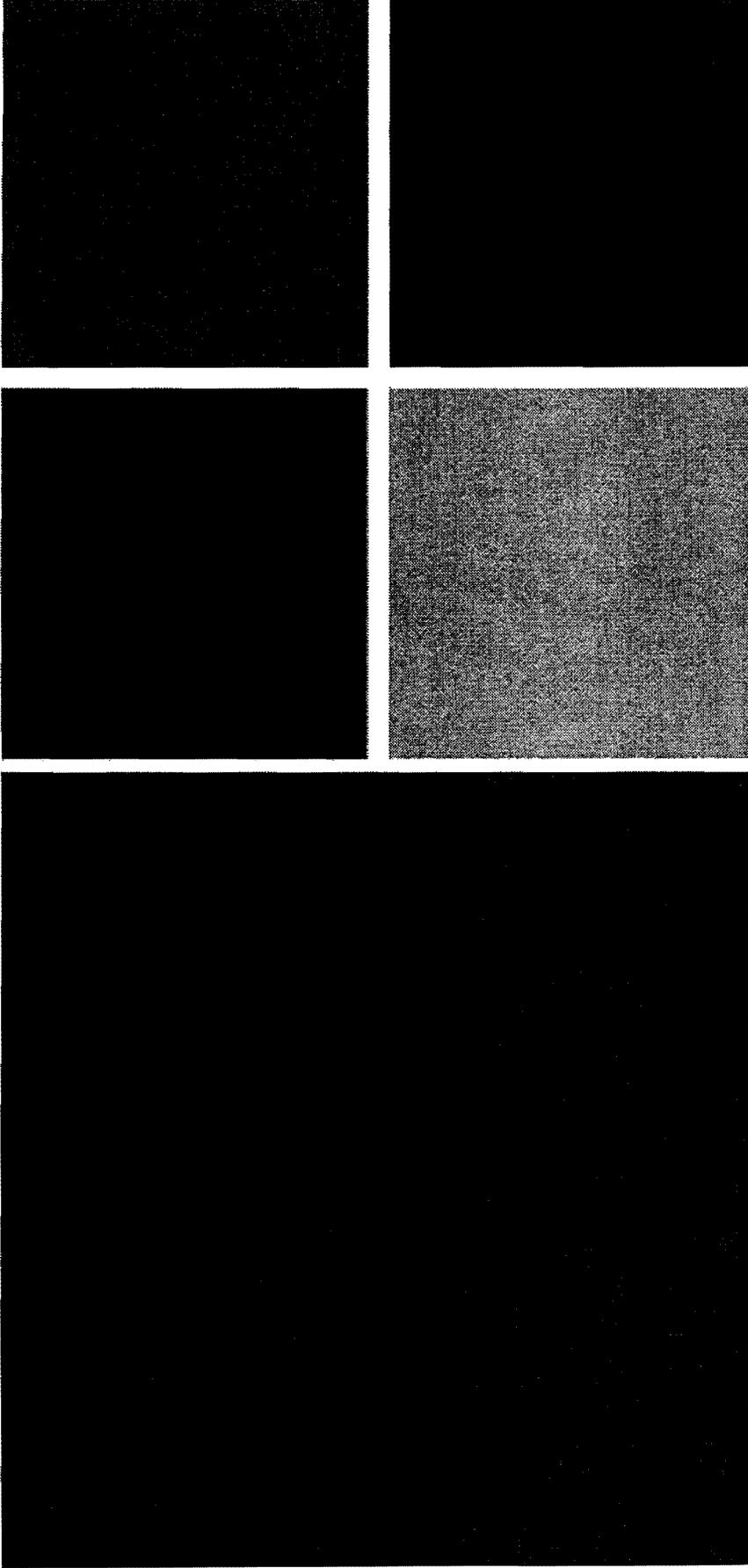
The Committee will receive an update on the redevelopment at Chevy Chase Lake. The July 2014 Planning Board staff memo on the proposed Sketch Plan says that, "the proposed development will transform an existing garden apartment community into a development of townhouses and a multi-family residential building with workforce housing units and moderately priced dwelling units, public open space, structured parking, and vegetated roof." With regards to affordable housing, the multi-family must have at least 20% MPDUs or HOC affordable units for households with incomes at or below 60% of area median income. The townhouses must have a minimum of 15% MPDUs. The multi-family unit must also have a minimum of 20% workforce housing units. In its July 2013 letter to the Council, HOC noted that the current 68-unit property has only 21 affordable units but that the new 200-unit building would have 20% affordable units (40) and 20% workforce units (40).

Attached at ©17 are two illustrations from the July 2014 Planning Board staff memo and at ©18-19 an update letter sent in April 2014 from EYA, HOC's development partner.



Rental Assistance Demonstration

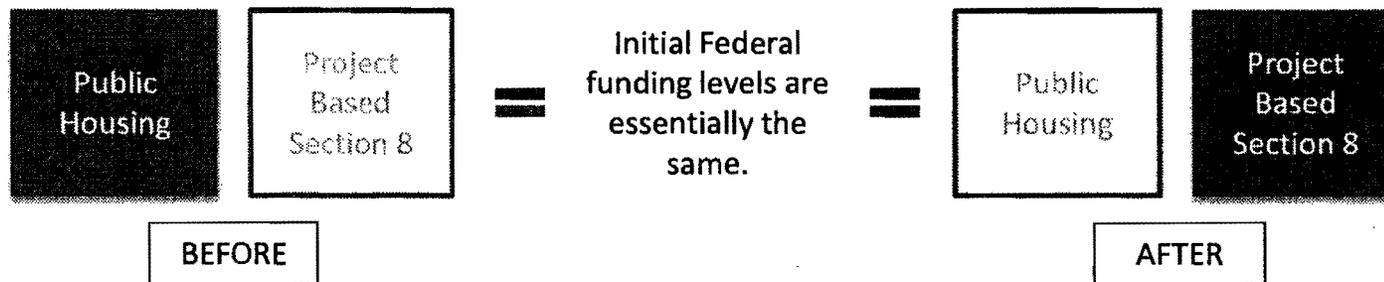
Council Update



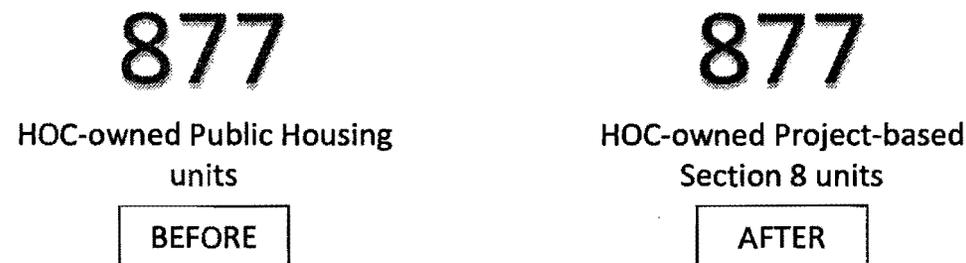
STRENGTHENING OUR HOUSING SAFETY NET

RAD: Program Background

The Rental Assistance Demonstration (“RAD”) program simply converts subsidy.

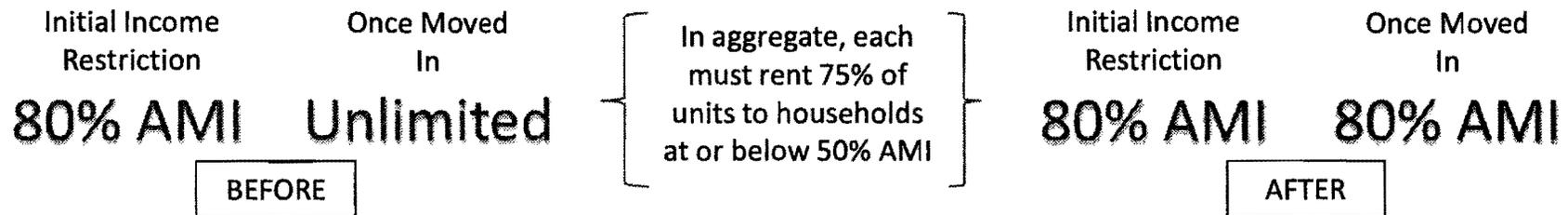


Under RAD, the count of units before conversion must equal the count afterward.

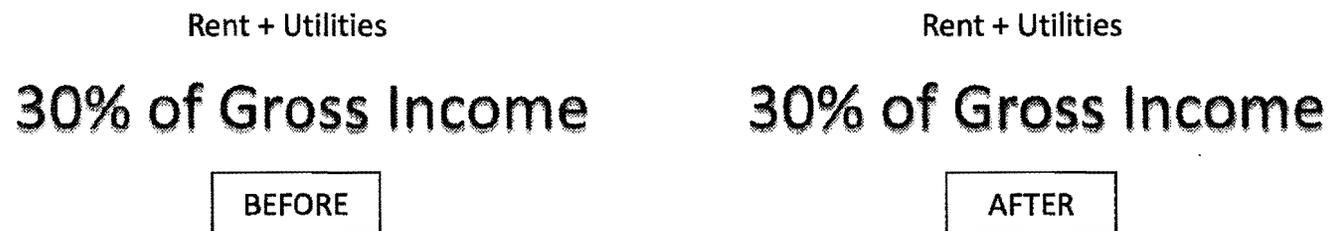


RAD: Program Background

The level of affordability served is essentially the same under either program.



For nearly all residents, the process of rent calculation will not change.



RAD: Program Background

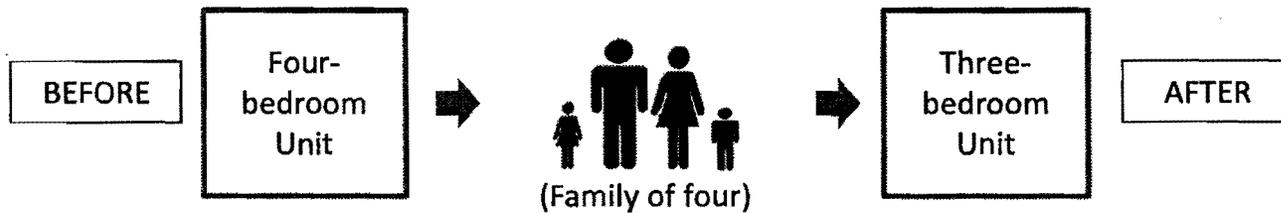
Program provides wide allowances for existing residents to remain in units.

Existing residents cannot be disqualified from conversion for income (see above).

Residents can only be disqualified from conversion for violation of lease.

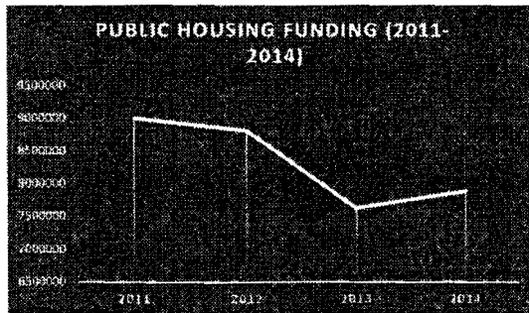
Households will be "right-sized", but HOC can do so internal to each property.

Residents disqualified to date:
0

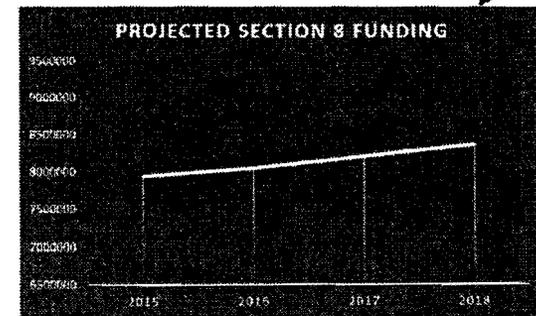


Contractual 2%-3% annual increase

Project-based Section 8 is safer from future Federal budget cuts.



For most converted units, funding will not be susceptible to future sequestration.



RAD: Program Background

Unlike properties within the Public Housing program, those within PBS8 can collateralize debt.

With inability act as collateral, Public Housing properties must fund repairs out of annual cash flow.

Annual Capital
Funding
(Single Unit)

\$1,150

Annual Capital
Funding
(Avg. Property)

\$91,686

Projected Cost of
Comprehensive Renovation
(Per Unit):

\$47,721

WITHIN PUBLIC HOUSING PROGRAM

RENOVATIONS SUPPORTABLE BY ANNUAL CAPITAL FUNDING
(Measured in number of years, if spent on nothing else)

3 Years

All Windows

4 Years

Plumbing

7 Years

HVAC

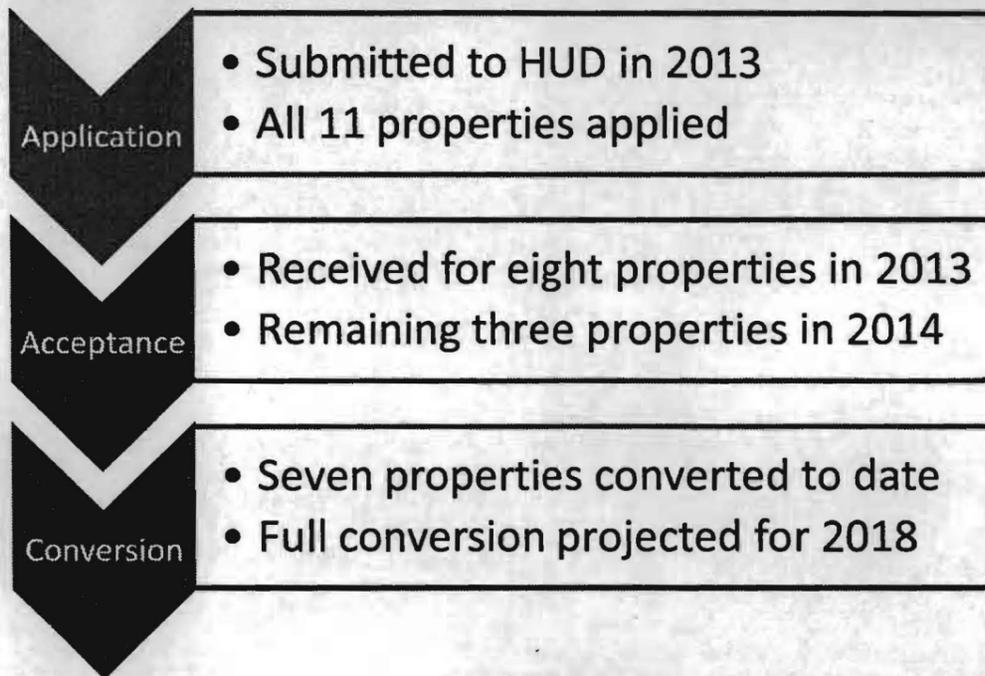
51 Years

Comprehensive
Renovation

6 March 11, 2015

Housing Opportunities Commission

RAD: HOC Participation Status



Number of resident meetings conducted:

50+

Number of un-converted properties:

4

Full conversion by:

2016

Properties converted:

7

Number of properties (still) owned by HOC:

11

All work complete:

2018



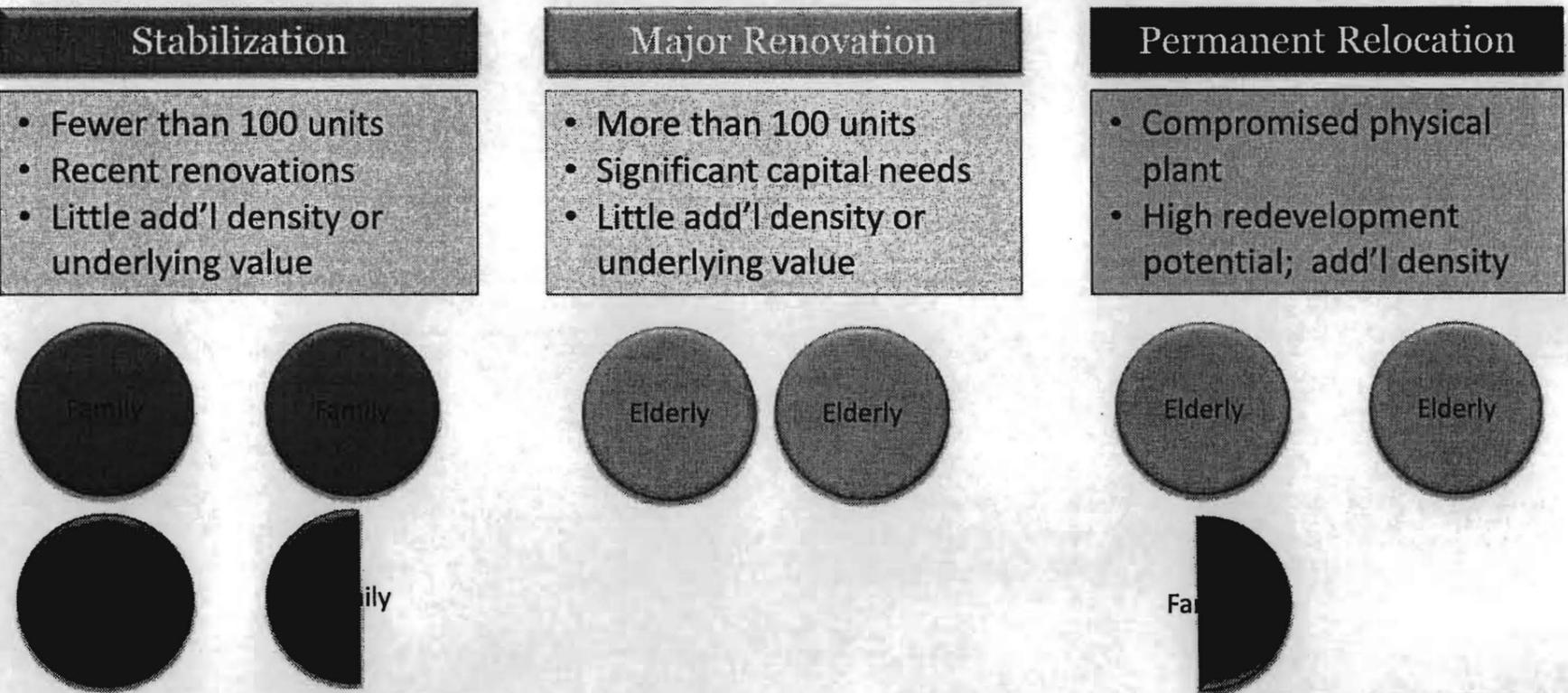
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Housing Opportunities Commission

RAD: HOC Participation Status

At the start, HOC's remaining Public Housing portfolio consisted of eight multifamily assets:

- Four Elderly AMPs
- Four Family AMPs



All family AMPs have converted, and renovations are underway.

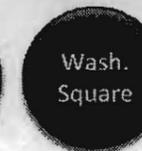


RAD: Converted Properties

All remaining HOC-owned family Public Housing properties have been converted.

Number of properties renovated:

6



Number of units renovated:

268

REINVESTMENT IN PHYSICAL PLANT:

\$15MM

Number vacated for redevelopment:

1



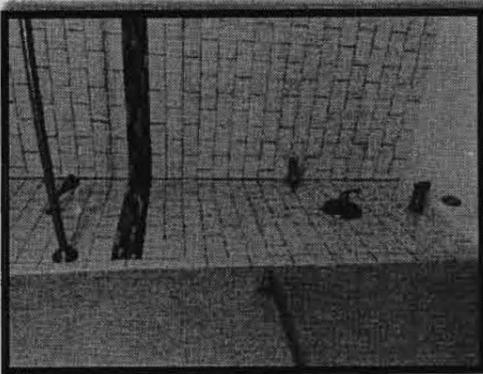
Eventual redevelopment of Emory Grove will add 40-60 new affordable units in a mixed-income community.

Each household chose from at least three HOC-owned, newly renovated homes across the county.

Choices were determined based on survey given to each household.

Survey data provided geographical preference, need for access to transit, and unit amenity requests.

RAD: Renovation Highlights



COMPREHENSIVE SCOPE COMPONENTS

Exterior: roof, gutters, siding

Accessibility: numerous site and unit improvements

Windows: new dual-pane, Low-E

Systems: new high-efficiency HVAC

Kitchens: new cabinetry, new fixtures

Bathrooms: new toilet, new sink/tub, new fixtures

Finishes: new floors, fresh paint

Lighting: modern fixtures, LED bulbs, overhead light

Appliances: all new, Energy Star

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Housing Opportunities Commission



RAD: 2015 Conversions



ARCOLA TOWERS

SILVER SPRING (KEMP MILL)

Built: 1972

Units: 141, elderly

Financing: tax credits (4%), bonds

Remains 100% affordable

PROJECTED START OF RENOVATIONS:

August

REINVESTMENT IN PHYSICAL PLANT:

\$8MM



WAVERLY HOUSE

DOWNTOWN BETHESDA

Built: 1970

Units: 158, elderly

Financing: tax credits (4%), bonds

Remains 100% affordable

PROJECTED START OF RENOVATIONS:

August

REINVESTMENT IN PHYSICAL PLANT:

\$10MM



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RAD: 2015 Conversions

Current Vacancy
13

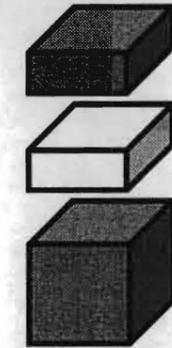
ARCOLA TOWERS

Current Vacancy
4

WAVERLY HOUSE

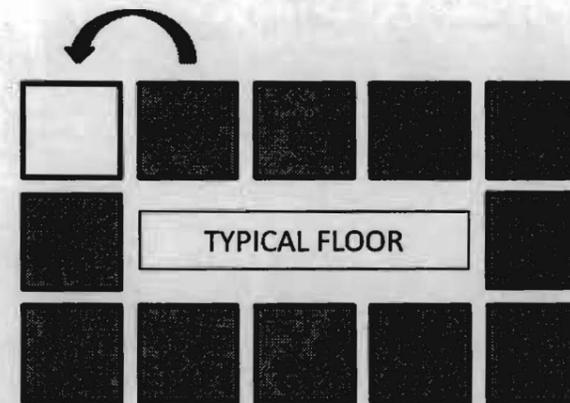
Units per floor:

12



Renovation occurs on vacant floor

Once complete, occupied floor moves into renovated floor



TYPICAL FLOOR

Residents shift one unit over as vacant unit's renovations complete

Vacancy at time of construction start will determine number of floors under active renovation at any one time.



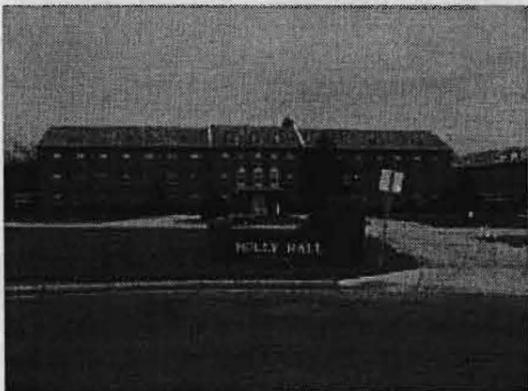
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RAD: 2016 Conversions

HOLLY HALL



New Hampshire Ave. & I-495

As each new building is completed, existing residents will move to one of three new senior communities



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RAD: 2016 Conversions

ELIZABETH HOUSE



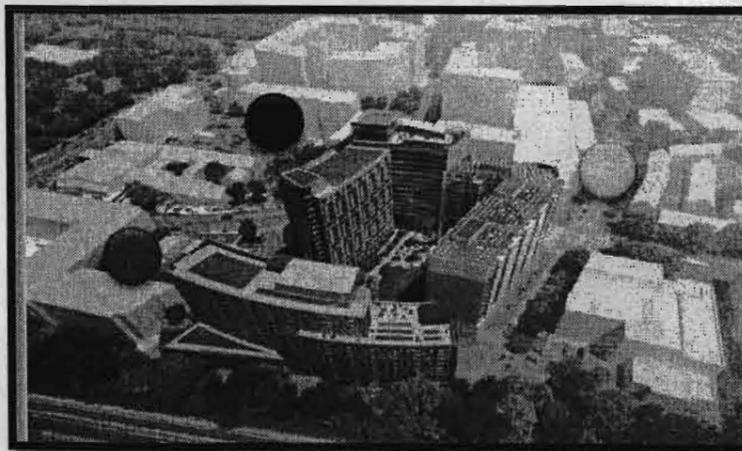
Downtown Silver Spring

Residents will move next door into the new building, once complete



Elizabeth House III

Open 2018



March 11, 2015

- Alexander House (Existing): 311 family units
- 100% HOC owned, 60% market/40% affordable.
- Elizabeth House III (to-be-built): 277 senior units
- 100% HOC controlled, 50% market/50% affordable.
- Elizabeth House IV (to-be-redeveloped Elizabeth House I): 319 units
- 100% HOC owned, 80% market/20% affordable.



RAD: Projected Outcomes

	BEFORE	AFTER (AFF)*	AFTER (MKT)
2014 Conversions			
Ken Gar	19	19	2
Parkway Woods	24	24	2
Towne Centre Place	49	49	2
Washington Square	50	50	30
Emory Grove	54	102	192
Sandy Spring Meadow	55	55	13
Seneca Ridge	71	71	16
2015 Conversions			
Arcola Towers	141	141	0
Waverly House	158	158	0
2016 Conversions			
Elizabeth House	160	220	357
Holly Hall	96	192	229
	877	1,081	843

*Some units located off-site in other new and renovated HOC-controlled housing.

51

March 11, 2015

Housing Opportunities Commission

RAD: Projected Outcomes

Net gain in affordable units:

204

Existing residents served:

2,000+

Reduction in average property age:

17 years

Affordable
Concentration:

100%

BEFORE

Combined new and
re-investment in
Montgomery County
housing:

\$230MM

HARD COSTS ONLY

Affordable
Concentration:

56%

AFTER

Percentage gain in affordable units:

23%

New residents able to be served:

500

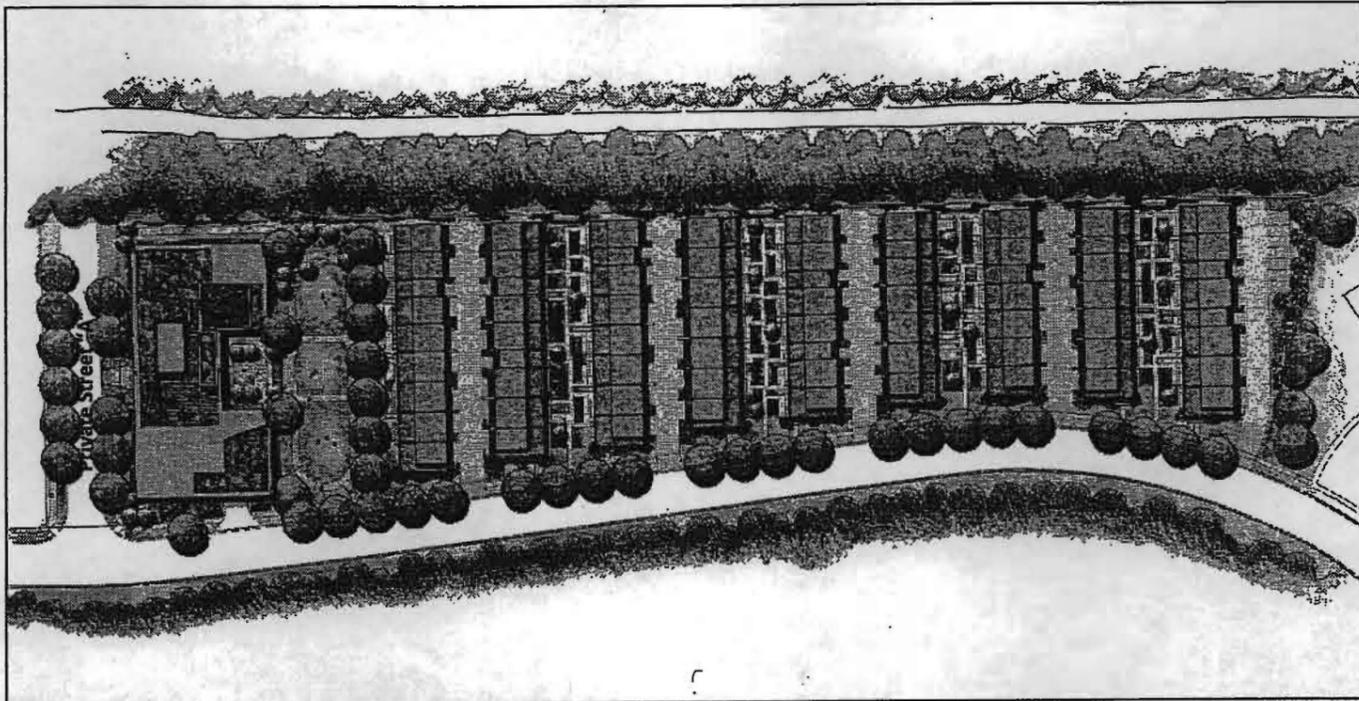
New construction jobs:

Hundreds

March 11, 2015

Housing Opportunities Commission

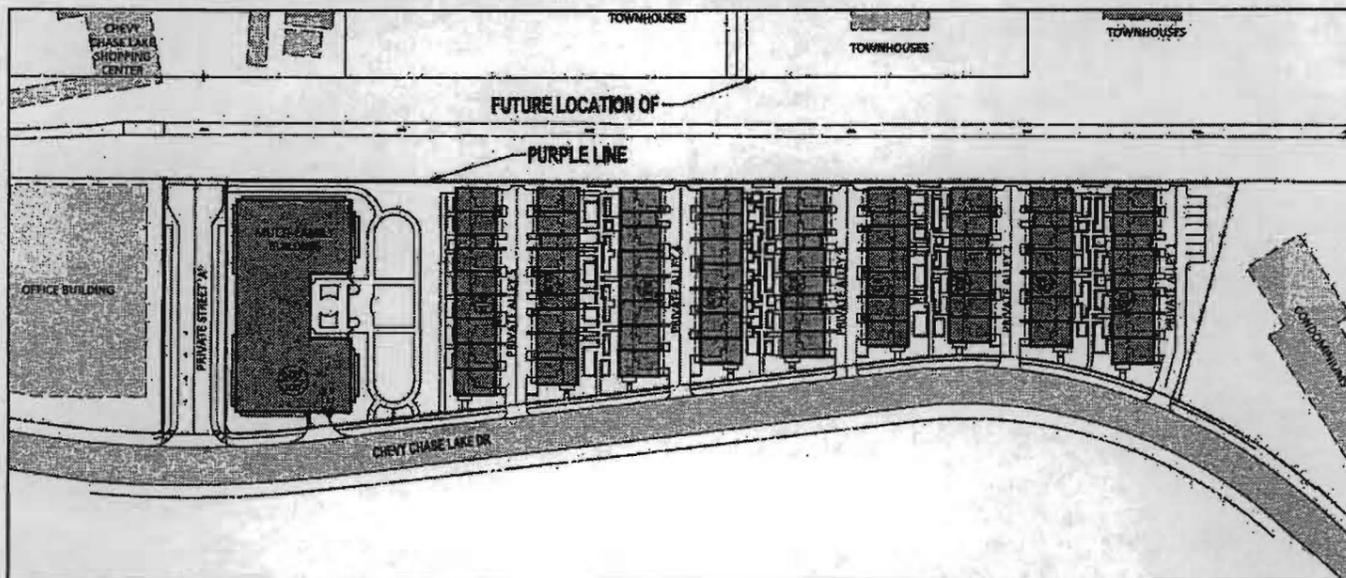
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Illustrative Sketch Plan

Proposal

The proposed Sketch Plan application (Project) proposes to redevelop the Property with up to 388,833 square feet of residential uses. The Project proposes to redevelop Lot 1 with a multi-family building containing 177,833 square feet up to 100 feet in height, which will be continued to be owned by HOC. In addition, the Project will redevelop Lots 2, 3 and 4 into a maximum of 70 townhouse units containing 211,000 square feet in a series of nine rows stepping down from the multi-family building up to 50 feet in height.



Proposed Sketch Plan

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April 29, 2014

The Honorable Craig Rice, President
and Members of the Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

RE: EYA/HOC Chevy Chase Lake Redevelopment Update

Dear Council President Rice and Members of the Council,

On behalf of EYA and the Housing Opportunities Commission (“HOC”), we are pleased to submit to you this update on our joint redevelopment of HOC’s Chevy Chase Lake Apartments. As you may remember, EYA and HOC began working together to redevelop this property during last summer’s Chevy Chase Lake Sector Plan process and over the past several months we have worked closely with HOC to negotiate and execute a development and purchase agreement for the property. Simultaneously, we have partnered with Executive Director Stacy Spann and the HOC development team to prepare and submit the initial entitlement filings reflecting our joint vision for the site. The Project Sketch Plan accepted by MNCPPC on April 25th was virtually identical to the concept plan shared with you and the planning staff and board during the sector plan process and includes a significant net increase in affordable housing for the County.

This redevelopment will replace HOC’s existing 68-unit garden apartment community adjacent to the future Purple Line station with a 175 – 200 unit multifamily building, 70 for-sale townhomes, a new ~1/2 acre public open space, and a new north/south road ultimately linking Chevy Chase Lake Drive and Manor Road. By unlocking the site’s market rate land value, HOC will further its mission by dramatically increasing the amount of affordable housing in the neighborhood, fully utilizing the property’s CRT 2.0 H-100’ and CRT 1.5 H-50’ zoning to provide 20% MPDU’s and 20% WFDU’s in the multifamily building and 15% MPDU’s in the townhomes.

The Project Sketch Plan was developed in close collaboration with the HOC development team and with feedback from the community and guidance from staff. It was designed to meet both the objectives of the Sector Plan and the CR Zone and the requirements set by the Council to move forward prior to construction of the Purple Line in the first phase of redevelopment. We hope to present our application to the Planning Board prior to the summer recess.

Over the past decade, EYA has worked hand-in-hand with the Alexandria Redevelopment and Housing Authority and the DC Housing Authority to redevelop hundreds of units of affordable and public



housing into sustainable, mixed-income communities. These partnerships have not only replaced tired affordable housing with new, high-quality homes for agency residents, but they have also provided new opportunities for residents by integrating the affordable homes with market rate housing. We firmly believe this approach to affordable housing secures the best outcomes for residents and we are excited the County is beginning to pursue these strategies under HOC's new leadership. After reviewing the HOC portfolio, we believe there may be additional opportunities to partner with HOC to further its mission of bringing high-quality, amenity-rich affordable housing to the County and integrating the homes into mixed-income communities side-by-side with market rate housing. With new, experienced development staff, HOC is now in a position to make these types of projects a reality.

We look forward to working with Stacy and his team to help shape a new mixed-income community in Chevy Chase and we genuinely appreciate the Council's support throughout the Sector Plan Process. Our counterparts at HOC have contributed their vision, mission and discipline to our partnership and we are eager to employ our expertise to ensure the project's success. We will continue to provide the Council with status updates as the redevelopment moves through the entitlement process. Thank you again for your support.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Youngentob".

Bob Youngentob
President, EYA, LLC

A handwritten signature in black ink, appearing to read "McLean Quinn".

McLean Quinn
Vice President, EYA, LLC