

Worksession

MEMORANDUM

April 18, 2016

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst *LM*

SUBJECT: **Worksession: FY17 Operating Budget**
Housing Opportunities Commission

Those expected to attend this worksession:

Stacy Spann, Executive Director, Housing Opportunities Commission (HOC)
Terri Fowler, Financial Oversight Manager, HOC
Shauna Sorrells, Legislative and Public Affairs, HOC
Jennifer Bryant, Office of Management and Budget

Overview

For FY17, the County Executive recommends that \$6,513,040 in County tax-supported funding be provided to the Housing Opportunities Commission in support of HOC activities. This is an increase of \$111,632, or 1.7% increase from the FY16 originally approved amount of \$6,401,408. These funds are appropriated to the HOC Non-Departmental Account (NDA) and then provided to HOC.

FY13 Approved	5,583,230
FY14 Approved	6,093,310
FY15 Approved	6,376,480
FY16 Approved	6,401,408
FY17 CE Rec.	6,513,040
% Change FY15-16	1.74%

Note: The Council approved a \$128,028 reduction to the original approved \$6.4 million as a part of the FY16 Savings Plan.

In addition to these funds, HOC also receives County funding through the Capital Improvements Program, the Housing Initiative Fund, the Department of Health and Human Services and an abatement of taxes through the Payment In Lieu of Taxes (PILOT) program. However, most of HOC's budget does not come from County funding. The FY16 Approved Budget for HOC is \$247,751,090.

The following table shows the uses of the County funds appropriated through this non-departmental account for FY14 through FY17. At Council staff's request, HOC staff has provided an expected distribution for FY17. The FY17 distribution is not final as the Commission has not yet adopted its FY17 budget.

	FY14 Approved	FY15 Approved	FY16 Approved	FY17 CE Recommended
Resident Services	\$4,296,229	\$4,369,846	\$4,426,265	\$4,486,406
Customer Services Centers – Client Services	659,161	868,714	837,223	868,714
Customer Service Centers - Rent	100,000	100,000	100,000	100,000
Homeowners Association Fees	157,640	157,640	157,640	157,640
Holy Cross Center at Elizabeth House	10,000	10,000	10,000	10,000
Rental License Fees	340,280	340,280	340,280	360,280
Public/Affordable Housing Electricity	530,000	530,000	530,000	530,000
Total	\$6,093,310	\$6,376,480	\$6,401,408	\$6,513,040

HOC requested an additional \$219,660 for annualization of personnel costs and \$20,000 to reflect the increase in rental licenses fees approved as a part of the FY16 DHCA budget, a increase of \$239,660. The Executive's recommendation continues the \$128,028 FY16 Savings Plan reduction, so the net increase for FY17 is \$111,632.

Council staff recommends approval of the County Executive's recommended total amount of \$6,513,040 recognizing that HOC may need to allocate the funding differently.

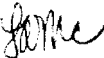
PHED COMMITTEE #2&3
April 20, 2016

ADDENDUM

MEMORANDUM

April 19, 2016

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst 

SUBJECT: **Worksession – FY17-22 Recommended Capital Improvements Program**
Department of Housing and Community Affairs
Housing Opportunities Commission
(Follow-up)

The Affordable Housing Acquisition and Preservation PDF is attached at ©1.

At its February 19 session, the PHED Committee discussed the County Executive's recommendation for the capital funding for the Housing Initiative Fund (HIF), and deferred its recommendation until it could consider the Executive's recommendation for the Operating Budget for the HIF.

Council staff had raised two issues which are discussed below. **Council staff is recommending approving the CIP project as recommended by the County Executive.**

Issuance of Debt

The Executive is recommending that \$13.4 million of the FY17 funding and \$7.8 million of the FY18 funding is from the issuance of non-G.O. Bond debt. As noted, this will add to the future debt service requirements for the HIF. Debt service is projected to go from \$7.95 million in FY17 to \$9.45 million in FY19 and beyond.

Additional Funding for the Pipeline of Projects

DHCA has a pipeline of projects that are under consideration for financing assistance. It is not certain what or what amount of funding will be provided, but DHCA estimates the need may be between \$40 to \$50 million. Funding would come from the current uncommitted balance and the

proposed new funding. Projects include: Rockville Fire Station, Grand Bel II, Housing at Bethesda Conference Center, Mt. Jezereel, Scotland Community (rental), Artist Live/Work, Glenville Road, Kimberly Place, East County Regional Service Center Senior Housing, UpCounty Regional Service Center Housing, and Cornerstone. The projects as currently planned would produce over 800 affordable units.

In addition to these items, the PHED Committee discussed with HOC the plans for the Elizabeth Square project which is proposed to need financing assistance from the County.

Council staff preliminarily recommended adding \$4 million in G.O. Bond funding in FY17 and \$3 million FY18 that would identified not for a specific project but for senior housing because it is likely that there are more projects than there is funding.

Council staff is no longer making this recommendation. If the Council approves the proposed increase in the Recordation Tax then additional funding will be available to the HIF that could help address some of these projects. Whether the rate increase is approved or not, the Committee should encourage the Executive to forward a supplemental appropriation when funds are needed.

The following tables summarize the recommended expenditures and revenues.

Affordable Housing Acquisition and Preservation – EXPENDITURE SCHEDULE

	Total	Thru FY16	6 Years	FY17	FY18	FY19	FY20	FY21	FY22
Recommend	176,786	143,786	33,000	16,000	17,000	0	0	0	0

Affordable Housing Acquisition and Preservation – FUNDING SOURCES for FY17-22 Recommended

	Total	Thru FY16	6 Years	FY17	FY18	FY19	FY20	FY21	FY22
GO Bonds	9,725	9,725	0	0	0				
HIF Revolving Program	121,252	100,000	21,252	13,409	7,843	0	0	0	0
Loan Repayments	36,494	24,746	11,748	2,591	9,157	0	0	0	0
HIF – Current Revenue	4,775	2,500	0	0	0	0	0	0	0
Recordation Tax Premium	4,540	4,540		0					
TOTAL	176,786	143,786	33,000	16,000	17,000	0	0	0	0

Affordable Housing Acquisition and Preservation (P760100)

Category Community Development and Housing
Sub Category Housing
Administering Agency Housing & Community Affairs (AAGE11)
Planning Area Countywide

Date Last Modified 11/17/14
Required Adequate Public Facility No
Relocation Impact None
Status Ongoing

	Total	Thru FY15	Est FY16	Total 6 Years	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	176,786	103,635	40,151	33,000	16,000	17,000	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	176,786	103,635	40,151	33,000	16,000	17,000	0	0	0	0	0

FUNDING SCHEDULE (\$000s)											
G.O. Bonds	9,725	0	9,725	0	0	0	0	0	0	0	0
HIF Revolving Program	121,252	89,809	10,191	21,252	13,409	7,843	0	0	0	0	0
Loan Repayment Proceeds	36,494	11,326	13,420	11,748	2,591	9,157	0	0	0	0	0
Montgomery Housing Initiative Fund	4,775	2,500	2,275	0	0	0	0	0	0	0	0
Recordation Tax Premium	4,540	0	4,540	0	0	0	0	0	0	0	0
Total	176,786	103,635	40,151	33,000	16,000	17,000	0	0	0	0	0

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 17	14,635
Appropriation Request Est.	FY 18	17,000
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		145,151
Expenditure / Encumbrances		103,635
Unencumbered Balance		41,516

Date First Appropriation	FY 01
First Cost Estimate	
Current Scope	FY 17
Last FY's Cost Estimate	176,786
	145,151

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

Increase funding in FY17 and FY18 to include the issuance of \$21.3 million of taxable debt along with the use of loan repayments to provide continued support for this 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 Fund. In addition to the appropriation shown above 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. General Obligation bonds will be used for Housing Opportunities Commission and other projects that bond counsel determines are eligible for tax-exempt bond funding.

Coordination

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