

MEMORANDUM

September 23, 2019

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: **Housing Opportunities Commission (HOC) Update on Affordable Housing Projects – new construction, acquisition, and renovation**

PURPOSE: Update

Expected for this session:

Stacy Spann, Executive Director, Housing Opportunities Commission (HOC)
Zachary Marks, Director of Development and Real Estate
Kayrine Brown, Chief Investment and Real Estate Officer, Mortgage Finance
Shauna Sorrells, Chief Operating Officer

At this session, the PHED Committee will be provided with an update on the ongoing work of HOC to (1) Preserve and expand the County's housing safety net; (2) Preserve at-risk affordable housing; (3) Reinvest in existing affordable housing; (4) Expand the supply of affordable rental housing; and (5) Support affordable housing reinvestment and expansion by private for-profit and non-profit providers.

The presentation slides for the session are attached at © 1- 24. They include data on the growth of its rental housing inventory and households served from 2009 to 2019, levels of affordability, and economic investment. They also provide specific updates on Hillandale Gateway and Elizabeth Square. There is overview information on HOC's participation in The Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration Project (RAD), under which the federal government gave full ownership of property to HOC to allow property to be improved or replaced while assuring that current residents continue to be provided with affordable housing. While Elizabeth Square and Hillandale Gateway are redevelopment opportunities, HOC has also used RAD to make improvements to existing properties such as Arcola Towers and Waverly House.



A Decade Of Affordable Housing Preservation, Reinvestment, and Expansion

PHED Committee Update
September 26, 2019

HOC's Affordable Housing Priorities

1. **Preserve and expand the County's Housing Safety Net (housing affordable to families earning $\leq 50\%$ AMI)**
 - HOC serves more than **9,500 very low income families** in the County -- **1,127 more** than it did in 2009
2. **Preserve at-risk affordable housing (housing affordable to families earning $\leq 50\%$ AMI and $\leq 80\%$ AMI)**
 - HOC has preserved more than **1,603 units of at-risk affordable housing** since 2009, 49% of which are income-restricted to very low and low income families
3. **Reinvest in existing affordable housing**
 - HOC has spent more than **\$254 million** in total development costs (less acquisition costs and reserves) on HOC's existing housing stock to ensure that residents live in the highest-quality, amenity-rich communities
4. **Expand the supply of affordable rental housing**
 - HOC's expansion activities will create **14 new communities** comprising **3,605 units**, including **1,082 affordable units**. Four communities (549 units) have been delivered between 2009-2019, three (489 units) are under construction, and seven (2,567 units) are in the active planning stages (projected construction starts beginning in 2020, with the last start in 2024).
5. **Support affordable housing reinvestment and expansion by private for-profit and non-profit developers**
 - HOC's financing activities since 2009 have supported the creation of **5 new communities** comprising **708 units**, including **687 affordable units**

Benchmark Metrics



Rental Units (HOC Units) – Number of rental housing units owned or managed by HOC



Households Served (HOC Units + HCVs) – Families and individuals living in HOC's portfolio and those living in non-HOC properties using Housing Choice Vouchers



Affordability – Cost of housing as a percentage of income. Affordable units do not exceed 30% of a customer's household income.



Economic Impact – Effect of HOC's real estate activities and voucher program on the local and regional economy

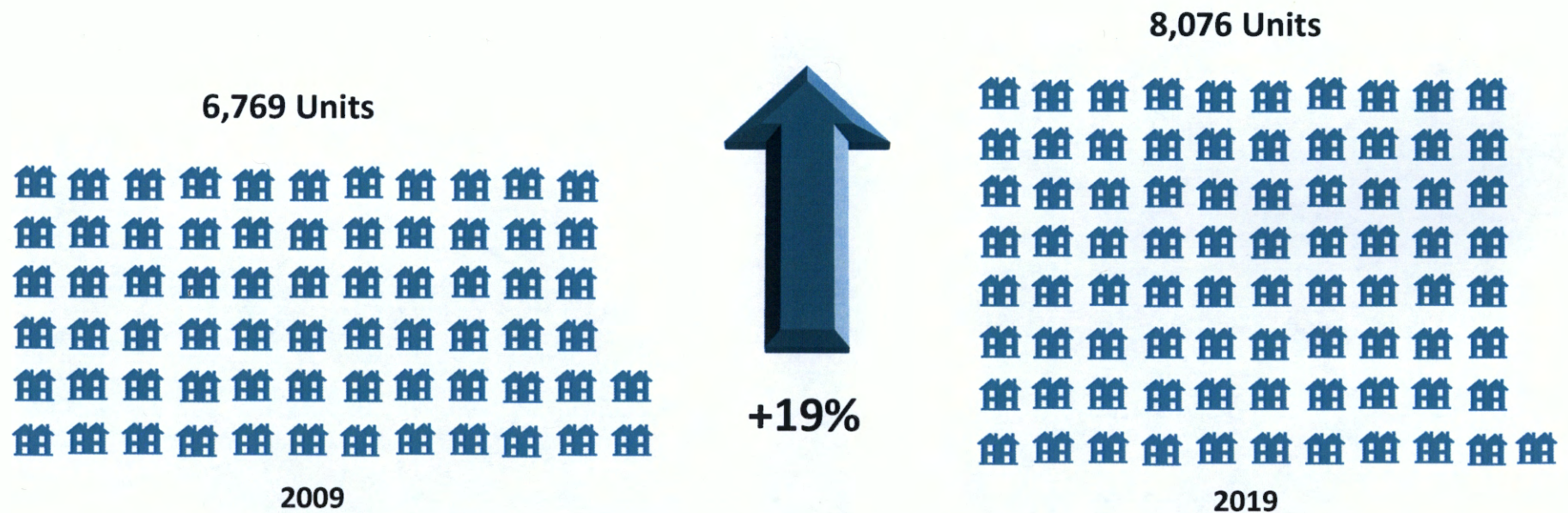


HOC Investment – HOC's revenues and assets devoted to its real estate activities

Growth in Rental Units



HOC has grown its inventory of rental units by 1,307 since 2009



 = 100 units

Growth in Households Served



Households served by income-restricted units and vouchers* in 2009 vs. 2019

*Project based vouchers (PBVs) at HOC properties are counted under income-restricted units and excluded from voucher count

12,135 Households



2009

**+23%
Growth**

14,937 Households



2019

Net new **very low income** ($\leq 50\%$ AMI) households served: 1,127
 Net new **low income** ($51\% \leq 80\%$ AMI) households served: 977
 Net new **workforce** ($81\% \leq 120\%$ AMI) households served: 21
 Net new **market (unrestricted)** households served: 677

- = 250 very low income ($\leq 50\%$ AMI) households
- = 250 low income ($51\% \leq 80\%$ AMI) households
- = 250 workforce ($81\% \leq 120\%$ AMI) households
- = 250 market (unrestricted) households

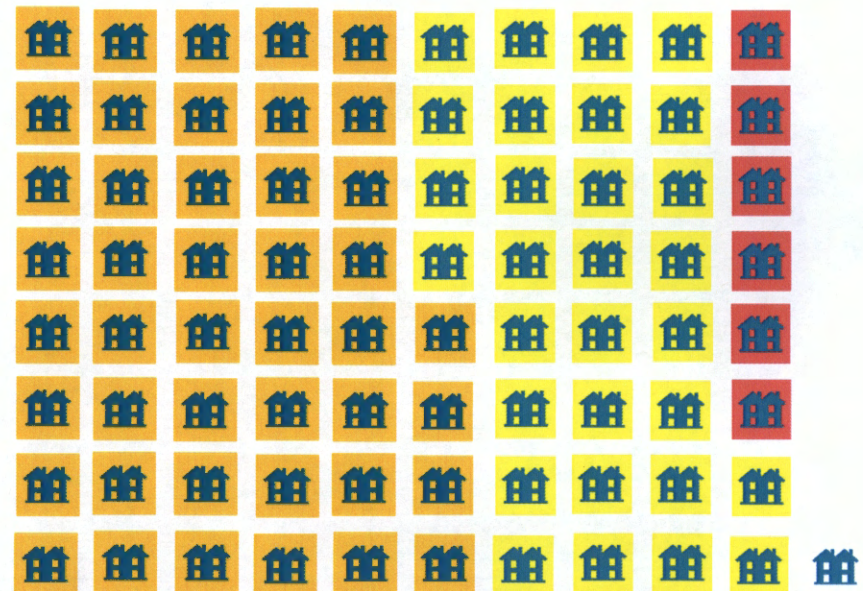
Unit Affordability Today



While 82% of HOC units are income-restricted to very low and low income families, **95% of HOC's units are affordable** to very low and low income households. The 13% increase represents unrestricted units that are priced at very low and low income rent levels, as well as restricted units that priced below their allowable maximum rents.

Units affordable to **very low income** households: **5,982 (74%)**
 Units affordable to **low income** households: **1,691 (21%)**
 Units affordable to **workforce** households: **331 (4%)**
 Units affordable to **market** households served: **72 (1%)**

8,076 Units



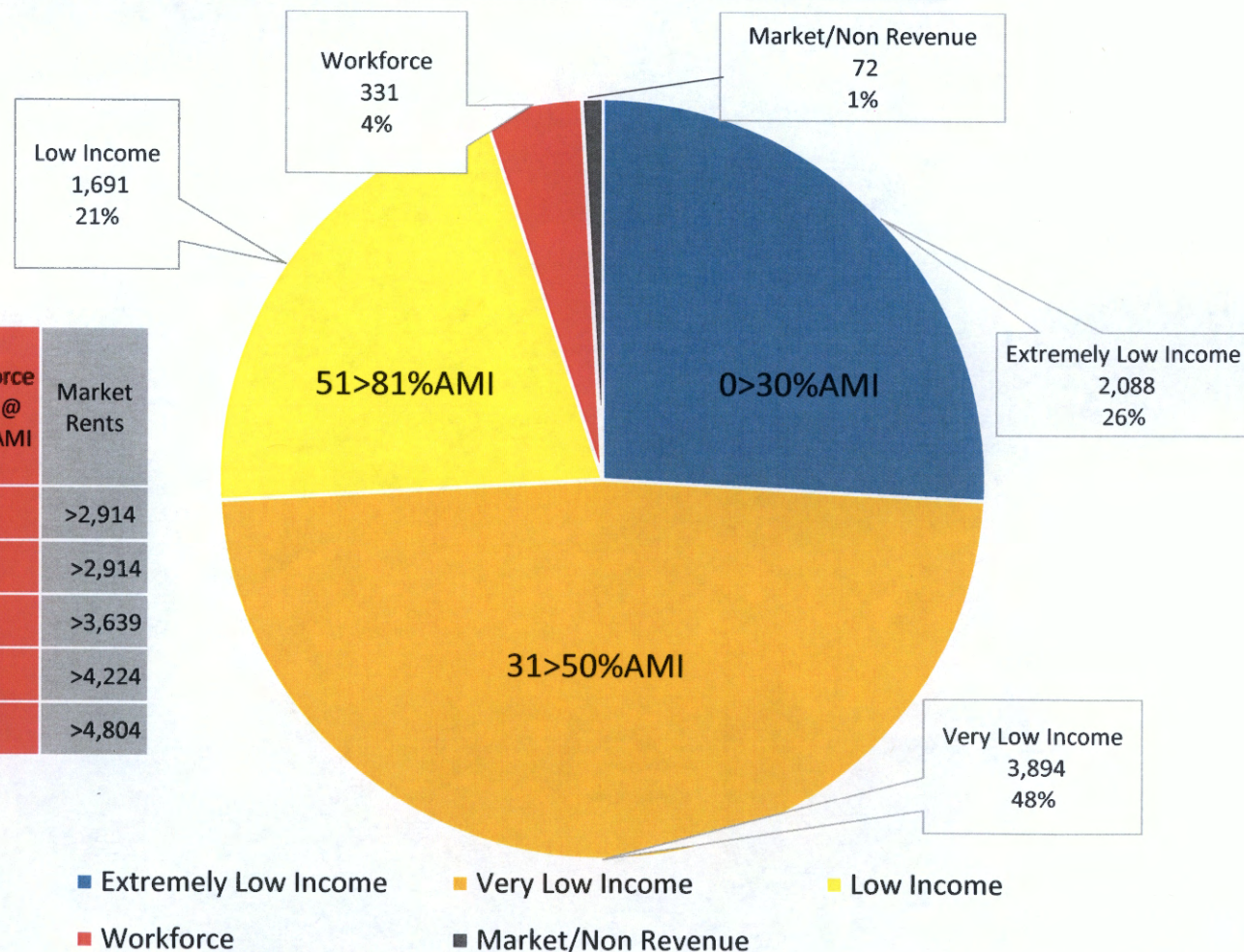
- = 100 units affordable to very low income (≤ 50% AMI) households
- = 100 units affordable to low income (51 ≤ 80% AMI) households
- = 100 units affordable to workforce (81 ≤ 120% AMI) households
- = 100 units of market households (includes office, model and non revenue units)

Unit Affordability Today



Further broken down, **26%** of HOC units are affordable to **extremely low income ($\leq 30\%$ AMI)** households

Number of Bedrooms	Rents @ 30% AMI	Rents @ 50% AMI	Rents @ 80% AMI	Workforce Rents @ 120% AMI	Market Rents
0	729	1,214	1,943	2,914	>2,914
1	729	1,214	1,943	2,914	>2,914
2	910	1,516	2,426	3,639	>3,639
3	1,056	1,760	2,816	4,224	>4,224
+4	1,201	2,002	3,202	4,804	>4,804



Economic Impact of HOC's Real Estate Activities



Economic Impact:

To measure the economic impact on the local economy, HOC uses the IMPLAN economic impact assessment analysis software to generate data for the impact of its real estate activities on the economy.

\$1,833,206,207

Total development spending by HOC and/or by HOC supported developments since 2009 and in the immediate pipeline. This excludes acquisition costs and guarantees and reserves.

\$3.1 billion

Total economic output

This output is equivalent to a 1.7 economic impact multiplier. In other words, for every dollar of real estate development, financing and related activities spent by HOC and HOC supported private developers, an additional \$0.70 in economic value is created in the County.

\$51 million

In County tax revenue

\$1.1 billion

In labor income

Of the total \$3.1 billion economic output, \$1.1 billion has been or will be spent on labor compensation to the residents of the County.

19,103

Jobs supported or created

Through these investments, HOC helped or will help create an estimated 10,391 jobs in the County. In addition to this direct employment, the investment has resulted or will result in the creation of additional 8,711 jobs through indirect (business-to-business transactions indirectly caused by the direct spending) and induced (increased personal income and consumption caused by the direct and indirect effects) economic activities, for the total of 19,103 jobs

Economic Impact of HOC's Voucher Payments



Economic Impact:

To measure the economic impact on the local economy, HOC uses the IMPLAN economic impact assessment analysis software to generate data for the impact of its voucher payments on the economy.

\$952,595,812

Total HOC voucher payments since 2009

\$1.3 billion

Total economic output

This represents the direct, indirect and induced effect of HOC's voucher payments since 2009.

\$26 million

In County tax revenue

\$331 million

In labor income

Of the total \$1.3 billion economic output, \$331 million has been or will be spent on labor compensation to the residents of the County.

4,690

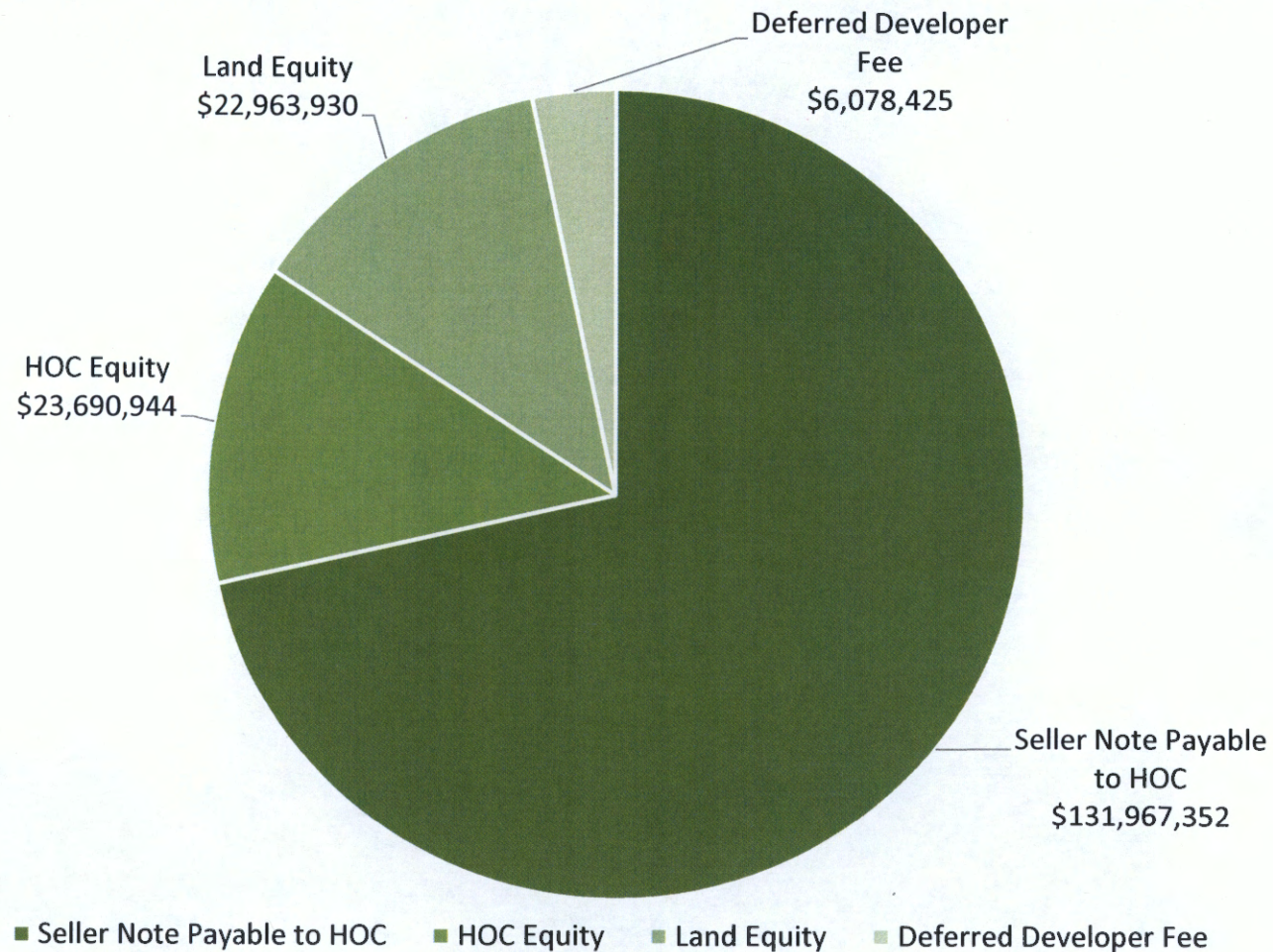
Jobs supported or created

Through these payments, HOC helped or will help create an estimated 2,707 jobs in the County. In addition to this direct employment, the payments have resulted or will result in the creation of additional 1,983 jobs through indirect (business-to-business transactions indirectly caused by the direct spending) and induced (increased personal income and consumption caused by the direct and indirect effects) economic activities, for the total of 4,690 jobs

HOC Investment



Total HOC investment since 2009 or in immediate pipeline: **\$182,700,652**



Preservation (Acquisition)



- Preserved **nine*** affordable properties since 2009
- Expanded HOC-owned inventory of rental units by **1,603***

* Includes HOC's purchase of Westwood Tower, previously a long-term lease



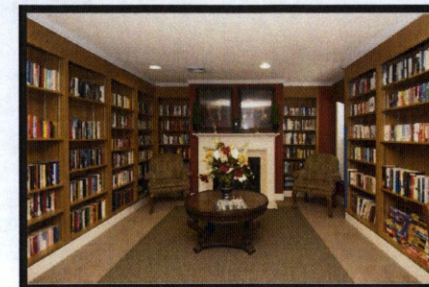
- Preserved and/or restricted **787** affordable units



- **10%** of the units serve **very low income** families
- **39%** of the units serve **low income** families
- **51%** of units are unrestricted



- HOC's preservation activities resulted in **\$30 million** in total spending since 2009
- Created **310 jobs**, and generated **\$1 million** in County Tax Revenue



Reinvestment (Rehabilitation)



- Substantial rehabilitation of **20 properties** and **2,529 units** of mixed-income housing since 2009
- Improved interior and exterior aesthetic, new systems and appliances, increased **energy efficiency**



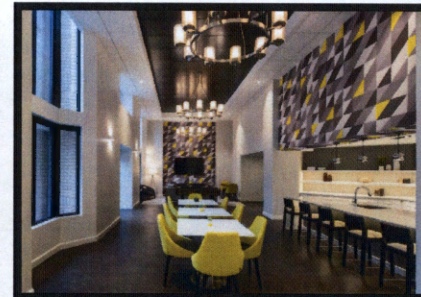
- Preserved and/or restricted **2,183** affordable units



- **43%** of units serve **very low income** families
- **44%** of units serve **low income** families units



- HOC's reinvestment activities resulted in **\$254 million** in total spending since 2009
- Created **2,642 jobs**, and generated **\$7 million** in County Tax Revenue



Expansion (Development)



- HOC's expansion activities will create **14 new communities**, comprising **3,605 units** of mixed-income, amenity rich and community-connected housing
- Four communities (549 units) have been **delivered*** between 2009-2019, three (489 units) are **under construction**** and seven (2,567 units) are in the **active planning** stages and will begin construction by 2024.

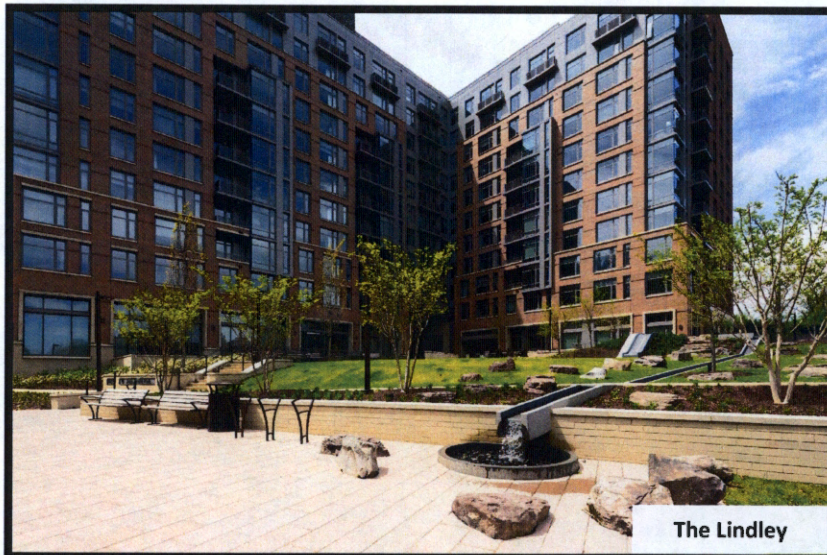
At least **30%** of the units will be affordable (**1,082 units**)

Expansion since 2009:

- Resulted in **\$116 million** in total spending since 2009
- Created **1,200 jobs**, and generated **\$3 million** in County Tax Revenue

Expansion in Immediate Pipeline

- Will result in estimated **\$1.3 billion** in total spending
- Will create estimated **13,736 jobs**, and will generate **\$36 million** in County Tax Revenue



*Includes the delivery of Fenton Silver Spring in October 2019

**Includes the construction start for Elizabeth House III

Expanded Affordability Through Financing



- Financed **708 units** of rental housing



- Preserved and/or restricted **687** affordable units



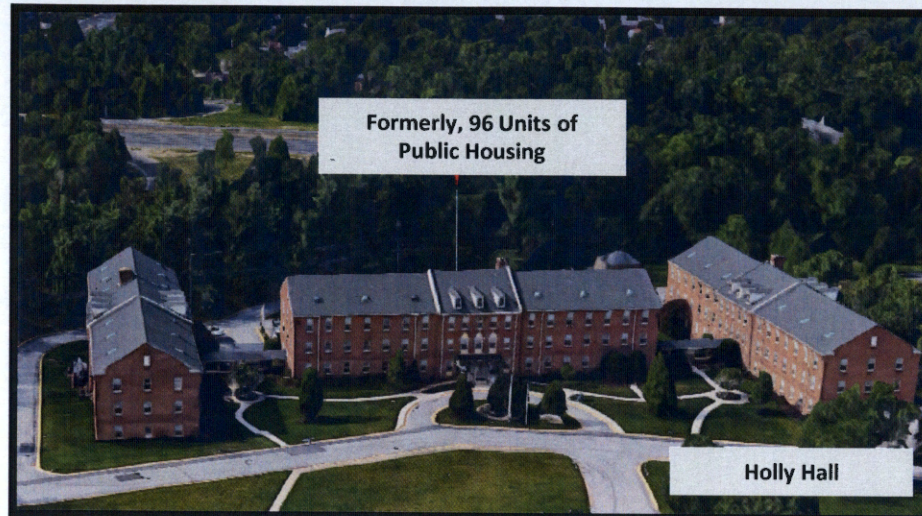
- **10% of units** will support households $\leq 50\%$ AMI
- **85% of units** will support households $\leq 60\%$ AMI
- **2% of units** will support households $\leq 70\%$ AMI
- **3% of units** will be market



- HOC's Financing activities resulted in **\$120 million** in total spending since 2009
- Created **1,214 jobs**, and generated **\$3.4 million** in County Tax Revenue



CASE STUDY: Hillandale Gateway (Before)



84 RAD PBRA UNITS

**Supported construction of 229
new units offsite**

ranging in affordability from 0% AMI to 80% AMI

12 RAD PBV UNITS



5

CASE STUDY: Hillandale Gateway (After)

463 new units
of mixed-income,
inter-generational housing



Leader in innovative building techniques:
first **Prescient** and **Net Zero Energy**
development in Montgomery County



Hillandale Gateway

Affordability:
25% (116 units) @ 60% AMI and
5% (23 units) @ 80% AMI



Public-Private Partnership with multi-
generational Montgomery County
developer



Catalyst for investment and revitalization
in Eastern Montgomery County



\$173 Million
in total development costs



16

CASE STUDY: Elizabeth Square (Before)

Elizabeth House RAD conversion supported the construction of **444 new units** off site, of which **415** are affordable to **low and very low income** households



Formerly, 160 Units of Public Housing

Elizabeth House

106 RAD PBRA and PBV UNITS



Elizabeth House III

24 RAD PBV UNITS



Victory Crossing

30 RAD PBRA UNITS



Victory Haven

CASE STUDY: Elizabeth Square (After)



Intergenerational
Community

LDG
LEE DEVELOPMENT GROUP

Total Development Costs*:
\$486.2 Million

*Includes Alexander House renovation, EHIII and EHIV



**HC HOLY CROSS
HEALTH**

New or newly-
renovated units:
883



Questions

12

ADDENDUM

Section 18
RAD Component One
RAD Component Two
Low Vacancy Vouchers

8

Preserving the Housing Safety Net

TIMELINE 2009-2019

Section 18

RAD 1

RAD 2

Low Vacancy Vouchers

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

12

Section 18 Disposition



- Preserved **669** units of deeply affordable housing



- Tenant rent contribution stayed the same (**30% of their income**)



- Income of households served: **30% AMI or below**



- Total project cost of **\$41.7 million**, including **\$41.1 million** in renovation costs – an average of **\$62,500** per unit

Background:

- HOC's Section 18 disposition of its 669 scattered site Public Housing units was a critical first step to stabilizing the housing safety net in Montgomery County. It conferred real estate with a combined assessed value of more than \$150MM to HOC with the conditions that residents be properly housed and needed renovations be funded and completed.
- Renovations of units were completed in 2017.

RAD – Component One



- Preserved **877** units of deeply affordable housing from 11 former public housing communities
- Through transfers of assistance, RAD 1 will support the creation of **four** new properties and a total of **568** new units including **539** units that are affordable to very low and low income families
- By leveraging 269 RAD subsidies, **270 net new affordable units** will be created – a **100%** increase



- Tenant rent contribution stayed the same (**30% of their income**)



- Income of households served: **30% AMI or below**



- Total project cost of **\$264 million**, including **\$40.3 million** in renovation costs and **\$157 million** in new construction costs – an average of **\$41,155** per unit in renovation costs and **\$160,588** per unit in new construction costs

Background:

- HUD's Rental Assistance Demonstration Program Component 1 ("RAD 1") was created to give public housing authorities a powerful tool to preserve and improve public housing properties and address the \$35 billion dollar nationwide backlog of deferred maintenance.
- RAD 1 allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. In RAD 1, units move to a Section 8 platform with a long-term contract that, by law, must be renewed in perpetuity.



RAD – Component Two & Low Vacancy Vouchers



- Preserved a total of **240** deeply affordable units across **three** communities
- Provided new subsidy to **143** units



- Tenant rent contribution: **30% of their income**



- Existing **very low income** households served: **78**
- New **very low income** households able to be served: **143**



- Total project cost of **\$83 million**, including **\$24.3 million** in renovation costs and **\$30.9 million** in new construction costs – an average of **\$63,074** per unit in renovation costs and **\$79,943** per unit in new construction costs

Background:

- HUD's Rental Assistance Demonstration Program Component 2 ("RAD 2") was created to give owners of three HUD "legacy" programs (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to enter into long-term Section 8 contracts that facilitate the financing of improvements.
- The Low Vacancy Voucher ("LVV") program is a set-aside of tenant protection vouchers for low income households who may have to pay more than 30% of their adjusted income for rent if they are living certain HUD-assisted multifamily housing in a low-vacancy area.
- HOC converted three properties with expiring Rental Assistance Payment contracts via RAD 2 in 2019. Two of the three properties also received LVVs. HOC has applied for an additional 37 LVVs for the third property.