PHED COMMITTEE #3
February 13, 2020

M E M O R A N D U M

February 12, 2020

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: FY21-26 Capital Improvements Program
Department of Housing and Community Affairs (DHCA)

PURPOSE: Worksession - Committee recommendations; vote required

Those expected for this worksession:
Aseem Nigam, Director, Department of Housing and Community Affairs (DHCA)
Frank Demarais, Deputy Director, DHCA
Stephanie Killian, Chief, Division of Housing, DHCA
Chris Anderson, Chief, Division of Community Development, DHCA
Pofen Salem, Office of Management and Budget

The Executive is recommending three projects for DHCA:

1. Facility Planning: HCD
2. Affordable Housing Acquisition and Preservation
3. Affordable Housing Opportunity Fund

Two projects are classified as pending close-out. Burtonsville Community Revitalization which is expected to be completed by December 2020. Colesville/New Hampshire Avenue Community Revitalization is still ongoing but does not have any new expenditures in the next six years. DHCA shares that this project includes a major façade renovation to the Meadowood Shopping Center that is a public/private partnership. DHCA will purchase a façade easement for $295,000 and the owner will provide matching funds to complete the $600,000 project.

Facility Planning: HCD
(PDF attached © 2)

Expenditures (in $000s)

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
FY19 Approved	4,445	3,945	750	125	125	125	125	NA	NA
CE Recommend	4,695	3,945	750	125	125	125	125	125	125

Source of Funds: Current Revenue
FY21 Appropriation: $125,000

This project provides funding for facility planning studies to determine is they are eligible for Community Development Block Grant (CDBG) funding and meet the criteria for Focused Neighborhood Assistance (FNA). It is included in the CIP because the efforts generally take more than one year. The Executive recommends $125,000 in each of the six years.

Council staff recommends approval of funding as recommended by the Executive.

DHCA has provided the following updates on projects that are a part of Facility Planning. DHCA has included a status for each project of ONGOING, NEW, COMPLETED, or INELIGIBLE.

1. **<u>Kimberly Place - (Aspen Hill)</u> Balcony Replacement and Drainage Improvements/Focused Neighborhood Revitalization Project; balconies and drainage projects.**

   As a result of initial planning studies, Kimberly Place was determined to be eligible for CDBG funding. The drainage improvement construction project will cost approximately $960,000, of which $841,000 is CDBG funds and $119,000 is being funded through the condo association. In addition, CDBG funding in the amount of $536,000 (to date) and $100,000 in State Community Legacy funding is being used to demolish and replace condemned home balconies. The project is expected to be completed by Summer 2020.

   ONGOING

2. **<u>Montclair Manor</u> - (Wheaton)**

   This project was determined to be eligible for CDBG funding. Facility planning activities for safety lighting and other physical improvements at Montclair Manor are complete. Construction is scheduled to begin in Spring 2020. DHCA will use $240,000 in CDBG funds for construction of this project. The HOA will partner by contributing 20% or approximately $48,000. The project is expected to be completed by Autumn 2020.

   ONGOING

3. **<u>Montgomery Village/South Village</u> - (Center Stage, Grover's Forge, The Hamptons, Walker's Choice)**

   Facility planning activities for 4 neighborhoods in Montgomery Village/South Village (Center Stage, Grover's Forge, The Hamptons, Walker's Choice) for lighting, drainage and other physical improvements are complete. These four areas have been determined to be CDBG eligible. Construction is scheduled to begin in Spring 2020. Approximately, $1.6 million in CDBG funds will be utilized for construction of this project. The HOA will contribute 20% of the amount. The project is expected to be completed by Spring 2021.

   ONGOING

4. **<u>Montgomery Village</u> - (Thomas Choice West)**

   The Montgomery Village/Thomas Choice West Community did not meet FNA criteria for physical improvements.

   INELIGIBLE

5. **<u>Grand Bel II</u> - (Aspen Hill) Porches/Entries Replacement & Signage Study**

   Upon evaluation, Grand Bel II was evaluated and did not meet FNA criteria for physical improvements. However, it was referred to the Housing Division of DHCA for analysis as a housing preservation project.

   INELIGIBLE

6. **<u>Hermitage Woods</u> - (Aspen Hill) Stabilization Study**

   Hermitage Woods was evaluated and did not meet FNA criteria for physical improvements. However, it was referred to the Housing Division of DHCA for analysis as a housing preservation project.

   INELIGIBLE

7. **<u>Montgomery Village/Ridgeline</u> - Rehabilitation Analysis (Ridgeline/Clubhouse)**

   Upon evaluation, the Montgomery Village/Ridgeline Community did not meet FNA criteria for physical improvements, and did not meet CDBG eligibility criteria

   INELIGIBLE

8. **Dalewood Drive playground - (North Wheaton) Improvements**

   DHCA coordinated with non-profit MHP to conduct neighborhood clean-up using volunteers. No other further work is anticipated at this time due to site constrictions related to MCDOT drainage easements and underground infrastructure.

   COMPLETED

9. Wedgewood II – (unincorporated Gaithersburg)

   Facility planning funds will be used for design services to alleviate surface drainage issues and evaluate other site improvements. DHCA's preliminary estimated construction cost is $325,000.

   NEW

10. Purple Line Facility Planning

    DHCA's Neighborhood Revitalization Section will evaluate older residential and commercial neighborhoods in proximity to the Purple Line corridor for physical needs that meet FNA criteria. For example, safe pedestrian access links to connect neighborhoods and transit stations will be analyzed. Commercial building facades and residential improvements will also be considered. DHCA has budgeted $120,000 for this study.

    NEW

11. Tralee Court/Damascus and Avonshire/Silver Spring – Upon evaluation these two communities did not meet FNA criteria for physical improvements.

    INELIGIBLE

Process for Candidate Projects and CDBG Eligibility

Last spring, the PHED Committee members asked for additional information on how DHCA selects candidate projects. DHCA has provided the following overview. This is followed by information on how DHCA determines if a project is eligible for CDBG or other non-county funding.

Neighborhood Selection

Projects are selected through a combination of two primary methods: (1) annual analysis of prevailing neighborhood data and indicators; and, (2) through interaction with the community and numerous community partners. A copy of the FNA selection criteria and process are included as ATTACHMENT 1 (© 6-8).

The selection of a neighborhood, or Focus Area, is made as the result of a data-driven analysis focused on single-family homes in primarily, if not exclusively, residential neighborhoods. Data on crime, income (primarily HUD LMI data and Free and Reduced Meals) and single-family rentals, as well as foreclosure and home sale activity are reviewed. These criteria are ones that have been commonly used by others to measure conditions at the neighborhood level, and this analysis identifies areas that appear to be experiencing challenges greater than those experienced by the county overall.

Staff then further refines the neighborhood selection process by looking at an area's shared features that would facilitate community connection, for example, school boundaries and major roadways. Further data gathering specific to the area, through meeting with residents, County representatives, and others is used to confirm that a partnership is welcome and that the area can benefit from the program.

Analysis:
Once a specific neighborhood has been identified, the specific factors further analyzed by staff include:

- Demographics
- Housing (type and condition)
- Land Use and Zoning
- Transportation
- Public Safety
- Environmental Issues
- Eligibility for federal (CDBG) funding

Information Gathering/Community Outreach

Once this overall data analysis is complete, staff conducts a block-by-block visual survey to assess the physical condition of the neighborhood, in addition to the housing. DHCA also meets with County agencies and other organizations to gather input and perspectives on the assets, issues and needs of the possible focus area and to identify any opportunities for possible collaboration. These meetings provide information from County staff and civic leaders based on their experiences, observations and familiarity with the area and further assist staff in narrowing down the choice of possible neighborhoods.

For example, prior to selecting the McKendree FNA in Montgomery Village (a previous FNA area), DHCA consulted with representatives from:

- Up-County Regional Services Center

- Montgomery County Police Department, District 6
- Maryland - National Capital Park and Planning Commission (M-NCPPC)
- School administrators from Watkins Mill High School, Neelsville Middle School, and Stedwick Elementary School
- Montgomery County Division of Solid Waste
- DHCA Code Enforcement
- Montgomery County Department of Transportation
- Montgomery County Fire and Rescue Service
- Montgomery County Department of Health and Human Services
- Montgomery County Department of Recreation
- Northgate Homes Corporation
- Montgomery Village Association
- McKendree residents

To gather input from residents, DHCA staff holds a neighborhood charrette. The charette provides an opportunity for the residents to outline their neighborhood's assets, issues and to make recommendations for needed actions. This information becomes the basis for the final selection decision and the ultimate work program.

CDBG Determination

Montgomery County receives approximately $4.6 million in Community Development Block Grant (CDBG) funds annually as an entitlement jurisdiction. This grant is used to fund a wide variety of programs and activities within DHCA, of which the Focused Neighborhood Assistance program is one. The CDBG program comes with well-established national objectives that must be met, and eligible activities that may be funded.

The primary CDBG national objective that DHCA seeks to meet is "benefit to low- and moderate-income (LMI) persons and neighborhoods". Therefore, these areas are the ones within the county that are the primary focus of the FNA program. To target these areas, DHCA uses census-data and maps of eligible LMI census tracts areas provided by HUD. Neighborhoods that are not designated as CDBG-eligible census tracts can be qualified by conducting income surveys (as prescribed by HUD). For individual home improvements, income documentation for the household is evaluated to establish eligibility.

When using county CDBG funds in a community association, DHCA requires the community to provide a match up to 20% of the project cost in community funds (reserve or loan funds). The primary state grant program available to assist with FNA activities is the Community Legacy Program. This is a highly competitive grant program which awards funds annually to projects throughout the state. DHCA was awarded $100,000 in FY19 under this program. The department's most recent application for funds was not selected for an award.

Glenmont Shopping Center

In FY19, The Council approved $32,300 for DHCA to work on potential designs for improvements to the Glenmont Shopping Center (see memo from Councilmember Navarro at © 9). While this is not a CIP project, Council staff asked DHCA for an update on this effort and whether it has also informed DHCA with regard to potential improvement to other aging shopping areas in the county. DHCA has provided the following response.

> Glenmont Shopping Center – DHCA, in conjunction with Councilmember Nancy Navarro and the County Executive's office, is utilizing approximately $32,000 for concept design services toward improving the facades and parking lot of the shopping center. Design work has been completed, and a meeting with the property owners and other stakeholders is being coordinated for a date in Spring 2020. The Glenmont Shopping Center was not typical due to the complexities of working with 12 individual owners with varying goals.
>
> **ONGOING**

Affordable Housing CIP Projects

Council staff recommends that the PHED Committee discuss, but not make any final recommendation on either the ongoing Acquisition and Preservation CIP or the Affordable Housing Opportunity Fund proposal. The PHED Committee has traditionally waited until the Executive's Operating Budget recommendations for the Housing Initiative Fund (HIF) are available so that all funding can be considered.

Affordable Housing Acquisition and Preservation

(PDF attached © 4)

Expenditures (in $000s)

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
FY19 Approved	225,796	225,796	NA	0	0	0	0	NA	NA
CE Recommend	358,236	226,236	132,000	22,000	22,000	22,000	22,000	22,000	22,000

FY21-26 Recommended Funding Schedule (in $000s)

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
Current Revenue	4,775	4,775	0	0	0	0	0	0	0
HIF Revolving (Bonds)	259,425	161,490	97,935	13,293	8.751	19,053	18,981	18,857	19,000
Loan Repayment	89,496	55,4313	34,065	8,707	13,249	2,947	3,019	3,143	3,000
Recordation Tax Premium (MCG)	4,540	4,540	0	0	0	0	0	0	0
TOTAL	358,236	226,236	132,000	22,000	22,000	22,000	22,000	22,000	22,000

FY22 Appropriation: $22 million

The Executive recommends $22 million in each of the six years, for a total of $132 million. The expenditures are backed by a combination of loan repayments and issuance of new taxable bonds/debt that have been the main source of funding for the CIP portion of the HIF.

The Executive's recommendation reflects two new policies:

- **Programming across all six years of the CIP.** The $22 million in each year is the same as the amount that was approved for FY21. Previously, the Executive and Council had only programmed the first two years and adjusted them as loan repayment required. For example, the FY19 originally approved funding was also $22 million but was increased to $26.8 million because additional loan repayments were received. **The Executive's funding amount is consistent with previous years.**

- **There is an expectation that debt funding will increase across the six years.** One reason why only two years of the CIP was historically funded was to give consideration to the debt that must be repaid through the HIF. While future years can always change, this recommendation assumes that new debt will continue to be the main source of funding for the CIP portion of the HIF.

Update on Housing Loan Pipeline

Attached at © 10 is a summary of the loans that were closed in FY19, have been closed in FY20 and are under consideration for the remainder of FY20 and FY21. Attached at © 11-25 is the 2019 narrative report that describes each of the projects closed in 2019 and some of the pipeline projects.

- **In FY19**, DHCA closed loans for 20 projects.
- The County committed $93.7 million in funding.
- The funding supported a total of 2,771 units. Of those, 1,715 (62%) are affordable.
- 769 of the total units and 630 of the affordable units are in new construction.
- 866 of the total units and 834 of the affordable units are in senior housing projects.
- **In FY20,** DHCA has closed loans for 2 housing projects, supporting 483 total units and 336 affordable units.
- 8 additional projects are in the pipeline for FY20 when they are ready to close.
- 17 projects are in varying phases of consideration and approval **for FY21**.

DHCA Proposed Guidelines for loans for Multifamily Affordable Housing Development (attached © 26-32).

DHCA Director Nigam has previously told the PHED Committee that DHCA was interested in having clearer guidelines and criteria for approval of loans from the HIF. DHCA has put draft guidelines out for comment until February 21st. To date, DHCA has considered a wide range of proposals, reviewing each on its individual merits and structuring loans in ways that best fill the financing gap. Under the Guidelines, DHCA would still accept applications throughout the year.

DHCA has provided the following responses to Council staff questions/comments on draft Guidelines. The PHED Committee should discuss with DHCA whether they have received comments, the process for considering the comments, and the expected timing for issuing final Guidelines. The Committee should request:

- **A copy of any comments received.**
- **The revised/final guidelines when they are issued.**

Understanding the guidelines for the use of these CIP funds is critical to determining how this funding will be different from the Opportunity Fund and how resources should be allocated to each.

1. The draft guidelines indicate that up to $27.65 million will be available for application under these guidelines.

The $27.65 million represents funds available from the anticipated FY2021 budget, including all sources of funding - HIF and CDBG/HOME. The availability reflects $3.85 million of transactions in process, leaving $27.65 million from FY2021 anticipated budget. The final number can be changed depending on the County Executive's budget recommendations for FY21.

2. Is this HIF funding for rental only? The County has on occasion funded affordable or workforce condominium projects. In some cases the funding had a pretty short-term. Has DHCA made a decision not to consider any for-sale projects?

The HIF project loan funding can be used for homeownership projects. The guidelines referencing rental projects reflects the predominant use of capital loans. HIF funding supports homeownership through $2 million in down payment assistance loans, with $1 million each to HOC and State of Maryland programs.

3. The HIF has funding for Special Needs Housing ($2.38 million in FY20) and then other sources such as HOME funding. If projects came in that exceeded this funding would DHCA no longer also look to using HIF money? How does DHCA process applications for these types of smaller, special population projects (including the purchase of a home to be used as a group home or congregate housing) and then decide what the appropriate source of funds might be? Do they all start with applying with the small project application?

DHCA's capital loan funding availability includes funds available from the HIF and CDBG / HOME federal grants. DHCA prioritizes working with organizations serving targeted populations and determines the most appropriate source of funds based on project and *population served. Conversations with DHCA are encouraged for all prospective applicants before submitting an application to help understand the process and obtain guidance on how to present the project.*

4. Application process – is there a deadline by which DHCA staff and the Selection Advisory Committee must make a recommendation to the Director about funding?

   May the Selection Advisory Committee (SAC) consult with the applicant and make changes that the applicant agrees to in order to address County policy goals regarding affordability and the cost effectiveness of the project? Or will the SAC make a recommendation solely based on the specifications in the original application? This is addressed a bit at the end in "Processing, Timelines" but says DHCA may ask for additional information which is a bit different than a collaborative process to make a project better.

The application process will be on a rolling basis, and the guidelines strongly recommend prospective applicants contact DHCA to discuss the proposed transaction before submitting an application. The guidelines recommend submission of a complete and thorough application, however processing will include open dialogue between DHCA staff and applicants to ensure clarification and full understanding of proposals. Adjustments to the applications will be accepted during that review process.

The Selection Advisory Committee is scheduled to meet monthly and expected timelines for review and response to applicants will be shared as part of the dialogue with developers.

5. How did DHCA determine that the purchase contract must have a closing date of not more than 12 months beyond the HIF application? In some cases the process for approving funding may take more than 12 months.

Preferences for transactions with project closing within 12 months of approval of financing, or 12 months of receiving tax credits, represents a preference for ready to go transactions and the expectations that funds will not be tied up for projects with uncertainty on readiness. The guidelines communicate the preferences but do not preclude commitments for projects that may take longer than 12 months.

6. Under preferred criteria clarify the definition for "affordable housing" under number 3 – preserve at-risk affordable housing.

'Currently affordable housing' references unrestricted housing affordable at or below 70% of area median income, the standard used across the HIF funded activities.

7. Under preferred criteria clarify "mixed-income" in number 6 – there should be some minimum of units at MPDU or below incomes and a maximum for market rate units. This should be on the scoring sheet as well.

The term 'mixed income' references preference for mix of incomes, potentially including market rate units, as opposed to projects with only restricted income units. The preference criteria provide guidance without absolute restrictions, to allow creative approaches to achieving mixes of priority preferences – such as low AMI units. The scoring format creates additional information on the balancing of the criteria.

8. "HIF Program funds will be in the form of a loan and not a grant." Will you have balloon or be able to forgive all or part of a loan for project that are serving a very vulnerable and/or poor population? For example, acquisition of small properties that have been used for permanent supportive housing, domestic violence victims, etc. How will the 10% equity requirement impact these types of proposals.

The statement clarifies expectation of eventual repayment and that the loans will be secured. Cashflow loans on some projects represent very slow and low repayment. The guidelines clarify the expectation that any outstanding principal will be repaid at the time of refinancing. The request for equity participation will be modified for smaller projects, especially those serving targeted populations.

9. Excellent suggestion to have an option to require a property owner may have to notify the County of vacant units. However, language about first preference to County residents has previously been questioned in the context of Fair Housing. If there is now clarification that this can be a preference that would be helpful.

The guidelines refer to possibility of requiring a process for giving notice to County agencies on vacancies to support notifying residents of opportunities. The reference to the potential for identified preferences provides for future possibilities, which if adopted would address the associated legal requirements and limitations. We do not have any current transactions with preferences defined.

10. On scoring sheet, it is unclear what "County subsidy per unit" specifically means. For example, County subsidy of no more than $50,000 per unit for preservation and no more than $100,000 for new construction?

County subsidy per unit is the requested funding on a per unit basis, not a specific dollar amount threshold. Evaluation will be on a relative measure given the nature of the project, the populations served and the maximum uses of other financing sources. The guidelines address the objective of maximizing other capital sources, maximizing leverage of HIF capital lending.

Affordable Housing Opportunity Fund
(PDF attached © 5)

Expenditures (in $000s)

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
CE Recommend	20,000	0	20,000	10,000	10,000	0	0	0	0

FY21-26 Recommended Funding Schedule (in $000s)

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
Recordation Tax Premium (MCG)	20,000	0	20,000	10,000	10,000	0	0	0	0

FY22 Appropriation: $10 million

This new project provides $10 million each in FY21 and FY22. The PDF says:

- Project funds would be expected to support financing activity within 6 months of allocation
- Funds will be used to secure rental properties – right of first refusal or other situations
- A portion of the units must serve households with incomes at or below MPDU eligibility
- Loans will be primarily short-term (up to 36 months)
- Funds may be used for intermediate term agreements (up to 15-years)
- Funds are expected to revolve

Questions:

1. Please provide a brief description on the structure the County expects to use to leverage non-county funds (private or other public funds). If there is more than one option under consideration, please briefly describe.

The Affordable Housing Opportunity Fund development process expects to engage financial institutions in creating the most effective structure to leverage County funds. The structures expected to be proposed would include risk sharing (using County funds as subordinated loans, or in a loss reserve) and providing cost of capital incentives for other lenders to commit funds. DHCA HIF funds traditionally serve as subordinate loans to reduce risk to senior lenders and reduce project costs. The County's funds will be in the form of a loan, not a grant, with the expectation for repayment from secured lending on the properties. DHCA expects to see proposals on different approaches for private investment, which could involve institutions having a controlled pool of funds or a process that brings funds on a transaction by transaction basis. Any structure we adopt will ensure a defined amount of funds ready and available for the targeted transaction profile, with a process providing for timely competitive bidding on properties. The level of committed private institution funding is targeted to achieve a 4:1 leveraging of County funds.

2. Will the first-year funding be limited to loans of no more than 36 months?

The FY21 funding will be used to create an acquisition focused fund with loans for up to 36 months.

3. Why are longer funding options (up to 15 years) being considered? Why not limit this fund to 36 months and then continue to use the existing HIF project fund the longer-term loans?

The potential has been identified for developing an intermediate term fund structure to attract committed pools of funds which allow a period longer than three years before refinancing with long term permanent financing and affordability. The Fund development and implementation in FY21 will help to determine the potential for FY22 funding to leverage investment funds with an intermediate horizon. The Affordable Housing Opportunity Fund project is structured for one-time funding in FY21 and FY22 and will prioritize repayments of loans to maintain a flow of repayment to fund future lending. Existing HIF project funds target long term permanent financing with affordability controls of 30 years or greater, and slow repayment.

4. DHCA indicated that seeking financing from the State of Maryland can take up to a year. Why is this? Is there a way to work with the State to accelerate their process?

The State of Maryland Bond Financing process involves the process for bond issuance and legal processing. DHCA transaction process accepts and works within the current state framework, and we will continue the dialogue with the state to support improvements.

5. The PDF only requires "a portion" of affordable units at MPDU eligible incomes. Why shouldn't it have more specific minimum requirements, such as at least 30% at MPDU incomes and at least 10% at 50% or lower area median income (AMI)? DHCA can choose to require more, but there should be a minimum.

Acquisition financing will prioritize currently affordable properties at risk of rent increases or displacement, expecting a significant majority of units to be affordable at or below 70% AMI (MPDU eligibility). The PDF language supports design of the Fund eligibility to set a standard for affordability levels based on achieving the highest percentages of very low and low-income units. The Affordable Housing Opportunity Fund terms will include addressing the requirements for long term affordability related to the permanent financing.

6. Many of the properties that come through right of first refusal pre-date the MPDU program but now some do not. Should affordable housing requirements be in addition to the existing MPDUs? For example, if a development already has 15% MPDUs, the project absolutely should be providing a much larger percentage of MPDUs and not just the percent that was already funded through the density of the original development.

DHCA priorities for both the new Affordable Housing Opportunity Fund and the existing long-term capital loans focus on maximizing the number of restricted units and level of affordability of the units. A redevelopment of a property with continuing MPDU requirements would recognize those units as not needing subsidy and would evaluate the proposal on the basis of creating new controlled units.

Concern:

1. The MHI/HIF is established in County Code and regulation (attached © 33-35). Council staff recommends that the PHED Committee and Council should look to revise the law so that it better reflects the current structure and use of the HIF and establishes the Housing Opportunity Fund and clarifies the time limits for loans and the rules for how it revolves.

DHCA has conferred with the County Attorney's Office. Section 25B-9(b) of the Code, the law establishing the MHI/HIF, provides that the MHI/HIF fund "may use appropriated funds and receipts from any source . . . ." Hence, amending the Chapter 25B to address the Affordable Housing Opportunity Fund is probably unnecessary. However, DHCA looks forward to working with the Council to address all concerns and suggestions for updating the law.

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Community Development

PROGRAM DESCRIPTION AND OBJECTIVES

The mission of the Department of Housing and Community Affairs (DHCA) is:

- to plan and implement activities which prevent and correct problems that contribute to the physical decline of residential and commercial areas;
- ensure fair and equitable relations between landlords and tenants;
- increase the supply of new affordable housing;
- maintain existing housing stock in safe condition; and
- support community programs that benefit our residents.

DHCA oversees Community Development and Housing Programs to achieve its goals. The County's Community Development Program involves the design and implementation of intergovernmental strategies that address problems contributing to the physical decline of residential and commercial areas, and that support improvements to the quantity and quality of housing for low and moderate income families. The activities carried out within the Community Development Program of DHCA include: design and construction of street improvements, sidewalks, and other infrastructure improvements; public facilities and amenities to assure the compatibility of assisted housing and small retail centers with surrounding areas; and Central Business District (CBD) revitalization.

The Department's commercial revitalization activities are designed to encourage renewal of older shopping areas to meet contemporary commercial demands as well as revitalization of smaller commercial centers as focal points for the local community.

HIGHLIGHTS

- Complete commercial revitalization in the Colesville/New Hampshire Avenue corridor and the Burtonsville community in Fall 2020 to support existing small businesses and create new opportunities for private investment.
- Add funds to conduct community development facility planning studies.

PROGRAM CONTACTS

Contact Tim Goetzinger of DHCA at 240.777.3728 or Pofen Salem of the Office of Management and Budget at 240.777.2773 for more information regarding this department's capital budget.

CAPITAL PROGRAM REVIEW

One ongoing project comprises the recommended FY21-26 Capital Improvements Program for DHCA, for a total six-year cost of $0.75 million, which is a $1.92 million, or an 72 percent decrease from the Amended FY19-24 total six-year cost of $2.67 million. The decrease in direct expenditures in this program are attributed to the completion of the Colesville/New Hampshire Avenue and Burtonsville Community Revitalization projects in FY20, resulting in project expenditures moving out of the six-year period.

Facility Planning: HCD
(P769375)

Category	Community Development and Housing	**Date Last Modified**	01/02/20
SubCategory	Community Development	**Administering Agency**	Housing & Community Affairs
Planning Area	Countywide	**Status**	Ongoing

	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
EXPENDITURE SCHEDULE ($000s)											
Planning, Design and Supervision	4,695	3,007	938	750	125	125	125	125	125	125	-
TOTAL EXPENDITURES	**4,695**	**3,007**	**938**	**750**	**125**	**125**	**125**	**125**	**125**	**125**	**-**

FUNDING SCHEDULE ($000s)

	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Community Development Block Grant	893	337	556	-	-	-	-	-	-	-	-
Current Revenue: General	3,502	2,370	382	750	125	125	125	125	125	125	-
Current Revenue: Parking - Montgomery Hill	100	100	-	-	-	-	-	-	-	-	-
Federal Aid	200	200	-	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	**4,695**	**3,007**	**938**	**750**	**125**	**125**	**125**	**125**	**125**	**125**	**-**

APPROPRIATION AND EXPENDITURE DATA ($000s)

Appropriation FY 21 Request	125	Year First Appropriation	FY96
Appropriation FY 22 Request	125	Last FY's Cost Estimate	4,445
Cumulative Appropriation	3,945		
Expenditure / Encumbrances	3,007		
Unencumbered Balance	938		

PROJECT DESCRIPTION

This project provides funds for Department of Housing and Community Affairs (DHCA) facility planning studies for a variety of projects for possible inclusion in the Capital Improvement Program (CIP). In addition, facility planning serves as a transition stage for a project between the master plan or conceptual stage and its inclusion as a stand-alone project in the CIP. Prior to the establishment of a stand-alone project, DHCA will develop a Program of Requirements (POR) that outlines the general and specific features required in the project. Selected projects range in type from: land and building acquisition; conversion of surplus schools/ school sites or County-owned land into housing resources; design and construction of street improvements, sidewalks, and other infrastructure improvements in neighborhoods; and small commercial area revitalization that include streetscaping and circulation along with Central Business District (CBD) revitalization. Facility planning is a decision-making process to determine the purpose and need of a candidate project through a rigorous investigation of the following critical project elements: community revitalization needs; economic, social, environmental, and historic impacts; public participation; non-County funding sources; and detailed project cost estimates. Depending upon the results of a facility planning analysis of purpose and need, a project may or may not proceed to construction. For a full description of the facility planning process, see the CIP Planning Section.

COST CHANGE

Add funds in FY25 and FY26 to continue community development facility planning studies.

PROJECT JUSTIFICATION

There is a continuing need for development of accurate cost estimates and an exploration of alternatives for proposed projects. Facility planning costs for all projects which ultimately become stand-alone Project Description Forms (PDFs) are included here. These costs will not be reflected in the resulting individual project. Future individual CIP projects, which result from facility planning, will each reflect reduced planning and design costs.

OTHER

The proposals studied under this program will involve the Office of Management and Budget staff, consultants, community groups, and related program area staff, to ensure that completed studies show full costs, program requirements, and have community support.

DISCLOSURES

Expenditures will continue indefinitely.

COORDINATION

Office of Management and Budget, Maryland-National Capital Park and Planning Commission, Department of Transportation, Department of General Services, and Regional Services Centers.

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 lower-income working families.

HIGHLIGHTS

- Create a new Affordable Housing Opportunity Fund of $20 million 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 fund to proactively attract investors and leverage additional public and private capital to preserve targeted affordable rental housing when opportunities arise. The expectation is that these funds will leverage approximately $4 in private funding for every $1 of County funding.
- Provide an additional $22 million per year over the next six fiscal years, totaling $132 million, for the Affordable Housing Acquisition and Preservation Program, to preserve and increase the stock of affordable housing for the County, including low income residents and the senior population. This is the first time that the County will dedicate funding resources over a six-year period.

PROGRAM CONTACTS

Contact Tim Goetzinger of Department of Housing and Community Affairs at 240.777.3728 or Pofen Salem of the Office of Management and Budget at 240.777.2773 for more information regarding this department's housing capital budget.

CAPITAL PROGRAM REVIEW

One ongoing project and one newly created program comprise the recommended FY21-26 Capital Improvements Program in Housing for Department of Housing and Community Affairs, for a total six-year cost of $152 million. This represents an increase of $103.2 million (or 211.7 percent) from the $48.8 million in the Amended FY19-24 program. The total project cost for the Affordable Housing Acquisition and Preservation Program is increased by $132.4 million (or 58.7 percent), bringing the project total to $358.2 million. The increase is largely due to the County's six-year funding commitment for the Affordable Housing Acquisition and Preservation Program, additional loan repayments received, and creating a new Affordable Housing Opportunity Fund to attract investors and leverage additional private capital to preserve at-risk affordable rental units.

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Affordable Housing Acquisition and Preservation
(P760100)

Category	Community Development and Housing	**Date Last Modified**	01/06/20
SubCategory	Housing (MCG)	**Administering Agency**	Housing & Community Affairs
Planning Area	Countywide	**Status**	Ongoing

EXPENDITURE SCHEDULE ($000s)

	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Land	358,236	176,048	50,188	132,000	22,000	22,000	22,000	22,000	22,000	22,000	-
TOTAL EXPENDITURES	**358,236**	**176,048**	**50,188**	**132,000**	**22,000**	**22,000**	**22,000**	**22,000**	**22,000**	**22,000**	**-**

FUNDING SCHEDULE ($000s)

	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Current Revenue: Montgomery Housing Initiative	4,775	2,500	2,275	-	-	-	-	-	-	-	-
HIF Revolving Program	259,425	122,955	38,535	97,935	13,293	8,751	19,053	18,981	18,857	19,000	-
Loan Repayment Proceeds	89,496	46,053	9,378	34,065	8,707	13,249	2,947	3,019	3,143	3,000	-
Recordation Tax Premium (MCG)	4,540	4,540	-	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	**358,236**	**176,048**	**50,188**	**132,000**	**22,000**	**22,000**	**22,000**	**22,000**	**22,000**	**22,000**	**-**

APPROPRIATION AND EXPENDITURE DATA ($000s)

Appropriation FY 21 Request	22,000	Year First Appropriation	FY01
Appropriation FY 22 Request	22,000	Last FY's Cost Estimate	225,796
Cumulative Appropriation	226,236		
Expenditure / Encumbrances	183,467		
Unencumbered Balance	42,769		

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

Added funding over the next six-year period to continue support for preserving and increasing the County's affordable housing units. Also reflects an increase based on additional FY19 loan repayments.

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.

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**	01/06/20
SubCategory	Housing (MCG)	**Administering Agency**	Housing & Community Affairs
Planning Area	Countywide	**Status**	Planning Stage

	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
EXPENDITURE SCHEDULE ($000s)											
Land	20,000	-	-	20,000	10,000	10,000	-	-	-	-	-
TOTAL EXPENDITURES	**20,000**	**-**	**-**	**20,000**	**10,000**	**10,000**	**-**	**-**	**-**	**-**	**-**
FUNDING SCHEDULE ($000s)											
Recordation Tax Premium (MCG)	20,000	-	-	20,000	10,000	10,000	-	-	-	-	-
TOTAL FUNDING SOURCES	**20,000**	**-**	**-**	**20,000**	**10,000**	**10,000**	**-**	**-**	**-**	**-**	**-**

APPROPRIATION AND EXPENDITURE DATA ($000s)

Appropriation FY 21 Request	10,000	Year First Appropriation	
Appropriation FY 22 Request	10,000	Last FY's Cost Estimate	-
Cumulative Appropriation	-		
Expenditure / Encumbrances	-		
Unencumbered Balance	-		

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 fund to proactively attract investors and leverage additional public and private capital to preserve targeted affordable rental housing when opportunities arise. Project funds would be 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 secure rental properties offered to the County under the Right of First Refusal Law or otherwise available for purchase by non-profit and for-profit developers. 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, but funds may support companion intermediate-term agreements (up to 15-year duration). Funds are expected to revolve based on refinancing or redevelopment financing.

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

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.

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ATTACHMENT

Focused Neighborhood Assistance (FNA) Program Criteria
(Steps used for neighborhood selection)

Background

The Focused Neighborhood Assistance (FNA) Program was developed as a mechanism to respond to the economic crisis and its impact on neighborhoods. The program's initial focus was to assist communities that were disproportionately impacted by foreclosures and visual blight. As foreclosures increased and individuals walked away from homes, neighborhoods began to decline and increasingly homeowner associations were unable to fulfill their maintenance obligations due delinquent assessments.

The program was designed to partner with residents and homeowner and condominium associations to strengthen and improve their single-family neighborhoods. The FNA Program identifies the most vulnerable neighborhoods and focuses on those that fit the profile for CDBG funding. i.e. low to moderate income homeowners.

The Neighborhood Revitalization staff has learned many lessons over the years. In particular, the neighborhood that have the most needs are often the least vocal and don't necessarily appear on our radar through traditional means. Many of these communities consists of immigrant and other underserved populations who are reluctant or don't know how to request government assistance. Some communities lack HOA leadership and community participation. These communities tend to be the neediest and are more difficult to work with.

The common denominator in all the communities we have worked with was a lack of funding to address the community issues. As a result, the following approach was developed to identify the neediest neighborhoods:

Step 1

Neighborhood Identification:

- Neighborhood Revitalization Staff Conduct Facility Planning and Community Analysis of CDBG designated LMI areas
- Solicit Input from DHCA Code Enforcement
- Solicit Input from the Commission for Common Ownership Communities (CCOC)
- Solicit Input from Regional Service Center managers
- Solicit Input from Other Departments including DPS and DOT
- Solicit Input from County Council
- Direct calls from Property Owners and Neighborhood Managers

Step 2

Review neighborhood eligibility criteria:

- Income
- FARMs Rates and other school data

- Foreclosure Events
- Crime/Safety
- HUD CDBG maps
- Ratio of Owners vs Renters
- Income Surveys to Determine the Percentage of Low and Moderate (LMI) Persons in the Service Area of a CDBG-Funded Activity

Step 3

Staff Field Visits:

- Walking tour
- Photograph Community
- Complete Visual Attractiveness Survey/Analysis of Residential Communities
  - Exterior Condition of Homes
  - Neighborhood Open Space
  - Sidewalks and Pedestrian Access
  - Streets, Traffic and Parking
  - Lighting
  - Siding
  - Neighborhood Identification (Signage)
  - Potential Problems, i.e. vacant properties, illegal dumping, overall visual attractiveness, etc.
  - Neighboring Commercial/School (MCPS)

Step 4

Present projects to DHCA senior management for review and selection.

Step 5

Staff meets with:

- HOA board members and residents (Collect Community Information including rental/homeownership data and reserve studies, budgets and delinquency rates)
- Other community stakeholders (as required) including neighborhood police and school officials for additional input
- Continue to coordinate with Regional Service Center Directors
- Coordinate with County Council Representatives
- Coordinate with OMB Staff

Step 6

Staff reviews community documents with assistance from the Office County Attorney as needed including:

- By-Laws and Governing Documents
- Reserve Study (i.e., study conducted by a third party which advises the community on their physical needs and analyzes their financials)
- Delinquency Rates

Step 7

Ongoing Community Meetings:

- Conduct Community Design Charrettes to solicit input from residents for preliminary design
- Conduct individual intake interviews to determine property owner's eligibility for FNA program
- Engage Architectural Engineering Consultants to complete design service.

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

NANCY NAVARRO
COUNCILMEMBER, DISTRICT 4

MEMORANDUM

May 7, 2018

TO: Councilmembers

FROM: Nancy Navarro
Councilmember, District 4

SUBJECT: Funding for Potential Façade Improvements in Glenmont

I have requested that the Clerk pull the Department of Housing and Community Affairs (DHCA) and Economic Development Fund (EDF) budgets from the Consent Calendar on Wednesday, May 9, and Thursday, May 10 (respectively). The purpose of my request is to provide funding for the design of façade improvements in the Glenmont commercial area – a proposal that I have developed as a means to enhance the economic development opportunities in this community. This proposal would require a reduction of the EDF by $32,300, instead adding these funds to DHCA's FY19 operating budget.

Façade improvements can go a long way in enhancing a community and spurring additional economic development opportunities. The recent façade improvements in Burtonsville and Colesville are just a couple of examples of how making minor adjustments to the exterior of commercial properties can make an area more inviting and attractive to patrons and potential business owners. The Neighborhood Revitalization Section of DHCA has been conducting excellent work to this effect, and I believe their efforts are greatly needed in the Glenmont community as well.

If this $32,300 funding shift is approved by the full Council on Thursday, this item will appear on the Reconciliation List as a reduction to the EDF, and an addition to the DHCA FY19 operating budget.

I hope that you will support this funding request. Please do not hesitate to contact me with any additional questions or concerns.

CC: Linda McMillan, Senior Legislative Analyst
Gene Smith, Legislative Analyst

No.	Project Name	Status	Pres / Prod	Transaction Type	Program	Structure Type	Funding Source(s)	Total Units	Affordable Units	County Cost	Anticipated Loan Closing	Actual Disbursed FY19	Proj Disbursed FY20
	FY19 Closed Loans												
1	NCCF - Flower Avenue	Encumbered	Preservation	Acq/Rehab	Special Needs	MF	HIF	8	8	2,425,000	Closed	897,954	1,527,046
2	Victory Haven - Damascus	Encumbered	Production	New Construction	Senior	Garden	Housing CIP	72	68	6,475,000	Closed	348,375	6,126,625
3	HOC Cider Mill	Encumbered	Preservation	ROFR	Multifamily	Garden	Housing CIP	864	346	15,000,000	Closed	15,000,000	-
4	Seabury Resources - Springvale Terrace	Encumbered	Preservation	Refi/Rehab	Senior	Low Rise	Housing CIP	146	146	6,375,000	Closed	5,378,373	996,627
5	Woodvale	Encumbered	Production	ROFR	Multifamily	Low- Rise	HIF	375	75	10,000,000	Closed	10,000,000	-
6	Waterford Towers	Encumbered	Production	ROFR	Multifamily	High Rise	HIF	143	107	4,000,000	Closed	1,689,063	2,310,937
7	PLAN OF MD 10120 Little Bond #4	Encumbered	Production	Acquisition	Special Needs	Condo	HIF	1	1	117,000	Closed	114,255	2,745
8	Town Center Apt - HOC	Encumbered	Preservation	Rehab	Senior	High Rise	HIF	112	112	288,000	Closed	287,613	387
9	MHP - Glenville Rd	Encumbered	Preservation	Refi/Rehab	Multifamily	Low Rise	HIF	31	16	4,250,000	Closed	1,505,772	2,744,228
10	Willow Manor - Cloppers	Encumbered	Preservation	ROFR	Senior	Mid-Rise	Housing CIP	102	81	7,345,532	Closed	7,345,532	-
11	Willow Manor at Colesville	Encumbered	Preservation	ROFR	Senior	Mid-rise	Housing CIP	83	83	5,879,550	Closed	5,879,550	-
12	Willow Manor at Fair Hill Farm	Encumbered	Preservation	ROFR	Senior	Mid-Rise	Housing CIP	100	100	6,576,505	Closed	6,576,505	-
13	Hermitage Woods	Encumbered	Preservation	Rehab	Condo	Garden	Housing CIP	37	10	1,148,186	Closed	413,941	734,245
14	Stratford Capital - Momentum Shady Grove	Encumbered	Production	New Construction	Multifamily	Low Rise	Housing CIP	110	110	7,400,000	Closed	3,700,000	3,700,000
15	Willow Manor at Fairland (ECRSC Site)	Encumbered	Preservation	New Construction	Senior	Low Rise	Rent Asst	121	60	595,000	Closed	-	595,000
16	Artspace - 801 Sligo Avenue	Encumbered	Production	New Construction	Multifamily	Garden/TH	HIF/HOME	79	72	4,237,988	Closed	2,237,988	2,000,000
17	HOC - Upton II	Encumbered	Production	New Construction	Senior	High Rise	Housing CIP	150	112	5,000,000	Closed	5,000,000	-
18	Friends House (Sandy Spring)	Encumbered	Production	New Construction	Senior	Low Rise	HOME	80	72	1,350,000	Closed	1,350,000	-
19	Main Street	Encumbered	Production	New Construction	Multifamily	Mid-rise	HIF	70	49	2,500,000	Closed	2,500,000	-
20	Snowden Ridge	Encumbered	Preservation	Sec 8/Preservation	Multifamily	TH	Housing CIP	87	87	2,750,000	Closed	-	2,750,000
	Total FY19 Closed Loans							2771	1715	93,712,761		70,224,923	23,487,838
	FY20 Pipeline Loans												
1	Hampshire Towers	Encumbered	Preservation	Rental Agreement	Multifamily	High Rise	Rent Asst	216	216	6,000,000	Closed		3,000,000
2	MHP - Halpine Hamlet	Encumbered	Community Center	New Construction	Multifamily	n/a	CDBG	n/a	n/a	250,000	Closed		250,000
3	HOC - Elizabeth House	Encumbered	Production	New Construcution	Senior	Rental	Housing CIP	267	120	8,000,000	Closed		4,500,000
4	MHP - Parkview Towers	Pipeline	Preservation	Rehab	Multifamily	Rental	HIF	125	105		March-20		
5	HOC - Brooke Park	Pipeline	Preservation	Rehab	Multifamily	Low Rise	HOME	17	17		March-20		
6	MHP - Hillbrooke Towers	Pipeline	Preservation	Rehab	Multifamily	High Rise	HIF	55	28		June-20		
7	GRAMAX	Pipeline	Preservation	Rental Agreement	Multifamily	Rental	Housing CIP	117	90		June-20		
8	Container / Modular House Initiative	Pipeline	Production	New Construction	Multifamily	Midrise	Housing CIP	50	30		tbd		-
9	MHP - Frederick Ave	Pipeline	Preservation	Rehab	Multifamily	Mid-rise	Housing CIP	50	50		tbd		-
10	715 Sligo	Pipeline	Preservation	New Construction	Multifamily	Midrise	Housing CIP	35	35		tbd		-
11	Park at Kingsview	In Discussion	Preservation	Rental Agreement	Multifamily	MPDU	HIF	326	41		tbd		
	Total FY20 Pipeline Loans							1258	732	32,750,000			10,050,000
	FY21 Pipeline Loans												
1	Knowles Avenue Senior	Encumbered	Production	New Construction	Senior	Mid-rise	Housing CIP	94	94	8,900,000	September-20		
2	Fireside Park Apartments	Pipeline	Preservation	Refi/Rehab	Multifamily	Garden	Housing CIP	236	118		July-20		
3	MHP - Hillwood Manor	Pipeline	Preservation	Rehab	Multifamily	Mid-rise	Housing CIP	96	48		July-20		
4	Snowden Ridge	Pipeline	Preservation	Rehab	Multifamily	TH	Housing CIP	n/a	n/a		December-20		
a	MHP - Parkview Towers	In Discussion	Preservation	Rehab	Multifamily	Rental	HIF	n/a	n/a		September-20		
b	MHP - Forest Glen	In Discussion	Preservation	Rehab/Possible NC	Multifamily	Mid-rise	Housing CIP	53	53		tbd		
c	Wheaton Woods Pool	In Discussion						78	78				
d	Montgomery College Tiny House	In Discussion						1	1				
e	Milestone Senior	In Discussion						tbd	tbd				
f	Mission 1st - St. Anne	In Discussion						tbd	tbd				
g	HOC - Hillandale	In Discussion						tbd	tbd				
h	Seabury Resources - Springvale Terrace	In Discussion						146	125				
i	The Fields of Gaithersburg	In Discussion						168	168				
j	Homes At Olde Towne	In Discussion						71	71				
k	315 Diamond Avenue	In Discussion						109	54				
l	MHP Drings Reach	In Discussion						tbd	tbd				
m	Charter House	In Discussion						tbd	tbd				
	Total FY21 Pipeline Loans							1052	810	48,825,210		-	-
	Total Closed + Pipeline							5,081	3,257	175,287,971		70,224,923	33,537,838

2019

Department of Housing and Community Affairs

AFFORDABLE HOUSING PIPELINE REPORT

TIM GOETZINGER, ACTING DIRECTOR

DHCA

HOUSING AND COMMUNITY AFFAIRS | 1401 ROCKVILLE PIKE, 4TH FLOOR; ROCKVILLE, MD 20852 |

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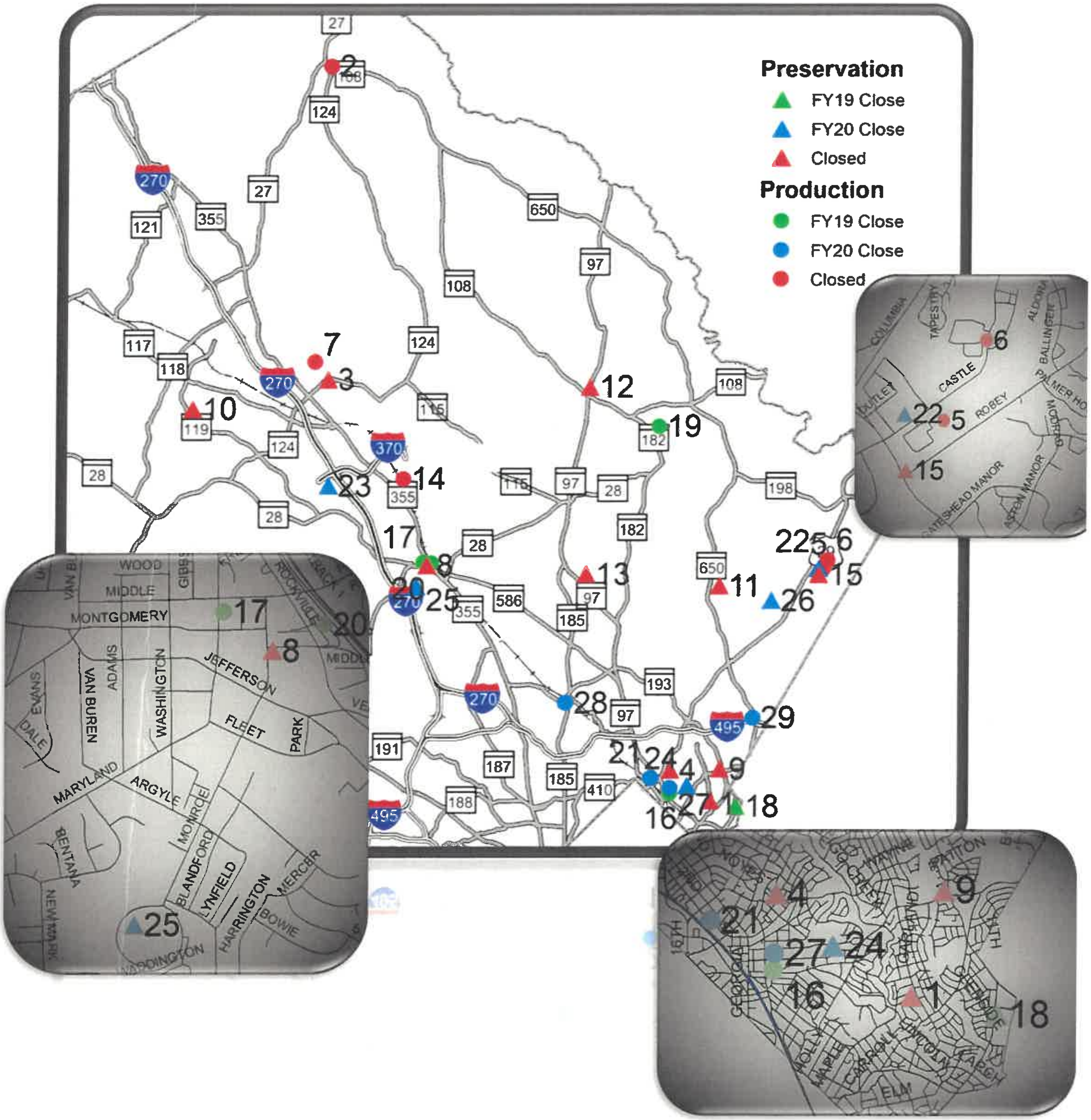
Contents

Map of DHCA-Financed Projects



Closed Loans

FY19 has been a productive year for DHCA and our Multifamily Housing Team. DHCA closed 15 loans through January 2019 and expects to close another 7 loans by the end of the fiscal year. In total, DHCA will have closed or committed to 22 projects providing $103M in affordable loans to produce or preserve 3254 total units, of which 1982 will be affordable. Although each project requires varying levels of investment, DHCA typically provides between $50-60k per affordable unit. In FY19, DHCA is on track to provide $52.3k per each affordable unit.

Below please find information on the 15 loans closed through January 2019.

1. NCCF - 7906 Flower Avenue

- Owner / Developer: National Center for Children and Families
- Located at 7906 Flower Avenue, Takoma Park
- Preservation of a vacant ten (10) unit rental property that DHCA is acquiring under the ROFR law and transferring to NCCF to house NCCF's special needs clients.
- Four (4) units are to house domestic violence victims served by NCCF that receive HHS rental assistance. Four (4) units will also house NCCF clients at 30% to 50% AMI.
- Provided $2,245,000 in HIF funding for the acquisition and total rehabilitation of the property. Property will provide eight (8) out of the ten (10) units based on anticipated Code reconfiguration requirements.

2. Victory Haven

- Owner / Developer: Victory Housing, Inc.
- Located at 9700 Main Street, Damascus
- New construction / production of 72 units of **senior** housing – 68 affordable (3 units @30%, 4 units @40%, 13 units @50% and 48 units @60%)
- Development is the acquisition and new construction of a 72-unit mixed-income senior rental apartment property to be located on Main Street in Damascus MD.
- Provided loan of $6,475,000

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3. Cider Mill Apartments
   - Owner / Developer: HOC
   - Located at 18205 Lost Knife Road, Gaithersburg
   - Preservation / Acquisition of an 864-unit property in the Montgomery Village community by HOC under the ROFR process.
   - The property is currently market-rate affordable at rents approximating 60 percent of the Area Median Income (AMI). HOC is proposing through this acquisition to retain 40 percent or 346 units with rents at 60% of the AMI with the remaining 518 units to be "market rate" with annual rent increase limited to the annual Voluntary Rent Guidelines (VRG).
   - Provided an equity loan to HOC of $15,000,000.

4. Seabury at Springvale Terrace
   - Owner / Developer: Seabury Resources for Aging
   - Located at 8505 Springvale Road, Silver Spring
   - Preservation of a 50+ year old independent **senior** and assisted living 146-unit property In Silver Spring.
   - Many residents have incomes as low as 30% AMI.
   - Provided a loan of $6,375,000 in permanent financing for the property with a $1,000,000 allowance for future repairs and improvements.

5. Woodvale Apartments
   - Owner / Developer: Orlo Woodvale, LLC
   - Located at 13831 Castle Blvd., Silver Spring
   - Production / acquisition and renovation of 376-unit multifamily rental apartment community of which 75 units will be affordable @ 60%
   - The property renovation will entail the following upgrades, additions or repairs: Appliances, flooring, perimeter security fence; hot water heaters, roof repairs, HVAC units, new maintenance tools/equipment, security

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lighting, security cameras, drainage improvements, concrete/masonry work, windows, landscaping and a water treatment system

- The County provided $10MM in subordinate debt to assist with acquisition and to preserve and restrict 75 units @ 60%

6. Waterford Tower Apartments

- Owner / Developer: Strategic Realty Holdings, Inc.
- Located at 1400 Castle Blvd., Silver Spring
- Production / acquisition of 81 of 143 units in Waterford Tower Apartments, a 49-year old, high rise rental building in Silver Spring, Maryland along the Castle Boulevard corridor.
- Restricted rent levels will be implemented across all units via the applicable AMI thresholds of 60%-80% AMI with most units restricted at or below 65% AMI levels.
- This was a ROFR transaction with rent restrictions negotiated with the purchaser Strategic Investments.
- Provided loan of $4,000,000 to Strategic Realty Holding Inc. from the Housing Initiative Fund.

7. PLAN of Maryland-DC, Inc. (PLAN)

- Owner / Developer: PLAN of Maryland-DC, Inc.
- Located at 10120 Little Pond Place, Unit #4, Montgomery Village
- Production / acquisition of one (1) two-bedroom condominium unit PLAN acquired to lease to PLAN's special needs clientele. PLAN has successfully completed a similar condo in the same complex for two (2) special needs clients and is replicating that project and the special needs model used by HUI.
- PLAN clientele will receive PLAN support services and PLAN provides conducts additional property management for the condo. Unit required minor renovations based on resale.
- Renovation completed with PLAN having leased one SRO and finalizing lease for 2nd tenant.
- Provided $117,000 in HIF funding for the acquisition and minor renovation of the condo unit.

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8. Town Center Apartments

- Owner / Developer: HOC
- Located at 90 Monroe Street, Rockville
- Preservation of 112 senior units affordable to 60% or less
- Repair and replacement of primary operations systems
- The improvements contained repairs to the heating and air conditioning, roofing, elevators and some in-unit repairs.
- Provided $287,613

9. MHP - Glenville Road Refinance/Renovation

- Owner / Developer: Montgomery Housing Partnership, Inc.
- Located at 8800, 8802, 8804, 8807, 8808 and 8813 Glenville Road, Silver Spring
- Preservation of a total of 31 units of which 16 are affordable (5 units @60% and 11 units @50%)
- Refinance of existing debt and the renovation of six (6) multifamily rental buildings totaling 31 units located in the 8800 block of Glenville Road in Silver Spring MD.
- The renovations consist of new roofs, HVAC, lighting, electrical upgrades, painting and miscellaneous masonry and site work repairs.

10. Willow Manor at Clopper's Mill

- Owner / Developer: HOC
- Located at 18003 Mateny Road, Germantown
- Preservation of 102 <u>**senior**</u> units nearing the end of their LHITC mandatory compliance period.
- Property was a ROFR purchase by DHCA and HOC.
- Units are restricted to households with incomes at 40%, 50% or 60% AMI with 20 market-rate
- Provided loan of $7,345,531 to HOC from the Housing Initiative Fund (HIF).

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11. Willow Manor at Colesville

- Owner / Developer: HOC
- Located at 601 E. Randolph Road, Silver Spring
- Preservation of 83 **senior** units nearing the end of their Low-Income Housing Tax Credit (LIHTC) mandatory compliance period.
- Property was a Right of First Refusal (ROFR) purchase by DHCA and HOC.
- The 4-story property consists of 83 units, all of which are restricted to households with incomes at 40% or 60% AMI.
- Provided loan of $5,879,550 to HOC from the Housing Initiative Fund (HIF).

12. Willow Manor at Fair Hill Farms

- Owner / Developer: HOC
- Located at 18301 Georgia Avenue, Olney
- Preservation of 101 **senior** units nearing the end of their LHITC mandatory compliance period.
- Property was a ROFR purchase by DHCA and HOC.
- All units are restricted to households with incomes at 40% or 60% AMI.
- Provided loan of $6,576,504.96 to HOC from the Housing Initiative Fund (HIF).

13. Hermitage Woods Condominium

- Owner / Developer: Individual condo owners
- Located at 3301 Hewitt Avenue, Silver Spring
- Preservation of thirty-seven condominium units in Silver Spring controlled by a 5-member Board of Directors.
- Property experienced major external property problems (roof leakage, inoperative elevator, deteriorating pedestrian bridges) making the property eligible for condemnation.

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- Provided initial $200,000 to correct major issues and an additional $948,186 for more property problems discovered, to avoid condemnation and displacement of existing families.

14. Momentum Shady Grove

- Owner / Developer: Stratford Capital Group (SCG) Development Group
- Located at 16011 Redland Road, Rockville
- Production / new construction of a 110-unit affordable multifamily rental apartment property
- All 110 units are affordable (7 units @30%, 4 units @40%, 10 units @ 50% and 89 units @ 60%)

- Project site is approximately 10 minutes walking distance from the Shady Grove Metro Station
- Provided a $7.4 MM subordinate loan and PILOT to support the development and the provision of affordable units. All units are affordable to households at or below 60%, 50%, 40% and 30% AMI.

15. Willow Manor at Fairland (ECRSC Site)

- Owner / Developer: KB Companies
- Located at 13605 Robey Road, Silver Spring
- Production / new construction of 121 units of **senior** housing with 60 affordable units
- Project being constructed on County owned land (East County Regional Services Center site).
- County has 60-year land lease with Developer.
- Project received bond financing and 4% Low Income Housing Tax Credits (LIHTC) through the State of MD, the primary source of project financing.
- State of MD approved the project for bond and four percent financing on September 2016.
- Provided $595,000 through a Rental Assistance Agreement (RAA) for the developer to provide six (6) units @ 30% AMI for the 60-year land lease term. Project also received a PILOT agreement.

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Pipeline Loans

As mentioned above, DHCA expects to close or commit $25.8M on 7 additional loans by the end of the fiscal year. These projects will provide nearly 1,000 housing units, of which 716 will be affordable.

Please find information on these 7 loans below.

16. Artspace

- Owner / Developer: Artspace Projects, Inc.
- Located at 801 Sligo Avenue, Silver Spring
- Production / new construction
- Repurposing of the current structure into artist and commercial space and new construction of 68 artist live work multifamily rental units and 11 for-sale townhomes (7 market; 4 workforce). of 69 units are affordable (11 units @30%, 10 units @50% and 47 units @ 60%)
- Montgomery County will lease, under a long-term lease agreement, the portion of the property to be utilized for the rental housing and sell the portion to be used for the development of the for-sale townhomes.
- Providing a subordinate loan $5.7M, a PILOT, and a rental agreement for the 11 units @30%

17. Upton Apartments, Phase II

- Owner / Developer: HOC
- Located at 44 Maryland Avenue, Rockville
- Production / new construction of 150 units of **senior** housing in downtown Rockville as a component of the Upton II 400-unit development
- Upton II will include 112 deep subsidy senior RAD units to replace the existing Town Center Apartments units, as well as 38 additional units that are age restricted and to be rented at market rate and will be developed by HOC. The RAD units serve households at 50% or less of the area median income.
- Providing a $5,000,000 loan and the retention of the existing PILOT for the project.

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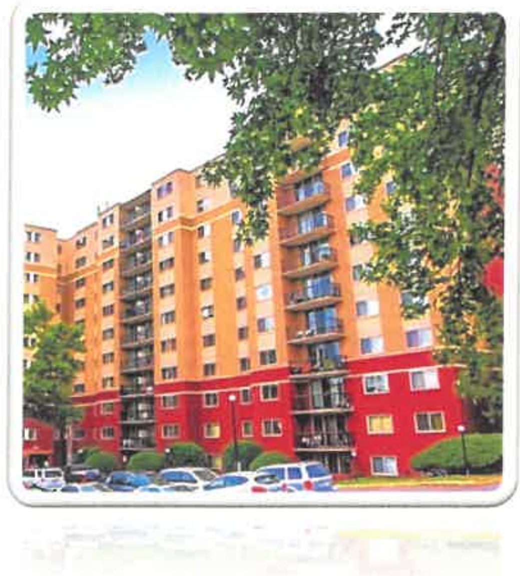
18. Hampshire Tower Apartments



- **Owner / Developer: Orlo, Takoma**
- **Located at 7401 New Hampshire Avenue, Takoma Park**
- **Preservation / utilization of a rent subsidy agreement/payment to invest in the repair/replacement of crucial building systems that have exceeded their useful life. These systems include life safety fire system, elevators to service the 11-story building, hot water and heating/cooling system,**
- **216 total units of which all units will be affordable @ 60%**
- **Risers, drain lines and valves, unit convectors and in-unit improvements (some units have not received any updating/improvements in over 20+ years**
- **Providing an upfront rent subsidy of $6MM (disbursed over 10 years to directly support the improvements to the property and will not be income to property owner.**

19. Friends' House - Homes on Quaker Lane

- **Owner / Developer: Friends House**
- **Located at 17340 Quaker Lane, Sandy Spring**
- **Production / new construction of an 80-unit affordable <u>senior</u> apartment building located on the campus of Friend's House, which is a non-profit organization founded in the 1960s to provide a multicultural and economically inclusive senior retirement community.**
- **Total of 80 units of which 72 units are affordable (8 units @30% and 64 units @60%)**
- **Providing $1,350,000 in subordinate HOME funds.**

20. Main Street

- **Owner / Developer: RST Development, LLC**
- **Located at 50 Monroe Place, Rockville**
- **Production / new construction of a 70-unit multifamily mixed-income rental apartment located on a vacant, in-fill site in central Rockville, one block from County EOB building.**
- **Of the 70 units, 49 units will be reserved for households at 30%, 50%, and 60% of AMI. Approximately 25% of the units will be available for persons with developmental disabilities. Twenty-one (21) of the units will be for households paying market rate rents.**
- **Project is receiving 9% LIHTC's from the State of MD**
- **Providing $2,500,000 for the project's development and construction costs along with a PILOT**

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21. HOC Elizabeth House III

- Owner / Developer: HOC
- Located at 8580 2nd Avenue, Silver Spring
- Production / new construction of a 267-unit mixed income **senior** rental apartment property that will be attached to the new County sponsored aquatics center located on Apple Street in Silver Spring MD.
- Total of 267 units of which 120 units will be affordable @ 60%
- Providing a subordinate loan for $7MM

22. Snowden's Ridge Apartments

- Owner / Developer: Arlington Partnership for Affordable Housing, Inc.
- Located at 2105 Harlequin Terrace, #A, Silver Spring
- Preservation / acquisition of 87-unit 100% Section 8 property via Right of First Refusal
- Property has an expiring Section 8 contract, which will be preserved through the County's participation
- Providing $2.75M loan

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FY20 Pipeline Loans

DHCA also plans to close or commit $33.2M on 7 additional loans in the first six month of FY20 (by December 2019). These projects will provide nearly 1,600 housing units, of which 678 will be affordable.

Please find information on these 7 loans below.

23. Sawyer Flats f/k/a Washingtonian

- **Owner / Developer: Crossings II, LLC.**
- **Located at 9806 Mahogany Drive, Gaithersburg**
- **Preservation of existing MPDU project with expiring affordability restrictions**
- **Anticipated loan is $2.5M**

24. MHP Hillbrooke Towers

- **Owner / Developer: Montgomery Housing Partnership, Inc.**
- **Located at 515 Thayer Avenue, Silver Spring**
- **Preservation and rehabilitation of a 55-unit apartment building**
- **The property was purchased by Montgomery Housing Partnership in 2015 as part of disposition by a private owner.**
- **The rehabilitation of the property will involve LIHTC along with bond and subordinate financing from Maryland Department of Housing and Community Development,**
- **The anticipated Montgomery County investment in this project is $4.5 million.**

25. Fireside Park Apartments

- Owner / Developer: Rockville Housing Enterprises
- Located at 735 Monroe Street, Rockville
- Preservation of an existing rental housing development that provides housing to families earning 50%, 60% and 80% of AMI.
- Project contains 22 buildings with a total of 236 units that requires rehabilitation in addition to fire damage incurred in major fire in 2018.
- Project is applying for 4% LIHTC's from the State of MD
- DHCA will provide $2,800,000 in financing for the development of the project.

26. Knights Bridge

- Owner / Developer: Pennant Housing Group
- Located at 3310 Teagarden Circle, Silver Spring
- Preservation / restructuring capital to include LIHTC to fully renovate the property.
- 256 total units of which 205 units will be affordable (205 units @ 60%)
- The proposed County support would entail a subordinate loan of $7,250,000 and a PILOT to support the affordable units.

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27. HOC 900 Thayer

- Owner / Developer: HOC
- Located at 900 Thayer Avenue, Silver Spring
- Production / new construction mixed income community to be constructed at 900 Thayer Avenue in Silver Spring.
- Project will contain 124 units of which 84 (68%) will be supported by project-based rental assistance ("PBRA").
- Estimated loan is $1M

28. Kensington Manor (Knowles) Senior Housing

- Owner / Developer: Knowles Manor, LLC
- Located at 3906 Knowles Avenue, Kensington
- Production / new construction of 94 units of **senior** housing.
- All ninety-four (94) units will be affordable to households earning 30%, 50%, and 80% of AMI.
- Project is receiving 4% LIHTC's from State of MD and State is allowing income averaging calculations for the 80% of AMI units.
- DHCA is providing $8,900,000 for the project's development and construction costs. A PILOT Agreement will be provided for the project.

29. HOC - Hillendale

- Owner / Developer: HOC
- New construction project
- Project details tbd

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DRAFT FOR COMMENT January 23, 2020
Email Comments by February 21, 2020

Montgomery County Multifamily Affordable Housing Development Funding Guidelines

Questions or comments can be sent to
DHCA.housing@montgomerycountymd.gov

A. **Amount of Funding Available**: Up to $27.65 million from the Fiscal Year 2021 Housing Initiative Fund will be available on July 1, 2020 for the production and preservation of affordable housing. The level of funding for this program is subject to appropriation and will vary each fiscal year.

B. **DHCA Background**: Since 1989, the Montgomery County Department of Housing and Community Affairs (DHCA) has provided flexible financing, as loans, to for-profit and nonprofit affordable housing developers to acquire, construct and rehabilitate multifamily developments from the Housing Initiative Fund (HIF) and other resources established under Section 25B-9 of the Montgomery County Code and its corresponding regulations.

C. **Application Process:**

1. Experienced rental housing developers with multifamily rental housing projects that meet one or more of the County and DHCA's preferred criteria to increase or preserve affordable rental housing can apply to the HIF Program.
2. Applicants proposing to use HIF Program funding must use the HIF application which can be found on the DHCA website at www.montgomerycountymd.gov/dhca-multifamily. An original application and one electronic version, will need to be submitted to:

   DHCA – Multifamily Housing Section
   1401 Rockville Pike, 4th Floor
   Rockville, MD 20852

3. DHCA encourages all applicants to discuss their project proposals with DHCA staff for eligibility and feasibility prior to submission of a request. The HIF Program provides opportunity driven funds, and applications will be accepted on an on-going, continuous basis.

4. When an application is received, DHCA staff will send a receipt e-mail to the applicant.

5. Applications requesting Department resources will be reviewed by a Selection Advisory Committee (SAC) appointed by the DHCA Director.

6. The SAC will review the applications and make a recommendation to the DHCA Director on whether a project should be considered for funding. The Director has the sole discretion to determine if an application meets the criteria for being approved for

funding. All applicants will receive a notification after the Director has made a decision.

D. **Montgomery County Threshold Criteria**: Projects should endeavor to meet the threshold criteria noted below and must be determined to be financially feasible in order to be considered for funding:

1. Submission of a signed, completed HIF Program Application (which can be found on the following website: www.montgomerycountymd.gov/dhca-multifamily). For projects requesting more than $500,000 from the HIF Program, DHCA requires the use of the Maryland Department of Housing and Community Development 202 Application. For projects requesting less than $500,000 and/or with total development costs of less than $500,000, the DHCA Small Project Application can be used, which is also found on the DHCA website at www.montgomerycountymd.gov/dhca-multifamily.
2. Zoning and Development Approvals: Sites must be properly zoned for the intended use. If a zoning change or other development approval is required, applicant must provide:
   a. documentation of the present status of the proposed change and the planning and zoning process;
   b. contact information for the planning official familiar with the project and responsible for the approval process; and
   c. a detailed schedule with projected dates for obtaining the required approvals corresponding to the project schedule in the Application Package.
3. No debarment or outstanding taxes: Any person or entity suspended or debarred from participating in County, State, or Federal procurement is not eligible to receive funding. In addition, any person or entity with an outstanding County tax bill that is not addressed by a formal repayment plan with the County is not eligible to receive funding.
4. No outstanding DHCA obligations: Persons or entities directly involved with any project, or entities having unpaid fees, loan arrearages, or other failed obligations due to DHCA on other projects, are not eligible to receive funding.
5. Acceptable Evidence of Site Control, clearly identifying all parcels in the development, such as:
   a. Deed to property demonstrating fee simple ownership,
   b. Long term lease or ground lease with a lease term that is at least six months longer than the proposed term of the HIF Loan, or
   c. Purchase Contract with a closing date this is not more than 12 months beyond the date of the HIF application.

E. Preferred Criteria: DHCA encourages innovative approaches to projects that meet one or more of the following Preference Criteria:

1. Projects that include units serving households earning 50% or less of the Area Median Income. (AMI).
2. Additional preference for projects that include units dedicated to households earning less than 30% AMI including units dedicated to serving formerly homeless households.
3. Projects that preserve at-risk currently affordable housing.
4. Projects constructing new units or expanding the number of units under affordability restrictions.
5. Projects providing family size units of three or more-bedroom units.
6. Mixed Income Housing.
7. Projects should be consistent with the County Executive's seven priorities in meeting the Preferred Criteria:
   - Making youth and families thrive,
   - Growing the economy,
   - Creating a greener County,
   - Easier commutes,
   - Creating a more affordable, welcoming County,
   - Safe neighborhoods, and,
   - Reorganizing for a more effective, sustainable government.

F. General Funding Guidelines:

1. Units assisted with County funds must serve households at or below 70% of the area median income.
2. Units financed with HIF Program funding must remain affordable for the greater of 30 years or the affordability restriction periods required under the MPDU or LIHTC programs. In projects which may or may not include LIHTC or any other federal financing with affordability restrictions, the Director may, at his sole discretion require affordability requirements for HIF Program Funds to be recorded in covenants senior to all financing.
3. HIF Program funds will be given in the form of a loan, not a grant.
4. DHCA provides flexible financing to meet public purpose objectives. Loan terms are set by the Director based on the needs of the project. The interest rate charged generally is 3%, however the rate can be established depending on the project's purpose and financing. Loan repayments can amortize monthly, be deferred for a period of time, or be based on a property's available cash flow. Projects proposing to use cross-collateralization/cross-default will not be considered.
5. DHCA staff will assess the funding needs of a project based on the population served, the reasonableness of projections based on type of development, the efficient use of local funds, and leveraging of other resources.

6. An appraisal either ordered by the first mortgage lender or by DHCA will be reviewed by DHCA before a loan approval can be recommended to the DHCA Director. The cost of the appraisal will be borne by the developer. The appraisal must be based on the projected value of the property based on market rents, in order to obtain a value of the property in the marketplace if it did not have any rent restrictions
7. Equity Contribution: While not a requirement, the expectation is that cash equity will be included from the owner/sponsor/parent company (excluding deferred developer fee) as a source of funds. A cash equity contribution of 10% is an expected goal for each project.
8. For projects proposing to use Low Income Housing Tax Credits, preference will be given to projects with at least 50% of the developer's fee deferred and paid from the project's cash flow, provided sufficient cash-flow available.
9. If an application includes tax credits, but the tax credit request was declined by the Maryland Department of Housing and Community Development, the HIF Program application process may be terminated, which termination will be in the Director's sole and absolute discretion
10. Physical Needs Assessment: In the event that other lenders or investors have not required a Physical Needs Assessment, DHCA staff, at its own discretion, may hire a third-party firm, at the expense of the borrower, to provide a Physical Needs Assessment to verify that the planned rehabilitation scope of work is sufficient for the project.
11. The County may require properties receiving County funding to contact appropriate County agencies regarding any vacant units, and give first preference to residents of Montgomery County or people working in Montgomery County.
12. The County may require properties receiving funding to set aside units for very low-income residents. The County may require that developers set aside a minimum of 10% of the units in a property at 30% of the area median income. Favorable consideration will be given to projects setting aside a larger percentage of units for households earning 30% to 50% of the AMI. Small properties must set aside at least one unit at or below 30% of the area median income.
13. The County will require that properties receiving County funding to give to the County the first right to purchase a property if it is sold. The County may include language in its loans that states that if at any time a signed bona fide third-party contract is accepted by the borrower, the County has the right to match the contract at a pre-established price.
14. A Payment and Performance Bond will be required (with DHCA as a named insured).
15. Other requirements may be established as deemed necessary by the Director to protect the interests of, DHCA, and Montgomery County.

G. **Eligible applicants**:

1. Applicants must be experienced in the development of affordable housing. Applicants should demonstrate their experience and have a clear capacity for the undertaking they are proposing. This experience includes the type of project proposed (including the number of units, the scale of construction/rehabilitation and the proposed financing structure of the project). The applicant must provide documentation that demonstrates that the development team has the capacity to carry out the proposed project by providing information on previous projects carried out, years in service, and work on similar projects.
2. Partnerships or joint ventures among experienced developers and community-based organizations are acceptable as a way for applicants to demonstrate the required affordable housing experience.

H. Eligible activities: Funds are available for the purposes of the development, preservation, or purchase of affordable housing in Montgomery County.

1. Funds may only be used for capital purposes such as new construction, acquisition and acquisition/rehabilitation. Funding is not provided for pre-development or operating funds.
2. For new construction projects, DHCA will seek an agreement with the senior lender and other financial partners in the disbursement of funds during construction and rehabilitation process and schedule. While a pari-passu disbursement schedule is desired, DHCA will work with the financial partners to achieve a mutually agreeable disbursement schedule. DHCA construction/rehabilitation disbursements will require the approval of the DHCA construction manager/inspector and other lender approved inspections. DHCA will require normal releases of liens and current title bring-downs as part of the construction/rehabilitation payment approval process.

I. Financial Feasibility: Projects will be underwritten to determine financial feasibility. The applicant needs to demonstrate that the financing by the County is necessary for the project. Factors will include, but are not limited to:

1. A pro-forma analysis of the property's projected financial performance over the first 20 years of the proposed loan, including rental income (within affordability guidelines), expenses, and deposits to reserves.
2. The project's ability to support any must-pay debt.
3. The appraised value of the project under the General Funding Guidelines, based on the condition of the property and proposed renovations;
4. Debt coverage with a Debt Service Coverage (DSC) of 1.0 and loan to value ratio not to exceed 100%, including all debt.
5. The terms and conditions of any senior debt (if applicable).

6. Leveraging of other resources to the County funds, targeting a 3:1 leverage ratio.
7. The repayment of the County debt.
8. A review of the last three years of independently audited financials for the applicant.

J. **Loan Structure**:

1. HIF Program Funds are non-recourse secured loans.
2. Repayment of principal and interest of County financing will be dependent upon the underwriting process.
3. It is anticipated that the County investment is part of a broader financing plan that may include additional public or private debt or tax credits; ideally, the funds are being used to leverage additional sources of financing.
4. Loans are subject to annual monitoring fees.

K. **Readiness to Proceed**: A project's readiness to proceed will also be a key determinant in awarding funding.

1. The project should be in the process of securing other financing or have a clear timeline for acquiring additional sources of funding necessary to complete the project.
2. Preference will be given to projects that can demonstrate closing within 12 months of receiving approval for funding, or in the case of applicants applying for tax credits, 12 months from the award of tax credits.

L. **Processing, Timelines**: Applications for Housing Initiative Fund funding will be accepted on a rolling basis. We encourage all applicants to discuss their project proposals with DHCA staff for eligibility and feasibility prior to submission of a request.

1. DHCA reserves the right to award HIF Program Funds in a manner that achieves the stated preferences and may request adjustments to a project to maximize Preference Criteria achievement.
2. Applicants are advised that, in the event the DHCA requires no clarifications and/or supplementary information, such applications may be evaluated without further discussion with the applicant. Consequently, applicants should provide complete, thorough applications with the offerors' most favorable terms. Should DHCA inform an applicant that it requires additional clarification and/or supplementary information, applicants should submit such additional material in a timely manner.
3. The County may cancel this NOFA or reject proposals at any time prior to an award.

For further information, please contact Lawrence Cager, Multifamily Housing Manager, at DHCA.housing@montgomerycountymd.gov

MONTGOMERY MULTIFAMILY AFFORDABLE HOUSING DEVELOPMENT
THRESHOLD ANALYSIS & SCORING WORKSHEET

DRAFT FOR COMMENT BY FEBRUARY 21, 2020
QUESTIONS AND COMMENTS TO DHCA.HOUSING@MONTGOMERYCOUNTYMD.GOV

I	**Threshold Criteria**			
	A.	Signed, completed application	Y / N	
	B	Zoning approval ; documentation of process remaining	Y / N	
	C	Evidence of Site Control	Y / N	
	D.	Not suspended or debarred; No failed obligations to Montgomery County	Y / N	
	Policy Goals			
II		**Units Under 50% AMI**		**35**
		Permanent Supportive Housing units	0 - 5	
		Units with rents at or below 30% AMI	0 - 10	
		20% - 75% units under 50% AMI	15	
		75% of units under 50% AMI	20	
III		**Preservation of Affordable Units at risk of rent increases**		**15**
		Protect all Naturally Occurring Affordable Housing under 70% AMI rents	15	
		Protect all Currently Restricted Units	15	
IV		**Family Size Units**		**15**
		25-30% Units with 2 Bedrooms or larger	10	
		More than 30% Units with 2 Bedrooms or larger	15	
V		**Mixed Income Housing Options**	0 - 10	**10**
VI		**New Construction income restricted units**	0 - 20	**20**
	Transaction Guidelines			
VII	**Readiness:**			
	A.	Realistic Plan for closing within 12 mo of approval or 12 mo of LIHTC award	15	**15**
VIII	**Housing Needs Characteristics:**			**30**
	A.	Existing HUD Subsidy	5	
	B.	Census tract with < 10% poverty rate	10	
	C.	Consistent with Montgomery County Consolidated Plan	5	
	D.	Transit Oriented Development, proximity to high-capacity transit	10	
IX	**Development Characteristics:**			**30**
	A.	Accessibility (504) for 5 or 10% of units	0 - 10	
	B.	Earthcraft, LEED, Enterprise Green, or National Green Building Certified	10	
	C.	Universal Design	10	
X	**Population Served:**			**20**
	A	Units serving special needs population or persons 55 years or older	10	
	B	Tenants services provided	0 - 10	
XI	**Applicant Experience:**			**20**
	A.	Developer experience - 3 developments with 3x units or 6 developments with 1x units	15	
	B.	Developer experience - 3 developments and at least $500,000 in liquid assets	20	
	C.	Developer experience - 1 development with 1 x units	10	
XII	**Efficient Use of Resources:**			**55**
	A.	County subsidy per unit	0 - 20	
	B.	Cost per unit (MD DHCD limits)	0 - 15	
	C.	Leveraging 3:1 to 4:1	5	
	D.	Leveraging greater than 4:1	10	
	E	Funds revolve back to HIF	10	
XIII	**Bonus Points**			
		Innovation	10	**10**
		Maximum Number of Points		**275**

Montgomery Housing Initiative.

Sec. 25B-9. Montgomery Housing Initiative.

(a) The county executive must establish the Montgomery Housing Initiative to promote a broad range of housing opportunities in the county.

(b) This initiative must be included in the county capital improvements program and may use appropriated funds and receipts from any source, including any balances transferred from the condominium transfer tax fund under Section 52-21(f).

(c) Funds allocated to this initiative may be spent to:

(1) Construct or acquire affordable housing units;

(2) Buy and rehabilitate existing rental units that would otherwise be removed from the supply of affordable housing; and

(3) Participate in housing or mixed-use developments that will include affordable housing.

(d) The Director of Housing and Community Affairs administers the initiative under regulations adopted by the County Executive under method (2). (1988 L.M.C., ch. 42, § 1; 1996 L.M.C., ch. 13, § 1.)

ARTICLE II. MONTGOMERY HOUSING INITIATIVE, SEC. 25B-9 MONTGOMERY HOUSING INITIATIVE — REGULATIONS

COMCOR 25B.09.01 Administration of the Montgomery Housing Initiative Program

25B.09.01.01 Background Information

1.1 In May, 1988, the County Council enacted Chapter 25B-9 to the Montgomery County Code establishing the Montgomery Housing Initiative program which is to be administered by the Department of Housing and Community Development. The program was created to promote a broad range of housing opportunities in the County in order to assist in alleviating the difficulties of many low- and moderate-income households to obtain and maintain housing at costs that they can afford.

1.2 The May, 1988 enactment of the Montgomery Housing Initiative amended Section 52-21(f)(3) of the Montgomery County Code to transfer the balance of funds in the Condominium Transfer Tax Fund to the Montgomery Housing Initiative Program, and to expand the kinds of expenditures permitted by the funds to include affordable for sale, as well as rental, housing.

25B.09.01.01 Procedures

2.1 Use of Funds:

The principal use of the Montgomery Housing Initiative is to construct new housing units. Funds appropriated or allocated to or otherwise contributed or dedicated to the Housing Initiative may be expended or committed by the Director of the Department of Housing and Community Development for any of the following purposes:

A. Construct new affordable housing units;

B. Acquire land upon which affordable housing may be constructed;

C. Buy and rehabilitate existing rental units that might otherwise be removed from the supply of affordable housing;

D. Participate with non-profit and for-profit sponsors of projects containing affordable housing in mixed-income developments;

E. Make loans for the development or rehabilitation of housing that will enhance the affordability of some or all of the units;

F. Provide rent subsidies to low- and moderate-income tenants.

2.2 Limitations on Uses of Funds:

The Uses of Funds from the Housing Initiative, as outlined in Section 2.1 of this regulation, are limited as follows:

A. No more than 20 percent of the Housing Initiative funds appropriated in any fiscal year may be spent on activities other than the acquisition of land for new affordable housing construction or on activities which result in the construction of new affordable housing, unless specifically authorized by the Director of Housing and Community Development.

B. Rent subsidies to low- and moderate-income tenants may be provided from the Montgomery Housing Initiative Fund only to increase the affordability of newly constructed housing, unless specifically authorized by the Director of Housing and Community Development.

2.3 Submission of Proposals:

Proposals for the use of funds from the Montgomery Housing Initiative Program may be submitted in writing in such form as may be required and sent to:

The Director

Department of Housing and Community Development

51 Monroe Street, 10th Floor

Rockville, MD 20850

2.4 Evaluation of Proposals:

The Director of Housing and Community Development, in reviewing proposals for the use of funds from the Montgomery Housing Initiative Program, must take into consideration the following:

1. Existing commitments for the use of these funds;

2. The existence and expectation of funds projected to be available in the program;

3. The priority of need for serving the proposed population group and the characteristics of the proposed program;

4. The limitations on the use of Housing Initiative funds listed in Section 2.2 above;

5. The degree to which the proposed use will further the housing policy goals of Montgomery County;

6. Suitability of the location and site for the facility;

7. The degree to which the use of program funds will be leveraged by contributions from other public, private, or non-profit sources;

8. The financial responsibility and reputability of the sponsor; and

9. Other factors as determined by the Director of Housing and Community Development.

2.5 Approval of Proposals:

The Director of Housing and Community Development may approve the use of funds under this program, disapprove the use of funds, or authorize further negotiation with persons proposing to use funds. When the use of funds is approved, the Director will determine the terms and conditions of the use of the funds and enter into contracts with approved sponsors.

(Administrative History: Reg. No. 51-93AM (Method 2); Orig. Dept.: Housing and Community Affairs; Supersedes: Reg. No. 38-89E)