

MEMORANDUM

July 10, 2020

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: Housing Preservation, Financing, and the Purple Line

PURPOSE: Briefings, Discussion, Potential for Recommendations

Expected for this session:

Aseem Nigam, Director, Department of Housing and Community Affairs (DHCA)
Frank Demarais, Deputy Direct DHCA
George Leventhal, Ph.D., Director, Community Health, Kaiser Permanente
Melissa Bondi, Mid-Atlantic State and Local Policy Director, Enterprise Community Partners
Sheila Somashekhar, Director, Purple Line Corridor Coalition
Robert Goldman, Executive Director, Montgomery Housing Partnership
Alan Goldstein, Director, Multifamily, AHC, Inc.
Stacy Spann, Executive Director, HOC
Kayrine Brown, Chief Investment and Real Estate Officer, HOC
Zachary Marks, Director of Development Real Estate, HOC
Lisa Govoni, Housing Policy Coordinator, Montgomery County Planning Department
Pofen Salem, Office of Management and Budget

The County Council has adopted a resolution stating its commitment to finding ways to meet the goals for production of new housing as developed through the Metropolitan Washington Council of Government's Regional Housing Initiative. This commitment includes increasing the stock of affordable housing and having 75% of the new housing in Activity Centers or near high-capacity transit. This commitment was further confirmed when the Council included Housing as one of the four pillars in its Economic Development Platform.

As a part of its Fiscal Year 2021 budget actions, the Council placed in designated reserve \$6.8 million that would otherwise have been appropriated to the Housing Initiative Fund in order to have additional time to determine if this money can be leveraged to create new, larger

pools of financing to support the production and preservation of affordable housing. Production of new housing must occur to meet overall goals, but affordable housing goals will only be met through a combination of production and preservation.

The PHED Committee started its post-budget work by considering a Housing Production Fund for the Housing Opportunities Commission (HOC). HOC has a pipeline of mixed-income housing with significant affordable housing that can be accelerated with access to additional construction-bridge funding. On July 7, 2020, the Council introduced a capital improvements program amendment and special appropriation to the capital budget to create a HOC Housing Production Fund that will leverage \$2.8 million of the \$6.8 million in designated reserve to create a \$50 million fund in FY21. The PHED Committee further recommends that the fund increase to \$100 million in FY22. The following is a link to the July 7, 2020 staff report:

https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2020/20200707/20200707_2E.pdf

At the July 7 session, the PHED Committee also received an update on the DHCA's proposal for a Housing Opportunity Fund. This fund will also use county funding (capital budget) to leverage private investment that will be available to housing partners for acquisition and preservation. The PHED Committee asked for further information on similar models and was also interested in understanding better how it would meet housing partners' specific needs.

The PHED Committee has received updates on the work of the Purple Line Corridor Coalition's Housing Action Plan. The Committee's last update was December 2, 2019 as the PLCC was finalizing the Plan. The summary version of the PLCC Housing Action Plan 2019-2020 is attached to this memo.

Proposed structure for this session:

Brief overview presentation from Lisa Govoni on the **Housing Preservation Study** (multi-family). This is a companion to the Housing Needs Assessment, which the PHED Committee recently discussed. The full April stakeholder update is attached to this memo (1-33). The study looks at both deed-restricted affordable units and naturally occurring affordable units (<65% AMI). There are about 18,000 deed restricted units and 27,800 naturally occurring units. 32% of deed-restricted are inside the beltway and another 38% are in the I-270/355 corridor. A majority of naturally occurring units are east of I-270 and outside the beltway. The study is also looking at what the risk factors are for loss of affordable housing. The three largest indicators are building age, location, and the size of the building.

Receive comments from the PLCC representatives on their ongoing work and recommendations on how to make progress in meeting housing goals and also the needs of people who are living in the Purple Line Corridor. The summary of the Plan is attached (37-48) to this memo as well as a May letter from George Leventhal (on behalf of the Housing Accelerator Action Team) with requested action items (35-36).

Follow-up information from DHCA on structure of funds in some other jurisdictions.

DHCA has provided follow-up information (attached 49-52) on some examples of funds in other jurisdictions. The final page is a graphic of how this might be used in the financing stack.

Discussion with the panel about the need for financing, specific types of financing that are available and not available, and priorities for county efforts to enhance the availability of financing resources for affordable housing preservation. This will provide the PHED Committee with an opportunity to hear directly from providers on problems and how to craft solutions. In this discussion, “preservation” includes both acquisition and preservation of the specific building/units and also acquisition with an intent for future redevelopment that would continue to provide a substantial amount of affordable housing.

Next Steps and Potential Recommendations – The PHED Committee may choose to use this session to make preliminary or final recommendations on how to move forward with increasing the availability of financing resources for acquisition and preservation.

Council staff comments:

There are two sources of funding available to leverage to create new pools of financing in FY21. The first is the remaining \$4 million in the undesignated reserve for affordable housing (original \$6.8 million less the \$2.8 million for the HOC Housing Production Fund) and the \$8 million in the capital improvements program for the Affordable Housing Opportunity Fund. Certain fund structures may have ongoing costs associated with the underlying debt that would also have to be considered.

The Committee may first want to consider the total amount of the funding it is looking to create. In previous discussions, \$50 million has been a general target but this might change depending on how the fund is established. For example, if there is a need for short-term funding that might be one pool with one structure. If there is a need for longer term funding (20 to 30 years) that could be another. One fund may be flexible enough to do this, but there may be advantages to separating these.

If county funds are able to be invested once to leverage private funds (more in line with the DHCA proposed fund) then perhaps the entire remaining resources of \$4 million in reserves plus the \$8 million could be used to leverage a fund of at least \$50 million.

Alternatively, bonds to raise \$50 million could be issued with less FY21 costs but with the commitment for ongoing payments. This could be an expansion of the long-used protocol of the County issuing taxable debt and having both the debt service and the proceeds run through the HIF (operating and capital). Or, as with the HOC Housing Production Fund, the bonds/debt/cost could be in partnership with an outside financing entity.

Montgomery County Preservation Study Update



April 2020

Agenda

Housing Landscape Overview

Subsidized / Deed Restricted Housing

Naturally-Occurring Affordable Housing

HR&A Scope

The HR&A team has a four-part scope to deliver an analysis of existing affordable housing in Montgomery County and recommended strategies for preservation.

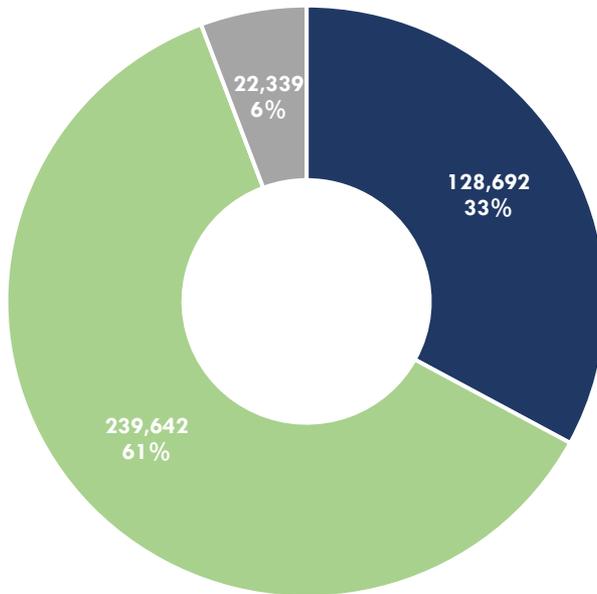
1. At Risk Property Inventory Analysis
 - Unrestricted / Unsubsidized Units
 - Deed-Restricted / Subsidized Units
2. Existing County Preservation Policies
3. Best Practices Analysis
4. Recommended Strategies for Preservation

Housing Landscape

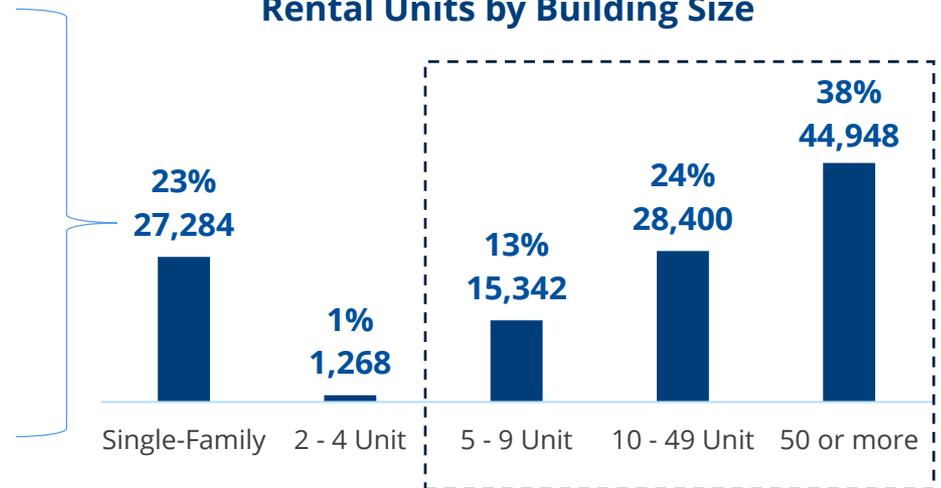
Montgomery County has a population of 1.1m residents with 391k housing units. Of these 240k units (65%) are owner-occupied and 129k units (35%) are renter-occupied.

Montgomery County Housing Units

■ Renter Occupied ■ Owner Occupied ■ Vacant



Rental Units by Building Size



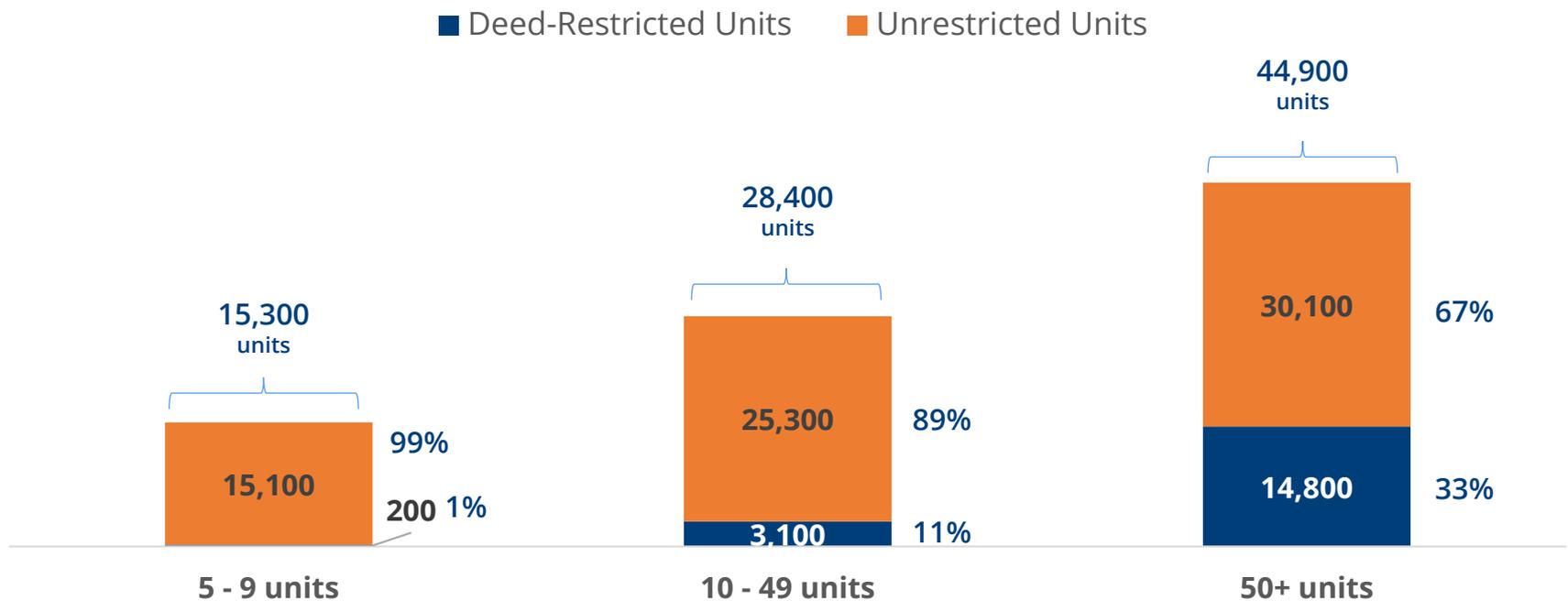
The preservation study focuses on rental multifamily housing.

Source: ACS 2018 1-year

Housing Landscape | Multifamily Housing

20% (18,000 units) of the County's multifamily housing stock is subsidized (deed-restricted). 82% of these units are in large buildings with 50+ units.

Multifamily Units by Building Size and Subsidy Status

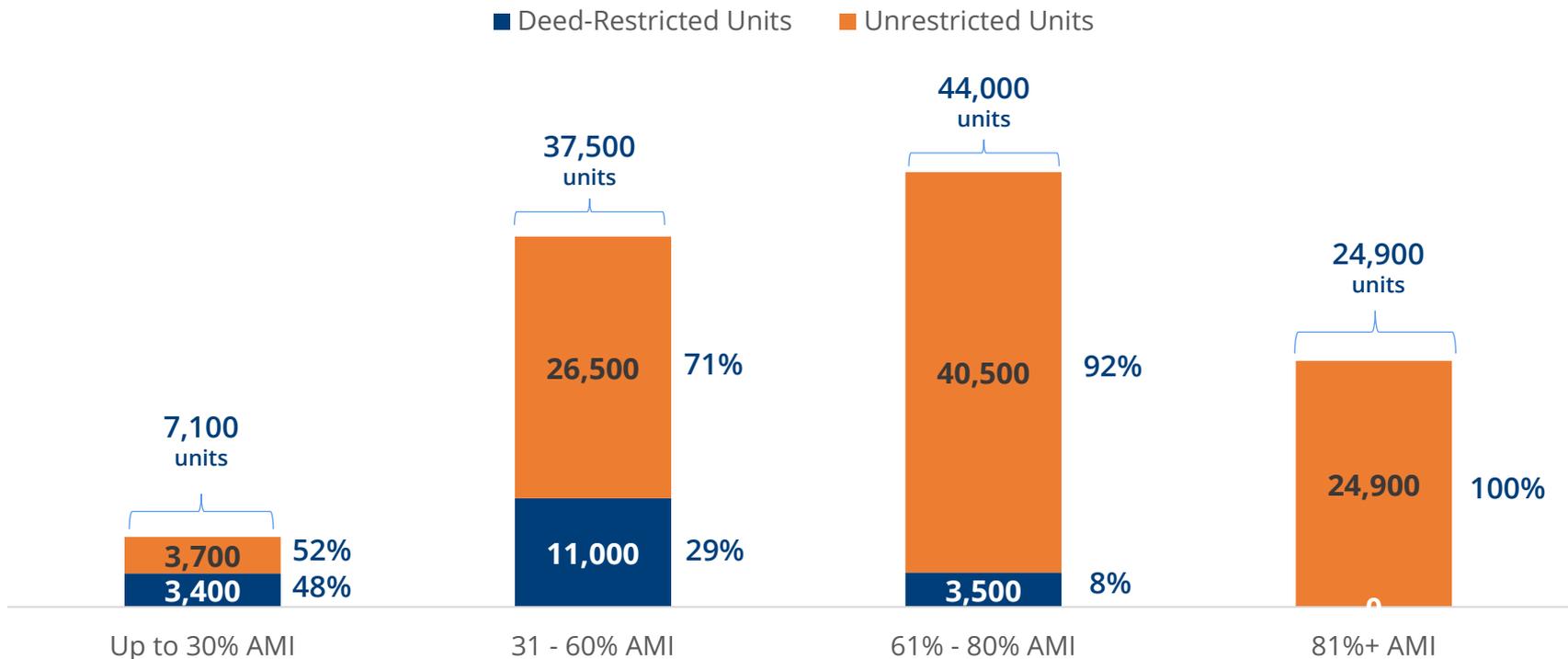


Source: ACS 2018 1-year

Housing Landscape | Multifamily Housing Affordability

The plurality of the County's rental multifamily housing stock is affordable to households earning between 60% - 80% of AMI currently. Deed-restricted units make up 32% of units below 60% of AMI.

Multifamily Units by Affordability Level



Source: ACS 2018 1-year

Housing Landscape

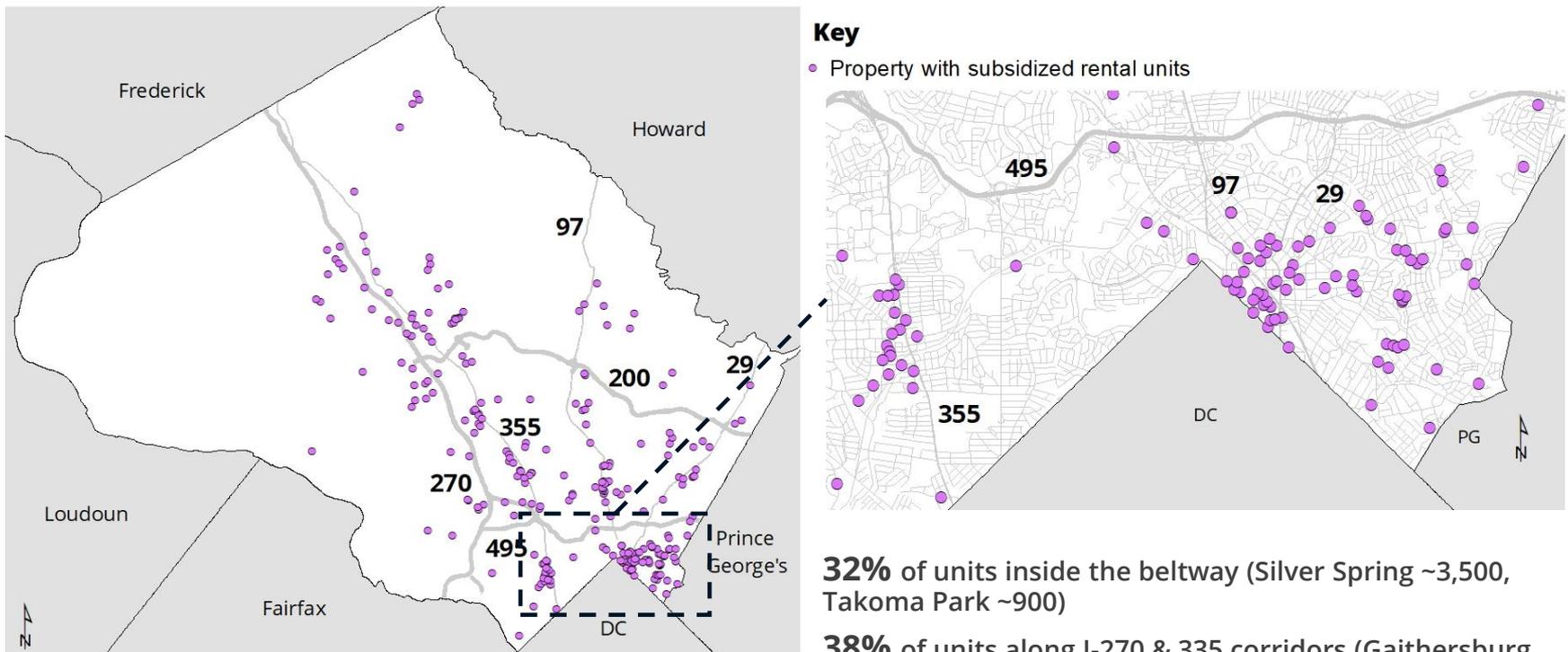
Subsidized / Deed Restricted Housing

Naturally-Occurring Affordable Housing

Current Conditions | Deed-Restricted Housing

There are approximately 18,000 subsidized rental units. Of these units, 32% are inside the beltway and 38% are along I-270 & 335 corridors.

Deed-Restricted Inventory (5+ units), 2020



Source: ACS 2018 1-year

32% of units inside the beltway (Silver Spring ~3,500, Takoma Park ~900)

38% of units along I-270 & 335 corridors (Gaithersburg ~3,000, Rockville ~2,600)

Current Conditions | Age of Inventory

The inventory is relatively old with an influx of new units in the last decade. 35% of the inventory was built in the 1960s and 1970s while 16% was built since 2010.

Montgomery Arms Apts



Silver Spring House



Fields of Gaithersburg



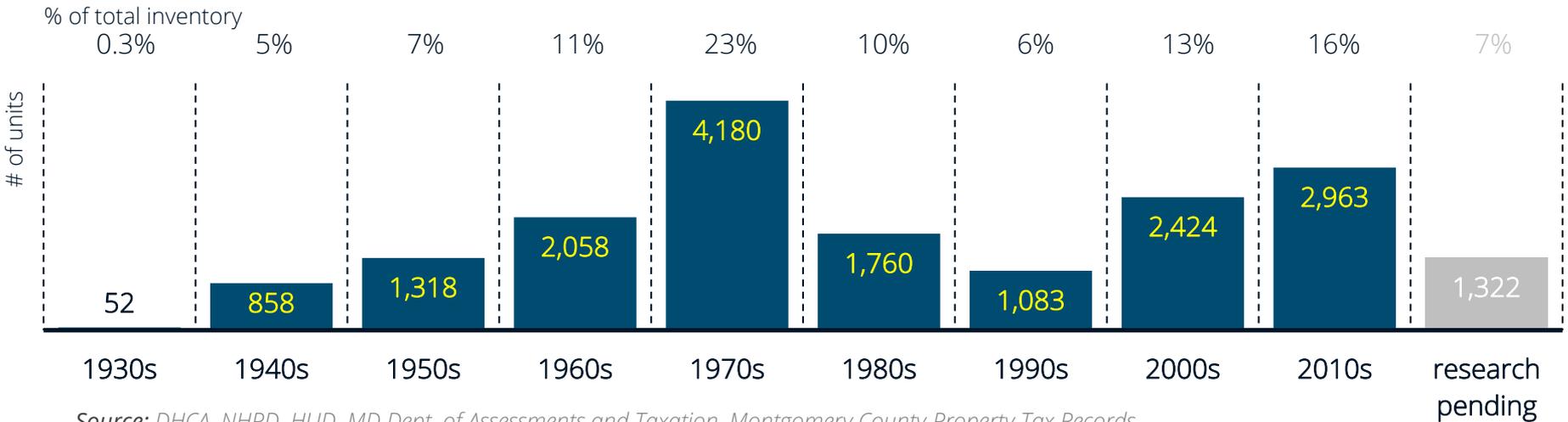
Timberlawn Crescent



Momentum at Shady



Subsidized Rental Inventory, by Decade Built

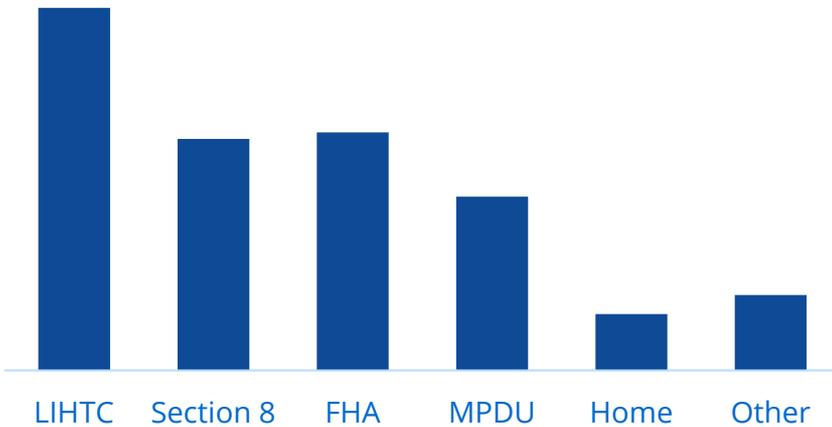


Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records

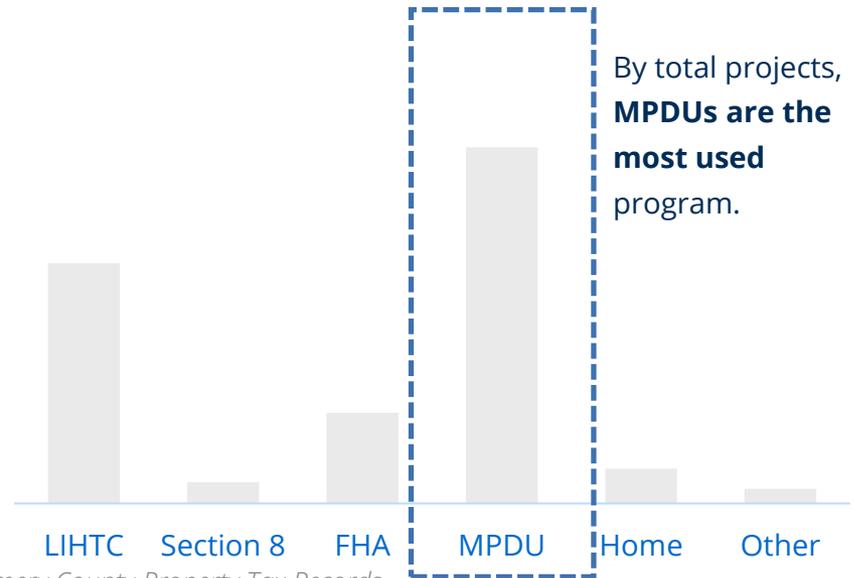
Current Conditions | Units by Subsidy Type

LIHTC has produced 32% of all of the County's existing units—however since 2000, MPDUs have produced 1,200 more units than LIHTC.

Units by Program - All



Units by Program - Built since 2000

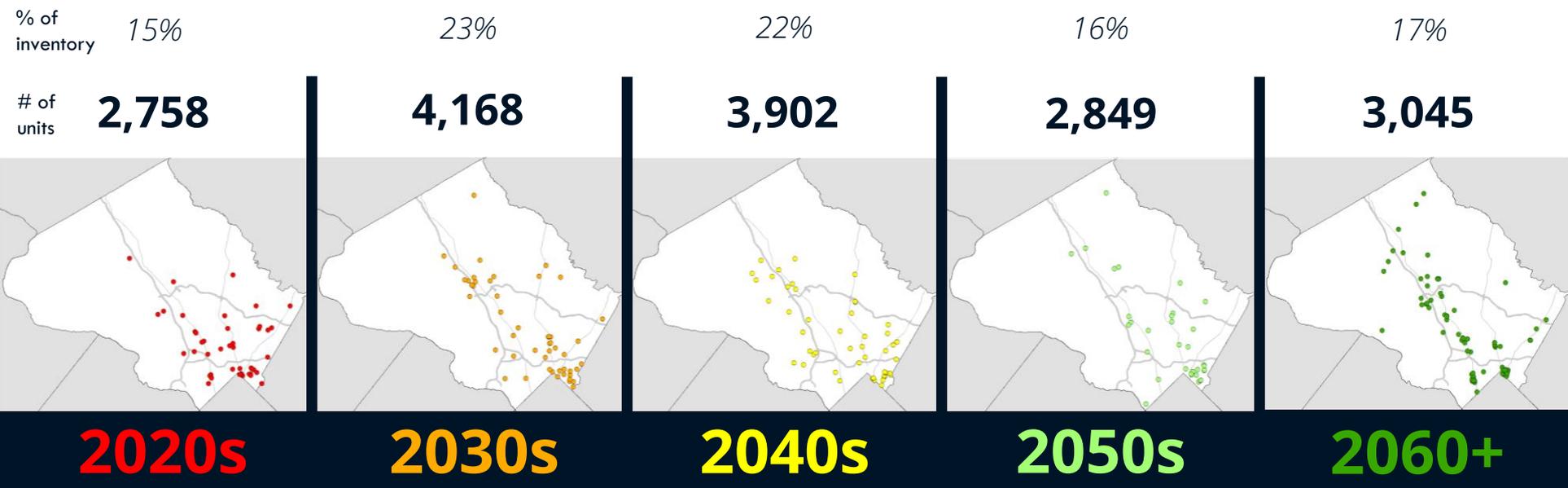


Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records

Current Conditions | Affordability Ranges

About 40% of the total inventory have subsidy expirations in the next two decades (7,000 units). Half of these units are inside the beltway.

Subsidized Rental Inventory by Expiration Decade



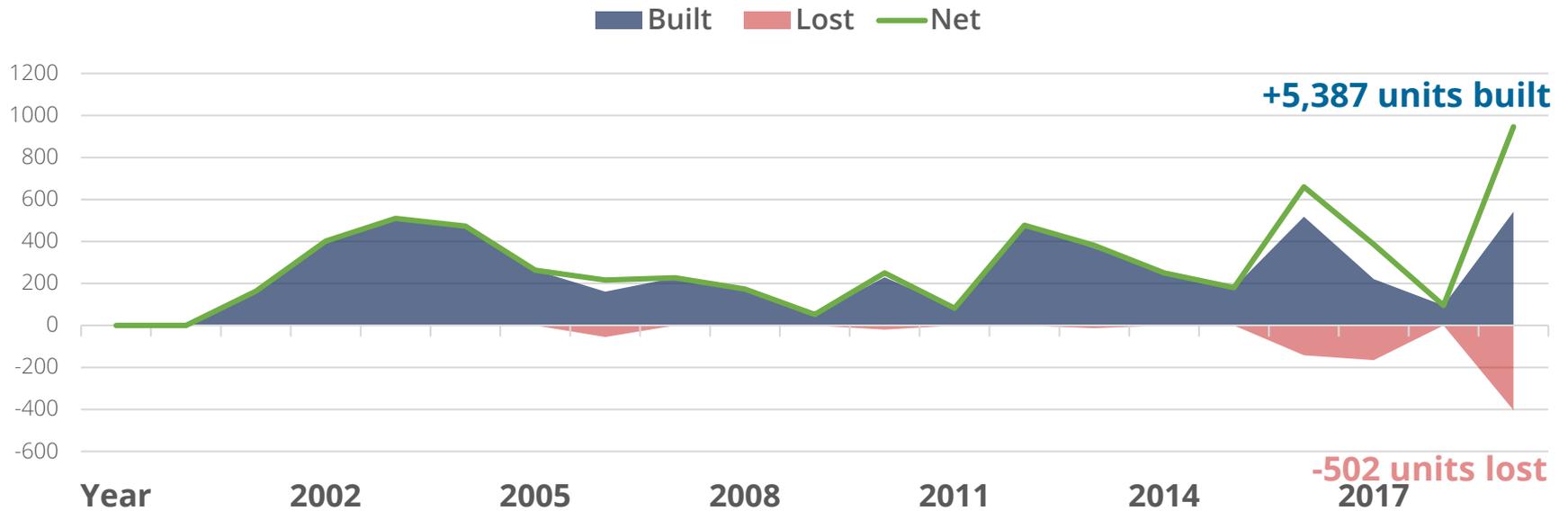
15% of the total inventory has expirations beyond 2100

Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records

Historic Trends | Patterns of Inventory Loss / Gain

The County has been building subsidized housing faster than units being lost. Most of the units being lost are Section 8 units within larger market-rate properties, while most being built currently are MPDUs.

Net Change in Subsidized Rental Housing 2000 - 2019

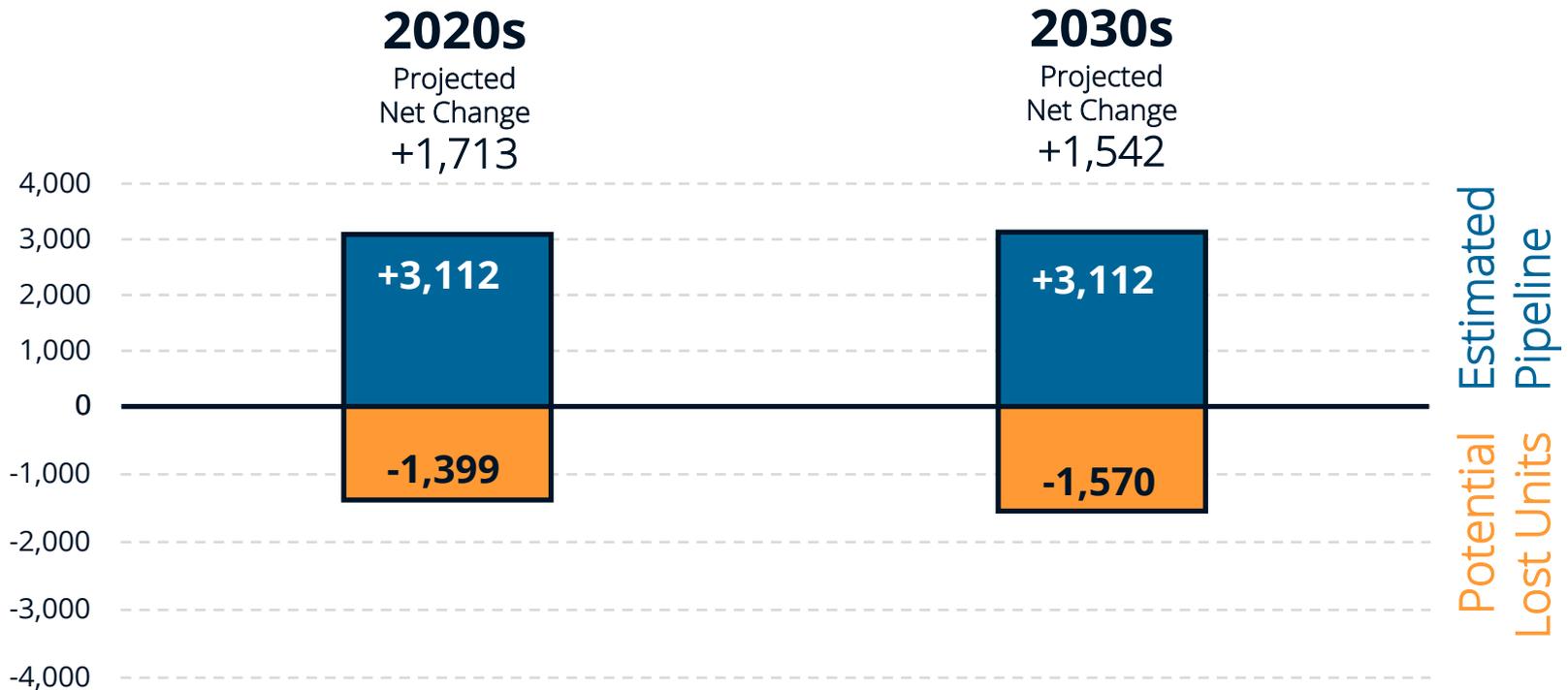


Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records

Future Trends | Estimating Net Loss / Gain

About 60% of the inventory expiring in the 2020s and 2030s are owned by non-profits and classified as lower risk. The remaining are owned by for-profit companies and have a potential to be lost. Nevertheless, development outpaces loss, however newer AMIs may be higher.

Estimated Net Change in Subsidized Rental Housing Inventory, 2020s and 2030s

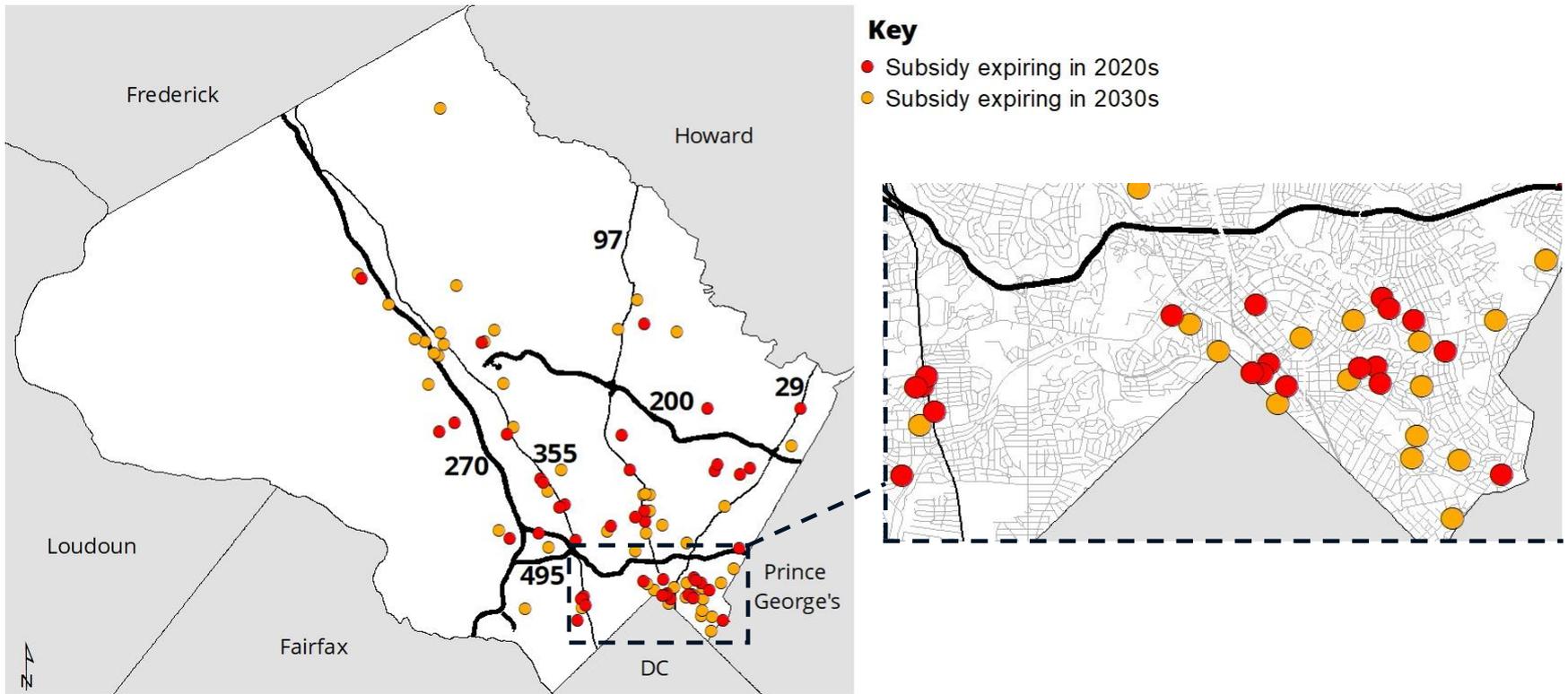


Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records

Risk Criteria | Upcoming Subsidy Expirations

- Risk assessment focused on properties with subsidy expirations in the next 20 years

Rental Inventory with Subsidy Expirations 2020s and 2030s

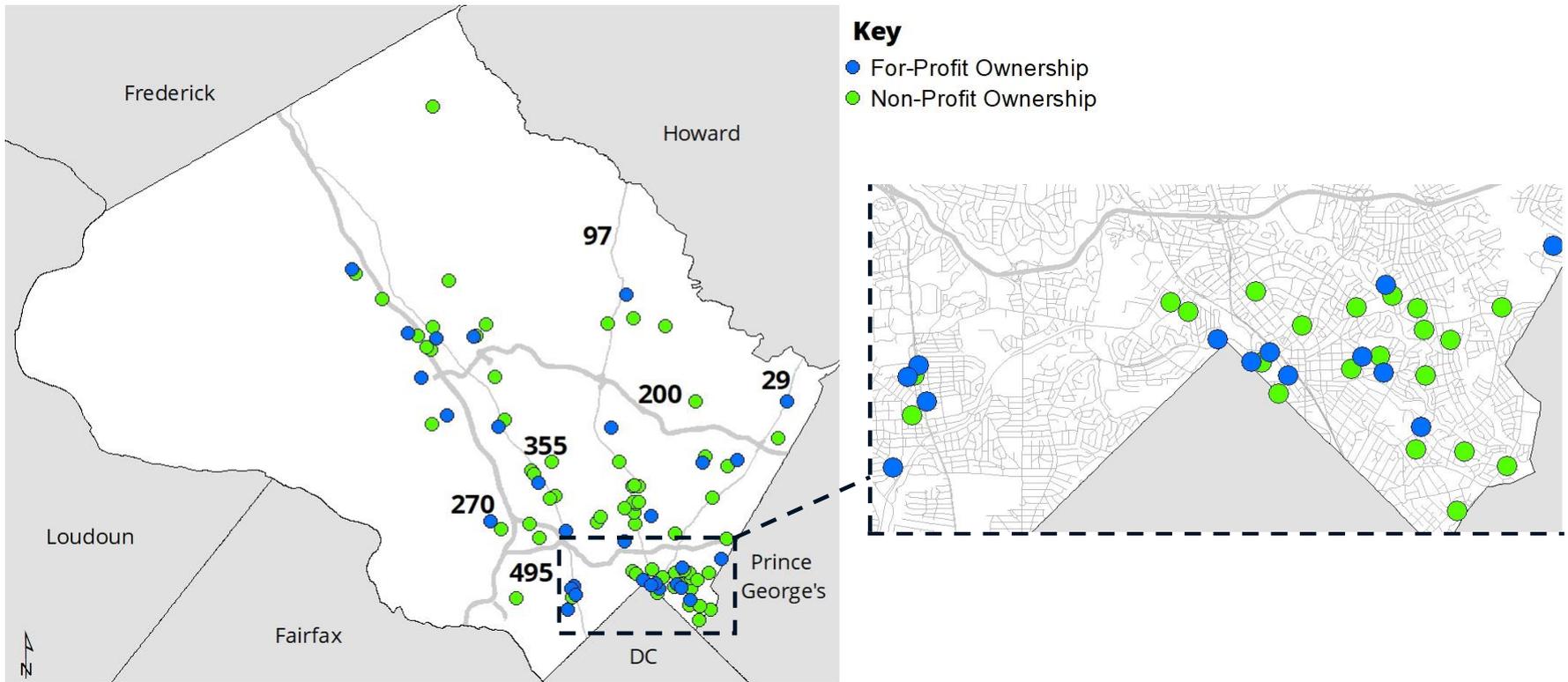


Source: DHCA, NHPD, HUD

Risk Criteria | Ownership Type

- Units owned by non-profit/mission-based organization less likely to be lost
- Nearly 3,000 units owned by for-profit companies have subsidies expiring in 2020s & 2030s

2020s/2030s Subsidy Expirations by Ownership Type

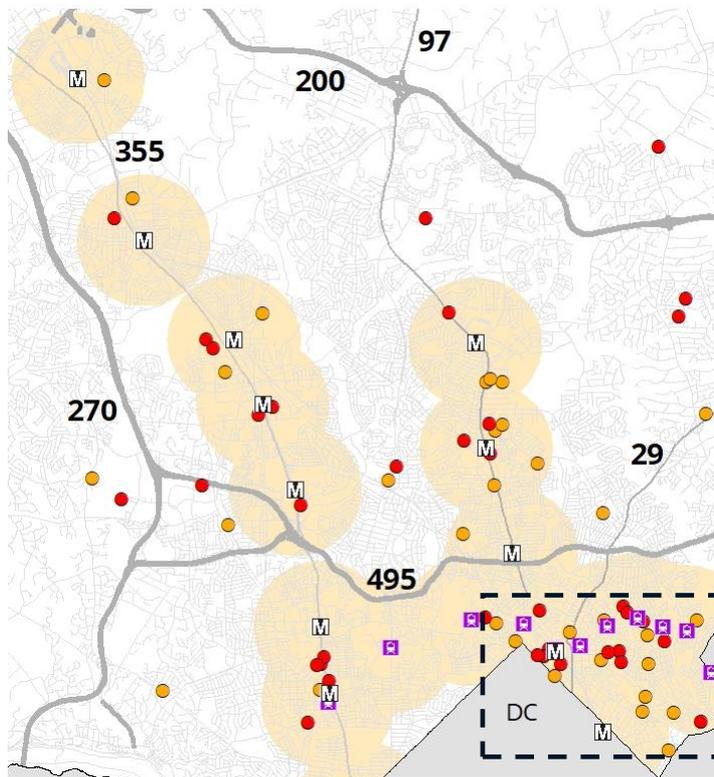


Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records

Risk Criteria | Proximity to Transit Infrastructure

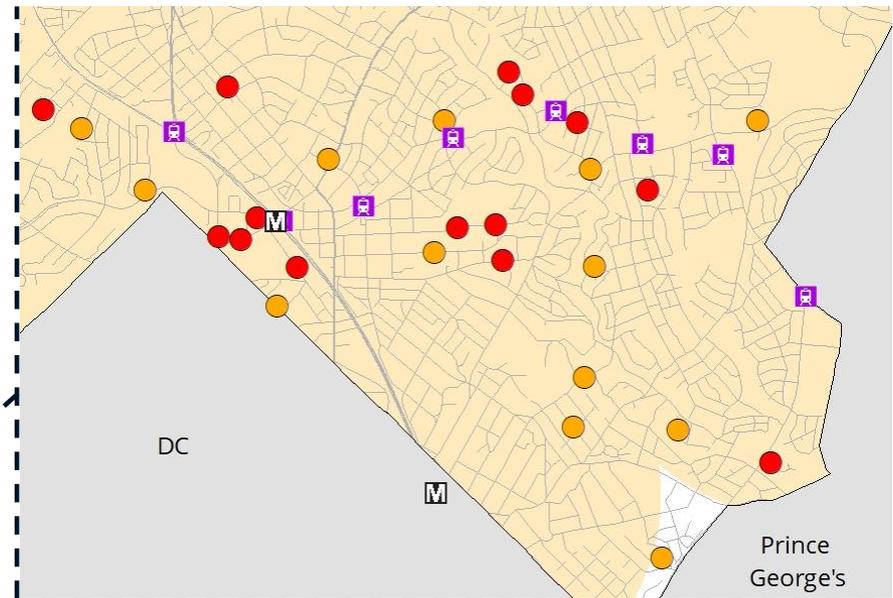
- Rent and development pressure generally higher near transit infrastructure
- About 62% of inventory with upcoming expirations (2020s & 2030s) are near rail stations

2020s/2030s Subsidy Expirations and Rail Transit



Key

- Subsidy expiring in 2020s
- Subsidy expiring in 2030s
- M Metrorail Station
- P Purple Line Station
- Within 1 mile of rail station

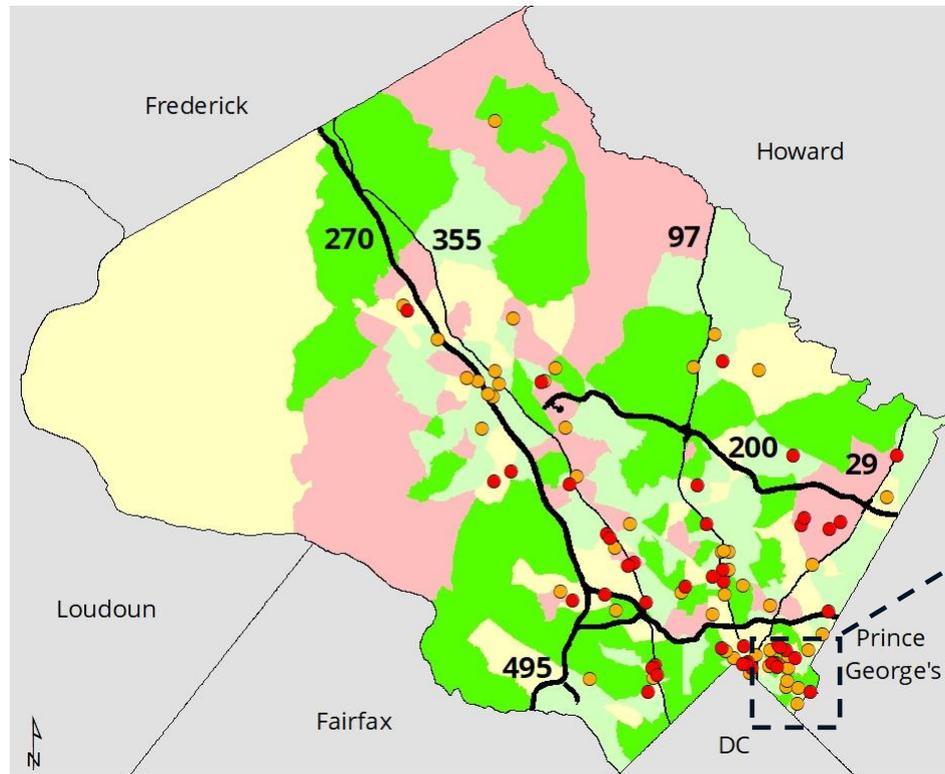


Source: DHCA, NHPD, HUD

Risk Criteria | Rent Trends in the Neighborhood

- Upward rent trends in surrounding areas indicator of rent hike/redevelopment pressure

% Change, Median Rent, 2012 to 2017, by Census Tract



Key

- Subsidy expiring in 2020s
- Subsidy expiring in 2030s
- Decline in median rent
- Increase 0% to 10%
- Increase 10% to 20%
- Increase 20% +

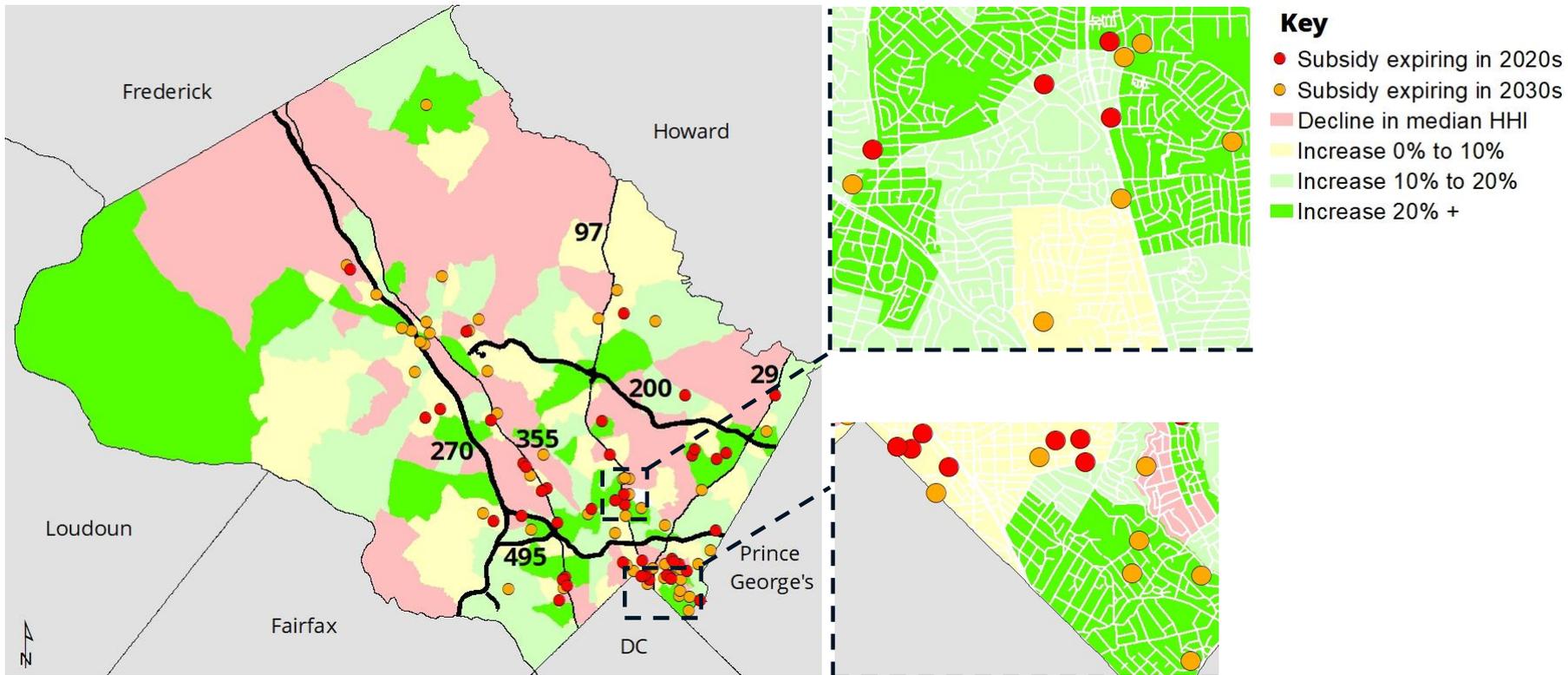


Source: DHCA, NHPD, HUD, U.S. Census Bureau 5-Year American Community Survey

Risk Criteria | Income Trends in the Community

- Income trends in surrounding areas could reflect housing market price shifts/pressure

% Change, Median Household Income, 2012 to 2017, by Census Tract

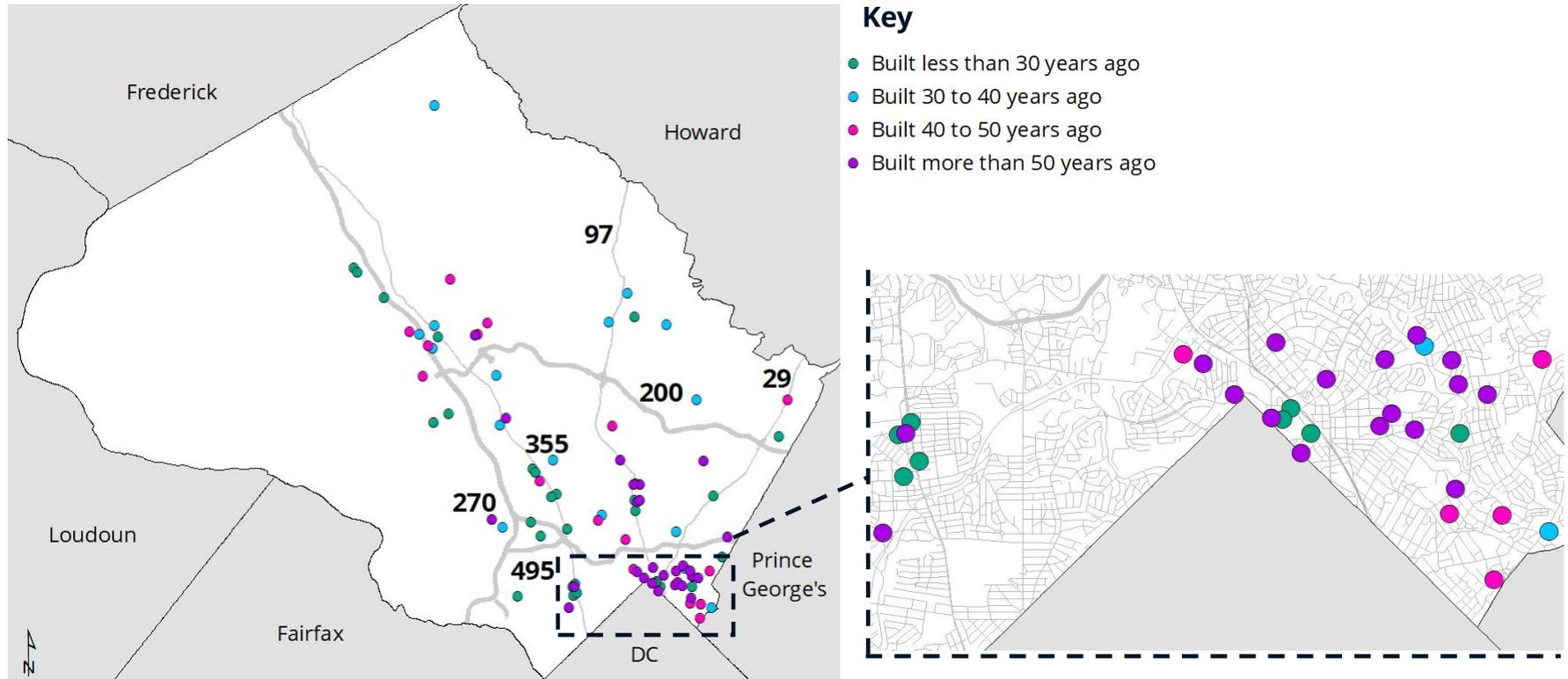


Source: DHCA, NHPD, HUD, U.S. Census Bureau 5-Year American Community Survey

Risk Criteria | Age of the Buildings

- Older buildings more likely to induce major rehab + rent hikes or full redevelopment upon subsidy expiration
- Nearly 5,000 units with expiring subsidies in the next 2 decades are 30+ years old

2020s/2030s Subsidy Expirations by Age of Property



Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records

Risk Assessment | Properties Most At-Risk

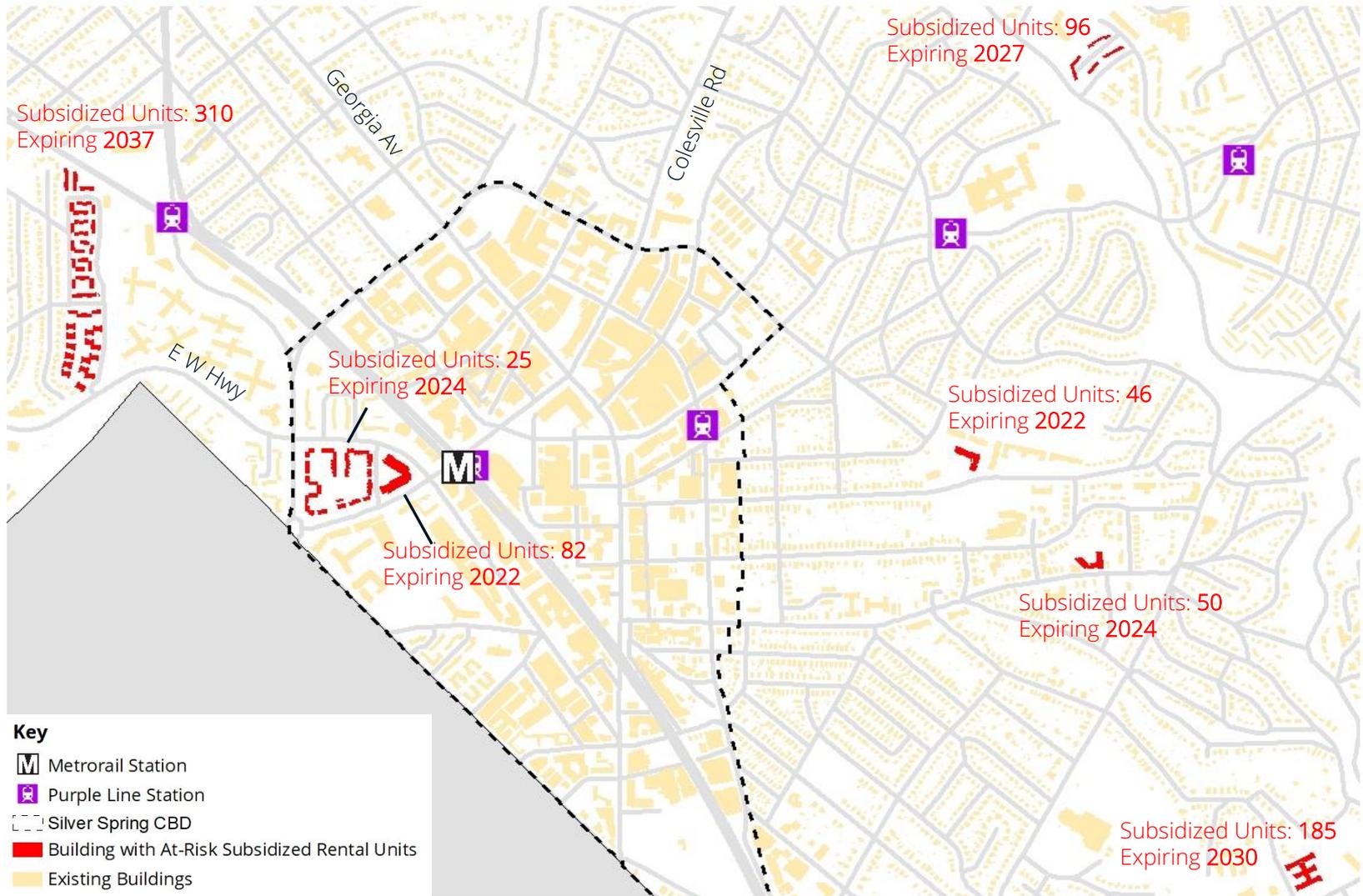
- **Applied the risk criteria to the 2020s/2030s expirations; identified higher-risk properties**
- **Over 1,000 units at 40% to 60% AMI affordability; about 400 at 30% AMI or less**
- **Properties owned by for-profit companies in neighborhoods with upward rent trends**
- **In most cases proximate to rail transit and built more than 30 years ago**
- **Income trends are generally rising in and around these communities**

2020s/2030s Subsidy Expirations, Higher-Risk Properties

Property Name	Subsidy Expiration	Subsidized Units	AMI Ranges			Rail Transit < 1 mile	Ownership Type	Building Age (Years)	Census Tract Trends (2012 to 2017)	
			<30%	40% - 60%	60% - 80%				Median Rent	Median HH Income
Heritage House	2021	100	100	0	0	Yes	For-Profit	39	13%	7%
Silver Spring House	2022	46	0	46	0	Yes	For-Profit	57	9%	1%
Lenox Park	2022	82	0	82	0	Yes	For-Profit	29	7%	1%
Sligo House Apartments	2024	50	0	50	0	Yes	For-Profit	61	9%	1%
Falkland Chase	2024	25	0	25	0	Yes	For-Profit	81	7%	1%
Croydon Manor	2027	96	0	96	0	Yes	For-Profit	71	7%	11%
Fields At Bethesda	2029	369	0	369	0	Yes	For-Profit	67	9%	-3%
Franklin Apartments	2030	185	185	0	0	Yes	For-Profit	65	16%	26%
Fields Of Gaithersburg	2031	168	0	168	0	No	For-Profit	46	20%	15%
Barrington Apartments	2037	310	125	185	0	Yes	For-Profit	68	24%	-4%

Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records, Census Bureau 5-Year ACS

Risk Assessment | Properties Most At-Risk



Source: DHCA, NHPD, HUD, MD Dept. of Assessments and Taxation, Montgomery County Property Tax Records, Census Bureau 5-Year ACS

Subsidized Housing | Next Steps

- **Link preservation tools and strategies with characteristics of the at-risk inventory**
- **Update estimates with pipeline data**
- **Incorporate feedback / changes**
- **Finalize and present to Planning Board**

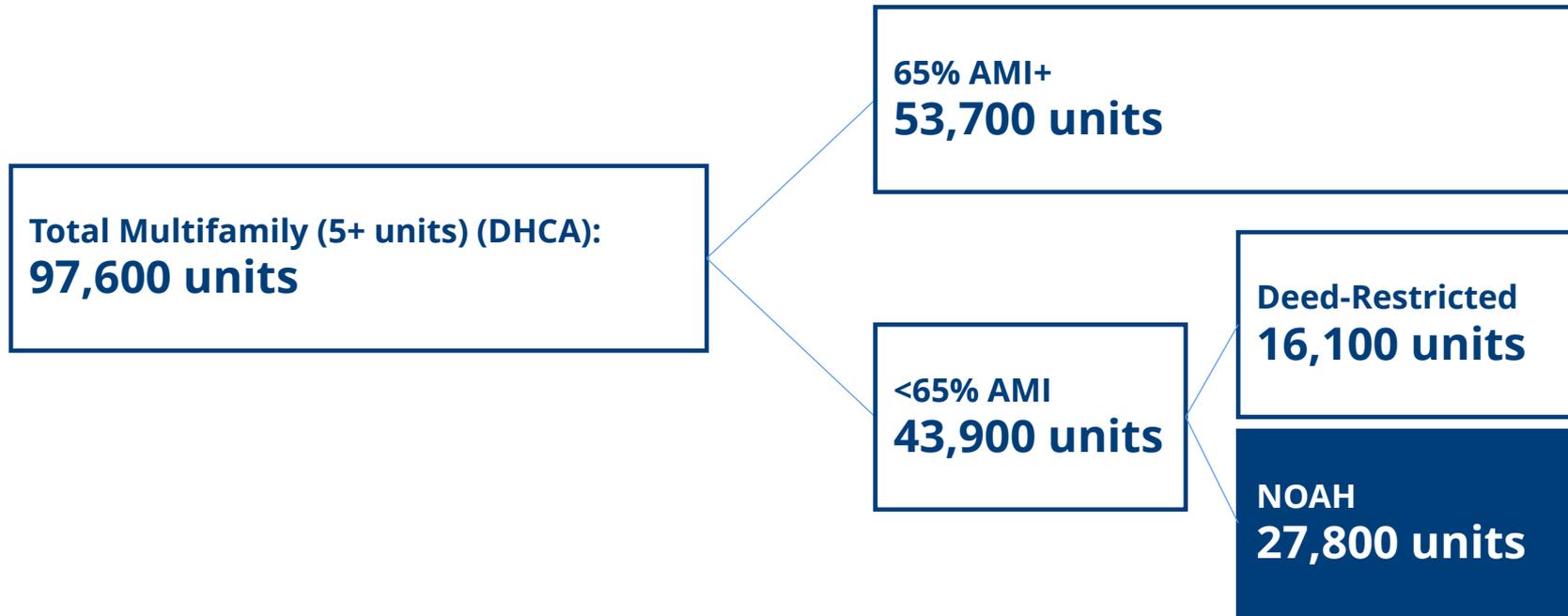
Housing Landscape

Subsidized / Deed Restricted Housing

Naturally-Occurring Affordable Housing

Naturally Occurring Affordable Housing

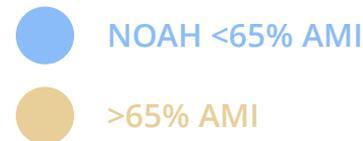
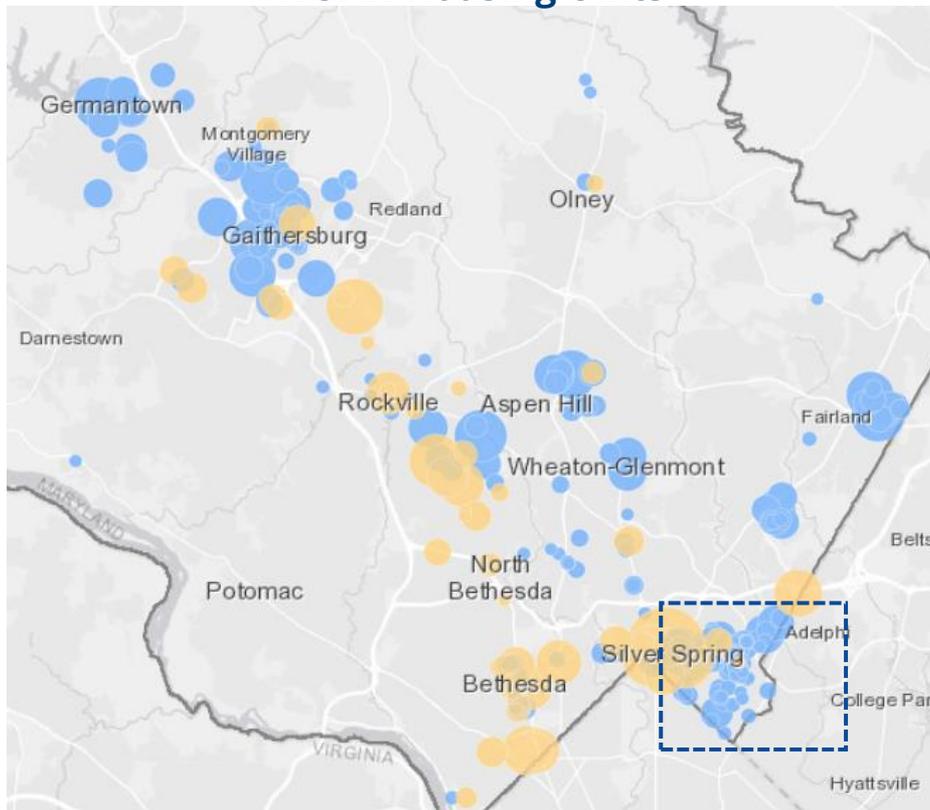
80% of the County's multifamily housing stock is unrestricted—subject to market forces. 35% of these units (27,800 units) renter for less than 65% of AMI—and are classified as naturally-occurring affordable (NOAH).



Sources: DHCA, ACS 2018 1-year

NOAH largely lies on the east side of I-270 and outside the beltway and is consistent with areas that have seen less growth in high-income demand.

NOAH Housing Units

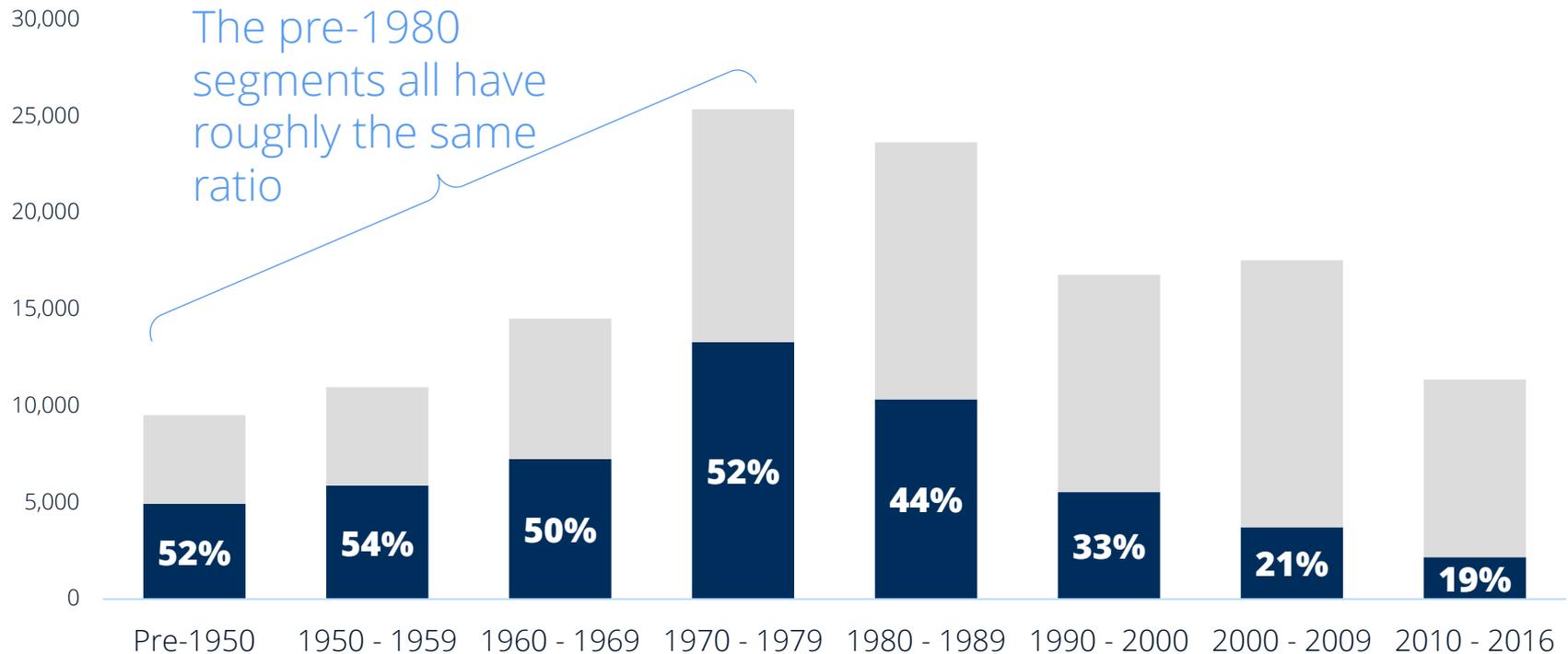


Takoma Park is a notable exception with rent stabilization.

Sources: DHCA, ACS 2018 1-year

78% of units affordable to households earning up to 65% AMI were built before 1990. 50% of units built before 1990 are affordable to these households.

Units Built by Decade and Affordability Level (+/- 60% AMI households)



Sources: DHCA, ACS 2018 1-year

Using these attributes, we calibrated our model to identify affordable housing at a parcel level.

Independent Variables

Source: CoStar

Building Data

Source: Assessment Database

- Land value per unit
- Year Built
- Location (x,y)
- Improvement Value per unit
- Rehab

Block Group Data

Source: ACS 2017 5-year

- Educational Attainment (% with Bachelors)
- Median Rent
- % Non-Hispanic White
- % Renters
- PUMS features

Dependent Variable

Source: DHCA

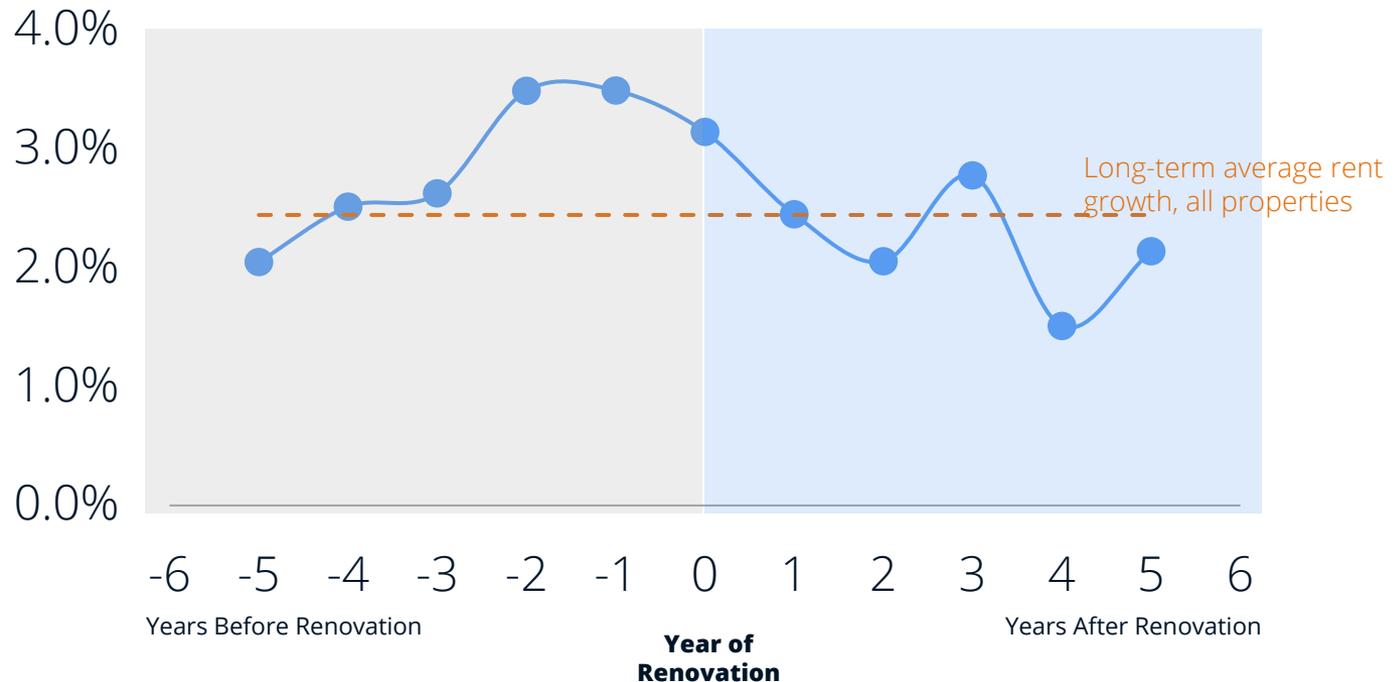
- DHCA rents per SF – translated to Affordable versus not at 65% AMI

Sources: DHCA, ACS 2018 1-year

NOAH | Findings – Rehabilitation

Rehabilitation was not a leading indicator of NOAH rent growth. On average, for properties that underwent rehabilitation, rent growth peaked in the two years before the date of renovation, but rent growth fell back to average or below-average rates post-renovation.

Average Rent Growth Relative to Year of Renovation, Rehabbed Properties in DC-MD-VA Metro Area*



*Regional average used such that analysis captures higher and more significant volume of data on rehabbed properties.
Source: CoStar

NOAH | Findings – Building Age, Location, Size

Based on our independent regressions, building age, location, and building size emerged as the 3 largest indicators of risk.

Typology Description	2018 Median Rent	Annualized Rent Change			Total Units <65% AMI
		2000 - 2018	2010 - 2018	2014 - 2018	
1970s 10 - 19 unit	\$1,570	1.4%	0.9%	0.2%	2,618
1980s 10 - 19 unit	\$1,597	1.0%	0.5%	1.2%	2,462
1970s 50+ unit	\$1,536	0.9%	0.3%	0.1%	2,177
1960s 50+ unit	\$1,611	1.1%	0.7%	-0.8%	1,870
1990s 10 - 19 unit	\$1,623	0.7%	0.1%	-0.1%	1,664
1970s 5 - 9 unit	\$1,480	0.9%	0.0%	-0.5%	1,629
1960s 10 - 19 unit	\$1,571	1.6%	1.3%	1.7%	1,524
1960s 5 - 9 unit	\$1,496	1.1%	1.1%	1.4%	1,162
1980s 5 - 9 unit	\$1,594	0.8%	0.6%	0.2%	1,026
1950s 10 - 19 unit	\$1,423	1.2%	0.5%	-0.1%	968
2000s 50+ unit	\$2,122	0.0%	0.3%	0.1%	917
1980s 50+ unit	\$1,719	0.7%	0.7%	1.6%	864
1990s 50+ unit	\$1,888	-0.5%	-0.4%	-0.7%	798
1950s 5 - 9 unit	\$1,374	1.2%	0.5%	0.1%	739
1950s 50+ unit	\$1,593	1.0%	0.8%	2.8%	699
2010s 50+ unit	\$1,976	0.0%	0.0%	-2.5%	691
2000s 10 - 19 unit	\$1,789	0.3%	0.3%	-1.2%	679
1980s 20 - 49 unit	\$1,586	0.7%	0.2%	0.8%	504
1970s 20 - 49 unit	\$1,577	1.4%	-0.2%	0.2%	477
1930s and before 5 - 9 unit	\$1,327	1.1%	1.3%	1.1%	441
1930s and before 10 - 19 unit	\$1,289	0.7%	0.8%	3.4%	438
1940s 5 - 9 unit	\$1,221	0.7%	0.4%	-0.5%	427

Sources: DHCA, ACS 2018 1-year

These typologies can be summarized into 7 categories that account for 50% of all NOAH currently in Montgomery County.

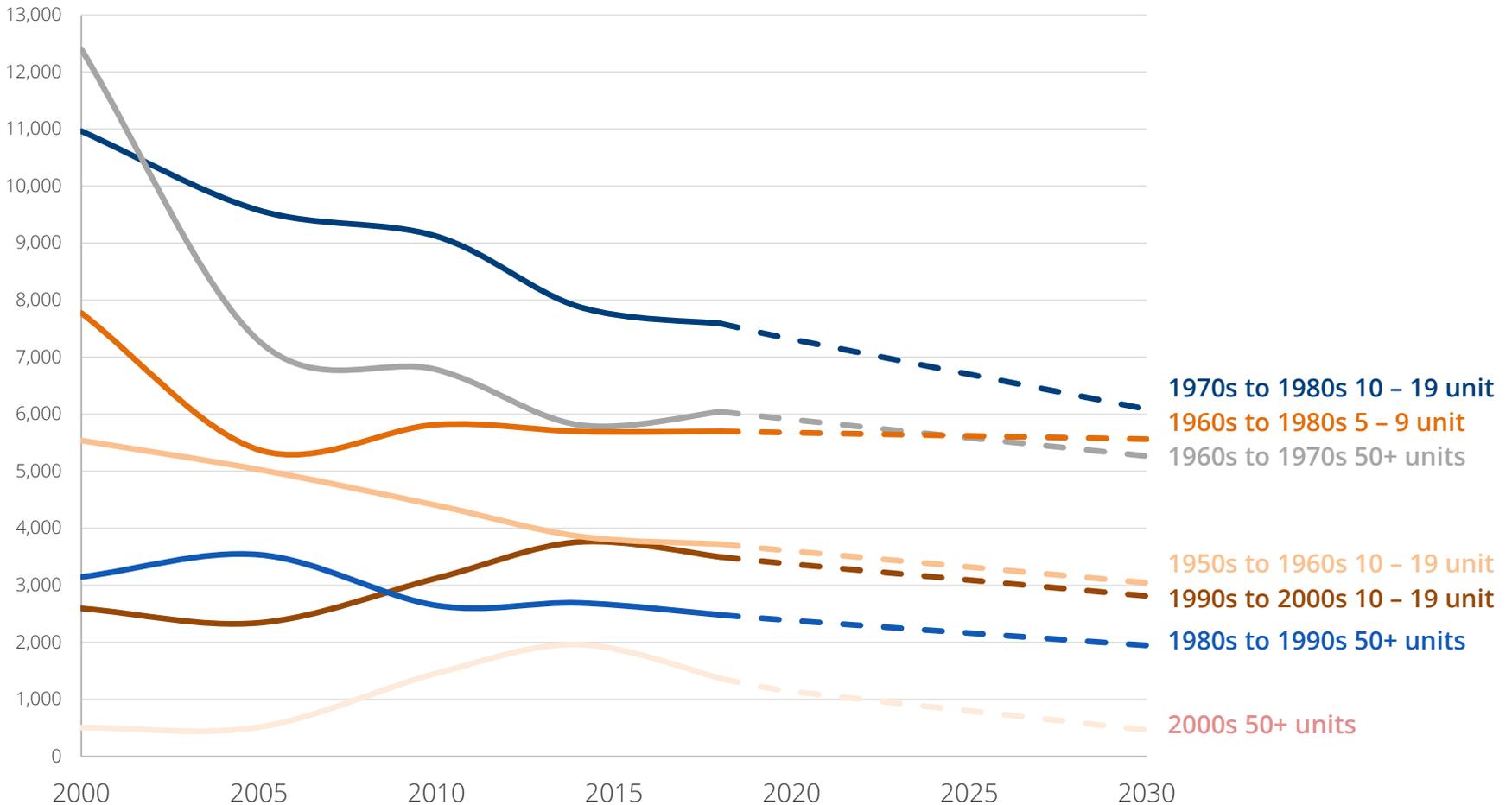
Common NOAH Typologies by Category

Typology	Total Units <65% AMI	Share of NOAH	Median Rent 2018	CAGR (2010 - 2018)
1970s - 1980s 10 - 19 unit	5,080	12%	\$1,583	0.78%
1960s - 1970s 50+ unit	4,046	10%	\$1,571	0.56%
1990s - 2000s 10 - 19 unit	2,342	6%	\$1,671	0.18%
1960s - 1980s 5- 9 unit	3,817	9%	\$1,698	0.66%
1950s - 1960s 10 - 19 unit	2,493	6%	\$1,513	1.14%
2000s 50+ unit	917	2%	\$2,122	0.34%
1980s - 1990s 50+ unit	1,662	4%	\$1,800	0.17%
Total	20,357	49%		

Sources: DHCA, ACS 2018 1-year

NOAH | Findings

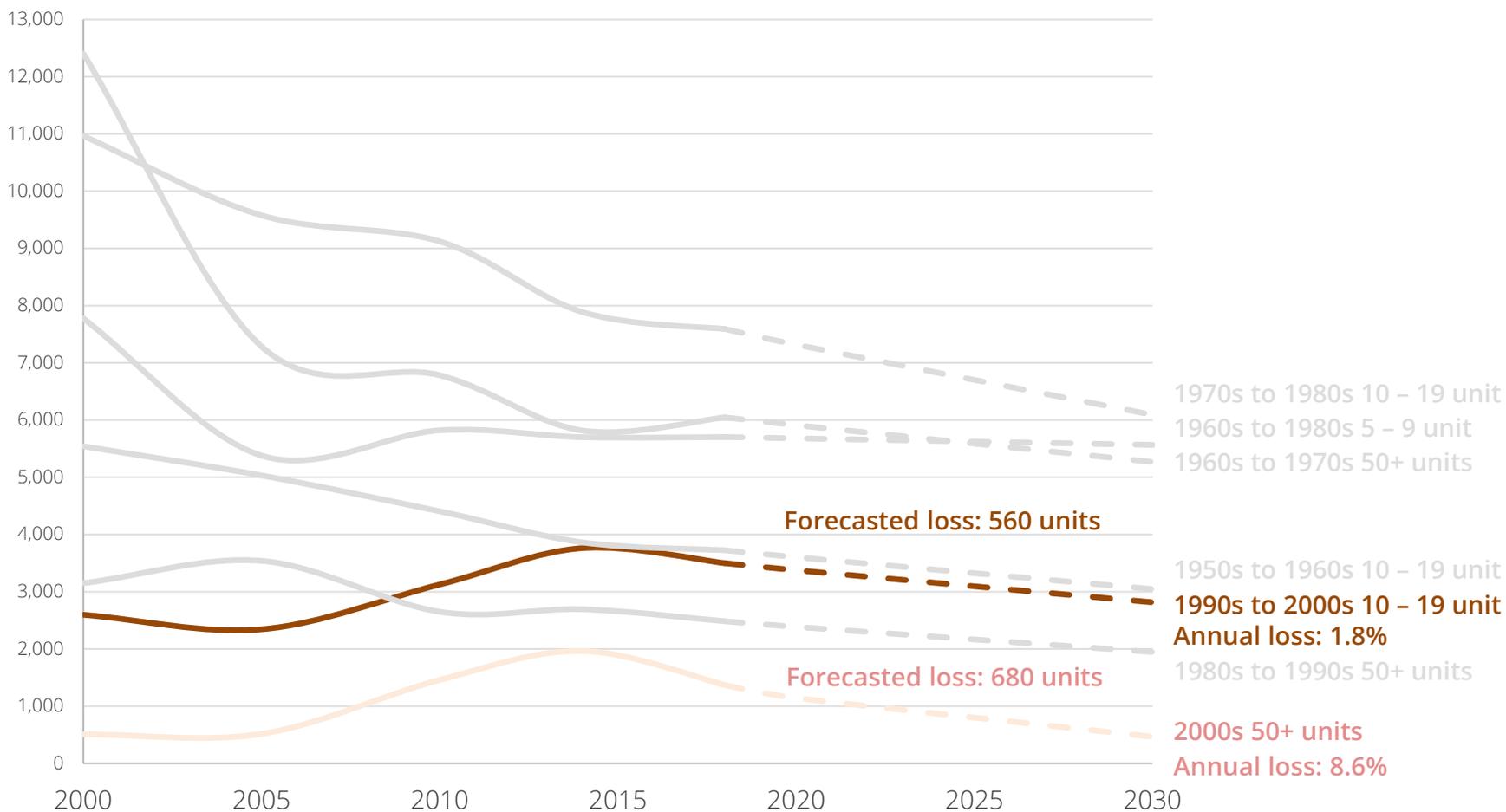
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Sources: DHCA, ACS 2018 1-year

NOAH | Findings

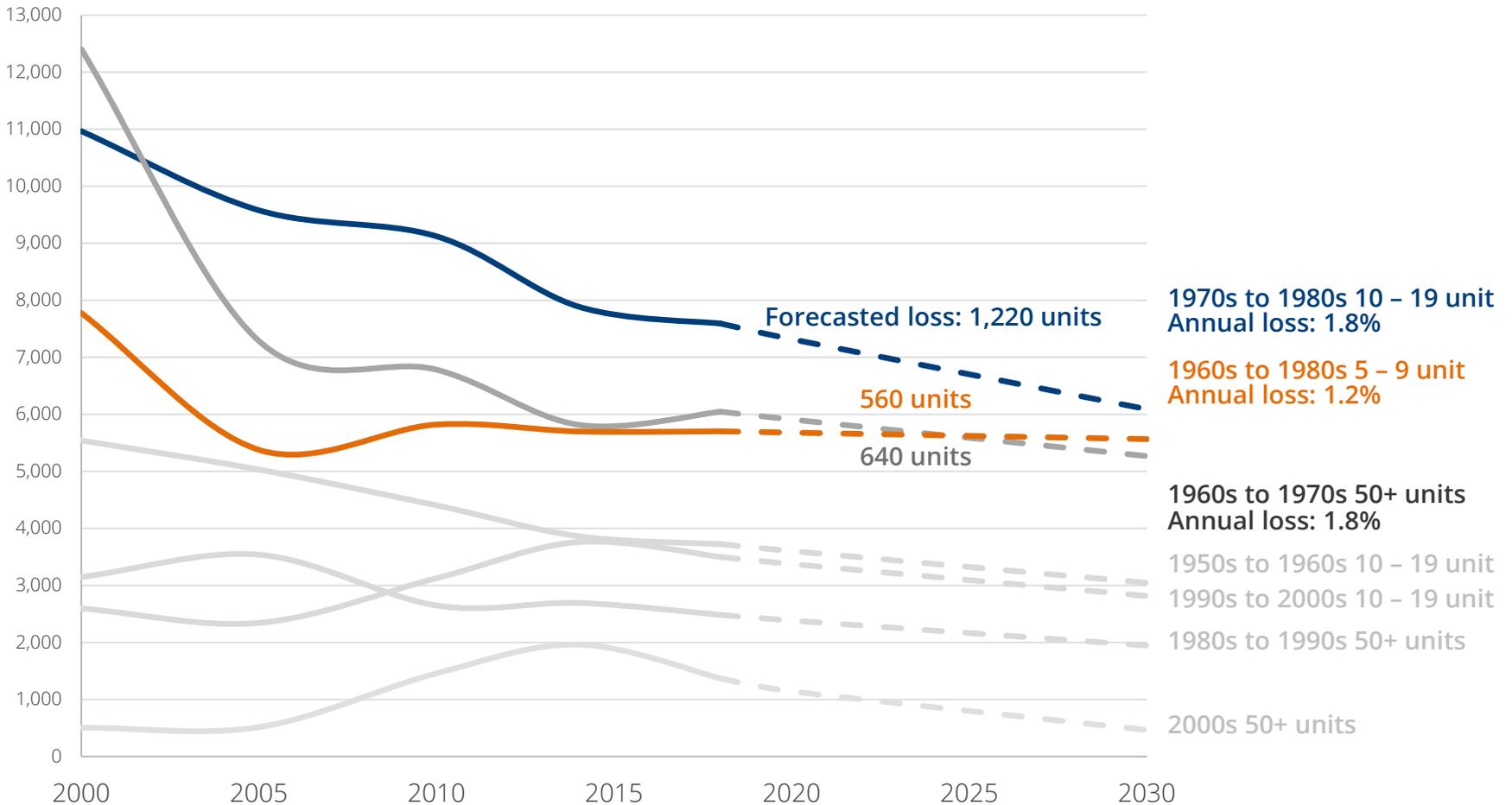
There are fewer newer NOAH units (built after 1990s), but they are losing units at a faster rate



Sources: DHCA, ACS 2018 1-year

NOAH | Findings

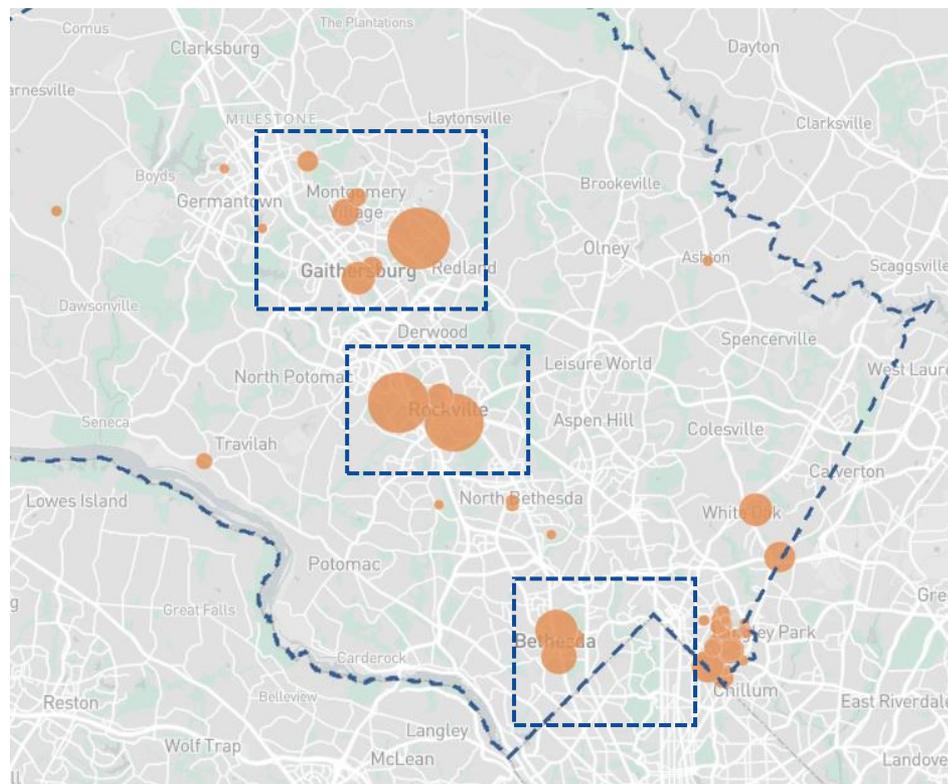
Older units built between the 1960s and 1970s are projected to be lost slower rate, but account for a larger share of lost units.



Sources: DHCA, ACS 2018 1-year

Our next steps are to identify the locations with these common typologies and match our ownership and renovation findings to assign higher risk.

1970s to 1980s <50-unit properties



Sources: DHCA, ACS 2018 1-year



May 11, 2020

The Honorable Sidney Katz
President, Montgomery County Council
100 Maryland Avenue Rockville, MD 20850

Dear Council President Katz:

We are writing as leaders of the Purple Line Corridor Coalition Housing Accelerator Action Team (HAAT). We work collaboratively and intentionally to ensure housing stability for people who live in the corridor today, within the framework of the 2017 joint [Community Development Agreement](#), and 2019 [Housing Action Plan](#). We are guided by the goal to preserve at least 17,000 homes currently affordable to households that earn \$70,000 annually or less.

As you know, nearly 70 percent of the 170,000 individuals who live along the Purple Line corridor (across both Montgomery and Prince George's County) are people of color. Prior to the impacts of the coronavirus pandemic (COVID-19), nearly half of all households earned less than \$70,000 per year. We know that, without concerted investment, homes along the corridor will become unaffordable for the individuals and families who live here.

Even before the current budget year, Montgomery County has faced increasing needs for housing affordability to sustain our current and future economic activity, and the quality of life for individuals and families in our community. The pandemic has laid bare the fundamental roles housing access and stability play in both the health of individuals and their families, as well as to public health and safety.

Exacerbating this problem, the pandemic has caused significant disruptions in the affordable housing industry's ability to operate, build, and preserve affordable housing. From construction to financing to broken supply chains, to not being able to move seniors and other residents out of properties in order to do planned rehabilitations - and a host of other barriers, the industry is strained during a time when affordable housing sector stability is crucial.

We acknowledge and thank you for what you have already done, especially creating the \$25 million PHEG program in coordination with the County Executive, and approving ongoing emergency assistance packages of \$6 million and \$2 million, as well as an additional \$5 million for financial assistance.

Many other supports are needed for small businesses and other elements within the corridor. As a housing coalition, this letter focuses on priority actions the Council could take that: protects renters, preserves existing affordable housing and produces new affordable housing.

We urge the Council to leverage all CARES Act and other eligible resources to meet front line needs, especially for the most vulnerable residents in the County. This includes substantial additional rental assistance in FY21, including locally-sourced dollars to help those ineligible to receive federal Emergency Solutions Grants or other federal assistance. Rent assistance should be prioritized for households ineligible for unemployment insurance benefits and/or stimulus checks.

We recommend another \$10 million in immediate emergency rental assistance to offset the much higher anticipated number of households that will not be able to afford May rent.

We also recommend ensuring operating assistance is available to owners of affordable housing to offset rent reductions and provide services to quarantined residents. Because so many multifamily properties will experience delinquencies in May rent rolls, affordable housing owners will struggle to service mortgages, fund operations, and provide resident services.

The County should be positioned to provide loans to affordable housing developers to purchase properties along the Purple Line corridor, and to maintain their affordability. For that reason, we support the County's Executive's proposed acquisition and preservation fund.

Also, we recommend that the Council issue temporary, 100% PILOT tax abatements to affordable housing properties until the crisis passes. Multifamily providers are scrambling to preserve cash flow to sustain our communities and cover anticipated shortfalls in rental revenue, and property tax abatements will go a long way to this end.

We support the County Executive's operating budget allocation for affordable housing loans. Notwithstanding the fiscal pressures on the County, we are requesting an additional \$50 million on the capital side of the HIF so we can continue to make progress towards the housing production goals endorsed by the Council.

We urge you set aside a portion of Public Health Emergency Grant Program for minority-owned businesses and make certain that the funds are being equitably distributed.

The coronavirus pandemic expands and deepens the housing affordability needs of an even larger segment of Montgomery County, including its Purple Line corridor communities. Housing remains a critical share of our local economy, and access to housing that is affordable as both a public health and social safety net is among the greatest priorities we face in 2020. We urge your additional action to invest in these identified priorities.

Thank you for your consideration of these issues.

Sincerely,

Members of the Purple Line Corridor Coalition Housing Accelerator Action Team:

George Leventhal
Director, Community Health
Kaiser Permanente

Rev. David Bowers
Vice President and Mid-Atlantic Market Leader
Enterprise Community Partners

Robert Goldman
President
MHP Inc.

Gerrit Knaap
Executive Director
National Center on Smart Growth Research & Education
University of Maryland

Maryann Dillon
Executive Director
Housing Initiative Partnership

Purple Line Corridor Coalition Housing Action Plan 2019-2022



December 2019



This PLCC Housing Action Plan includes our Partner Acknowledgements, Executive Summary, Data Snapshot and Summary of Recommendations. The full PLCC Housing Action Plan is available here:

<http://purplelinecorridor.org/housing/>

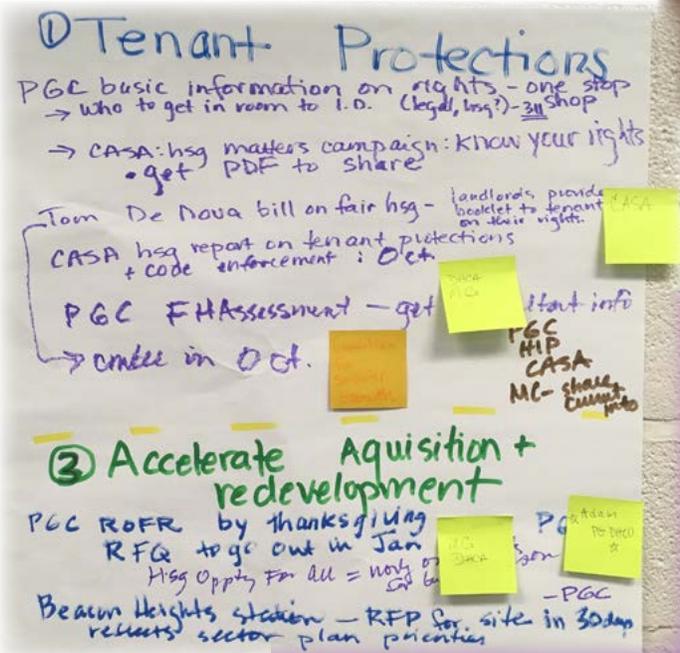
Figure 1. (front cover) Purple Line Corridor graphic, credit Neighborhood Design Center drawn by S.Morley



Figure 2. PLCC HAP Meeting (Photo credit S.Morley)

Figure 3. Focus group with members of the Takoma and Langley Park community (Photo credit S. Bingham)

Figure 4. PLCC HAP Meeting (Photo credit S.Morley)





The Purple Line Corridor Coalition (PLCC) is an innovative public-private-community collaboration working to leverage Maryland’s largest transit investment in the 21st century to create a place of opportunity for all who live, work and invest in the corridor. Our work is guided by the goals and vision laid out in the Community Development Agreement for the Purple Line Corridor which was developed through an extensive stakeholder engagement process.

Acknowledgements

PLCC Housing Action Team

- CASA & Fair Development Coalition
- Coalition for Smarter Growth (CSG)
- Community Preservation and Development Corporation
- Enterprise Community Partners (Co-Chair)
- Housing Initiative Partnership (HIP) (Co-Chair)
- Kaiser Permanente
- Montgomery County Planning Department
- Montgomery County Department of Housing and Community Affairs
- Montgomery Housing Partnership (Co-Chair)
- National Center for Smart Growth (NCSG)
- Prince George’s County Council Administration
- Prince George’s County Department of Housing and Community Development
- Prince George’s County Planning Department
- Purple Line NOW

Special thanks to numerous organizations and individuals who collaborated to create the plan:

- AHC Inc
- Catholic Charities of the Archdiocese of Washington
- Central Kenilworth Avenue Revitalization
- Center for Community Investment
- Community Development Corporation (CKAR CDC)
- Community Health and Empowerment through Education and Research (CHEER)
- City of Takoma Park, Housing and Community Development Department
- EYA
- Habitat for Humanity, Metro Maryland
- Housing Opportunities Commission (HOC)
- IMPACT Silver Spring
- Landex Development
- Montgomery County Planning, Housing, and Economic Development (PHED) Committee
- Montgomery County Renter’s Alliance
- Neighbors Impacted by the Manchester Tunnel
- Northern Gateway CDC
- Office of Council Member Dannielle Glaros
- Office of Council Member Deni Taveras
- Peace City Church
- Silver Spring Regional Center
- Sligo Grandview Community Association
- Solid Rock Church
- Sowing Empowerment & Economic Development, Inc.(SEED)
- St. Camillus Catholic Church
- Town of Riverdale Park
- Urban Atlantic
- Victory Housing
- Over 600 residents took time to take our housing survey or participate in a focus group
- **Many more people and organizations who took the time to inform this plan.**

Research and engagement led by Mariia Zimmerman, MZ Strategies LLC and Steve Brigham, Public Engagement Associates. Design materials led by the Neighborhood Design Center. Research and data analysis provided by National Center for Smart Growth (NCSG). Additional research and translation support provided by Maya Coleman, Elena Goldsborough, Brenna Hill, Kate Welbes, Brackston Ziman and Manel Lacorte University of Maryland Translation and Interpretation Services.

DISCLAIMER: The views expressed in this plan are informed and guided by the coalition as a collective group. These views do not necessarily reflect each individual organization’s official position or commitment to the details outlined in this plan. This plan is a living and working document that will evolve with the coalition.

“Success for the Purple Line means No Net Loss of affordable housing, strong workforce development benefitting the existing local population, and preserving the rich diversity of peoples and their small businesses.” PLCC 2019 Housing Survey Respondent



Figure 5. Mural in Long Branch (Photo credit Montgomery Housing Partnership)

The new 16-mile light rail Purple Line, currently under construction and projected to open for service by early 2023, will shape the growth and character of Montgomery County and Prince George’s County for decades to come. Still, many questions remain. Will neighborhoods surrounding the 21 stations remain affordable to people currently living in the corridor? Will home values and rents escalate in the corridor, as we’ve seen in other parts of the region once new transit is introduced? Will households, regardless of size or income, find a place to call home along the Purple Line? The actions we take today, as a state and a region, will have a continued impact on the state of housing stability for generations to come.

This rail line is an investment in our region, in the infrastructure we need to run our businesses and in the creation of thriving communities along the Purple Line. By making smart investments in and around the rail, we can ensure it succeeds in many ways: by growing and sustaining local businesses, creating more jobs, and preserving our vibrant, beautiful communities. That’s why a group of community residents, organizations, developers, financial institutions and government agencies are working together to make sure the Purple Line benefits everyone, and that we make a concerted effort to preserve the unique culture and history of our communities. To accomplish these goals, we will

need to be equally vigilant about protecting existing residents and businesses from displacement, as well as ensuring that every person has access to the economic opportunity that this rail development brings.

The Purple Line Corridor Coalition (PLCC) is comprised of public, nonprofit and private organizations that have pledged to work together with state transportation officials to address the full gamut of community needs. The PLCC’s primary task is to ensure that investments preserve the communities and protect existing residents living along the proposed rail line. More specifically, PLCC is working to ensure housing stability for people who live in the corridor today. We believe that there is a pathway to preserve at least 17,000 homes currently affordable to households that earn \$70,000 annually or less. This includes working to ensure that we retain the 8,500 homes with current rent protections that keep them affordable. Both of these steps are critical – the area around the rail station remains one of the last affordable communities in the region for low-and moderate-income households. Today, over half of the population living in neighborhoods between New Carrollton and Long Branch earn below the area median income. Our intention is to work with a diverse range of strong partners to ensure that current residents, no matter where they work, have a stable, affordable place to call home.

As a first step to build the PLCC housing action plan, we listened. We conducted listening sessions across the area to hear residents, businesses, and other stakeholders talk about the needs and aspirations of communities. Next, we did our homework. Recent work by both counties to update zoning and development regulations, revise policies, evaluate county housing needs and adopt a variety of plans – including sector plans for Montgomery County’s Purple Line station areas to the County Comprehensive Strategy Report - Housing Opportunity for All - in Prince George’s County – were reviewed. Then, we put together a pathway forward that reflected what we heard and learned. This document reflects the primary strategies that emerged for the PLCC to undertake in the next three years.

Our promise is to remain committed and accountable. This Housing Action Plan provides a living framework for residents and local businesses to monitor our collective progress and to engage in the work. The PLCC plan identifies 12 different key actions to advance between now and 2023 to ensure housing opportunity all along the corridor.

The Plan’s 12 recommendations are organized into three categories:

- A.** the first set of actions are designed to increase the production of new housing, to accelerate the preservation and rehabilitation of existing housing and to protect tenants;
- B.** the second set of actions establish more regular coordination between jurisdictions and coalition partners on specific locations within the corridor where collaboration is essential; and
- C.** the third set of actions are those the Coalition can take to improve how it works together with new and existing partners on advocacy, research and monitoring housing trends along the corridor. Everyone reading this plan can contribute toward its successful implementation. We look forward to working with you to achieve these shared community goals.

Producing and sharing this plan marks an important milestone in PLCC’s progress, but there is more work and change still to come. As the coalition grows, the plan will evolve in new ways that help improve the lives of people and their communities.

This plan is a living and working framework that will evolve with the coalition. As the coalition grows, the plan will evolve in new ways that help improve the lives of people and their communities.



Figure 6. PLCC Accelerating Investment for Healthy Communities (AIHC) meeting (photo credit Harry Connolly, courtesy of Enterprise Community Partners)



A



ENSURE A DIVERSE MIX OF HOUSING TYPES THAT REFLECT THE FULL RANGE OF PRICE POINTS BOTH RENTER AND OWNER RESIDENTS CAN AFFORD

- 1. Stronger protections for existing residents.** Ensure tenants across the corridor are much better protected through increased legal protections, stronger enforcement for when landlords violate housing codes for their buildings, and to ensure tenants know their rights and have effective access to legal resources.
- 2. Grow and align housing funding to prioritize the Purple Line.** Increase housing trust funds in both counties and seek purple line prioritization in the State of Maryland's funding resources.
- 3. Accelerate strategic acquisition and redevelopment opportunities.** Prioritize efforts to acquire, preserve and redevelop housing on empty lots or low-density sites that may be owned by public agencies, houses of worship or others along the corridor. Deploy tax abatement and Right of First Refusal programs to create and preserve affordable multi-family housing.
- 4. Help current homeowners rehab and remain in their houses.** Increase funds to support low-cost loans to aid low-income and older homeowners in updating and repairing their homes
- 5. Expand opportunities for current renters to be able to purchase a home affordably.** Promote pathways to affordable homeownership through additional down-payment support to qualified residents.
- 6. Reduce the barriers to developing mixed-income neighborhoods.** Help developers navigate the Purple Line development process to ensure that new multi-family apartments include elements that support transit use, improve walkability, create more retail and office space, and include a percentage of affordable housing.
- 7. Preserve and modernize smaller rental properties.** Work with local landlords to share information with them on available programs and strategies to preserve affordability and modernize properties.

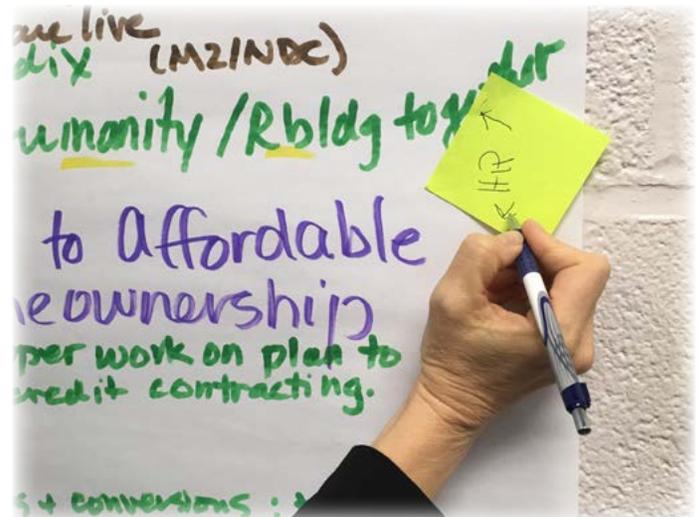


Figure 7. PLCC HAP meeting (photo credit S.Morley)

B



FORMALIZE COLLABORATION BETWEEN JURISDICTIONS AND ACROSS SECTORS WHILE ELEVATING COMMUNITY VOICES AND ENGAGEMENT.

C



IMPROVE HOW THE PLCC ENGAGES IN ITS WORK ACROSS MEMBERS AND WITH LOCAL COMMUNITY ORGANIZATIONS TO ADDRESS EMERGING HOUSING ISSUES AND COMMUNICATE PROGRESS

- 8. Prioritize coordinated action and improved communication in the Takoma Langley Area.**
Formalize processes to share information, engage community partners and collaborate across jurisdictions and agencies on housing and other issues important to those living, working, and visiting the crossroads between Long Branch, the City of Takoma Park, and Langley Park.
- 9. Market and coordinate across Purple Line jurisdictions to attract private investment.**
Collaborate across public agencies to ensure future investments in the twelve Opportunity Zones (OZs) along the Purple Line support equitable development goals.

- 10. Foster collaborative culture and leadership.**
Expand partnerships with civic organizations and strengthen the capacity of those working directly with Purple Line communities to implement housing action plan recommendations.
- 11. Hold ourselves accountable.** Utilize the PLCC partner organizations to track progress toward the Coalition’s housing goals and ensure greater accountability.
- 12. Research critical housing issues and emerging trends.** Identify resources to support work by Coalition members to determine the feasibility and potential to deploy new strategies that serve PLCC housing goals.



Figure 8. PLCC Accelerating Investment for Healthy Communities (AIHC) meeting (photo credit Harry Connolly, courtesy of Enterprise Community Partners)

HOUSING ACTION PLAN 2019 DATA SNAPSHOT

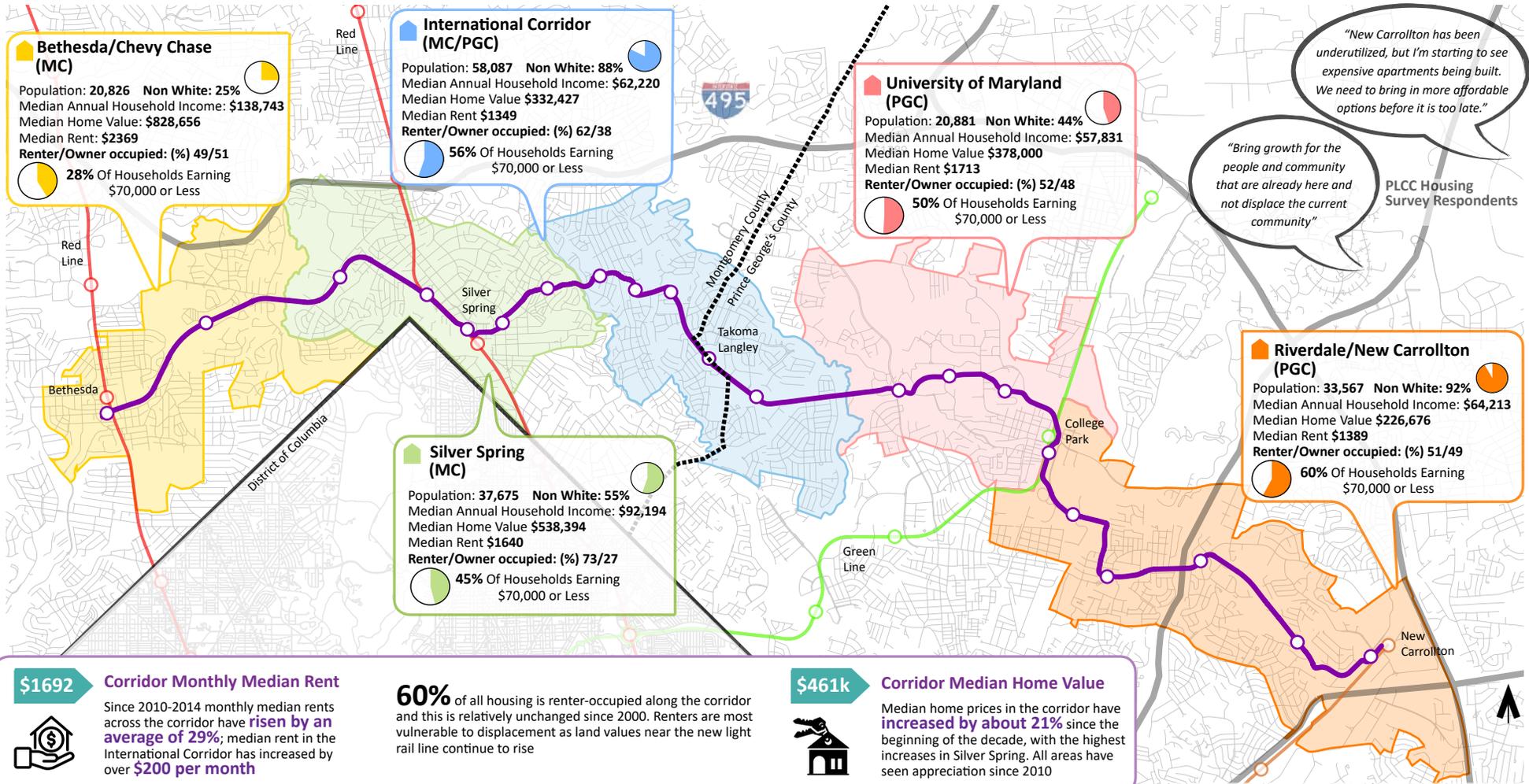
Who calls the Purple Line Home?



There are over **170,000** people currently living along the corridor, which represent economic, racial and ethnic diversity. To reflect this diversity of population and housing conditions the corridor has been split into subareas* shown in the map below.



The Purple Line is projected to open in a little more than three years. Evidence from other regions where new transit lines have opened demonstrate that home values, rents and land speculation can increase rapidly after service starts. **The time for action is now.**



This data snapshot forms part of the Purple Line Corridor Coalition Housing Action Plan, a document that sets out a commitment to preserve and grow housing opportunity within the Purple Line Corridor. The full Housing Action Plan can be accessed <http://purplelinecorridor.org/>

*Subarea geographies are aggregated from census block groups which have geographic centroids within 1/2 mile of a purple line station. Data comes from US Census, ACS 2013-2017 (data are estimates) data are rounded estimates.



Monitoring Collective Impact 2019-2022:

The Purple Line Corridor Coalition (PLCC) is comprised of public, nonprofit and private organizations that have pledged to work together with state transportation officials to address the full gamut of community needs. The PLCC's primary task is to ensure that investments preserve the communities and protect existing residents living along the proposed rail line.



"We see and hear almost daily the housing cost challenges facing many in our region from teachers, health care workers, service employees, and plumbers to federal employees, university professors and students. We have a housing affordability crisis today, and yet things may get worse".

PLCC Housing Action Plan 2019

This data snapshot forms part of the Purple Line Corridor Coalition Housing Action Plan, a document that sets out a commitment to preserve and grow housing opportunity within the Purple Line Corridor. The full Housing Action Plan can be accessed <http://purplelinecorridor.org/>

Cost Burden in the Corridor:

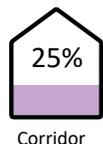


Households paying over 30% of their income on housing are considered cost burdened. **Renters and owners along the corridor are already cost burdened at rates greater than the regional average.**

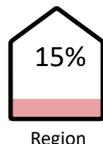
Households that are cost burdened across the corridor



Owners



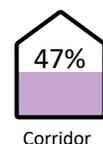
Corridor



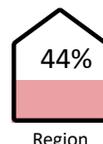
Region



Renters



Corridor

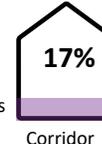


Region

Households earning \$70,000 or less and paying more than 30% of income on Housing across the corridor



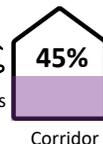
Owners



Corridor



Renters

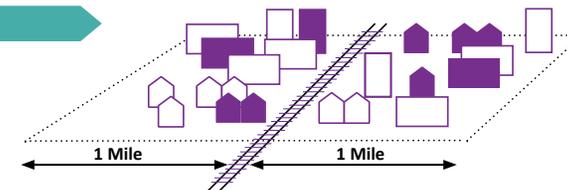


Corridor

PLCC Commitment:

PLCC is working to prioritize housing stability for people who live in the corridor today.

One target we've set is to ensure that at least **17,000 homes** within 1 mile of the Purple Line remain affordable to rental households that **earn \$70,000 annually or less** (equivalent of earning 60% of the Washington metropolitan area's median household income). This includes working to ensure that we **retain the estimated 8,500 homes** that currently have protections that keep them affordable.



*This figure includes estimates based on multifamily rental housing, 2 units or more, with and without affordability



* Estimated homes currently protected through MPDUs, LIHTC, or other affordability restriction

Homes in the Pipeline:

We're beginning to track the estimated number of rental homes, both new constructions and preservation with affordability protections in the pipeline in the corridor. Going forward, PLCC will also measure the number of low-income households served by homeowner assistance programs.



* Estimated Total housing units in the pipeline with affordability restrictions within 1 mile of PL (preservation and new construction estimated from Montgomery County DHCA and Prince George's County DHCD) and MPDU's (Montgomery County Planning)



Housing Conditions

The homes along the corridor are aging with most built more than **50 years ago**. There is a need to support owners and landlords to refurbish and improve homes.

"Thousands of tenants along the Purple Line corridor in Prince George's County, particularly in Langley Park, live in older and deteriorating apartment buildings. In areas along the purple line corridor with high concentrations of low-income minority and immigrant communities, there was no evidence of significant investment in improving housing conditions in decades. Currently, there are very little financial incentives and policy protections to improve the quality of life for the most vulnerable populations, however, that can be addressed with equitable transit-oriented development along Purple Line"

Julio D. Murillo-Khadjibaeva, CASA De Maryland PLCC Response 2019

*Data comes from US Census, ACS 2013-2017, MNCPPC Montgomery and CoStar (data are rounded estimates)

12 Recommendations Matrix

A.Preserving and Expanding Opportunities for Housing to All



Implementation Time line

	2019	2020	2021	2022	HAP Ref
1. Deepen Commitment to tenant protections					X
• Increase legal protections from eviction	●	●	●	●	→
• Increase inspections to ensure that housing units are safe and maintained in good condition	●	●	●	●	→
• Resource and support collaboration across tenant protection advocacy efforts.	●	●	●	●	→
2. Grow and align existing affordable housing funding resources to prioritize the Purple Line					X
• Increase housing trust funds in both counties	●	●	●	●	→
• Seek Purple Line prioritization of state resources	●	●	●	●	→
• Aggressively pursue additional funding for the Purple Line	●	●	●	●	→
3. Accelerate strategic acquisition and redevelopment opportunities					X
• Implement Right of First Refusal program in Prince George's County	●	●	●	●	→
• Prioritize redevelopment of surplus PGC land for workforce housing	●	●	●	●	→
• Amend multi-family tax abatement programs in both counties for affordable housing developers	●	●	●	●	→
4. Support current homeowners to rehab and remain in their homes					X
• Establish loan rehabilitation program in Montgomery County	●	●	●	●	→
• Pilot Housing Rehabilitation Assistance Program	●	●	●	●	→
• Long-Term Affordability program in Prince George's County	●	●	●	●	→
5. Expand opportunities for current renters to purchase a home affordably					X
• Provide additional down payment support to low-income Purple Line homeowners	●	●	●	●	→
6. Reduce the barriers to developing mixed-income neighborhoods					X
• Finalize Adoption of Transit-Oriented Development zoning in Prince George's County	●	●	●	●	→
• Clarify Purple Line Predevelopment Process for equitable TOD in both counties	●	●	●	●	→
• Launch Prince George's County Purple Line Inclusionary Zoning Pilot	●	●	●	●	→
7. Preserve and modernize smaller rental properties					X
• Expand the MHP Apartment Assistance program	●	●	●	●	→

12 Recommendations Matrix

B. Commit to Greater Cross-County Coordination		Implementation Time line				HAP Ref
		2019	2020	2021	2022	
8.	Prioritize coordinated action and improved communication in the Takoma Langley Area					X
	Formalize coordination between and within government and community partners	●	●	✓	✓	●
9.	Market and coordinate across Purple Line Jurisdictions to attract private investment					X
	Create and convene a PLCC Opportunity Zone Advisory Group	●	●	✓	✓	●
C. Building PLCC Capacity to Achieve Housing Goals						
10.	Foster collaborative culture and leadership					X
	Formalize HAT structure, decision making, and clarify diversity, equity and inclusion principals	●	●	✓	●	●
	Create a PLCC Community Liaison Position	✓	●	✓	✓	●
	Grow Resources to Support Community Leadership and Engagement	✓	●	●	✓	●
11.	Hold ourselves accountable					X
	Maintain PLCC Housing Benchmarking Metrics and Require an Annual Corridor Rental Survey	✓	●	✓	✓	✓
	Create an Underutilized Lands Inventory	✓	●	✓	●	✓
	Create a Development Pipeline Tracking and Multi-family Preservation Work Group	●	●	✓	✓	✓
12.	Research Critical housing issues and emerging trends					X
	Research applicability of Land Banking and/or Community Land Trusts	✓	●	●	●	✓
	Establish process for advancing future Housing Action Team endorsed research topics	●	●	✓	●	✓

The 12 recommendations represent a variety of actions and strategies to expand housing opportunity and preserve existing affordability. These are organized into three categories:

- A.** the first set of actions are designed to increase the production of new housing, to accelerate the preservation and rehabilitation of existing housing and to protect tenants;
- B.** the second set of actions establish more regular coordination between jurisdictions and coalition partners on specific locations within the corridor where collaboration is essential; and
- C.** the third set of actions are those the Coalition can take to improve how it works together with new and existing partners on advocacy, research and monitoring housing trends along the corridor.

Type of action:

-  Funding
-  Research
-  Policy
-  Administrative
-  Education and Advocacy
-  Collaboration

Key Terms Glossary

Area Median Income (AMI) - The median income of a city defined each year by U.S. Department of Housing and Urban Development (HUD)

Community Development Agreement (CDA) - Pathways to Opportunity: A Community Development Agreement for the Purple Line Corridor was adopted by the PLCC in 2015 and articulates a collective vision for vibrant economic and community development along the corridor and strategies to achieve that vision.

DHCA – Department of Housing and Community Affairs within Montgomery County

DHCD – Department of Housing and Community Development within Prince George’s County

Housing Action Team (HAT) – A cross-jurisdictional and cross-sector action team of the Purple Line Corridor Coalition co-chaired by ECP, HIP and MHP that is focused on achieving the Coalition’s housing opportunity goals.

Housing Cost Burdened - Families who pay more than 30 percent of their income for housing often leading to difficulty affording other necessities.

Housing Opportunity for All: Comprehensive Housing Strategy (CHS)
– Key housing planning document finalized by Prince Georges’ County in 2019 to guide housing investments and programs.

Housing Trust Fund - State or local funds allocated to increase and preserve the supply of affordable housing.

Inclusionary Zoning (IZ) - A zoning ordinance that requires or incentivizes private developers to designate a certain percentage of the units in a given project as below market rate affordable housing.

MC – Montgomery County

Opportunity Zones (OZ) - An economically-distressed community where new investments may be eligible for preferential tax treatment.

PGC – Prince George’s County

Purple Line Corridor Coalition (PLCC)
- a partnership of regional stakeholders across Montgomery County and Prince George’s County working to ensure that investments in the Maryland Transportation Administration’s planned 16-mile light rail, the Purple Line, will offer the maximum economic, social, and environmental opportunities to the residents and businesses along the corridor.

Tenant Protections - Legal rights for tenants, mainly providing protection from landlords and lease restrictions.

Transit-Oriented Development (TOD)
- a mixed-use residential and commercial area designed to maximize access to public transport that incorporates features to encourage transit ridership.

December 2019



AFFORDABLE HOUSING OPPORTUNITY FUND CREATING COMPETITIVE ADVANTAGES FOR AFFORDABLE HOUSING

DHCA Housing Initiative Fund (HIF) capital lending component provides long-term loans addressing the gap financing needed to leverage other financing for affordable housing developments. The affordable housing developers must acquire and invest in pre-development activities before applying for long-term affordable housing financing, including HIF.

The new CIP Affordable Housing Opportunity Fund (Fund) will invest new one-time County funding to create a structure for acquisition loans, which are shorter-term and repay the Fund in 3-4 years to revolve for new transactions. The Fund will leverage the DHCA investment by creating a structure for commitment of \$4 of private lending for every \$1 of County investment. The Fund will support affordable housing developers competing in the market to acquire, stabilize and arrange long-term financing for currently affordable properties identified as at risk of rent increases.

Structuring the Fund will involve partnering with financial institutions to determine property targeting, underwriting requirements, and loan structure. Loan structuring will provide pre-determined loan to value, developer equity, and interest rate/ repayment requirements that will support the competitiveness of affordable housing developers in acquiring targeted properties.

The Fund will work with financial institutions that have experience in structuring and managing targeted acquisition and preservation funds. Community Development Financial Institutions (CDFIs) have been chosen by jurisdictions across the country to coordinate and manage targeted funds based on the CDFIs' established relationships and commitments of affordable housing loan funding from investors.

The Fund development will involve a selection process to evaluate opportunities presented by different financial institution partners, the structuring of the County's loan commitment to meet requirements related to procurement and lending standards, and the establishment of a control process to oversee the lending and asset management responsibilities.

Acquisition and preservation funds implemented across the country provide examples of approaches for prioritizing properties, structuring fund responsibilities and setting lending standards. The structuring of the funds has included uses for first trust as well as subordinate financing.

An example that helps demonstrate the approach is a recent transaction in the District of Columbia:

- The DC Preservation Fund involves CDFIs leveraging DC funding with at least 3:1 match from pools of private investor funds for acquisition and stabilization loans.
- The DC Preservation Fund was used to acquire a \$5.7 million property with \$1.4 million of DC Preservation Funds, \$4.3 million from the CDFI and \$300,000 nonprofit developer funds.
- The DC Preservation Fund loan allowed acquisition with 100% loan to value and the developer equity to support 5% for predevelopment.
- Attached graphic summarizes the acquisition financing in March 2018 leading to repayment with construction financing in January 2020.

Examples of acquisition and preservation fund in jurisdictions across the country include:

District of Columbia Preservation Fund

- \$20 million in public investment, generated \$80 million in total lending capacity
- Three CDFIs have participated as managers, leveraging on-hand private funds
- Up to 4-year acquisition loans targeted to preserve currently affordable housing
- Below market interest rates for first lien or subordinate loans
- Covenants require 10-year affordability irrespective of permanent financing requirements

New York City Acquisition Fund

- \$8 million of City funding in 2008 matched with \$32 million of foundation funding has grown to \$150 million of available funding with private sector bank lending commitments.
- Up to 4-year acquisition loans targeted to preserve currently affordable housing
- Below market interest rates

Bay Area Preservation Pilot Fund

- \$10 million investment from Metropolitan Transportation Commission, created \$60 million fund at 5:1 leverage ratio from various capital sources.
- Acquisition and predevelopment loans to preserve existing affordable housing across San Francisco Bay area
- Rates and loan to value customized to compete with market buyers

Bay Area Transit Oriented Affordable Housing Fund

- \$10 million investment from Metropolitan Transportation Commission achieved \$50 million investment fund with participation of five CDFIs
- Acquisition and predevelopment loans to targeted transit priority areas
- Interest rates and payment terms determined originating CDFI.

Denver Regional Transit Oriented Development Fund

- City of Denver invested \$2.5 million in top loss position, along with \$1.5 million from Urban Land Conservancy to structure a \$15 million loan fund, which has grown to \$24 million in lending capacity.
- Targets property acquisitions within one half mile of rail stations or one quarter mile of high-frequency bus stops.

Greater Minnesota NOAH Fund

- Hennepin County invested \$3 million to support attracting social investment from foundations and banks in creation of a \$25 million fund.
- Targets acquisition of naturally occurring affordable housing
- Leverages first trust lending commitments with subordinate lending requiring only 3% equity from developer.
- Rates 0-1% for term of 10-15 years to align with first trust loan
- Affordability restricted for minimum 15 years, with 75% of units affordable at 80% AMI.

Fund Preservation and Production Opportunities

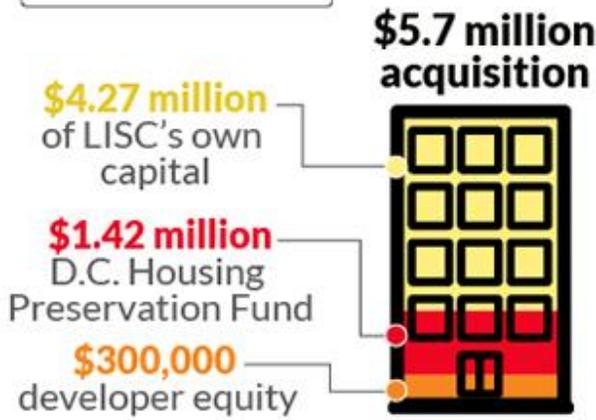
- To preserve and create affordable housing, site control represents the critical initial step. Acquisition requires affordable housing developers compete with other well capitalized buyers.
- Acquisitions require the ability to match the pricing, timeliness of closing and conditions offered by other buyers, which requires ready capital for equity investment and predevelopment expenses.
- Acquisition loans available to affordable housing developers from bank and nonprofit lenders provide loan to values up to 90%, putting demands on capital for remaining 10% and predevelopment costs. Funds that provide for 100% of acquisition, and potentially some of the predevelopment, support developers moving quickly and competitively.
- DHCA HIF lending does not generally provide acquisition lending, reserving capacity to support permanent financing. DHCA has invested HIF funds in acquisition financing for some transactions and has invested \$320,000 of HIF funds in the State BRAC leveraged acquisition fund as part of a \$4.5 million targeted acquisition fund.

Objectives of Creating the Affordable Housing Opportunity Fund

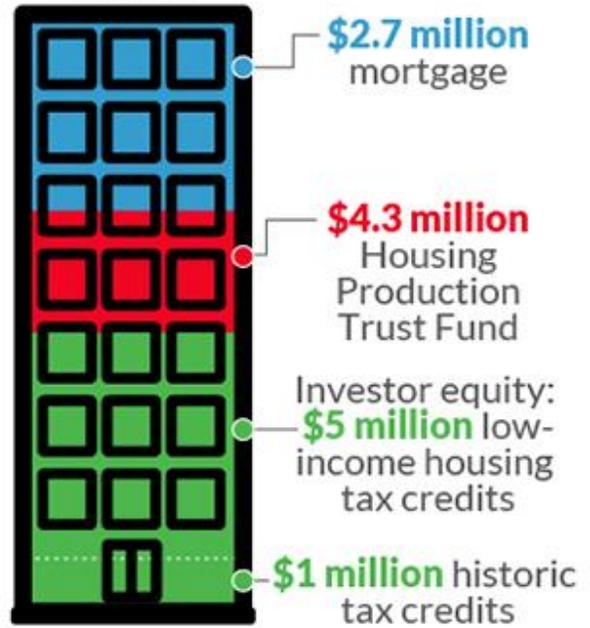
- Leverage County funds to get commitments of private investment funds for a pool of ready funding to help affordable housing developers purchase targeted properties.
- The Fund structure will support the County maximizing leverage of private funds in advance, such that an initial \$8 million would support a ready pool of \$40 million, with terms and investment thresholds established for quick commitments.
- Investments targeted to support short-term acquisition and stabilization of the property for refinancing or redevelopment, generally within 36 months, revolving the funds for future transactions.
- Purchasers applying to the Fund will have an exit strategy for paying back the Fund and maintaining affordability in the property, which could involve use of HIF funds in the long-term gap financing role.
- DHCA will establish the priorities for investment, participating in each investment decision, with the Fund managed by a financial institution to coordinate the private investment.
- Fund supported transactions will provide a pipeline of properties for DHCA to coordinate longer term affordable housing financing appropriate to the subject properties

410 Cedar Street funding

- Sources of capital:
- DC
 - LISC
 - Developer equity
 - Private investors
 - Banks



\$13 million construction budget



Source: MarketWatch reporting