

M E M O R A N D U M

April 14, 2021

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: FY22 Operating Budget: Housing Initiative Fund
FY21 Designated Reserve for Affordable Housing
Affordable Housing Opportunity Fund (FY21 Supplemental and CIP Amendment
and FY22 Appropriation)
FY22 CIP Amendments: Facility Planning: HCD and Façade Improvements

PURPOSE: Review and make recommendations on the FY22 Operating Budget and CIP
Amendments and Supplemental Appropriation

Expected to attend this session:

Aseem Nigam, Director, Department of Housing and Community Affairs (DHCA)
Frank Demarais, Deputy Director, DHCA
Stephanie Killian, Chief of Housing Division, DHCA
Pofen Salem, Office of Management and Budget

1. Housing Initiative Fund Overview of FY22 Recommendation.

The County Executive is recommending operating and capital resources which, after transfers out for debt service and indirect costs, will provide over \$89 million for affordable housing production, preservation, support for rental assistance and homeownership programs, and community-based services. The 6-Year Fiscal Plan for the HIF is at (1). This is a \$20.5 million increase from the amount appropriated and held in designated reserve for FY22. While some of this is due to a larger than expected beginning balance:

The Executive has recommended increasing the transfer from the General Fund by \$5.528 million to \$25.340 million.

The Executive has included \$6.8 million in proceeds from land sales based on the 25% required transfer to the HIF. The funding is from:

- Land Sale (\$131,000) to Davis Airport from Laytonsville Airport LLC - \$32,750 to the MHI
- WSSC Site II Land Sale (\$10.076M) from Global LifeSci Development Corporation as part of the White Oak Redevelopment - \$2.515M
- M-NCPPC Headquarters in Silver Spring (\$17M, part of the Wheaton Redevelopment CIP agreement) - \$4.25M

However, the Recordation Tax Premium that is for rental assistance and appropriated in the HIF has decreased. This is a critical funding source for the rental assistance system for DHHS and for the Housing Opportunities Commission (HOC).

	FY20	FY21 Budget	FY21Est	FY22	
Recordation Tax	\$57,692,541	\$59,185,261	\$50,196,366	\$52,665,092	-11.0%
To HIF	\$18,388,868	\$17,717,608	\$14,068,216	\$14,753,187	-16.7%

Because the Recordation Tax Premium can fluctuate, DHCA has kept a portion of revenues in contingency so that it can draw on them for ongoing costs associated with rental assistance. For FY22, there are \$14.753 million needed to fund the ongoing rental assistance obligations. But, as can be seen, the FY21 estimate is below that amount. Because of contingency funds, FY22 should not be a problem.

The HIF allocates monies to continue funding for the “HHS Housing Program” category that includes permanent supportive housing that was approved under the initial Housing First effort (\$8,369,080); the 100,000 Homes initiative (\$437,120) and the Zero 2016 veterans’ initiative (\$900,000).

As shown in the HIF Fiscal Plan, costs to the HIF for debt will increase. There are two main costs associated with debt. The first is the debt service for the bonds that fund the affordable housing acquisition and preservation CIP project. The cost is projected to increase from \$9.6 million in FY21 to \$18.4 million in FY27. The projection is based on the approval of the CIP project that assumes the additional bonds needed each year to provide a total of \$22 million in annual new expenditure authority. The second, is the cost associated with the HOC Housing Production Fund which is \$3.4 million each year starting in FY22 (there are also additional revenues to the HIF that will come from HOC). In FY22 the Executive recommends using \$3.4 million from the current designated reserve to cover this cost.

The amount of funding available in the operating budget Affordable Housing Loans is increased from \$1.2 million to \$12.5 million. The FY21 amount was lowered last year by the \$6.8 million that was put in the Designated Reserve for Affordable Housing so that the Council could consider using it for the HOC Housing Production Fund or other affordable housing purposes.

The HIF fiscal plan uses \$3.4 million of the designated reserve in FY22 to fund the first full year cost of the HOC Housing Production Fund. In FY21, \$500,000 was appropriated by the Council to authorize the HOC Production Fund.

The CIP portion of the HIF, the Affordable Housing Acquisition and Preservations project, remains at an additional \$22 million in resources for each of the six years (attached at (2)-(3)). In FY22, most of the funding is from loan repayments, with \$8.7 in additional bonds. This is projected to flip in FY23, with \$19 million in new bonds being required to maintain the \$22 million level.

2. Use of Designated Reserve for Affordable Housing

Currently, there is \$6.3 million remaining in the designated reserve for affordable housing. As just noted, the Executive proposes using \$3.4 million of that in FY22 to pay the first full year cost of the HOC Housing Production Fund. Council staff finds this reasonable as the Council would have used \$3.4 million in FY21 had it been needed. If the PHED Committee does not concur then funds will need to be shifted from other categories to cover the cost.

If the \$3.4 is allocated to the HOC Production Fund, \$2.9 million remains in the designated reserve. It was the intent of the Council to use this for affordable housing, not to let it fall to unrestricted general fund reserves. This can be achieved by the PHED Committee recommending a special appropriation to move the money back into the HIF. This is a one-time source of additional funding and so should be added back to the Affordable Housing Loans category unless the Committee wants to move this to another category or use the funding for another purpose.

3. Shifting Additional Funds to Homeownership

For the past few years, the Council has authorized DHCA to use \$2 million from the HIF for homeownership assistance programs. The two agencies that partner with DHCA for these efforts are the Housing Opportunities Commission and the Maryland Department of Housing and Community Development. The County has partnered with DHCD to provide qualified prospective homebuyers with both down payment assistance and low interest loans. The following table show the number of households served.

	FY21	FY20	FY19
HOC	39	40	46
MD DHCD	45	45	44
TOTAL	84	85	90

Council staff suggests the Committee consider shifting \$1 million from the grants and loans HIF operating funds to Homeownership programs. Each year, there is more demand than funding for the DHCD partnership.

DHCA says that MD DHCD would accept additional funds if associated with expanding current program structure, without additional limitations on uses. Each \$1 million would represent 40 additional down payment assistance packages of \$25,000 (the maximum amount).

It is true, as DHCA notes, that this will reduce the amount for affordable housing loans for preservation and production from \$12.5 million to \$11.5 million and that these loans are targeted to lower income households. The amount of funding for homeownership can be reconsidered each year, if there is not as much money available for loans and grants in FY23, the HIF amount could go back to \$2 million. Information on the program is attached at (4).

DHCA shares that they are reviewing options for to support low-income homeownership, reviewing options of expanding down payment support, investing in project-based subsidy, and expanding homebuyer education.

4. Affordable Housing Opportunity Fund: FY21 Supplemental Appropriation, Amendment to the FY21-26 CIP, and FY22 Appropriation

The County Executive recommended the creation of an Affordable Housing Opportunity Fund as a part of his original FY21-26 Capital Improvements Program. This fund would be different than the other financing tools that are currently provided through the Housing Initiative Fund or other DHCA resources as it would:

- Primarily be used for short-term financing of up to 36 months; but may be used for intermediate term agreements (3 to 4 years).
- Focus on the purchase and preservation of affordable housing. These properties could be identified either through Right of First Refusal (RoFR) or through market research for acquisition outside the RoFR process.
- DHCA will enter into a contractual agreement with the Community Development Financial Institution (CDFI) and these funds will be used by the CDFI in creating the financing package.
- The relationship with the CDFI is expected to help identify properties and housing partners that might not be otherwise identified bring in new sources of funding to the table.
- The CDFI and DHCA expect to pre-set terms for the use of this money, improving the ability of developers to plan.
- The CDFI will bring additional administrative capacity to the affordable housing program as the CDFI will negotiate and prepare underwriting and closing documents for the County. Because there will be certain parameters for the fund, it is expected that approval can be given in a relatively short timeframe.
- When funds are repaid from these loans, the money will return to this CIP project to create a revolving account.
- While these funds will be reserved for projects in partnership with the CDFI, the funds themselves will remain with the County – they will not be transferred in whole to another

organization to create an outside fund. However, for the CDFI to know what funding is available, they will be reserved for this purpose.

- The PDF says that a portion of the units must be affordable to households at or below MPDU incomes and the projects will support long-term affordability.
- DHCA expects that for every \$1 invested, there will be \$4 of private lending.
- It is expected that these funds will help close the last gap in the financing stack that is often the last 10% of the package as bank and non-profit lenders will often not exceed a 90% loan-to-value.
- It is expected that this fund will reduce pressure on the Housing Initiative Fund for short-term acquisition financing, allow the HIF funds to focus on long-term financing needs.

The Executive originally recommended \$10 million in each of FY21 and FY22 for this fund. Last year, to meet overall CIP affordability, the Council reduced the amounts to \$8 million in FY21 and \$6 million in FY22. The source of fund is the Recordation Tax Premium for capital projects (not rental assistance). There is no County debt associated with this proposal.

The PHED Committee recommended, and the Council agreed not to appropriate while further consideration was given to the structure of the fund.

Supplemental Appropriation Request

On December 12, 2020, the Council introduced a \$8 million FY21 Supplemental Appropriation and Amendment to the FY21-26 CIP as the request of the County Executive.

A public hearing was held on January 12, 2021. The Council received testimony in favor of the project from Coalition Home/Montgomery County Coalition for the Homeless, NFP Affordable Housing Corporation, and the Affordable Housing Conference of Montgomery County in addition to the testimony from Director Nigam. The January 12 staff report and testimony are attached at © 5-18.

Council staff recommendation: Council staff recommends approval of the FY21 Supplemental Appropriation and FY22 Appropriation for this project. The Executive and DHCA see a partnership with a CDFI as a new option to create capital to acquire and preserve affordable housing. As has been noted in many discussions, the County needs many tools in its toolbox to meet its housing goals and this is one new option.

Council staff recommends that certain requirements be included in the CIP project narrative:

There should be a better-defined requirement for the percent of affordable housing units in a project and it should be higher than MPDU requirements. The HOC Housing Production Fund requirements is that 20% of the units must be affordable to households earning 50% or below area median income and an additional 10% affordable to households at MPDU income levels. This could be one option. As many of these projects may use tax credits, a second option could be that 30% of the units remain at the tax credit level (60% or 50% of AMI). In both cases, there should be a 99-year control period as is required in the MPDU program.

Reports on the use of the Affordable Housing Opportunity Fund must be transmitted to the Council by December 1, 2021 and April 1, 2022.

The December 1 timeframe will allow time for contracting with the CDFI and to have an opportunity to close projects. The report should include:

- Number of proposals brought to CDFI and DHCA for funding through the Affordable Housing Opportunity Fund and the number of units in each.
- Existing affordability of units in developments proposed for funding.

For funded proposals:

- Total cost of acquisition/development and the sources and terms of financing.
- Total number of units and unit size.
- Price/Affordability of all units; controlled and market.
- Is the development located within one mile of a Metro, Purple Line, or BRT stop?

In addition, the report must include the cost of the CDFI services during the reporting period.

It will be important to evaluate the effectiveness of this new financing tool to make sure it is addressing the need of housing partners and is creating new opportunities and bringing new capital to the system.

Discussion Question: Is this funding limited to acquisition/preservation of rental units?

The discussion to date about this source of affordable housing financing has implied that the affordable housing will be multi-family rental, as much of the discussion has focused on RoFR opportunities.

Will the contract with the CDFI and the program parameters be limited to rental or is there the potential to use this funding to create affordable for-sale units? Council staff is not arguing for one or the other, just seeking clarification. As there is more discussion about the importance of homeownership in the creation of household wealth, there may also be opportunities to create new affordable homeownership opportunities that will also need financing assistance.

CIP Amendments: Facility Planning: HCD and Countywide Façade Easement Program

Facility Planning: HCD (attached © 19-20)

The County Executive is recommending a reduction of \$75,000 in FY22 for this project that provides funding for planning of projects until they move to stand alone PDF. The source of funds is Current Revenue. DHCA works within the funds available. The PDF notes that there is an unencumbered balance of \$850,000. The Executive has not changed any of the assumptions in the outyears – funding will return to \$125,000 in FY23.

Council staff recommendation: Approve as recommended by the Executive.

Countywide Façade Easement Program (attached © 21-22)

The County Executive has recommended a funding shift within this project that will work to revitalize commercial areas. The total funding for the project remains the same \$2.906 million but \$220,000 is shifted from FY22 to later years to reflect the expected timing of projects, since due to COVID it was not able to start as expected. The language in the project about areas to be served are unchanged, they are the Glenmont and Layhill Shopping Centers, Montgomery Village, Hillandale, and the Wheaton Central Business District.

Change by Fiscal Year

	TOTAL	FY21	FY22	FY23	FY24	FY25	FY26
App	2.906	114	342	606	714	667	463
Rec	2.906	114	122	716	719	672	563
Change	0	0	-220	110	5	5	100

Council staff recommendation: Approve as recommended by the Executive.

FY22-27 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Montgomery Housing Initiative						
FISCAL PROJECTIONS	FY21 ESTIMATE	FY22 REC	FY23 PROJECTION	FY24 PROJECTION	FY25 PROJECTION	FY26 PROJECTION	FY27 PROJECTION	
ASSUMPTIONS								
Indirect Cost Rate	18.64%	19.18%	19.18%	19.18%	19.18%	19.18%	19.18%	
CPI (Fiscal Year)	1.3%	1.6%	2.0%	2.4%	2.4%	2.4%	2.4%	
Investment Income Yield	0.2%	0.1%	0.4%	0.4%	0.4%	0.4%	0.4%	
BEGINNING FUND BALANCE	29,438,536	20,635,425	1,330,000	410,000	0	0	0	
REVENUES								
Taxes	14,168,216	14,853,187	15,687,110	16,857,444	17,605,446	20,040,563	21,583,480	
Charges For Services	70,200	70,200	71,597	73,330	75,119	76,952	78,830	
Miscellaneous	6,557,056	15,323,239	9,252,236	9,259,516	9,205,006	9,205,006	9,205,006	
Subtotal Revenues	20,795,472	30,246,626	25,010,943	26,190,290	26,885,571	29,322,521	30,867,316	
INTERFUND TRANSFERS (Net Non-CIP)								
Transfers To Debt Service Fund	9,727,880	11,568,462	6,968,362	5,713,962	4,370,062	3,062,662	3,065,962	
MHI - Property Acquisition Fund	(10,121,700)	(16,718,400)	(17,918,500)	(19,172,900)	(20,516,800)	(21,824,200)	(21,820,900)	
MHI - HOC Housing Production Fund	(9,621,700)	(13,318,400)	(14,518,500)	(15,772,900)	(17,116,800)	(18,424,200)	(18,420,900)	
MHI - HOC Housing Production Fund		(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)	
Transfers To The General Fund	(462,465)	(453,967)	(453,967)	(453,967)	(453,967)	(453,967)	(453,967)	
Indirect Costs	(462,465)	(453,967)	(453,967)	(453,967)	(453,967)	(453,967)	(453,967)	
Transfers From The General Fund	20,312,045	28,740,829	25,340,829	25,340,829	25,340,829	25,340,829	25,340,829	
From General Fund	19,812,045	25,340,829	25,340,829	25,340,829	25,340,829	25,340,829	25,340,829	
From Designated General Fund Reserve for Affordable Housing	500,000	3,400,000	0	0	0	0	0	
TOTAL RESOURCES	59,961,888	62,450,513	33,309,305	32,314,252	31,255,633	32,385,183	33,933,278	
PSP OPER. BUDGET APPROP/ EXP'S.								
Operating Budget	(5,878,951)	(2,769,776)	(2,769,776)	(2,769,776)	(2,769,776)	(2,769,776)	(2,769,776)	
Debt Service: Other (Non-Tax Funds only)	(52,050)	(49,650)	(47,230)	(54,510)	0	0	0	
Labor Agreement	n/a	0	(102,458)	(221,188)	(345,571)	(475,270)	(610,521)	
Rental Assistance Program (RAP)	(14,068,216)	(14,753,187)	(15,687,110)	(16,857,444)	(17,605,446)	(20,040,563)	(21,583,480)	
Affordable Housing Loans	(1,205,743)	(12,551,814)	(687,071)	691,606	2,422,700	3,857,966	3,988,039	
HHS Housing Programs	(9,706,200)	(9,706,200)	(9,701,380)	(9,708,660)	(9,706,200)	(9,706,200)	(9,706,200)	
Neighborhoods to Call Home	(1,251,340)	(1,251,340)	(1,251,340)	(1,251,340)	(1,251,340)	(1,251,340)	(1,251,340)	
Homeownership Assistance Program	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	
Subtotal PSP Oper Budget Approp / Exp's	(34,162,500)	(43,081,967)	(32,246,365)	(32,171,312)	(31,255,633)	(32,385,183)	(33,933,278)	
OTHER CLAIMS ON FUND BALANCE	(5,163,963)	(18,038,546)	(652,940)	(142,940)	0	0	0	
TOTAL USE OF RESOURCES	(39,326,463)	(61,120,513)	(32,899,305)	(32,314,252)	(31,255,633)	(32,385,183)	(33,933,278)	
YEAR END FUND BALANCE								
Affordable Housing and Acquisition and Preservation CIP Project #P760100	20,635,425	1,330,000	410,000	0	0	0	0	
Affordable Housing Opportunity Fund CIP Project #P762101	(22,000,000)	(22,000,000)	(22,000,000)	(22,000,000)	(22,000,000)	(22,000,000)	(22,000,000)	
Affordable Housing Opportunity Fund CIP Project #P762101	(8,000,000)	(6,000,000)						
TOTAL ALLOCATION IN AFFORDABLE HOUSING (MHI Fund + CIP Projects)	(69,326,463)	(89,120,513)	(54,899,305)	(54,314,252)	(53,255,633)	(54,385,183)	(55,933,278)	
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES								
	34.4%	2.1%	1.2%	0.0%	0.0%	0.0%	0.0%	

Assumptions:

1. A total of \$89.1 million will be allocated in affordable housing, including expenditures of \$61.1 million reflected in this fund, \$22 million for the Affordable Housing Acquisition and Preservation CIP Project #760100, and \$6 million for Affordable Housing Opportunity Fund CIP Project #762101. The CIP fund assumes the issuance of \$13.25 million of debt, \$8.75 million in estimated loan repayments, and \$6 million funded with Recordation Tax Premium in FY22. The funding provided a continued high level of support for renovation of distressed housing, the acquisition and preservation of affordable housing units, creation of housing units for special needs residents and mixed-income housing and a variety of services for permanent supportive housing and community development.
2. A supplemental request for the new Affordable Housing Opportunity Fund CIP was submitted to the Council in December 2020 for approval. The funding will be used to address the urgent challenge of preservation and development of affordable housing in areas at risk of rent escalation to higher market rents, including County transit corridors.
3. Montgomery County Council Resolution #15-110 provides for an allocation from the General Fund to the Montgomery Housing Initiative fund (MHI) of the equivalent to 2.5% of actual General Fund property taxes from two years prior to the upcoming fiscal year for the purpose of maintaining and expanding the supply of affordable housing. However, the actual transfer from the General Fund will be determined each year based on the availability of resources.

Notes:

1. These projections are based on the Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes not assumed here to fee or tax rates.
2. The Executive recommends an additional \$5.5 million to be transferred from the General Fund to the MHI fund, compared to \$19.8 million approved for FY21. A combination totaling \$25.3 million transferred from the General Fund, the additional \$6.8 million collected from land sale proceeds, and the projected \$1.77 million contributed by the interest payments generated from HOC Housing Production Fund will reach beyond the 2.5% policy goal.
3. Operating budget includes personnel costs, contracts for homeownership education, and miscellaneous expenses for consultants, technology upgrades and monitoring.



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)

Cost Elements	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)

Funding Source	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.



MARYLAND MORTGAGE
Making Homeownership Affordable

FACT SHEET: MONTGOMERY HOMEOWNERSHIP PROGRAM V

PURPOSE	To help Maryland first time and repeat homebuyers purchase a home in Montgomery County by offering a Maryland Mortgage Program (MMP) first loan with a generous Down Payment Assistance (DPA) second loan.
DATE	Lenders may reserve Montgomery Homeownership Program loans from July 27, 2020 until the funds are expended.
DOWNPAYMENT AND CLOSING COST ASSISTANCE	<p>The Montgomery Homeownership Program second lien will be a DPA loan in the form of a zero percent deferred loan. The maximum DPA loan will be 40% of the total household income with a maximum total of \$25,000 per home; these funds can be used for down payment or closing costs.</p> <p>The DPA loan funds are from Montgomery County and are distributed by the Community Development Administration (CDA). The DPA lien will be in the name of the Maryland Department of Housing and Community Development ("the Department"). The DPA loan will be funded by the lender at closing. CDA reimburses the lender after post-closing approval by CDA (please refer to Directives 2018 16 and 12).</p> <p>(Reminder: CDA assistance programs cannot be used with conventional financing for purchase of a DHCD owned REO.</p>
MAXIMUM LOAN TO VALUE/COMBINED LOAN TO VALUE	LTV/CLTV requirements are the same as for the regular MMP products.
MAXIMUM DEBT TO INCOME (DTI) RATIO	Follow the respective (FHA, GSEs, RHS, VA, USB, MIs etc.) guidelines, as applicable for maximum DTI ratio.
PARTNER MATCH PROGRAM	The DPA loan under this initiative cannot be combined with matching funds from the DPA Partner Match programs . However, the DPA can be combined with any available external assistance from employers, builders, developers, local jurisdictions, etc. that meets established agency guidelines.
MARYLAND HOME CREDIT PROGRAM	The Maryland HomeCredit Program (offering mortgage credit certificates) is no longer available.
INTEREST RATE	Rates for the first lien are published daily by the Department. The second loan (DPA) has a 0% rate, and payment is deferred for the life of the first lien.
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> Borrowers must meet all eligibility requirements established for the Maryland Mortgage Program. For more information on MMP requirements, go online to http://mmp.maryland.gov/Lenders/Pages/Fact-Sheets.aspx or browse the website at www.mmp.maryland.gov. In addition to the MMP eligibility criteria, Montgomery County requires that the amount of the assistance (DPA) in the second lien does not exceed 40% of the household income. All Maryland Mortgage Program purchase products require homebuyers to take a Homebuyer Education class. An education class may be any class approved by HUD, Fannie Mae or Freddie Mac, as applicable, including an online class. (http://mmp.maryland.gov/Pages/Homebuyer-Education.aspx).
FIRST TIME HOME BUYER REQUIREMENT:	<p>This product is available to first time and repeat homebuyers in Maryland.</p> <p>Regardless of any waiving of the first-time homebuyer requirement, a Maryland Mortgage borrower cannot own any other real property at time of closing.</p>
OTHER	<ul style="list-style-type: none"> No manual underwriting allowed. All other rules relating to MMP loans apply except where specifically noted in this document. In addition to MMP requirements, this product must meet all applicable overlays and requirements of US Bank, Fannie Mae, Freddie Mac, FHA/VA/RHS and PMIs. Montgomery Homeownership Program cannot be used in conjunction with any other MMP products.

Disclaimer: The terms and conditions are subject to change until the lender locks the loan in Lender Online. A potential borrower should contact an approved lender for further loan information (see mmp.maryland.gov for a list of approved lenders). In connection with the Maryland Mortgage Program, the Maryland Department of Housing & Community Development makes no promises, representations or warranties to any party, including any borrower, about the actual benefit a Maryland Mortgage loan might provide in specific situations. Each borrower's situation is different, and potential borrowers should seek the advice of a financial advisor, attorney or housing counselor before entering into any loan transaction.

For more information, please visit:

Single Family Housing - Community Development Administration
Maryland Department of Housing and Community Development
7800 Harkins Road • Lanham, MD • 20706





Committee: PHED
Committee Review: At a future date
Staff: Linda McMillan, Senior Legislative Analyst
Purpose: To receive testimony – no vote expected
Keywords: Affordable Housing

AGENDA ITEM #5
January 12, 2021
Public Hearing

SUBJECT

Amendment to the FY21-26 Capital Improvements Program and Supplemental Appropriation to the FY21 Capital Budget; Montgomery County Government; Department of Housing and Community Affairs; Affordable Housing Opportunity Fund (P762101); \$8,000,000 (Source of Funds: Recordation Tax Premium (MCG))

EXPECTED ATTENDEES

NA

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Introduced on December 15, 2020. PHED Committee to be scheduled at a future date.

DESCRIPTION/ISSUE

Montgomery County has a shortage of housing that is affordable to moderate and low-income households, particularly households earning less than 50% area median income. Additional financing strategies to help preserve affordable housing are needed. The Executive recommends the creation of an Affordable Housing Opportunity Fund. The Department of Housing and Community Affairs is planning to enter into a partnership with an entity, such as a Community Development Financial Institution (CDFI), to identify appropriate projects and assist in creating financing packages that leverage non-county funding. Funds from the Affordable Housing Opportunity Fund will fill the financing gap so that the project can move forward. It is expected that these funds will primarily be used for initial short-term financing of up to 36 months but may also be used for intermediate term agreements. Eight million dollars is requested for FY21 and \$6 million for FY22.

SUMMARY OF KEY DISCUSSION POINTS

- Both new financing tools and additional public and private resources are needed to preserve affordable housing in Montgomery County, particularly housing that is affordable to households with incomes below 50% of AMI.
- In January, the Executive recommended the creation of an Affordable Housing Opportunity Fund that would be used to preserve affordable housing through the purchase of existing buildings by partners that commit to long-term affordability. This is likely to occur through the county's ability to exercise right-of-first refusal.
- The Council agreed with the recommendation of the Planning, Housing, and Economic Development Committee to approve the project but not to appropriate until additional questions were answered about the structure for this fund.

- The Department of Housing and Community Affairs has continued to work through the details on the structure and now plans to issue a solicitation to partner with an entity, such as a CDFI, that will assist with identifying projects and partners, developing financing plans that will leverage new sources of non-county capital, and reviewing loans. This partner will be able to access the county funds to close gaps in financing packages.
- The Executive has transmitted a CIP amendment and is requesting a supplemental appropriation of \$8 million. The source of funds is Recordation Tax Premium that is available for county CIP projects.

This report contains:

Executive memo, Resolution, and PDF

© 1-4

Alternative format requests for people with disabilities. If you need assistance accessing this report you may [submit alternative format requests](#) to the ADA Compliance Manager. The ADA Compliance Manager can also be reached at 240-777-6197 (TTY 240-777-6196) or at adacompliance@montgomerycountymd.gov



5116133


OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

M E M O R A N D U M

December 4, 2020

TO: Tom Huckler, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Amendment to the FY21-26 Capital Improvements Program and Supplemental Appropriation #14-S21-CMCG-6 to the FY21 Capital Budget
Montgomery County Government
Department of Housing and Community Affairs
Affordable Housing Opportunity Fund (P762101), \$8,000,000

I am recommending a supplemental appropriation to the FY21 Capital Budget and amendment to the FY21-26 Capital Improvements Program in the amount of \$8,000,000 for the Affordable Housing Opportunity Fund (No. P762101). Appropriation for this project will 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.

This increase is needed because 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 recommended amendment is consistent with the criteria for amending the CIP because project leverages significant non-County sources of funds. The funds will be used to support creation of a public-private affordable housing acquisition fund, leveraging County acquisition loans with predetermined private sector lending to support long-term affordable housing preservation. It will allow development of an agreement with the private sector capital providers, including targeted uses and lending terms as agreed upon by the County and the private sector partners as part of an acquisition funding pool, to support lending for acquisition of targeted properties to create long-term affordable housing. Borrowers are expected to repay loans when long-term affordability financing is arranged, revolving the funds back to support additional acquisitions.

I recommend that the County Council approve this appropriation and amendment to the FY21-26 Capital Improvements Program in the amount of \$8,000,000 and specify the source of funds as Recordation Tax Premium.

I appreciate your prompt consideration of this action.

ME:ll

Attachment: Amendment to the FY21-26 Capital Improvements Program and Supplemental Appropriation #14-S21-CMCG-6

c: Aseem Nigam, Director, Department of Housing and Community Development
Jennifer Bryant, Acting Director, Office of Management and Budget

Resolution: _____
 Introduced: _____
 Adopted: _____

COUNTY COUNCIL
 FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Amendment to the FY21-26 Capital Improvements Program and Supplemental Appropriation #14-S21-CMCG-6 to the FY21 Capital Budget Montgomery County Government Department of Housing and Community Affairs Affordable Housing Opportunity Fund (P762101), \$8,000,000

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. Section 302 of the Montgomery County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of no fewer than six members of the Council.
3. The County Executive recommends the following capital project appropriation increases:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Affordable Housing Opportunity Fund	762101	Land	\$8,000,000	Recordation Tax Premium

Amendment to the FY21-26 Capital Improvements Program and Supplemental Appropriation
 #14-S21-CMCG-6
 Page Two

4. This increase is needed because 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 recommended amendment is consistent with the criteria for amending the CIP because project leverages significant non-County sources of funds. The funds will be used to support creation of a public-private affordable housing acquisition fund, leveraging County acquisition loans with predetermined private sector lending to support long-term affordable housing preservation. It will allow development of an agreement with the private sector capital providers, including targeted uses and lending terms as agreed upon by the County and the private sector partners as part of an acquisition funding pool, to support lending for acquisition of targeted properties to create long-term affordable housing. Borrowers are expected to repay loans when long-term affordability financing is arranged, revolving the funds back to support additional acquisitions.
5. The funds will support the County negotiating an agreement with a private sector partner to serve as a fund manager, arranging additional acquisition lending funds from private sector sources, and coordinating acquisition opportunities under terms and conditions targeted with the County's funds.
6. The County Executive recommends an amendment to the FY21-26 Capital Improvements Program and a supplemental appropriation in the amount of \$8,000,000 for the Affordable Housing Opportunity Fund (No. P762101) and specifies that the source of funds will be Recordation Tax Premium.
7. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

The FY21-26 Capital Improvements Program of the Montgomery County Government is amended as reflected on the attached project description form and a supplemental appropriation is approved as follows:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Affordable Housing Opportunity Fund	762101	Land	\$8,000,000	Recordation Tax Premium

This is a correct copy of Council action.

Selena Mendy Singleton, Esq. Clerk of the Council



Affordable Housing Opportunity Fund (P762101)

Category	Community Development and Housing	Date Last Modified	05/18/20
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	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-
TOTAL EXPENDITURES	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-

FUNDING SCHEDULE (\$000s)											
Recordation Tax Premium (MCG)	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-
TOTAL FUNDING SOURCES	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)			
Appropriation FY 21 Request	-	Year First Appropriation	
Appropriation FY 22 Request	6,000	Last FY's Cost Estimate	-
Supplemental Appropriation Request	8,000		
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 Affordable Housing Opportunity Fund will be used to provide seed money to establish a public-private preservation commitment of funds which will proactively leverage additional resources to support affordable housing developers in preserving and producing targeted affordable housing. The purpose of the funds is to assist affordable housing developers purchasing properties offered for sale, and potentially to purchase property from the County which it acquires under the Right of First refusal law. 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.

The funds will be operated through establishing a contractual agreement with a fund manager, such as a Community Development Financial Institution (CDFI), to coordinate commitment of private capital investment in acquisitions of properties to create long-term affordability. Under predetermined terms, the Opportunity Fund will be dedicated to acquisition transactions in combination with the private capital with County approval of each transaction. The funding is expected to support financing activity within six months of allocation, based on the time needed to identify partners, develop investment guidelines, and document responsibilities. Loan terms will primarily be short-term (up to 36 months) in 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 affordable housing developers rapidly purchasing properties targeted for preservation. After acquisition, the fund structure will allow time to implement 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. FY21 supplemental in Recordation Tax Premium (MCG) for the amount of \$8,000,000.

COORDINATION

Montgomery County Revenue Authority, Housing Opportunities Commission, non-profit housing providers, private sector developers, and financing institutions.



Testimony on Supplemental Appropriation for The Affordable Housing Opportunity Fund

Coalition Homes and MCCH

January 11, 2021

Good afternoon Council President Hucker and members of the Montgomery County Council. My name is Jeffrey Mosley and I am testifying on behalf of Coalition Homes (CH) and the Montgomery County Coalition of the Homeless (MCCH). MCCH provides solutions in Montgomery County to ensure that homelessness is rare, brief, and nonrecurring. This mission is underscored by our vision to build a community where everyone has a safe, stable, and affordable place to call home. MCCH's affiliate, CH, owns, manages and seeks to expand the supply of the county's affordable housing dedicated as permanent supportive housing (PSH).

MCCH and CH applauds the creation of the Affordable Housing Opportunity Fund. The Fund will provide a critical platform for Department of Housing and Community Affairs (DHCA) to hasten the acquisition and preservation of dwellings that might otherwise become unaffordable, particularly when we critically need these resources. We support the supplemental appropriation of \$8 million for FY21 and \$6 million for FY22. We strongly encourage however that the Council increase the funding to \$10 million for each fiscal year. Capitalizing the Fund at \$10mm annually would help leverage \$60-80mm in non-County dollars to acquire properties dedicated to affordable housing. CH specifically will apply for these funds to acquire properties and develop over 90 permanent supportive housing units for people with no to very-low incomes.

Investing in permanent supportive housing units is part of MCCH and CH's strategy to reduce the number of County residents that are dependent on shelter space and enable them to live independently and sustainably. CH owns and provides 181 PSH opportunities for families struggling with homelessness; these are families with incomes at or below 30 percent of area median income. We expect to utilize the DHCA's Affordable Housing Opportunity and Housing Initiative Funds along with non-public capital and the proposed \$50mm bond for affordable housing development and preservation to finance acquisition and renovations to increase our portfolio of PSH units.

MCCH and CH joins our Montgomery Housing Alliance partners in supporting the creation and appropriation of the Affordable Housing Opportunity Fund and positive consideration of the associated housing bonds to further affordable housing development opportunities. These resources will help ensure that CH and other affordable housing developers will have access to capital with the necessary rates and terms to meet the growing need for low wealth residents.

Thank you for your time and giving me the opportunity to share these observations.

Sincerely,

A handwritten signature in black ink, appearing to read 'J Mosley', with a long horizontal flourish extending to the right.

Jeffrey Mosley
Director, Coalition Homes
Chief Real Estate Officer, Montgomery County Coalition for the Homeless

**NFP Affordable Housing Corp.
4405 East West Highway, Suite 309
Bethesda, MD 20814**

January 7, 2021

Montgomery County Council
100 Maryland Avenue, 6th Floor
Rockville, MD 20850

Re: Affordable Housing Opportunity Fund

Dear Members of the Council:

I am submitting this letter in support of the Supplemental Appropriation to the County Government's FY21 Capital Budget and Amendment to the FY21-26 CIP, DHCA - \$8,000,000 for the Affordable Housing Opportunity Fund. I support Montgomery County policies and programs to maintain and increase the much-needed supply of affordable and low-income housing, which this appropriation addresses.

This appropriation will support affordable housing developers working with the County to preserve existing affordable housing. When properties become available, affordable housing developers and owners need to have confidence that financing is available, and having a dedicated source of funding for specific types of properties—in this case affordable housing--helps to reduce risks and reduce timelines.

This appropriation of County funds will support private sector lenders committing funds for a broader dedicated pool of revolving short-term financing. Affordable housing developers have existing funding options, which are arranged on a transaction-by-transaction basis. The project eligibility and underwriting guidelines established in advance will support targeting and evaluation of opportunities. The proposal to have a private sector partner serve as a fund manager, arranging private sector mission focused acquisition lending in coordination with the County, will provide advantages in competing for property. The County's involvement will also support coordination of the long-term affordable financing to take out and repay the acquisition loan to support future acquisitions.

The Affordable Housing Opportunity Fund is an innovative way to increase funds for affordable housing in Montgomery County by, among other things, leveraging approximately \$4 for every \$1 of County funding. I strongly urge the Council to support this appropriation.

Sincerely,



Rick Edson
Executive Director
redson@hcadc.com
240.505.9293

AHCMC Testimony before the Montgomery County Council on January 12, 2020
Regarding Appropriations for the Affordable Housing Opportunity Fund

Good afternoon. I am Diana Eisenstat, Executive Director of the Affordable Housing Conference of Montgomery County. AHCMC is celebrating its 30th year advocating for the preservation and creation of affordable housing. We welcome the opportunity to lend our support for the \$8 million appropriation for the Affordable Housing Opportunity Fund. Pre-pandemic, nearly 50% of Montgomery County residents were housing burdened. With rental and mortgage arrearages continuing to increase as unemployment rates remain high, we strongly recommend restoring the initially proposed \$10 million appropriation. This is an investment we cannot afford not to make.

Montgomery County and jurisdictions across the Country have long faced an affordable housing crisis. The pandemic has laid bare the disparate impact of inadequate housing on the health and well-being of low-income residents and communities of color. Revolving funds that provide both leverage and bridge financing to secure long-term funding, like the Affordable Housing Opportunity Fund, are essential to sustaining dedicated affordable housing properties. There are numerous models of public/private and not-for-profit sector partnerships in our region—Enterprise’s Equitable Path Forward and JBG Smith’s Washington Housing Initiative to name a couple-- offering great potential to address the affordable housing crisis. The level of investment needed to get and keep people housed calls for partnerships and a multi-pronged approach. To that end, AHCMC also strongly encourages the Council and the County Executive to approve the \$50 million bond financing proposed for the Housing Production Fund, and the \$50 million bond financing proposed for the preservation and creation of affordable housing along the Purple Line Corridor.

The Montgomery County Planning Board estimates that nearly 27% of all new households moving into the County during the next two decades will earn between \$25,000 and \$50,000. Similarly, seniors have comprised much of the growth in the county during the last decade. If we are to meet the affordable housing needs of our residents, and especially vulnerable populations, pursuing investments through a variety of platforms and relationships will be imperative to ensuring a thriving community. We are grateful for your commitment and dedication to identifying solutions to the affordable housing crisis plaguing our community and others across the country. In keeping with the County’s stellar reputation, we urge you to approve the \$10 million appropriation for the Affordable Housing Opportunity Fund and the \$100 million in bond financing. Thank you.

**TESTIMONY ON BEHALF OF COUNTY EXECUTIVE MARC ELRICH
ON THE AMENDMENT TO FY21-26 CAPITAL IMPROVEMENT
PROGRAM AND SUPPLEMENTAL APPROPRIATION TO THE FY21
CAPITAL BUDGET FOR DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS FOR THE AFFORDABLE HOUSING
OPPORTUNITY FUND (P762101), \$8,000,000.**

January 12, 2021

Good afternoon Council President and Councilmembers, my name is Aseem Nigam, Director of the Department of Housing and Community Affairs. I am here on behalf of the County Executive in support of the supplemental capital project appropriation for the Affordable Housing Opportunity Fund.

This appropriation is needed because the County has a severe shortage of affordable housing and needs to move quickly to keep naturally occurring affordable housing as affordable for the longer term and needs to maximize and leverage private investment in the preservation and creation of dedicated affordable housing. The recent Montgomery Planning studies, like the Housing Needs Assessment and the Preservation Study shed light on the scope of our housing affordability challenges as well as opportunities like the Opportunity Fund.

The Preservation Study identified that, over the next ten years, we are at risk of losing 7,000 to 11,000 units of the approximately 26,000 units of naturally occurring affordable housing where many County residents are living.

This appropriation of County funds will support DHCA in working with the private sector to create and leverage a dedicated pool of revolving short-term financing that will enable developers to respond quickly to opportunities to acquire properties at risk of loss of affordability and position them for longer term affordability. To achieve this, the County will negotiate an agreement with a private sector partner to serve as a fund manager; arrange additional acquisition lending funds from private sector sources; and coordinate acquisition opportunities under terms and conditions developed in partnership with the County. This short-term financing once repaid

from long-term financing, will become available to support additional acquisitions of affordable housing.

Many other jurisdictions already are pursuing the approach like the Affordable Housing Opportunity Fund. This supplemental appropriation will allow the County to engage private capital providers in structuring approaches to our housing challenge with dedicated acquisition funds for preservation efforts. Also, the Opportunity Fund will relieve pressure on the Housing Initiative Fund (HIF) for acquisition purpose and the HIF could be solely used for long-term financing.

Thank you.



Affordable Housing Opportunity Fund

(P762101)

Category	Community Development and Housing	Date Last Modified	01/13/21
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Land	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-
TOTAL EXPENDITURES	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Recordation Tax Premium (MCG)	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-
TOTAL FUNDING SOURCES	14,000	-	-	14,000	8,000	6,000	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 22 Request	6,000	Year First Appropriation	
Cumulative Appropriation	8,000	Last FY's Cost Estimate	14,000
Expenditure / Encumbrances	-		
Unencumbered Balance	8,000		

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 commitment of funds which will proactively leverage public and private capital to support affordable housing developers in preserving and producing targeted affordable housing. The County commitment of the funds will allow establishing parameters of a contractual agreement with a fund manager, such as a Community Development Financial Institution (CDFI), which would coordinate commitment of private capital to align with the County's funds and support acquisitions of properties to create long-term affordability. The County's project funds would be dedicated as available to acquisition transactions in combination with the private capital under predetermined terms, with County lending based on approval of each transaction. The approved funds are 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 assist affordable housing developers purchasing properties offered for sale, and potentially to purchase property from the County which it acquires under the Right of First Refusal law. 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. 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

The County Executive has requested appropriation for FY21 as shown above in the cumulative appropriation. 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.



Facility Planning: HCD

(P769375)

Category	Community Development and Housing	Date Last Modified	01/04/21
SubCategory	Community Development	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Planning, Design and Supervision	3,905	3,118	112	675	125	50	125	125	125	125	-
TOTAL EXPENDITURES	3,905	3,118	112	675	125	50	125	125	125	125	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Community Development Block Grant	337	337	-	-	-	-	-	-	-	-	-
Current Revenue: General	3,268	2,481	112	675	125	50	125	125	125	125	-
Current Revenue: Parking - Montgomery Hill	100	100	-	-	-	-	-	-	-	-	-
Federal Aid	200	200	-	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	3,905	3,118	112	675	125	50	125	125	125	125	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 22 Request	(665)	Year First Appropriation	FY96
Cumulative Appropriation	4,070	Last FY's Cost Estimate	4,695
Expenditure / Encumbrances	3,220		
Unencumbered Balance	850		

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

Cost decrease due to the FY21 savings plan reductions. Technical adjustment was made to correct the actual funding appropriated to the project.

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.

FISCAL NOTE

The cumulative appropriation for the Community Development Block Grant funding was previously overstated. Technical adjustments were made in the biennial FY21-26 CIP to align expenditures with the actual funding available.

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.



Countywide Facade Easement Program (P762102)

Category	Community Development and Housing	Date Last Modified	01/04/21
SubCategory	Community Development	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Planning, Design and Supervision	785	-	-	785	114	122	132	138	140	139	-
Construction	2,000	-	-	2,000	-	-	550	550	500	400	-
Other	121	-	-	121	-	-	34	31	32	24	-
TOTAL EXPENDITURES	2,906	-	-	2,906	114	122	716	719	672	563	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Current Revenue: General	2,906	-	-	2,906	114	122	716	719	672	563	-
TOTAL FUNDING SOURCES	2,906	-	-	2,906	114	122	716	719	672	563	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 22 Request	122	Year First Appropriation	FY21
Cumulative Appropriation	114	Last FY's Cost Estimate	2,906
Expenditure / Encumbrances	-		
Unencumbered Balance	114		

PROJECT DESCRIPTION

This project provides for revitalizing commercial areas throughout Montgomery County with a focus on older commercial properties. The objective is to provide support to small businesses and to encourage private investment. Improvements will include gateway signage, pedestrian lighting, connectivity, streetscape elements, plant material installation, acquisition of long term facade and center signage easements, and other amenities. The Department of Housing and Community Affairs (DHCA) will begin the project with a focus on commercial areas proximate to residential improvement projects currently underway in DHCA's Focused Neighborhood Assistance program, which will serve as a complement to existing redevelopment efforts that are already in progress. This program will provide a comprehensive approach and balance residential and commercial revitalization activities in these aging communities. This program is not limited to the initially identified commercial areas and may also be expanded to other communities in the County.

LOCATION

The project focus will initially include five commercial areas identified by DHCA, located in the Glenmont and Layhill Shopping Centers, Montgomery Village, Hillandale, and the Wheaton Central Business District. Three of the targeted areas, Wheaton,

Montgomery Village and a portion of Hillandale were also selected in part due to their location in Montgomery County's Opportunity Zones. However, this program may expand to other commercial areas throughout the County for additional implementation flexibility.

ESTIMATED SCHEDULE

Schedule delay in FY22 to reflect actual implementation based on pandemic related delays.

PROJECT JUSTIFICATION

As older commercial areas throughout the County continue to age, it is important for the County to provide technical and financial assistance to assure those aging properties are improved to meet today's commercial standards and demands. The Countywide Facade Easement Program will require participants to maintain their properties for a negotiated term, with the intent to leverage investment provided by the public sector to encourage private property and business owners to make physical improvements to their buildings. The objective is to provide more attractive and aesthetically pleasing commercial environments that are safe shopping areas for residents and to generate a greater impact on the older commercial areas throughout the County.

OTHER

DHCA will review various M-NCPPC master and sector plans to evaluate and identify specific commercial areas to participate in the program.

FISCAL NOTE

Some areas may be eligible for the Federal Community Development Block Grant funding.

COORDINATION

Office of the County Executive, Regional Services Centers, Office of the County Attorney, Department of Permitting Services, Office of Procurement, the Maryland-National Capital Park and Planning Commission, Maryland Department of the Environment, and Montgomery County Economic Development Corporation.

CORRECTION/ADDENDUM

MEMORANDUM

April 16, 2021

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: CORRECTION: FY21-26 CIP: Countywide Façade Easement Program

The County Executive has recommended funding for the Countywide Façade Easement Program. **The PDF in the April 14 Council staff memo is incorrect. It is the January recommendation, not the most recent March recommendation.** The total funding stays the same as the approved and the January recommendation. There is a property owner who is ready to participate and DHCA needs additional FY22 funding to move forward. This shifts \$300,000 from FY23 to FY22 compared to the January recommendation. The language in the project about areas to be served are unchanged, they are the Glenmont and Layhill Shopping Centers, Montgomery Village, Hillandale, and the Wheaton Central Business District.

Countywide Façade Easement

	TOTAL	FY21	FY22	FY23	FY24	FY25	FY26
App	2,906	114	342	606	714	667	463
Rec 1/15/21	2,906	114	122	716	719	672	563
Rec 3/7/21	2,906	114	422	416	719	672	563
Change Approved to 3/7/21	0	0	80	-190	5	5	100
Change 1/15/21 to 3/7/21	0	0	300	-300	0	0	0

Yesterday, the Committee received an e-mail with concerns that the language of the PDF specifically saying one of the three targeted areas is a portion of Hillandale located within the Opportunity Zone, which does not include the west side of New Hampshire Avenue. Also mentioned is that within the Opportunity Zone, DHCA should evaluate the south side block of Lockwood east of New Hampshire.

The language just prior to the targeted areas says five focus areas include Hillandale, with no limitation to the Opportunity Zone.

DHCA will be able to discuss with the PHED Committee their work with property owners in the Hillandale area, including those on the west side.

Council staff recommends approval of March 7 expenditure schedule and the narrative with possible modification of the language on Hillandale.

Attached:

March 7, 2021 Executive Recommended PDF, Countywide Façade Program

Countywide Facade Easement Program (P762102)

Category	Community Development and Housing	Date Last Modified	03/07/21
SubCategory	Community Development	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

	Total	Thru FY20	Rem 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	785	-	-	785	114	122	132	138	140	139	-
Construction	2,000	-	-	2,000	-	300	250	550	500	400	-
Other	121	-	-	121	-	-	34	31	32	24	-
TOTAL EXPENDITURES	2,906	-	-	2,906	114	422	416	719	672	563	-

FUNDING SCHEDULE (\$000s)											
Current Revenue: General	2,606	-	-	2,606	114	122	416	719	672	563	-
Recordation Tax Premium (MCG)	300	-	-	300	-	300	-	-	-	-	-
TOTAL FUNDING SOURCES	2,906	-	-	2,906	114	422	416	719	672	563	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)				
Appropriation FY 22 Approp. Request		422	Year First Appropriation	FY21
Cumulative Appropriation		114	Last FY's Cost Estimate	2,906
Expenditure / Encumbrances		-		
Unencumbered Balance		114		

PROJECT DESCRIPTION

This project provides for revitalizing commercial areas throughout Montgomery County with a focus on older commercial properties. The objective is to provide support to small businesses and to encourage private investment. Improvements will include gateway signage, pedestrian lighting, connectivity, streetscape elements, plant material installation, acquisition of long term facade and center signage easements, and other amenities. The Department of Housing and Community Affairs (DHCA) will begin the project with a focus on commercial areas proximate to residential improvement projects currently underway in DHCA's Focused Neighborhood Assistance program, which will serve as a complement to existing redevelopment efforts that are already in progress. This program will provide a comprehensive approach and balance residential and commercial revitalization activities in these aging communities. This program is not limited to the initially identified commercial areas and may also be expanded to other communities in the County.

LOCATION

The project focus will initially include five commercial areas identified by DHCA, located in the Glenmont and Layhill Shopping Centers, Montgomery Village, Hillandale, and the Wheaton Central Business District. Three of the targeted areas, Wheaton, Montgomery Village and a portion of Hillandale were also selected in part due to their location in Montgomery County's Opportunity Zones. However, this program may expand to other commercial areas throughout the County for additional implementation flexibility.

ESTIMATED SCHEDULE

Schedule change to reflect accelerated implementation of a facade easement project in FY22.

PROJECT JUSTIFICATION

As older commercial areas throughout the County continue to age, it is important for the County to provide technical and financial assistance to assure those aging properties are improved to meet today's commercial standards and demands. The Countywide Facade Easement Program will require participants to maintain their properties for a negotiated term, with the intent to leverage investment provided by the public sector to encourage private property and business owners to make physical improvements to their buildings. The objective is to provide more attractive and aesthetically pleasing commercial environments that are safe shopping areas for residents and to generate a greater impact on the older commercial areas throughout the County.

OTHER

DHCA will review various M-NCPPC master and sector plans to evaluate and identify specific commercial areas to participate in the program.

FISCAL NOTE

Some areas may be eligible for the Federal Community Development Block Grant funding.

COORDINATION

Office of the County Executive, Regional Services Centers, Office of the County Attorney, Department of Permitting Services, Office of Procurement, the Maryland-National Capital Park and Planning Commission, Maryland Department of the Environment, and Montgomery County Economic Development Corporation.