

## MEMORANDUM

February 6, 2023

TO: Planning, Housing, & Parks (PH) Committee

FROM: Eunice Jeong, Legislative Analyst  
Naeem M. Mia, Legislative Analyst

SUBJECT: FY23 Supplemental Appropriation to the FY23-28 Capital Improvements Program (CIP): **Department of Housing and Community Affairs (DHCA)**

PURPOSE: Vote on County Executive's recommendations for the Council's consideration

### **Expected Attendees:**

- Scott Bruton, Deputy Director, DHCA
- Pofen Salem, Chief of Finance and Administration, DHCA
- Anita Aryeetey, Fiscal and Policy Analyst, Office of Management and Budget (OMB)

### **FY23-28 Capital Improvements Program**

- Preservation of Naturally Occurring Affordable Housing Fund (© 3-4)

### **Preservation of Naturally Occurring Affordable Housing Fund** (FY23-28 Recommended PDF © 3-4)

The supplemental appropriation of \$30.2M (loan repayment proceeds) will supplement the original FY22 appropriation of \$40M in funding (current revenue). The loan repayment comes from the Scarborough Square project, which was initially purchased by DHCA via Right of First Refusal (ROFR) and immediately sold to Rockville Housing Enterprise (RHE) for continued management and preserved as affordable housing.

**Preservation of Naturally Occurring Affordable Housing Fund**

	<u>Total</u>	<u>Thru</u> <u>FY21</u>	<u>Rem</u> <u>FY22</u>	<u>Total 6</u> <u>years</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Previously Approved	40,000			40,000	40,000					
CE Recommended	70,200	-	-	70,200	70,200	-	-	-	-	-
Delta	30,200			30,200	30,200					

*Source of funds: Current Revenue: General and Loan Repayment Proceeds*

**Council staff recommendation: Approve as recommended by the Executive**



# Preservation of Naturally Occurring Affordable Housing Fund

(P762201)

Category	Community Development and Housing	Date Last Modified	01/11/23
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

## EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY22	Rem FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Land	70,200	-	-	70,200	70,200	-	-	-	-	-	-
TOTAL EXPENDITURES	70,200	-	-	70,200	70,200	-	-	-	-	-	-

## FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY22	Rem FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Current Revenue: General	40,000	-	-	40,000	40,000	-	-	-	-	-	-
Loan Repayment Proceeds	30,200	-	-	30,200	30,200	-	-	-	-	-	-
TOTAL FUNDING SOURCES	70,200	-	-	70,200	70,200	-	-	-	-	-	-

## APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 24 Request	-	Year First Appropriation	FY22
Cumulative Appropriation	70,200	Last FY's Cost Estimate	70,200
Expenditure / Encumbrances	-		
Unencumbered Balance	70,200		

## PROJECT DESCRIPTION

This project provides funding to preserve current naturally occurring affordable housing (NOAH) in areas at risk of rent escalation to higher market rents, including the Purple Line Corridor and other County transit corridors. The Fund will be used to provide capital to support acquisitions and preservation to ensure continued affordability of currently naturally occurring affordable housing. Price pressures in housing, particularly housing near transit corridors, have increased and will likely continue to increase due to housing demand.

The dedication of funding will increase the capacity of the County to assist affordable housing developers in acquisition of naturally occurring affordable housing. By focusing on the NOAH property market, this project will complement the County's existing funds for affordable housing.

## COST CHANGE

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Cost change due to the addition of an FY23 supplemental of \$30.2 million in Loan Repayments Proceeds.

## PROJECT JUSTIFICATION

The County has over 25,000 unrestricted housing units affordable to households earning under 65% of area median income; however, the 2000 Planning Department Preservation Study identified the risk of losing between 7,000 to 11,000 affordable housing units due to expected rent increases. As an example, the Purple Line Corridor Coalition analysis identified 6,500 affordable housing units within one mile of a Purple Line station where rents are expected to increase due to transit proximity. The dedication of County resources in the NOAH fund will support a focused effort to preserve these at-risk properties and will provide much needed additional capital to preserve and create affordable housing units.

## 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.

FY22 supplemental in Current Revenue: General for the amount of \$40,000,000.

FY23 supplemental in Loan Repayment Proceeds for the amount of \$30,200,000.

## COORDINATION

Housing Opportunities Commission, non-profit housing providers, and private sector developers.