



**Committee:** PHED  
**Committee Review:** Completed  
**Staff:** Naeem M. Mia, Legislative Analyst  
**Purpose:** To make preliminary decisions – straw vote expected  
**Keywords:** HOC, affordable housing, community development

AGENDA ITEM #19  
 April 5, 2022  
**Worksession**

**SUBJECT**

FY23-28 Capital Improvements Program (CIP): Department of Housing and Community Affairs (DHCA)

**EXPECTED ATTENDEES**

- Aseem Nigam, Director, DHCA
- Frank Demarais, Deputy Director, DHCA
- Chris Anderson, Chief, Division of Community Development, DHCA
- Rogers Stanley, Chief, Neighborhood Revitalization Section, DHCA
- Pofen Salem, Chief, Division of Finance and Administration, DHCA
- Mary Beck, Capital Budget Manager, Office of Management and Budget (OMB)
- Anita Aryeetey, Lead Fiscal Policy Analyst, OMB

**FISCAL SUMMARY**

(\$ in 000s)	<u>6-Year Total</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>Beyond 6-Years</u>
<b>FY21-26, Previously Approved</b>	90,870	22,541	22,844	22,797	22,688	-	-	-
<b>FY23-28, CE Rec</b>	140,870	28,541	22,844	22,797	22,688	22,000	22,000	-
<i>Change from approved (%)</i>	55%	27%	0%	0%	0%	-	-	-
<b>FY23-28, Committee Rec</b>	-	-	-	-	-	-	-	-
<i>Change from approved (%)</i>	-	-	-	-	-	-	-	-
<i>Change from CE Rec(%)</i>	-	-	-	-	-	-	-	-

- The County Executive has included \$4.3 million for Community Development and \$138 million for Housing projects in the six-year CIP for DHCA. All four are ongoing projects.
- In addition, two projects, Burtonsville Community Revitalization and Colesville/New Hampshire Avenue Revitalization are proposed for close-out.

**COMMITTEE RECOMMENDATION**

The Planning, Housing, and Economic Development (PHED) Committee reviewed and recommended approval of the Community Development CIP projects as recommended by the Executive.

Consistent with previous years, the PHED Committee has deferred making recommendations on the Affordable Housing Acquisition and Preservation and the Affordable Housing Opportunity Funds until these projects are reviewed in detail during the Operating Budget Worksessions so that may be considered with a full recommendation for the Housing Initiative Fund (HIF). The DHCA operating budget worksession is currently scheduled for April 25, 2022.

**This report contains:**

1. Staff Report from March 21, 2022 PHED worksession

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**MEMORANDUM**

February 25, 2022

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst  
Naem Mia, Legislative Analyst

SUBJECT: FY23-28 Capital Improvements Program  
**Department of Housing and Community Affairs (DHCA)**

PURPOSE: Worksession; Committee recommendations

***Those expected for this worksession:***

Aseem Nigam, Director, Department of Housing and Community Affairs (DHCA)  
Frank Demarais, Deputy Director, DHCA  
Chris Anderson, Chief, Division of Community Development, DHCA  
Rogers Stanley, Chief, Neighborhood Revitalization Section  
Pofen Salem, Chief, Division of Finance and Administration  
Mary Beck, Capital Budget Manager, Office of Management and Budget  
Anita Aryeetey, Lead Fiscal Policy Analyst, Office of Management and Budget

The County Executive has included \$4.3 million for community development and \$138 million for housing projects in the six-year CIP for DHCA. All four are ongoing projects. In addition, two projects, Burtonsville Community Revitalization and Colesville/New Hampshire Avenue Revitalization are proposed for close-out.

- Countywide Façade Easement Program (© 2-3)
- Facility Planning: HCD (© 4-5)
- Affordable Housing Acquisition and Preservation (© 7-8)
- Affordable Housing Opportunity Fund (© 9-10)

## **Community Development CIP Projects**

### **1. Update on Burtonsville and Colesville/New Hampshire**

DHCA will provide the Committee with a brief update on the outcome of these two revitalization projects that are scheduled for close-out.

### **2. Countywide Façade Easement Program**

(FY23-28 Recommended PDF © 2-3)

#### **Expenditures (in \$000s)**

	TOTAL	Thru FY22	6 Years	FY23	FY24	FY25	FY26	FY27	FY28
FY21 Approved	2,906	536	NA	416	719	672	563	NA	NA
CE Recommend	4,042	536	3,506	416	719	672	563	568	568

Source of Funds: Current Revenue (\$3.742 million) and Recordation Tax Premium (\$300,000)

FY23 Appropriation: \$\$416,000

This project was first approved last year and provides for revitalizing commercial areas throughout the County. It may include gateway signage, pedestrian lighting, connectivity, streetscape elements, plant installation, acquisition of long term façade and center signage easements and other amenities. Five commercial areas have been initially identified by DHCA in the Glenmont and Layhill Shopping Centers, Montgomery Village, Hillandale, and the Wheaton Central Business District; however, the project is not limited to these areas. Some areas were also selected because of their location in an Opportunity Zone, but the effort is not limited to Opportunity Zones. This effort will leverage investment from the public sector to encourage private property and business owner to improvements in older commercial areas throughout the County. The PDF notes that some areas may also be eligible for Community Development Block Grant (CDBG) funding.

**Council staff recommendation: Approve as Recommended by the Executive.**

#### ***DHCA has provided the following update on the Façade Easement Program:***

DHCA is currently in working with the property owners of the Hillandale Center located at 10210-10222 New Hampshire Avenue, Silver Spring. The owners engaged an architect to complete concept design plans which was instrumental in getting an amendment approval of \$300,000 in FY22's budget for the program. This amendment was critical and allowed DHCA to enter negotiations with the property owners who were interested in the program and ready to move forward. This facade improvement project is located on a prominent site along the west side of New Hampshire Avenue within Hillandale area. This project is in close proximity to the Home2 Suites by Hilton building constructed in 2019. A proposed 463 mixed use development by the Duffie Companies is a block away consisting of office and residential units, including DHCA's required

MPDU's. This project is also adjacent to the M-NCPPC's 2014 White Oak Science Gateway Master Plan area.

The property owners recently informed DHCA that they have encountered cost challenges with this project during the design process. While the total project was initially estimated at \$600,000. Estimates have increased to \$1.3 million or more that 200% higher than the original estimate. The project has since been value engineered and more recent estimates are approximately \$850,000. Considering the latest estimate and increase costs throughout the building industry, the owners are considering an alternative plan for the project to maintain the vitality of this commercial area. DHCA will continue to work toward a public/private partnership between the County and the owners for this project.

DHCA is currently working to complete an advertising program to market the Countywide Facade Easement Program to property owners throughout the County. Our first target communities will consist of Glenmont, Layhill Shopping Centers, Montgomery Village, Hillandale and the Wheaton Central Business District. The program will have the latitude to reach out to other commercial area in the County as well. DHCA anticipates working with at least 2-3 additional property owners for facade improvements in FY23.

**3. Facility Planning: HCD**

(FY23-28 Recommended PDF attached © 4-5)

**Expenditures (in \$000s)**

	TOTAL	Thru FY22	6 Years	FY23	FY24	FY25	FY26	FY27	FY28
FY21 Approved	3,905	3,405	NA	125	125	125	125	NA	NA
CE Recommend	4,155	3,405	750	125	125	125	125	125	125

Source of Funds: Current Revenue

FY23 Appropriation: \$125,000

This project provides funding for facility planning studies to determine if they are eligible for Community Development Block Grant (CDBG) funding and meet the criteria for Focused Neighborhood Assistance (FNA). During Facility Planning, a Program of Requirement (POR) is developed, and cost estimated are made. Facility Planning is a decision-making process and not all projects that undergo facility planning will become stand-alone projects. It is included in the CIP because the efforts generally take more than one year. The Executive recommends \$125,000 in each of the six years.

**Council staff recommendation: Approve as Recommended by the Executive.**

The PHED Committee previously discussed the Facility Planning Process. The following is a portion of the information that the Committee reviewed with DHCA.

## ***Neighborhood Selection***

Projects are selected through a combination of two primary methods: (1) annual analysis of prevailing neighborhood data and indicators; and (2) through interaction with the community and numerous community partners.

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

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

### **Analysis:**

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

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

### **Information Gathering/Community Outreach**

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

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

## ***CDBG Determination***

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

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

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

## **Affordable Housing CIP Projects**

**Consistent with previous years, Council staff recommends that the PHED Committee have an initial discussion of, but not make any final recommendation on Affordable Housing Acquisition and Preservation and the Affordable Housing Opportunity Fund and return to these projects during Operating Budget Worksessions so that may be considered with the full recommendation for the Housing Initiative Fund. The PHED Committee has traditionally agreed to this process.**

In addition, to these two CIP projects, when the Committee returns it would also review the Executive’s recommended \$14.75 million FY22 Supplemental Appropriation to the HIF that is from repayment by HOC of funds used for temporary financing while the HOC Housing Production Fund was being established.

### **1. Affordable Housing Acquisition and Preservation**

(FY23 Recommended PDF © 7-8)

This project provides funding for acquisition and/or renovations of properties for the purpose of increasing the inventory of affordable housing in Montgomery County. Funding may be provided to non-profit, tenant, or for-profit organizations. A portion of the housing must be affordable to households at or below incomes eligible for the Moderately Priced Dwelling Unit

program. Priority is giving to rental housing. The majority of the funding comes from the proceeds from bonds (not General Obligation bonds) that are flexible and can be used to support a range of projects. Funding also comes from repayment of loans previously made by DHCA.

**Expenditures (in \$000s)**

	TOTAL	Thru FY22	6 Years	FY23	FY24	FY25	FY26	FY27	FY28
FY21 Approved*	358,236	270,236	NA	22,000	22,000	22,000	22,000	NA	NA
CE Recommend	416,986	284,986	132,000	22,000	22,000	22,000	22,000	22,000	22,000

\*Original – does not include recommended supplemental

**FY23-28 Recommended Funding Schedule (in \$000s)**

	TOTAL	Thru FY22	6 Years	FY23	FY24	FY25	FY26	FY27	FY28
Current Revenue	4,775	4,775	0	0	0	0	0	0	0
HIF Revolving (Bonds)	295,331	183,534	111,797	14,896	19,414	19,372	19,367	19,367	19,381
Loan Repayment	112,340	92,137	20,203	7,104	2,586	2,628	2,633	2,633	2,619
Recordation Tax Premium (MCG)	4,540	4,540	0	0	0	0	0	0	0
TOTAL	416,986	284,986	132,000	22,000	22,000	22,000	22,000	22,000	22,000

Source of Funds: Current Revenue, HIF Revolving Fund, Loan Repayment Proceeds, Recordation Tax Premium

FY23 Appropriation: \$22 million

**Council staff recommendation: Defer recommendation until Operating Budget worksession.**

**2. Affordable Housing Opportunity Fund**

(FY23 Recommended PDF attached © 9-10)

This project provides funding for a public-private partnership with a fund manager, such as a Community Development Financial Institution, to support acquisition of properties to create long-term housing affordability. Loans will be primarily short-term (up to 36 months). This is a revolving fund and loan repayments will return to the fund. The funds will be targeted to areas at risk of rent escalation due to increasing market rents, such as the Purple Line Corridor and other transit corridors.

**Expenditures (in \$000s)**

	TOTAL	Thru FY22	6 Years	FY23	FY24	FY25	FY26	FY27	FY28
FY21 Approved	14,000	14,000	NA	0	0	0	0	NA	NA
CE Recommend	20,000	14,000	6,000	6,000	0	0	0	0	0



**FY23-28 Recommended Funding Schedule (in \$000s)**

	TOTAL	Thru FY20	6 Years	FY23	FY24	FY25	FY26	FY27	FY28
Recordation Tax Premium (MCG)	20,000	14,000	6,000	6,000	0	0	0	0	0

Source of Funds: Recordation Tax Premium

FY22 Appropriation: \$6 million

**Council staff recommendation: Defer recommendation until Operating Budget worksession.**

*Update from DHCA*

DHCA will be submitting its recommendation of a proposed awardee to Procurement; and expects posting of that-awardee to occur shortly. The contracting process is expected to support making the terms and application process of the Affordable Housing Opportunity Fund available by the end of March.



# Community Development

## PROGRAM DESCRIPTION AND OBJECTIVES

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

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

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

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

## HIGHLIGHTS

- Complete the remaining Burtonsville Community Identification Sign project and commercial revitalization in the Colesville/New Hampshire Avenue corridor by the end of FY22 to support existing small businesses and create new investment opportunities.
- Add funds to continue marketing the Countywide Facade Easement Program and conduct community development facility planning studies.

## PROGRAM CONTACTS

Contact Pofen Salem of DHCA at 240.777.3728 or Anita Aryeetey of the Office of Management and Budget at 240.777.2784 for more information regarding this department's capital budget.

## CAPITAL PROGRAM REVIEW

Two ongoing projects comprise the recommended FY23-28 Capital Improvements Program for DHCA, for a total six-year cost of \$4.3 million, which is a \$0.7 million, or a 19% percent increase from the Amended FY21-26 total six-year cost of \$3.6 million. The increase in direct expenditures in this program are attributed to the additional resources provided to continue the on-going activities in the Countywide Facade Easement projects and facility planning projects in FY27 and FY28.



# Countywide Facade Easement Program (P762102)

Category	Community Development and Housing	Date Last Modified	12/22/21
SubCategory	Community Development	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

## EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Planning, Design and Supervision	1,065	92	144	829	132	138	140	139	140	140	-
Construction	2,800	-	300	2,500	250	550	500	400	400	400	-
Other	177	-	-	177	34	31	32	24	28	28	-
<b>TOTAL EXPENDITURES</b>	<b>4,042</b>	<b>92</b>	<b>444</b>	<b>3,506</b>	<b>416</b>	<b>719</b>	<b>672</b>	<b>563</b>	<b>568</b>	<b>568</b>	<b>-</b>

## FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Current Revenue: General	3,742	92	144	3,506	416	719	672	563	568	568	-
Recordation Tax Premium (MCG)	300	-	300	-	-	-	-	-	-	-	-
<b>TOTAL FUNDING SOURCES</b>	<b>4,042</b>	<b>92</b>	<b>444</b>	<b>3,506</b>	<b>416</b>	<b>719</b>	<b>672</b>	<b>563</b>	<b>568</b>	<b>568</b>	<b>-</b>

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

Appropriation FY 23 Request	416	Year First Appropriation	FY21
Appropriation FY 24 Request	719	Last FY's Cost Estimate	2,906
Cumulative Appropriation	536		
Expenditure / Encumbrances	92		
Unencumbered Balance	444		

## 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

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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.

## COST CHANGE

Cost increase due to the addition of FY27 and FY28 expenditures to this ongoing project.

## 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.



# Facility Planning: HCD

(P769375)

Category	Community Development and Housing	Date Last Modified	12/22/21
SubCategory	Community Development	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

## EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Planning, Design and Supervision	4,155	3,242	163	750	125	125	125	125	125	125	-
<b>TOTAL EXPENDITURES</b>	<b>4,155</b>	<b>3,242</b>	<b>163</b>	<b>750</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>-</b>

## FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Community Development Block Grant	337	337	-	-	-	-	-	-	-	-	-
Current Revenue: General	3,518	2,605	163	750	125	125	125	125	125	125	-
Current Revenue: Parking - Montgomery Hill	100	100	-	-	-	-	-	-	-	-	-
Federal Aid	200	200	-	-	-	-	-	-	-	-	-
<b>TOTAL FUNDING SOURCES</b>	<b>4,155</b>	<b>3,242</b>	<b>163</b>	<b>750</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>-</b>

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

Appropriation FY 23 Request	125	Year First Appropriation	FY96
Appropriation FY 24 Request	125	Last FY's Cost Estimate	3,905
Cumulative Appropriation	3,405		
Expenditure / Encumbrances	3,306		
Unencumbered Balance	99		

## 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

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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 increase due to the addition of FY27 and FY28 expenditures to this ongoing 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.



# Housing

## PROGRAM DESCRIPTION AND OBJECTIVES

The County's Housing Program is designed to provide funding for preservation and acquisition of affordable rental properties that are in need of rehabilitation or are at risk of having significant rent increases that would result in displacement of lower-income working families.

## HIGHLIGHTS

- Provide an additional \$6 million in FY23 to the Affordable Housing Opportunity Fund to expand the committed public funds for more public and private capital to be leveraged and to support housing developers in preserving and producing targeted affordable housing. The Department of Housing and Community Affairs (DHCA) is in negotiations with a fund manager for this project and anticipates the solicitation of transaction opportunities for the Fund by the end of March 2022.
- Continue to provide an annual allocation of \$22 million over the next six fiscal years, totaling \$132 million, for the Affordable Housing Acquisition and Preservation Program, to preserve and increase the stock of affordable housing for the County, including low income residents and the senior population. With a \$14 million supplemental appropriation, there will be \$36 million in new FY22 and FY23 funding to support creation and preservation of affordable housing units.

## PROGRAM CONTACTS

Contact Pofen Salem of Department of Housing and Community Affairs at 240.777.3728 or Anita Aryeetey of the Office of Management and Budget at 240.777.2784 for more information regarding this department's housing capital budget.

## CAPITAL PROGRAM REVIEW

Two ongoing housing projects comprise the recommended FY23-FY28 Capital Improvements Program in Housing for Department of Housing and Community Affairs, for a total six-year cost of \$138 million. This represents a decrease of \$8 million (or 5.5 percent) from the \$146 million in the Amended FY21-26 program. The decrease in direct expenditures in this program are mainly attributed to the approved expenditures of \$14 million in the Affordable Housing Opportunity Fund for FY21 and FY22 moving out of the six-year period. However, the total County investment in housing has increased, with a \$14.8 million FY22 supplemental appropriation and the addition of \$44 million in FY27 and FY28, the total Affordable Housing Acquisition and Preservation Program is \$417.0 million - 16.4 percent higher than the prior approved budget. An additional \$6 million in FY23 is also committed to the Affordable Housing Opportunity Fund, resulting in a total project cost of \$20 million to attract investors and leverage additional private capital to preserve at-risk affordable rental units.



# Affordable Housing Acquisition and Preservation

(P760100)

Category	Community Development and Housing	Date Last Modified	01/12/22
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

## EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Land	416,986	237,109	47,877	132,000	22,000	22,000	22,000	22,000	22,000	22,000	-
<b>TOTAL EXPENDITURES</b>	<b>416,986</b>	<b>237,109</b>	<b>47,877</b>	<b>132,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>-</b>

## FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Current Revenue: Montgomery Housing Initiative	4,775	2,500	2,275	-	-	-	-	-	-	-	-
HIF Revolving Program	295,331	165,931	17,603	111,797	14,896	19,414	19,372	19,367	19,367	19,381	-
Loan Repayment Proceeds	112,340	64,138	27,999	20,203	7,104	2,586	2,628	2,633	2,633	2,619	-
Recordation Tax Premium (MCG)	4,540	4,540	-	-	-	-	-	-	-	-	-
<b>TOTAL FUNDING SOURCES</b>	<b>416,986</b>	<b>237,109</b>	<b>47,877</b>	<b>132,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>-</b>

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

Appropriation FY 23 Request	22,000	Year First Appropriation	FY01
Appropriation FY 24 Request	22,000	Last FY's Cost Estimate	358,236
Cumulative Appropriation	284,986		
Expenditure / Encumbrances	246,255		
Unencumbered Balance	38,731		

## 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



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Cost increase due to a \$14,750,000 FY22 supplemental and the addition of FY27 and FY28 expenditures to this ongoing project.

## 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. FY22 supplemental appropriation in Loan Repayment Proceeds for the amount of \$14,749,992.

## DISCLOSURES

Expenditures will continue indefinitely.

## COORDINATION

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



# Affordable Housing Opportunity Fund (P762101)

Category	Community Development and Housing	Date Last Modified	01/12/22
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

## EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Land	20,000	-	14,000	6,000	6,000	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>20,000</b>	<b>-</b>	<b>14,000</b>	<b>6,000</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Recordation Tax Premium (MCG)	20,000	-	14,000	6,000	6,000	-	-	-	-	-	-
<b>TOTAL FUNDING SOURCES</b>	<b>20,000</b>	<b>-</b>	<b>14,000</b>	<b>6,000</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Appropriation FY 23 Request	6,000	Year First Appropriation	FY21
Appropriation FY 24 Request	-	Last FY's Cost Estimate	14,000
Cumulative Appropriation	14,000		
Expenditure / Encumbrances	-		
Unencumbered Balance	14,000		

## 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 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.

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## COST CHANGE

Cost increase of \$6,000,000 will support additional property acquisition and preservation of critical at risk currently affordable housing.

## 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

FY21 approved supplemental for \$8,000,000. 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.