



Montgomery
County Council

Committee: PHED

Committee Review: Completed

Staff: Linda McMillan, Senior Legislative Analyst

Purpose: To make preliminary decisions – straw vote expected

AGENDA ITEM #7

March 3, 2020

Worksession

SUBJECT

FY21-26 Capital Improvements Program: Housing Opportunities Commission (HOC)

EXPECTED ATTENDEES

Stacy Spann, Executive Director, HOC

Kayrine Brown, Chief Investment and Real Estate Officer, HOC

Terri Fowler, Budget Officer, HOC

Pofen Salem, Office of Management and Budget

FISCAL SUMMARY

FY21-26 versus Amended FY19-24 Expenditures (in 000's)

	Six-Year Total	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Beyond 6-Years
FY19-24 Amended	8,700	1,850	1,350	1,750	1,250	1,250	1,250			
FY21-26 CE Rec	8,000			1,750	1,250	1,250	1,250	1,250	1,250	
change from amended (\$,%)	(700) -8.0%			-	-	-	-	1,250	1,250	-
Committee Rec	8,000			1,750	1,250	1,250	1,250	1,250	1,250	
change from amended (\$,%)	(700) -8.0%			-	-	-	-			-
change from CE Rec (\$,%)	- 0.0%			-	-	-	-	-	-	-

- Three HOC CIP projects are long-standing revolving funds that do not require any new appropriation or additions to the expenditure schedules in the six years. HOC is able to use or make repayments as provided in each revolving fund.

COMMITTEE RECOMMENDATIONS (BY PROJECT)

- Committee recommends approval (3-0) of the following projects as requested by HOC and recommended by the County Executive:
 - Demolition Fund
 - HOC County Guaranteed Bond Projects
 - HOC MPDU/Property Acquisition Fund
 - HOC Opportunity Housing Development Fund
 - Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements

OTHER ISSUES

- \$500,000 in FY21 appropriation will complete the County's contribution of \$1.9 million toward the demolition of the Ambassador Apartments (underway) and Emory Grove Village.

- County continues its long-standing practice of contributing \$1.25 million per year to assist with the maintenance and upkeep of HOC housing the serves very low-income households as federal funding is insufficient.

This report contains:

Staff Report – if applicable	Pages 1-4
Overview from Recommended CIP	© 1-2
Demolition Fund PDF	© 3
HOC County Guaranteed Bond Projects PDF	© 4
HOC MPDU/Property Acquisition Fund PDF	© 5
HOC Opportunity Housing Development Fund PDF	© 6
Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements PDF	© 7
Information requested by PHED on use of revolving funds	© 8-12

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MEMORANDUM

February 27, 2020

TO: County Council

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: FY21-26 Recommended Capital Improvements Program
Housing Opportunities Commission (HOC)

PURPOSE: Worksession; straw vote expected

FY19-24 Capital Improvements Program

The County Executive has fully funded HOC's CIP request for FY21-26. The following projects are included.

- Demolition Fund (© 3)
- HOC Guarantee Bond Projects (© 4)
- HOC MPDU/Property Acquisition Fund (© 5)
- HOC Opportunity Housing Development Fund (© 6)
- Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements (© 7)

1. Demolition Fund

(FY21-26 recommended PDF © 3)

The Council first approved this project as a part of the FY17 CIP to assist HOC with the costs of demolishing the Ambassador Apartments and Emory Grove Village, both of which are outdated and will be re-developed with mixed-income communities. Demolition of the Ambassador is underway and HOC and its development partner are planning the Wheaton Gateway project that will include the Ambassador site and adjacent parcels. Emory Grove Village is scheduled to be demolished in FY20.

Demolition Fund

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
HOC/CE Rec	1.900	1,400	500	500	0	0	0	0	0

Source of Funds: Current Revenue

The PHED Committee recommends (3-0) approval. The PHED Committee was told that the demolition of the Ambassador Apartments is underway and will be complete, along with the demolition of the Lindsey Ford site, in the second quarter of the calendar year. It is a complicated demolition because of its proximity to other buildings. The site will be redeveloped as the Wheaton Gateway. HOC will know more about the demolition of Emory Grove Village in the next four to six months after determining if some of the infrastructure will be reused.

2. HOC County Guaranteed Bond Projects (FY21-26 PDF © 4)

This is a continuation of the \$50 million authorization limit for the County Guaranteed Bond Project. This CIP project has been in place since FY94. The PDF says that this project serves to identify the uses of HOC bonds for housing construction and permanent mortgage financing. County guarantee on these HOC revenue bonds may provide coinsurance with appropriate Federal, State, and private insurer on HOC revenue bonds and notes issued to finance new or existing residential units. In the opinion of County bond counsel, inclusion in the CIP is required even though no county funds are required. Although the expenditure schedule shows the funds are fully expended, there is currently \$44.75 million in guarantee capacity.

HOC County Guaranteed Bond Projects

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
HOC/CE Rec	50,000	50,000	0	0	0	0	0	0	0

Source of Funds: HOC Bonds

The PHED Committee recommends (3-0) approval.

3. HOC MPDU/Property Acquisition Fund (FY21-26 Recommended PDF © 5)

This is a revolving loan fund from which HOC is authorized to use up to \$12.5 million at any one time. HOC must use this money for interim financing of MPDUs (in tandem with federal, state or local subsidy programs) or for planning, acquisition, or improvements of sites or existing properties for low- and moderate-income residents that are owned and operated by HOC or its designees. Upon receipt of permanent financing, monies are returned to the fund for reuse. No MPDU may be held by the fund for more than 24 months without an extension from the Director of the Department of Housing and Community Affairs. HOC may determine that a County lump sum subsidy is required to secure independent financing or to meet federal, state, or local program guidelines for itself or its designees. This fund helps to ensure that HOC has the resources to respond promptly to MPDU acquisition. The PDF indicates that as of June 30, 2019 there was about \$5 million in capacity available.

HOC MPDU/Property Acquisition Fund

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
HOC/CE Rec	12,507	12,507	0	0	0	0	0	0	0

Source of Funds: GO Bonds and Current Revenue

The PHED Committee recommends (3-0) approval.

4. HOC Opportunity Housing Development Fund

(FY21-26 Recommended PDF © 6)

This is a revolving fund. It provides the availability of up to \$4.5 million in short-term financing and front-end costs at favorable interest rates for projects determined by HOC and the County to be in support of the County Housing Assistance Plan and housing policy. The funds temporarily cover project planning, site improvements, building construction loan guarantees, construction financing, short-term financing, insurance for permanent financing, notes and bonds, and associated professional and financing fees for housing developments undertaken by HOC or its designees. The fund is repaid when permanent financing is obtained or when other sources of financing are made available from HOC housing developments. The PDF indicates that as of June 30, 2019 there was about \$500,000 in capacity available.

HOC Opportunity Housing Development Fund

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
HOC/CE Rec	4,500	4,500	0	0	0	0	0	0	0

Source of Funds: Current Revenue

The PHED Committee recommends (3-0) approval. The Committee discussed the uses of the three revolving funds and asked for additional information on the uses and repayments to these funds over the last five years. HOC has provided this information and it is attached at © 8-12.

5. Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements

(FY21-26 Recommended PDF © 7)

This project provides funding for HOC to make ongoing capital improvements to certain HOC-owned housing units for low and very low-income residents (below 60% of area median income). Income from these units is insufficient to cover capital improvements in addition to the ongoing operating costs of the building or scattered site unit. In addition to CIP funding, HOC has at times received funding through the HIF, CDBG, and Federal grants to make repairs and improvements to kitchens, bathrooms, etc. in certain units. HOC says the average cost of a full

interior/exterior renovation is about \$60,000 per unit, however full renovations are not always required.

Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements

	TOTAL	Thru FY20	6 Years	FY21	FY22	FY23	FY24	FY25	FY26
HOC/CE Rec	15,000	7,500	7,500	1,250	1,250	1,250	1,250	1,250	1,250

Source of Funds: Current Revenue

PHED Committee recommends (3-0) approval.



Housing Opportunities Commission

AGENCY DESCRIPTION

The Housing Opportunities Commission (HOC) of Montgomery County, Maryland, is a public body corporate and politic that is authorized by State and local law to act as builder, developer, financier, owner, and manager of housing for low- and moderate-income persons in Montgomery County.

The agency was first established in Montgomery County in 1939 and reactivated by the County Council in 1966 as the Housing Authority of Montgomery County. It was retitled in 1974 as the Housing Opportunities Commission of Montgomery County. Specific powers of the HOC include acquiring land; utilizing Federal, State, and County housing subsidies; executing mortgage loans, construction loans, and rent subsidy payments; providing permanent financing; purchasing mortgages; and issuing bonds.

PROGRAM DESCRIPTION AND OBJECTIVES

To meet its public mandate, HOC acts in cooperation with the County Department of Housing and Community Affairs, the Federal Department of Housing and Urban Development, the State Department of Housing and Community Development, local developers, lenders, realtors, and property owners to provide affordable rental and homeownership opportunities. The County, acting through the County Department of Housing and Community Affairs, sets housing policy, part of which is implemented by HOC.

HOC provides assisted housing to three income levels: very low, low, and moderate income households. This objective is achieved, in part, through a full range of Federally-subsidized housing programs which consist of Project Based Rental Assistance, the Federal Tax Credit Program, the Housing Choice Voucher (HCV) Program, and Public Housing Homeownership.

HOC also provides below-market-rate housing through the use of non-County mortgage revenue bonds, as provided for under Federal and State statutes and regulations, in the following programs:

- The Single Family Mortgage Purchase Program, and
- Multifamily Revenue Bond Program.

HOC publishes a Strategic Plan every five years and provides annual updates of the estimated unit production figures. The Strategic Plan provides a full description of the agency's plans for the production of new housing units, maintenance of HOC current housing stock, and the administration of programs and services to customers and persons seeking housing assistance.

During the period covered by the most recent five-year Strategic Plan, below-market-rate housing will be produced under the following programs, some of which receive significant support from the County and other sources:

- Moderately Priced Dwelling Units (MPDU) Program,
- New Construction,
- Acquisition and Rehabilitation,
- Rental Assistance Demonstration (RAD) Program, and
- Homeownership Program.

HIGHLIGHTS

- Continue funding to support improvements in deeply subsidized and income restricted units through the Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements project.
- Maintain the approved funding in FY21 to support the Demolition Fund project. Demolition of the Ambassador Apartment is expected to be completed in early 2020 while demolition of Emory Grove Village will be completed by fall 2020.

PROGRAM CONTACTS

Contact Terri Fowler at [240.627.9507](tel:240.627.9507) or Pofen Salem of the Office of Management and Budget at [240.777.2773](tel:240.777.2773) for more information regarding this department's capital budget.

CAPITAL PROGRAM REVIEW

One ongoing project and one stand alone project comprise the County Executive's FY21-26 Recommended Capital Improvements Program for HOC, for a total six-year cost of \$8 million. This represents a \$0.7 million or 8 percent decrease from the Amended FY19-24 total six-year cost of \$8.7 million. The change results from completing a portion of HOC's planned demolition projects in FY19 and FY20 and adding more funding to support renovations for deeply subsidized HOC owned housing units.

In addition, the HOC Capital Program includes two revolving funds for interim financing, as well as one statutorily determined loan guarantee. When all funds are in use, there will be no funding shown in the six-year period. This apparent lack of funding and activity is actually a reflection of the fact that fund capacity has been reached in the three projects. As repayments flow into the funds, additional expenditures may be made.

The HOC relies on six funding sources to support its Capital Program: Current Revenue: General; General Obligation Bonds; PAYGO; County revolving funds for interim financing with expenditures up to a specified maximum; permanent financing provided by direct Federal Public Housing assistance; and HOC bonds that are guaranteed by the County up to a maximum of \$50 million. Funds are replenished when HOC obtains permanent financing or in certain circumstances, through an additional County appropriation.

For more information on the projects in the HOC Capital Program, refer to the respective project description forms.

STATUTORY AUTHORITY

The Housing Opportunities Commission of Montgomery County ("HOC") is duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, also known as the Housing Authorities Law (Maryland Code Annotated, Housing & Community Development, §§12-101 - 12-705, §§16-101 - 16-407). Per Section 16-107, HOC may only act in accordance with local law or under a contract with Montgomery County. Accordingly, HOC and Montgomery County entered into a Memorandum of Understanding that gives HOC the power to provide affordable housing and related services in the County, including the duties, authorizations, and responsibilities provided in Chapter 25A, Chapter 25B, and Article VI of Chapter 56 of the Montgomery County Code.

HOC's board is comprised of seven (7) Commissioners. The Commissioners are nominated for five (5) year terms by the County Executive and are approved by the County Council. The Commissioners determine HOC's policies, and appoint an Executive Director to carry out the policies and to administer the activities of the Commission.



Demolition Fund (P091704)

Category Housing Opportunities Commission
SubCategory Housing (HOC)
Planning Area Countywide
Date Last Modified 01/08/20
Administering Agency Housing Opportunities Commission
Status Ongoing

Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Other	1,900	80	1,320	500	500	-	-	-	-	-
TOTAL EXPENDITURES	1,900	80	1,320	500	500	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Current Revenue: General	1,900	80	1,320	500	500	-	-	-	-	-
TOTAL FUNDING SOURCES	1,900	80	1,320	500	500	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	500	Year First Appropriation	FY16
Appropriation FY 22 Request	-	Last FY's Cost Estimate	1,900
Cumulative Appropriation	1,400		
Expenditure / Encumbrances			
Unencumbered Balance	1,400		

PROJECT DESCRIPTION

In an effort to replace some of the County's least sustainable affordable housing, deliver amenities not currently present, to return housing to those sites, and embed the new stock of affordable housing within mixed-income communities, the Housing Opportunities Commission (HOC) has vacated its Emory Grove Village and Ambassador properties. The entitlement and permitting process for each site will take from two to four years. In the interim, upon vacating these sites, HOC will demolish the existing buildings while HOC works with its non-profit partners to execute a mixed-income redevelopment strategy for the site.

LOCATION

Gaithersburg and Wheaton, Maryland.

CAPACITY

Demolition of 216 units.

ESTIMATED SCHEDULE

Demolition of the Ambassador was commenced in August 2019 and will take approximately five months. Demolition of Emory Grove Village is expected to commence toward the end of FY20 and will take approximately three months. The demolition project is expected to be completed and County reimbursement will be completed by FY21.

PROJECT JUSTIFICATION

Both Emory Grove Village and the Ambassador have physical capital needs that far outweigh their ability to support remediation. As both properties are 100 percent affordable, they have no resources available to fund improvements or demolition. Both properties are located on prominent corners. Without County support, these properties would most likely remain vacant for a considerable period of time.

FISCAL NOTE

The estimated cost of demolition for Emory Grove Village is between \$600,000 and \$800,000 and for the Ambassador is between \$1.3 and \$1.5 million.

COORDINATION

Department of Finance, Department of Housing and Community Affairs, and the Department of Permitting Services.



HOC County Guaranteed Bond Projects (P809482)

Category	Housing Opportunities Commission	Date Last Modified	01/03/20
SubCategory	Housing (HOC)	Administering Agency	Housing Opportunities Commission
Planning Area	Countywide	Status	Ongoing

Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Other	50,000	5,250	44,750	-	-	-	-	-	-	-
TOTAL EXPENDITURES	50,000	5,250	44,750	-	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

HOC Bonds	50,000	5,250	44,750	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	50,000	5,250	44,750	-	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	-	Year First Appropriation	FY14
Appropriation FY 22 Request	-	Last FY's Cost Estimate	50,000
Cumulative Appropriation	50,000		
Expenditure / Encumbrances	-		
Unencumbered Balance	50,000		

PROJECT DESCRIPTION

This project serves to identify the uses of Housing Opportunities Commission (HOC) bonds for housing construction and permanent mortgage financing. In addition, the County guarantee on these HOC revenue bonds may provide coinsurance with appropriate Federal, State, and private insurers on HOC revenue bonds and notes issued to finance new or existing residential units. These bonds will be backed by the revenues of the developments; by the pledge of subsidy funds if appropriate; and by the full faith and credit of Montgomery County. All developments financed under this approach will be self-supporting. They are included in the Capital Improvements Program (CIP) in order to provide the legal authorization of ultimate County backing of specific projects. This project reflects a total authorization of \$50 million. Control over specific projects which are given County backing is maintained by implementation procedures developed in accordance with local legislation. The legislation provides for specific approval by the County Council, except for certain stated uses for which County Executive approval is permitted, subject to action by the County Council at its discretion.

PROJECT JUSTIFICATION

Relevant legislation and reports include Code of Maryland as amended by State legislation providing for County backing of HOC bonds; Opportunity Housing legislation; report of the Task Force on Moderate Income Rental; and other studies. In the opinion of County bond counsel, inclusion in the CIP is required even though no County funds will be required.

OTHER

The County General Plan refinement stands in compliance with the General Plan requirement of the Maryland Economic Growth, Resource Protection, and Planning Act. County Master Plans must be in compliance with the General Plan.

FISCAL NOTE

The project has financed the development of housing units at The Oaks at Four Corners (120 units), Magruder's Discovery (134 Section 8 units), Spring Gardens (83 units), Chevy Chase Lake South (68 units), Fairfax Courts (18 units), Montgomery Arms apartments (132 units), The Metropolitan (308 units), Amherst Square (100 units), and Pooks Hill Courtyard (50 units). In FY95, HOC repaid the Magruder's Discovery bond (\$5.7 million) and financed The Metropolitan (\$33.9 million). During FY97, HOC repaid the \$4.1 million bond for The Oaks at Four Corners. In FY98, the bonds that were used to finance The Metropolitan were repaid using bonds guaranteed under the FHA Risk-Sharing program. Subsequently, in FY99, Pooks Hill's Courtyard (50 units) and Landings Edge (100 units), were financed using \$12.9 million in County G.O. bonds. In FY07, HOC Issued \$36.35 Million in Taxable Bond Anticipation Notes to fund the construction of MetroPointe. In 2008, HOC issued \$33.05 million in Fixed-Rate Tax-Exempt Short-Term Notes, which were expected to be redeemed and replaced with Long-Term Variable Bonds in 2009. However, continued dislocation in the Financial Markets necessitated the issuance of another Short-Term Financing. In FY10, HOC issued \$32.3 million in 2 Year Fixed-Rate County Backed Notes which matured on January 1, 2012. Effective December 20, 2011, HOC issued \$33.585 million of Variable-Rate Tax-Exempt Multifamily Housing Development Bonds to, among other things, refinance the FY10 Tax-Exempt Notes guaranteed by the County's General Obligation Pledge. On January 3, 2012, the two-year notes issued in FY10 were repaid thereby releasing the County's General Obligation pledge. The mortgages on the property are insured by FHA pursuant to its Risk Sharing Agreement with HOC. The remaining G.O. Bond capacity as of July 1, 2019 is \$44,750,487.

COORDINATION

Department of Finance.



HOC MPDU/Property Acquisition Fund (P768047)

Category Housing Opportunities Commission
SubCategory Housing (HOC)
Planning Area Countywide
Date Last Modified 01/02/20
Administering Agency Housing Opportunities Commission
Status Ongoing

Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Land	6,611	6,567	44	-	-	-	-	-	-	-
Other	5,896	954	4,942	-	-	-	-	-	-	-
TOTAL EXPENDITURES	12,507	7,521	4,986	-	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Revolving Fund: Current Revenue	107	107	-	-	-	-	-	-	-	-
Revolving Fund: G.O. Bonds	12,400	7,414	4,986	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	12,507	7,521	4,986	-	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	-	Year First Appropriation	FY14
Appropriation FY 22 Request	-	Last FY's Cost Estimate	12,507
Cumulative Appropriation	12,507		
Expenditure / Encumbrances	-		
Unencumbered Balance	12,507		

PROJECT DESCRIPTION

This is a revolving loan fund which authorizes the Housing Opportunities Commission (HOC) to use up to \$12.5 million at any one time for: (a) interim financing, including cost of acquisition and finishing by HOC, of Moderately Priced Dwelling Units (MPDUs) as permitted in Chapter 25A of the Montgomery County Code, provided that the unit is used in tandem with a Federal, State, or local subsidy program and is developed to provide housing to low- and-moderate-income households; and (b) planning, acquisition, and improvement of sites and/or existing properties for low and-moderate-income, single, or multifamily housing facilities, which are to be owned and operated by HOC or its designees. Sites may be land-banked in anticipation of future development when adequate public facilities become available. Upon receipt of permanent financing, monies are returned to the fund for reuse. No MPDU may be held by the fund for more than 24 months. The 24-month maximum holding period may be extended in unusual situations for a limited time upon determination by the Director of the Department of Housing and Community Affairs that such an extension would best support purposes of this program. HOC may determine that a County lump sum subsidy is required to secure independent financing or meet Federal, State, or local program guidelines for itself or its designees. Such write-downs from County funds shall be made only for projects serving households whose incomes do not exceed the following limits: 1/3 units - 80 percent of County Median income; 1/3 units - 80 percent of Washington Metropolitan Area Median income; 1/3 units - 80 percent of County Median income; and 1/3 units uncontrolled. In the event that a subsidy is undertaken, then in its next CIP submission, HOC shall include a PDF describing the subsidized program and shall request an appropriation sufficient to fully repay this fund.

PROJECT JUSTIFICATION

HOC is continually evaluating transactions that will require interim funding from the revolving fund. These transactions include redevelopment activities of older HOC properties that require significant capital infusion to improve their physical conditions or to redevelop and/or reposition them in their respective market areas. In addition, HOC continues to seek new development opportunities, as well as, the acquisition of existing multifamily developments through the conventional real estate sales market that may require interim financing to facilitate the transaction. The County's right of first refusal law was changed to include all multifamily properties of more than five units. The change in law provides HOC with greater acquisition opportunities to preserve affordability and greater need for gap and bridge financing. HOC sets aside revolving funds to capitalize on opportunities to acquire and preserve rental units as they are offered under the current law.

OTHER

The County General Plan Refinement stands in compliance with the General Plan requirement of the Maryland Economic Growth, Resource Protection, and Planning Act. County Master Plans must be in compliance with the General Plan. Beginning in FY01, as a contribution to affordable housing, HOC was given relief on past due interest payments and is no longer required to pay interest on funding for this project.

FISCAL NOTE

Outstanding draws as of June 30, 2019, totaled \$7,520,566. Repayments of \$2,510,572 were made in FY19 for Housing Opportunities Commission Home Ownership Program (HOC/HOP). Repayments of \$1,294,348 are expected in FY20 for Holiday Park (\$101,563), 880 Bonifant (\$238,860) and the HOC/HOP program (\$953,925). HOC anticipates continued utilization of the revolving fund for MPDU acquisition as well as for the acquisition, development and improvement of real property that expands or stabilizes affordable housing in the County.

COORDINATION

Department of Finance and Department of Housing and Community Affairs.

Housing (HOC)



HOC Opportunity Housing Development Fund (P767511)

Category Housing Opportunities Commission **Date Last Modified** 01/03/20
SubCategory Housing (HOC) **Administering Agency** Housing Opportunities Commission
Planning Area Countywide **Status** Ongoing

Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Land	44	22	22	-	-	-	-	-	-	-
Construction	4,456	4,000	456	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,500	4,022	478	-	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Revolving Fund: Current Revenue	4,500	4,022	478	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	4,500	4,022	478	-	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	-	Year First Appropriation	FY75
Appropriation FY 22 Request	-	Last FY's Cost Estimate	4,500
Cumulative Appropriation	4,500		
Expenditure / Encumbrances	-		
Unencumbered Balance	4,500		

PROJECT DESCRIPTION

The Opportunity Housing Development Fund (OHDF) is a revolving loan fund from which Housing Opportunities Commission (HOC) is authorized to use up to \$4.5 million at any one time. The project provides funds to temporarily cover project planning, site improvements, building construction loan guarantees, construction financing, short-term financing (including second trusts), insurance for permanent financing, notes and bonds, and associated professional and financing fees for housing developments undertaken by HOC or its designees. Since a separate fund is established for site acquisition and Moderately Priced Dwelling Units (MPDU) acquisition, land, and MPDUs shall not be acquired from the OHDF (with the exception of MPDUs acquired under the last resort provision of the MPDU Ordinance). This fund is to be repaid when permanent financing is obtained or when other sources of financing are made available from HOC housing developments. If sufficient funds are not available in the MPDU/Property Acquisition Fund, this fund can also be used, upon County approval, for the acquisition of sites and/or existing properties for low and moderate-income, single, or multi-family housing facilities, which are to be owned and operated by HOC or its designees.

PROJECT JUSTIFICATION

This project assures availability of short-term financing and front-end costs at favorable interest rates for projects determined by HOC and the County to be in support of the County Housing Assistance Plan and housing policy. The fund permits existing and new properties to be reviewed and insured and, in other ways, secures prompt decisions when time demands require them.

OTHER

The County General Plan Refinement stands in compliance with the General Plan requirement of the Maryland Economic Growth, Resource Protection, and Planning Act. County Master Plans must be in compliance with the General Plan. Beginning in FY01, as a contribution to affordable housing, HOC was given relief on past due interest payments and is no longer required to pay interest on funding for this project.

FISCAL NOTE

Outstanding draws as of June 30, 2019 totaled \$4,021,817. Repayments totaling \$21,817 were made in FY19 consisting of the annual repayment for Smith Village (\$21,817). Repayments totaling \$4,021,817 are projected in FY20 representing the annual loan payment for Smith Village, and the payoff of the 900 Thayer loan from construction loan proceeds. HOC anticipates continued utilization of the balance of the OHDF revolving fund for the continued pre-development and acquisition for expanding affordable housing in the County.

COORDINATION

Department of Finance and Department of Housing and Community Affairs.



Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements (P091501)

Category Housing Opportunities Commission
SubCategory Housing (HOC)
Planning Area Countywide
Date Last Modified 12/31/19
Administering Agency Housing Opportunities Commission
Status Ongoing

Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Other	15,000	4,536	2,964	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-
TOTAL EXPENDITURES	15,000	4,536	2,964	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-

FUNDING SCHEDULE (\$000s)

Current Revenue: General	15,000	4,536	2,964	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-
TOTAL FUNDING SOURCES	15,000	4,536	2,964	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	1,250	Year First Appropriation	FY15
Appropriation FY 22 Request	1,250	Last FY's Cost Estimate	12,500
Cumulative Appropriation	7,500		
Expenditure / Encumbrances			
Unencumbered Balance	7,500		

PROJECT DESCRIPTION

Typical improvements include, but are not limited to, replacement of roofs, windows and doors; improvements to unit interiors such as kitchen and bathroom modernization; replacement of major mechanical, electrical, plumbing systems and equipment; appliance replacement; life-safety improvements; site improvements such as fencing, site lighting, landscaping, and sidewalk and parking lot replacement. In the FY15-20 Capital Improvements Program this project was expanded to allow these funds to be used for deeply subsidized HOC owned unit improvements on public housing units with both pre- and post- conversion.

COST CHANGE

The increase is due to the addition of FY25 and FY26 funding.

PROJECT JUSTIFICATION

These properties are original MPDUs that are owned by HOC and are subject to Commission imposed or financing restrictions, or are subject to extended use restrictive covenants in accordance with the Low Income Housing Tax Credit (LIHTC) program which requires continued affordability. Given the age of the properties, they now need comprehensive renovation but lack the net operating income to generate sufficient proceeds to both retire the existing debt and fund the vital renovations. Montgomery County has a higher property standard than the Federal government. In addition, neighbors in the communities with the units expect the properties to be well maintained. Many of these units are scattered throughout the County in communities governed by Home Owner Associations (HOAs), and some have higher standards than the County code. Additional funding is necessary if HOC units are to be maintained at levels consistent with community norms and standards. In an effort to stay true to its mandate to provide decent, safe, and sanitary housing to low- and moderate-income residents in Montgomery County and to ensure that its properties and communities are maintained at a level consistent with community norms, HOC will use a combination of its own funds and County funds to make capital improvements to this housing stock.

FISCAL NOTE

The Commission's portfolio includes hundreds of income-restricted scattered site units throughout the County, most approximately 30 years of age. Many of these units were acquired into a Low Income Housing Tax Credit limited partnership more than 15 years ago and are subject to continued affordability restrictions under the LIHTC program. All units in the limited partnerships have now been contributed to HOC making HOC the sole owner of these units. Finally, other units are simply older Moderately Priced Dwelling Units (MPDUs) that continue to be restricted to households of low- and moderate-income. With significant debt remaining on those units, the net operating income from these affordably priced units cannot support both the repayment of that debt and the additional proceeds needed to complete a comprehensive scope of renovation, which includes new windows, roof replacement, installation of energy-efficient heating and air conditioning systems, electrical and plumbing repairs, new flooring, new lighting, new cabinetry, installation of energy-efficient appliances, and new bathrooms.

DISCLOSURES

Expenditures will continue indefinitely.

COORDINATION

Maryland Department of Housing and Community Development, Department of Housing and Community Affairs.

HOC MPDU/PROPERTY ACQUISITION FUND

The MPDU/Property Acquisition Fund ("MPDU/PAF") is a revolving loan fund, authorized by Montgomery County CIP # P768047, which authorizes the Housing Opportunities Commission (HOC) to use up to \$12.5 million at any one time. Authorized uses include: (a) interim financing, including cost of acquisition and finishing by HOC, of Moderately Priced Dwelling Units (MPDUs) as permitted in Chapter 25A of the Montgomery County Code, provided that the unit is used in tandem with a Federal, State, or local subsidy program and is developed to provide housing to low- and moderate-income households; and (b) planning, acquisition, and improvement of sites and/or existing properties for low- and moderate-income, single, or multifamily housing facilities, which are to be owned and operated by HOC or its designees. Draws made for the acquisition of MPDUs are generally required to be repaid within 24 months. Funds drawn other than for the acquisition of MPDUs are always accompanied by a resolution of the Commission, approving its use.

The following table summarizes the activity of the MPDU/PAF for the last five and a half fiscal years, July 1, 2014 through December 31, 2019.

Year	2015	2016	2017	2018	2019	2020*
Annual Draws	\$ 2,912,636	\$ 5,376,744	\$ 1,893,603	\$ 2,151,781	\$ 6,189,646	\$ 3,705,044
Annual Repayments	\$ 2,653,989	\$ 3,997,533	\$ 3,424,915	\$ 4,542,145	\$ 2,510,572	\$ 1,313,552
Outstanding Funds	\$ 6,383,947	\$ 7,763,158	\$ 6,231,846	\$ 3,841,482	\$ 7,520,556	\$ 9,912,048
Available Funds	\$ 6,123,053	\$ 4,743,842	\$ 6,275,154	\$ 8,665,518	\$ 4,986,444	\$ 2,594,952

* Includes first two quarters of FY 2020, July 1 2019 to December 31, 2019

In Fiscal Year **2015**, a total of \$2,912,636 was drawn mostly to the fund the acquisition of MPDUs for the HOC Homeownership ("HOC/HOP") program and a small portion for Timberlawn Crescent. Repayments amounted to \$2,653,989, mainly from resale of HOC/HOP units, plus the ongoing annual repayments from Pooks Hill Midrise and Holiday Park. Outstanding funds at the end of the year were \$6,383,947, leaving available \$6,123,053 for use.

All draws in Fiscal Year **2016** were for HOC/HOP units, in the amount of \$5,376,744. Repayments in 2016 amount to \$3,977,533. The year-end outstanding balance was \$7,763,158, leaving available \$4,743,842 for use.

In Fiscal Year **2017**, the total amount of draws decreased to \$1,893,603. Repayments remained close to the prior year level, at a total amount of \$3,424,915. The outstanding balance decrease to \$6,231,846, making \$6,275,154 available.

Draws in Fiscal Year **2018** were all for HOC/HOP units, in the total amount of \$2,151,781. Most of the repayments were for HOC/HOP properties. However, a large repayment of \$1.9 million from Timberlawn Crescent was made, which brought the total repayment for the year to \$4,542,145. For the second year, repayments were greater than draws; outstanding balance at year end was \$3,841,482, leaving \$8,665,518 available for use.

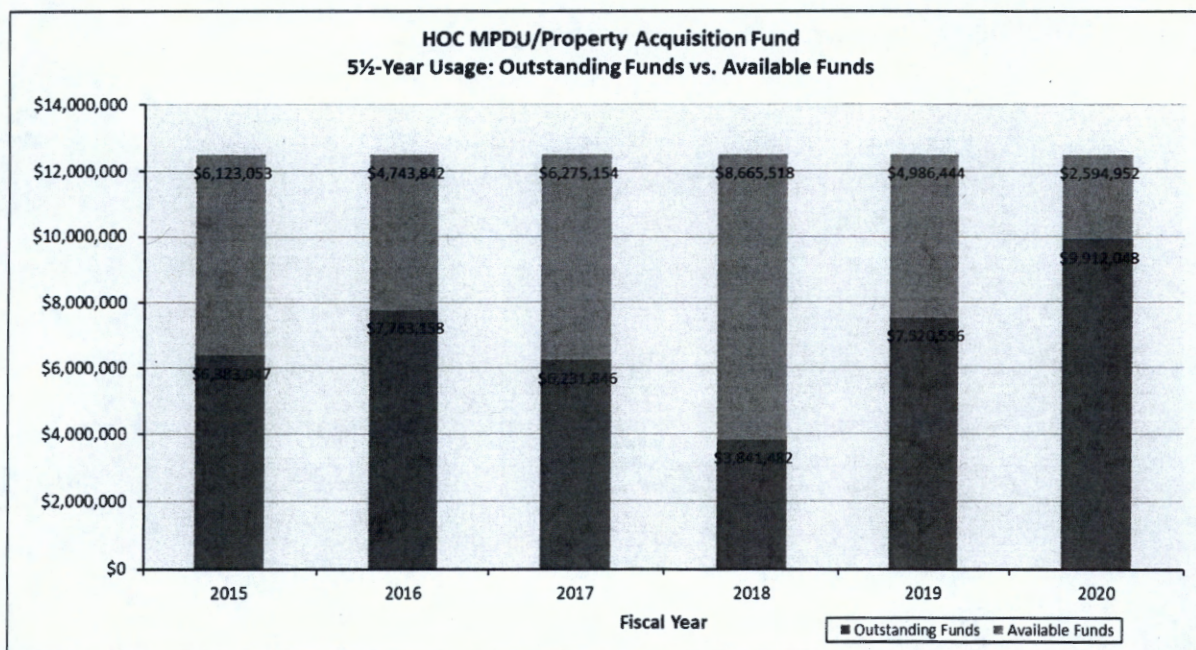
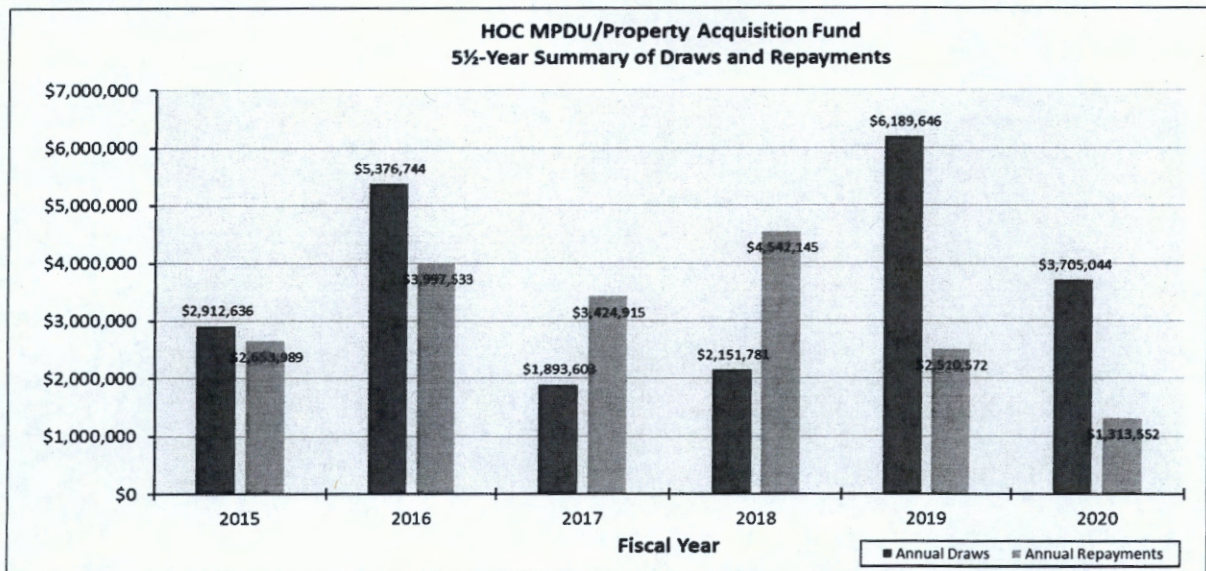
Draws in Fiscal Year **2019** were higher than prior years with a total of \$6,189,646. This was driven by two draws made for the purchase of the 880 Bonifant Street property totaling \$4,500,000. Repayments for

several HOC/HOP units totaled \$2,510,572. The year-end outstanding balance was \$7,520,556, leaving available \$4,986,444 for use.

Through the first two quarters of Fiscal Year 2020, funds drawn to date have totaled \$3,705,044, of which \$3.03 million West Side Shady Grove land acquisition for a multifamily. Repayments have only tallied \$1,313,552 thus far into the fiscal year.

The current outstanding balance is \$9,912,048, leaving \$2,594,952 available for use.

The following two charts show the draws and repayments, and the outstanding balance vs. the available funds of the MPDU/PAF. Fiscal Year 2020 includes the first two quarters only.



HOC OPPORTUNITY HOUSING DEVELOPMENT FUND

The Opportunity Housing Development Fund (OHDF) is a revolving loan fund, authorized by Montgomery County CIP #P767511, from which Housing Opportunities Commission (HOC) is authorized to use up to \$4.5 million at any one time. The project provides funds to temporarily cover project planning, site improvements, building construction loan guarantees, construction financing, short-term financing, insurance for permanent financing, notes and bonds, and associated professional fees for housing developments undertaken by HOC or its designees. This fund is to be repaid when permanent financing is obtained or when other sources of financing are made available from HOC housing developments.

The following table summarizes the activity of the OHDF for the last five and a half fiscal years, July 1, 2014 through December 31, 2019.

Fiscal Year	2015	2016	2017	2018	2019	2020*
Annual Draws	\$ 235,000	\$ 2,216,974	\$ -	\$ -	\$ 4,000,000	\$ -
Annual Repayments	\$ 3,307,354	\$ 548,198	\$ 89,198	\$ 2,675,934	\$ 21,817	\$ 4,000,000
Outstanding Funds	\$ 1,139,992	\$ 2,808,768	\$ 2,719,569	\$ 43,635	\$ 4,021,817	\$ 21,817
Available Funds	\$ 3,360,008	\$ 1,691,232	\$ 1,780,431	\$ 4,456,365	\$ 478,183	\$ 4,478,183

* Includes first two quarters of FY 2020, July 1 2019 to December 31, 2019

In Fiscal Year **2015**, an interim draw of \$235,000 was made from the fund for 2803 Terrapin Road, an accessible unit for the Rental Assistance Demonstration ("RAD") program and subsequently repaid. Repayments amounted to \$3,307,354, of which \$3,000,000 was from Paddington Square. The year-end outstanding balance was \$1,139,992, leaving \$3,360,008 available for use.

Draws in Fiscal Year **2016** totaled \$2,216,974, which funded the interim acquisition of several scattered site units for VPC One, which were essential to the execution of HOC's exit from Public Housing, but have since been repaid from permanent financing proceeds. Repayments in 2016 totaled \$548,198 and at the close of 2016, the outstanding balance was \$2,808,768, leaving available \$1,691,232 for use.

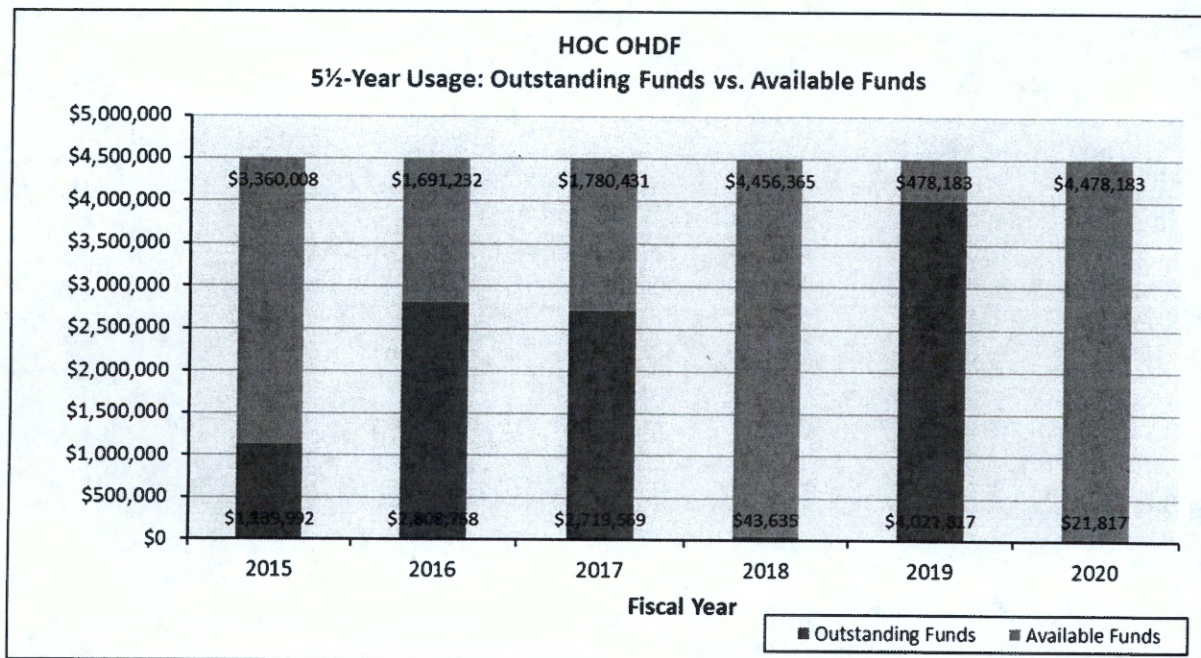
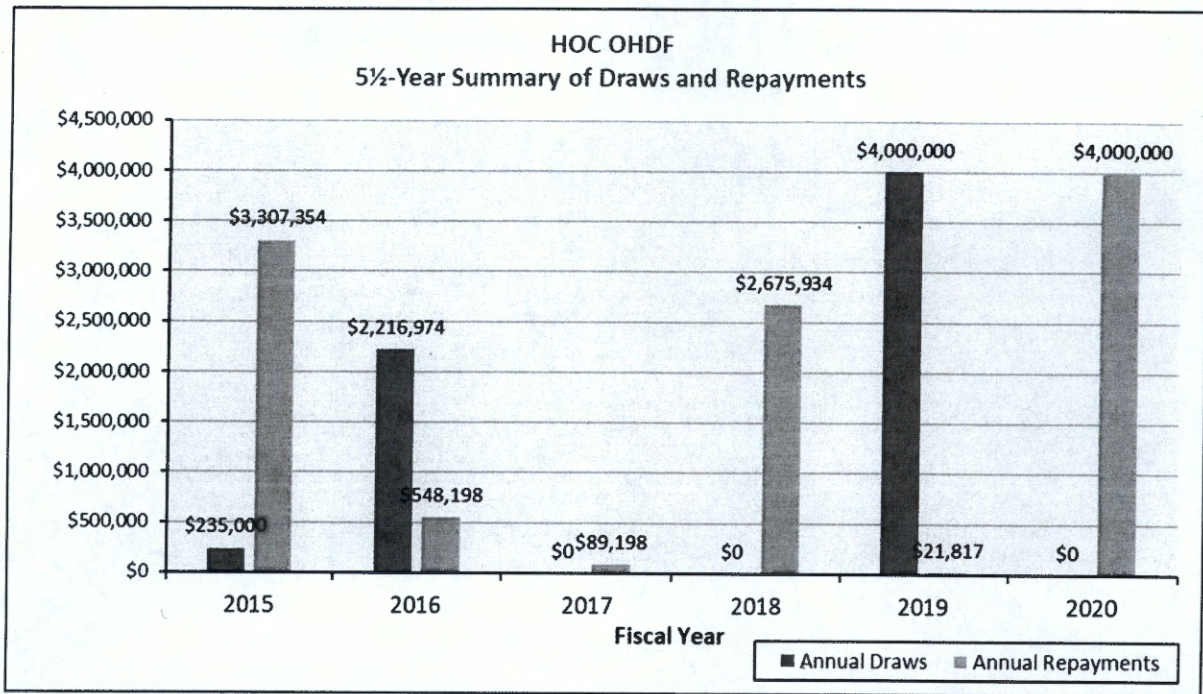
In Fiscal Year **2017**, no draws were made, and repayments were only \$89,198, coming from Alexander House and Smith Village. The year-end outstanding balance was \$2,719,569, leaving \$1,780,431 available for use.

No draws were made from the fund in Fiscal Year **2018**. Repayments totaling \$2,675,934 came from VPC One (\$2,451,974), Alexander House (\$202,143), and Smith Village (\$21,817). The outstanding balance at year-end was \$43,635, leaving \$4,456,365 available for use.

In Fiscal Year **2019**, Fenton Silver Spring (900 Thayer) drew \$4,000,000 to support construction. The only repayment was the Smith Village installment of \$21,817, leaving a year end outstanding balance of \$4,021,817, and only \$478,183 available for use.

Fenton Silver Spring closed on its construction loan in the first quarter of FY **2020**, and paid back the \$4,000,000 loan. No new funds have been drawn on the OHDF. The current outstanding balance is \$21,817, leaving \$4,478,183 available for use.

The following two charts show the draws and repayments, and the outstanding balance vs. the available funds of the OHDF. Fiscal Year 2020 includes the first two quarters only.



HOC County GO Bonds

This is a continuation of the \$50 million authorization limit for the County Guaranteed Bond Project (CIP #P809482). The following table shows the history of GO use by HOC.

History of GO Use				
		<u>Units</u>	<u>Original Loan</u>	<u>Paid Back</u>
1	Magruder's Discovery	134	\$5,740,000	\$5,740,000
2	Metropolitan	308	\$33,900,000	\$33,900,000
3	Chevy Chase Lakes	68	\$3,740,402	\$3,740,402
4	Fairfax Court	16	\$938,918	\$938,918
5	Spring Garden	83	\$3,440,258	\$3,440,258
6	Oaks at Four Corners	120	\$4,095,000	\$4,095,000
7	Amherst Square	125	\$7,807,880	\$4,604,969
8	Pooks Hill (mid)	50	\$4,247,578	\$2,536,353
9	Montgomery Arms	129	\$4,061,569	\$4,061,569
10	MetroPointe	173	\$2,295,000	\$2,295,000
	Total Loans	1,206	\$100,266,605	\$95,352,469

Two properties are in repayment. Amherst Square is owned and operated by Montgomery Housing Partnership ("MHP") and is located in Wheaton. Pooks Hill – Midrise is located in Bethesda. The following table details their loan status. The outstanding debt amount is as of February 1, 2020 and the final maturity date for both mortgages is February 1, 2029.

<u>Property</u>	<u>Units</u>	<u>Rate</u>	<u>Original Loan Amount</u>	<u>Term (mos.)</u>	<u>Outstanding Debt</u>
Amherst Square	125	4.95%	\$7,807,880	328	\$3,202,911
Pooks Hill - Midrise	50	4.95%	\$4,247,578	341	\$1,711,225
Total	175		\$12,055,458		\$4,914,136

Of the \$50 million authorization, \$45,085,864 is available in guarantee capacity, as shown in the following table as of February 1, 2020.

GO Authorization	\$50,000,000
Total Outstanding Loans	(\$4,914,136)
Available GO Balance	\$45,085,864