

# Montgomery County Producing, Preserving, Protecting

## Affordable Housing Developers Forum June 23, 2022

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County Executive

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# OBJECTIVES

- Our Priorities / Challenges
- Available Financial Tools
- Recent Experience
- Working With Us
- Update on Land for Affordable Housing
- Questions and Answers

# PRIORITIES / CHALLENGES

## **Production** of housing with rents affordable at less than 50% AMI

- Over 20,000 renters spending over half of income on housing;
- COG forecasts 20,000 new low-income households in this decade

## **Preservation** of 25,000 units of naturally occurring affordable housing

- Up 11,000 units at risk of loss of affordability this decade

## **Protection** of the ability of current residents to remain in our community

- Increase supply with long-term, income-based rent
- Commit to no net loss of affordability on redevelopment

# PROFILE OF FY22 PROJECTS

- FY22 Committed to 20 Projects: 10 Closed, 10 Pending
- 1,456 affordable units - 703 Preservation & 753 Production
- \$94 million Committed, \$65,000 per unit
- 12 different development partners, including faith-based
  - 5 Federal Funded Projects (HOME/CDBG) for 269 units
  - 3 Senior Production Projects for 243 units
  - 5 Special Needs Projects for 21 units

Over \$100 Million  
New Funding

<b>Montgomery County Funding Resources for Housing Loans</b>	
<b>Housing Initiative Fund (HIF) - Provided in the Operating and Capital budgets to support production and preservation of affordable housing.</b>	
<b>New Funds for Capital Lending</b>	<b>Approved Budget</b>
• HIF - Operating and CIP	51,750,000
• Preservation of NOAH Fund – CIP	40,000,000
• Federal Funds – CDBG / HOME	4,589,353
<b>Total Long-Term Funding \$96,339,353</b>	
<b>Affordable Housing Opportunity Fund – CIP</b>	6,000,000
<b>Bringing AHOF Fund Total to \$20 million</b>	
<b>TOTAL RESOURCES</b>	<b>102,339,353</b>

# \$40 Million NOAH Fund to Prevent Displacement and Preserve Communities

## Designated to ensure At Least \$40 million of the \$100 million for Preservation

- Naturally Occurring Affordable Housing properties with at least ½ units at or below 70% AMI
  - Planning Board estimates we have 25,000 NOAH units, with 11,000 units at risk of loss by 2030
- HIF Lending Guidelines are the same for NOAH Fund and all our long-term HIF Lending
  - Funds can be used for Acquisition and/or Permanent Financing
  - Prioritizes lower AMI opportunities, larger units, properties at greatest risk of affordability loss
- Market pressures on rents increasing - multifamily sales accelerating and at higher costs
  - In 2021: \$3.5 billion in multi-family sales of 12,500 units at \$284,000 avg per unit
  - Increased from 2020: \$1.4 B/ 6,200 units/ \$218,000 per unit.
- Dedicated funding will support creating regulated rents to allow residents to remain in their communities and schools, manage other financial pressures, and work to improve their community

# Supporting Acquisitions with Affordable Housing Opportunity Fund (AHOF)

The AHOF Acquisition Financing is open for applications

- The National Housing Trust Community Development Fund was selected as Fund Manager
- Conversations have begun on opportunities

The County's \$20 million AHOF funds will leverage private funding, creating at least \$80 million total lending

NHT evaluates applications, arranges additional capital and recommends transactions to DHCA

- NHT offers pre-development financing, improved terms for Purple Line, and deeper affordability

Financing structured to meet competitive market pricing and timing requirements

- Three-year loans provide time to arrange long-term affordability financing
- Acquisitions require 10-year affordability restrictions, extended at permanent financing

# Supporting Acquisitions with Affordable Housing Opportunity Fund (AHOF)

## Applications are rolling and now open!

- Uses: predevelopment, acquisition, and bridge financing
- Size: \$1,000,000 to \$30,000,000
- Term: Up to 3 Years
- Rate: Currently up to 4.95%
- LTV: 105% max for secured acquisition loans
- Affordability: 50% of units at or below 70% AMI

To learn more, contact Alex Cabral [acabral@nhtinc.org](mailto:acabral@nhtinc.org) 202-333-8931



# Payment in Lieu of Taxes (PILOT)

## New By-Right PILOT in 2022 for projects meeting:

- Non-Profit Owned/Controlled and eligible under State Law
- 51% of units Regulated at or below 60% AMI
- Minimum 15-year Regulatory Agreement
- Waives County Real Estate Taxes on 100% of project

## Negotiated PILOT for other projects:

- Must meet State eligibility, including federal, state or local funds
- PILOT amount awarded on Regulated units only
- PILOT amount per unit \$1,447 (annually adjusted)
- Underwriting based on project need, not entitlement.

# Working With Us

## HIF Funding Guidelines On Website

### Priority Thresholds

- Projects serving households at or below 50% AMI.
- Projects that preserve at-risk, currently affordable housing.
- Projects providing family-sized 2-bedroom or greater units.
- Mixed Income Housing, to maintain diversity in all communities.

### Application Process

- Applications received on a continuous basis.
- Encourage all applicants to discuss proposals with DHCA prior to submission of a request.
- We use the Maryland DHCD Application.
- Applications will be underwritten by DHCA staff and options discussed.

# Case Study Preservation: Earle Manor, MHP

## Preservation of Earle Manor

- Key Preservation Property in a “Hot” Market
- Acquired in March 2022/Closed as Interest Rates on the Rise
- 140 units on 5.4 acres/Georgia Avenue in South Wheaton
- Easy Walking Distance to Mass Transit, Wheaton Mall, Grocers
- JV with Washington Housing Conservancy (WHC)
- Potential for Redevelopment Down the Road

## Focused Acquisition Financing

- Freddie Mac—First Debt
- Mezzanine Debt---JBG Impact Pool
- County Subordinate Debt
- JV Equity
- County (By Right) Pilot



# Case Study Production: Saint Anne's, Mission First

## Mission First partnership with St. Anne's Episcopal Church

### Damascus, Maryland – Ridge Road

- 5 units at 30% AMI; 5 at 50% AMI; 63 at 60% AMI; 3 at 70% AMI
- Amenities include fitness room, club room, lounge, patio

### 76 units of senior housing

- Conditional use approval required
- County HOME - \$2.5 million
- County PILOT
- Rental Housing Works - \$2.5 million
- 4% LIHTC
- Tax-exempt bonds with Freddie TEL
- NHT predevelopment loan

### Share curb cut and parking with Church



# County Sites Available for Affordable Housing

Montgomery County continues to build on its recent successes in adding to the affordable housing stock by offering 18 County-owned properties for the development of affordable housing.

We had an overwhelming response to our request for Letters of Interest, with multiple letters received for each property. Information on next steps will be posted on the webpage as it becomes available.

# DHCA Contact Information

DHCA Director: Aseem Nigam

Deputy Director: Frank Demarais

Multifamily Housing Team:

- Lawrence Cager, Manager
- Roderick Simpson, Senior Planning Specialist
- Kenneth Vinston, Senior Planning Specialist
- Essayas Ababu, Program Manager
- Rashawn Raigns, Office Services Coordinator