

Department of Housing and Community Affairs



**AFFORDABLE HOUSING
DEVELOPER FORUM**

November 20, 2019

**Marc Elrich
County Executive**

**Aseem K. Nigam
Director**

OBJECTIVES FOR THIS FORUM

Objectives For This Forum

- Provide clarity of County objectives
- Transparency of County process, and
- Recommendations from Development Partners

Today we will discuss:

- Priorities
- Available Financial Tools
- Process and Timing

FOCUSING ON COUNTY VISION & GOALS

A More Equitable and Inclusive Montgomery County

- Making youth and families thrive
- Growing the economy
- Creating a greener County
- Easier commutes
- Creating a more affordable, welcoming County
- Safe neighborhoods
- Reorganizing for a more effective, sustainable government

Addressing the housing cost burden for all residents, and particularly the residents spending more than half their income on housing, represents a critical part of growing our economy, making youth and family thrive, and creating a more affordable welcoming County.

STRUCTURE OF DHCA

DHCA Director: Aseem Nigam

Deputy Director: Frank Demarais

Housing Division

- Division Chief – Stephanie Killian
 - Multifamily Housing Team – Lawrence Cager
 - Single Family Housing / MPDU Team – Lisa Schwartz
 - Landlord-Tenant Team -- Rosie McCray-Moody

Multifamily Housing Team

- Manager– Lawrence Cager
 - Lisa Beckwith, Office Services Coordinator
 - Roderick Simpson, Senior Planning Specialist
 - Kenneth Vinston, Senior Planning Specialist

ACCOMPLISHMENTS PAST 10 YEARS

Montgomery County DHCA programs preserved or produced:

- **11,100** units of income restricted housing over the past 10 years
- **1,100** units per year.

Multifamily financing: **6,189** rental units preserved

MPDU and Multifamily Programs: **3,741** affordable rental units

Homeownership Programs: **1,258** new construction homes
(mostly MPDUs)

10-Year Average: **\$50,000** per unit

*FY2019 alone committed loans for **2,051** affordable units,
with average of under **\$55,000** per unit supported.*

AFFORDABLE HOUSING FINANCING TOOLS

Housing Initiative Fund:

- The HIF is a local Housing Trust Fund. Comprised only of local revenues.
- Provides funds for the acquisition, construction or rehabilitation of affordable multifamily projects.
- Designed to increase affordable housing choices for lower income households through the development of housing.
- Funds are provided as loans not grants. Deed of Trust and Regulatory Agreement recorded in land records. In most instances, HIF funds are subordinate to other lenders.

AFFORDABLE HOUSING FINANCING TOOLS

Payment in Lieu of Taxes (PILOT) Agreements:

- An agreement negotiated with rental property owners for reduced property taxes, in return for a property owners' commitment to provide affordable housing.
- Regulated by State law and County regulations.
- PILOTs only for properties with other federal, state or local financing.
- PILOTs are not an entitlement. The County must review and approve PILOT applications.
- County is looking at options for making PILOTs easier to understand and that provide more consistency.

HOUSING INITIATIVE FUND (HIF)

HIF Program addresses broad range of housing programs; FY19 \$63.3 million:

- \$30.8 million budgeted for Capital Loan funds
- \$32.5 million budgeted for other housing related efforts including rental assistance; homeless housing; neighborhood development; down payment assistance; administrative costs

Capital Loan Funds	FY20 Budget \$M	FY21 Budget \$M
HIF Available (Operating and Capital budgets)	\$32.60	\$29.50
HOME/CDBG	\$4.80	\$2.00
Total Loan Funds	\$37.40	\$31.50
To date		
In Review (Applications received; closing being scheduled)	\$25.7	\$3.85
Available Funds	\$11.7	\$27.65
Total FY21 & FY22		\$39.35

COUNTY PRIORITIES AND STRATEGIES

- **Production**: Creating new income-restricted affordable housing units, especially units below 50% AMI
- **Preservation**: Maintaining the existing affordable housing stock by keeping units in good condition and preserving naturally occurring affordable housing;
- **Protection**: Protecting tenants, especially those most at risk and who are severely rent burdened

The County's commitment to maximum production includes prioritizing housing quality, mixed income developments and provision of support services.

PROCESS AND GUIDELINES: FY₂₁ DISCUSSION AND PLANNING

Priority Thresholds - Applications must meet one of these Priority Thresholds:

- Projects serving households at or below 50% AMI.
- Projects that preserve at risk currently affordable housing, including naturally occurring affordable housing (NOAH) and housing with current restrictions.
- Projects providing family-sized 2-bedroom or greater units.
- Mixed Income Housing, to maintain the County's goal of diversity in all communities of housing incomes and choices.

PROCESS AND GUIDELINES: FY₂₁ DISCUSSION AND PLANNING

Application Process

- Applications continue to be received on a continuous basis; Will consider a deadline process
- We use the Maryland DHCD Application. (Projects with TDC less than \$500,000 may use the DHCA Small Project application found on the DHCA website).
- Applications will be underwritten by DHCA staff, and submitted to the DHCA Housing Loan Review Committee (HLRC) for recommendations to be submitted to the DHCA Director.
- We encourage all applicants to discuss their project proposals with DHCA staff for consistency with DHCA Threshold Criteria prior to submission of a request.

PROCESS AND GUIDELINES: FY₂₁ DISCUSSION AND PLANNING

Transaction Guidelines – for reviewing applications:

- Acceptable evidence of Site Control;
- Proposed project must have zoning and site plan approval, or it is feasible to obtain.
- DHCA investments are loans and not a grant, with terms the same as other financing.
- Preference will be given to projects that can demonstrate closing within 12 months of receiving approval for funding, or in the case of applicants applying for tax credits, 12 months from the award of tax credits.
- DHCA desires long-term affordability; usually 30 years.

PROCESS AND GUIDELINES: FY21 DISCUSSION AND PLANNING

Financial Feasibility -- Projects will be underwritten to determine financial feasibility, looking at:

- A 20-year pro-forma of the property's projected financial performance.
- Policy is loan to value ratio not to exceed 100%.
- Leveraging of other resources to the County funds, targeting a 3:1 leverage ratio.
- The repayment of the County funds from available cash flow.

FOR FURTHER INFORMATION

Contact:

DHCA Director aseem.nigam@montgomerycountymd.gov

DHCA Deputy Director frank.demarais@montgomerycountymd.gov

Housing Division Chief stephanie.killian@montgomerycountymd.gov

Multifamily Housing Manager lawrence.cager@montgomerycountymd.gov

www.montgomerycountymd.gov/dhca