

# The Multifamily Housing Section



Department of Housing and Community Affairs

Fall 2007

# What We Do

- Originate and underwrite acquisition, predevelopment, construction and permanent loans for the development or preservation of affordable housing
- Manage projects for, and provide technical assistance to organizations developing rental projects for low-income families and individuals with special needs
- Monitor development of affordable housing projects under construction
- Continually monitor completed projects assuring affordability and financial viability



# The Section at a Glimpse



- Multifamily Housing Manager
- Senior Loan Officer
- Loan Analyst
- Construction Manager
- Loan and Asset Manager
- Office Services Coordinator
- Principal Administrative Aide

# Our Goals



- Preserving housing that could be lost from the affordable housing stock
- Renovating distressed properties
- Building new, affordable housing including those for special needs populations
- Helping build mixed-income communities through inclusionary zoning
- Building neighborhoods and not just housing units through supportive services and programs
- Working toward an equitable distribution of affordable housing units

# Funding Sources

## Housing Initiative Fund (HIF)

- Provides funds for the acquisition, construction, or rehabilitation of affordable multi-family housing projects
- Used for county-sponsored projects (Crossway, Oaks at Four Corners), joint projects with HOC (Diamond Square, Jesup Blair)
- Provides “gap financing” loans to HOC, for profit developers, and nonprofit organizations to create or preserve affordable housing

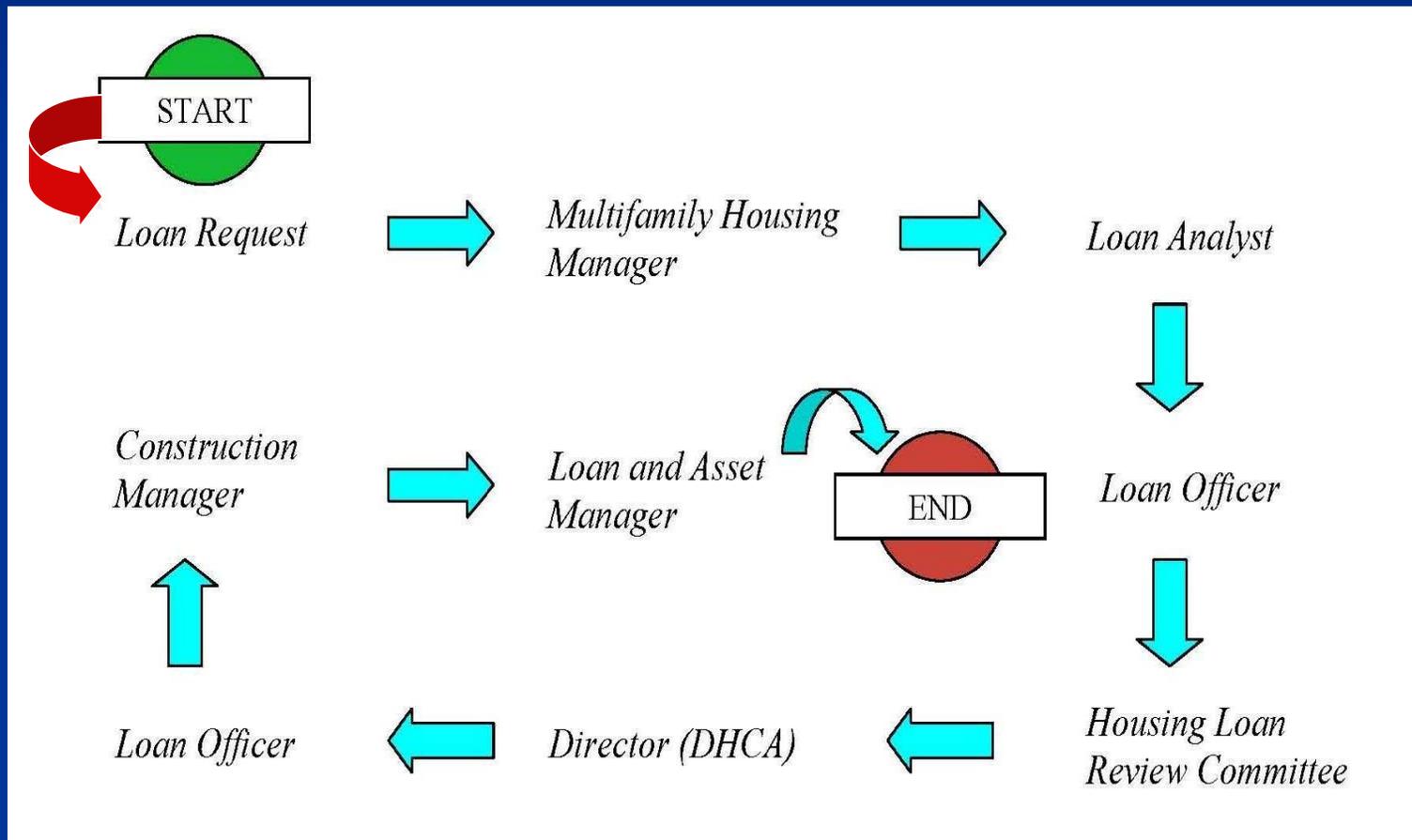
## HOME Investment Partnerships Program (HOME)

- Enables Montgomery County to sponsor organizations that develop affordable rental housing for low- and moderate-income people
- Designed to increase affordable housing choices for low-income households through the development of rental housing
- Loaned to non-profit and for-profit developers for a variety of affordable housing activities including acquisition, rehabilitation, new construction, and tenant-based rental assistance

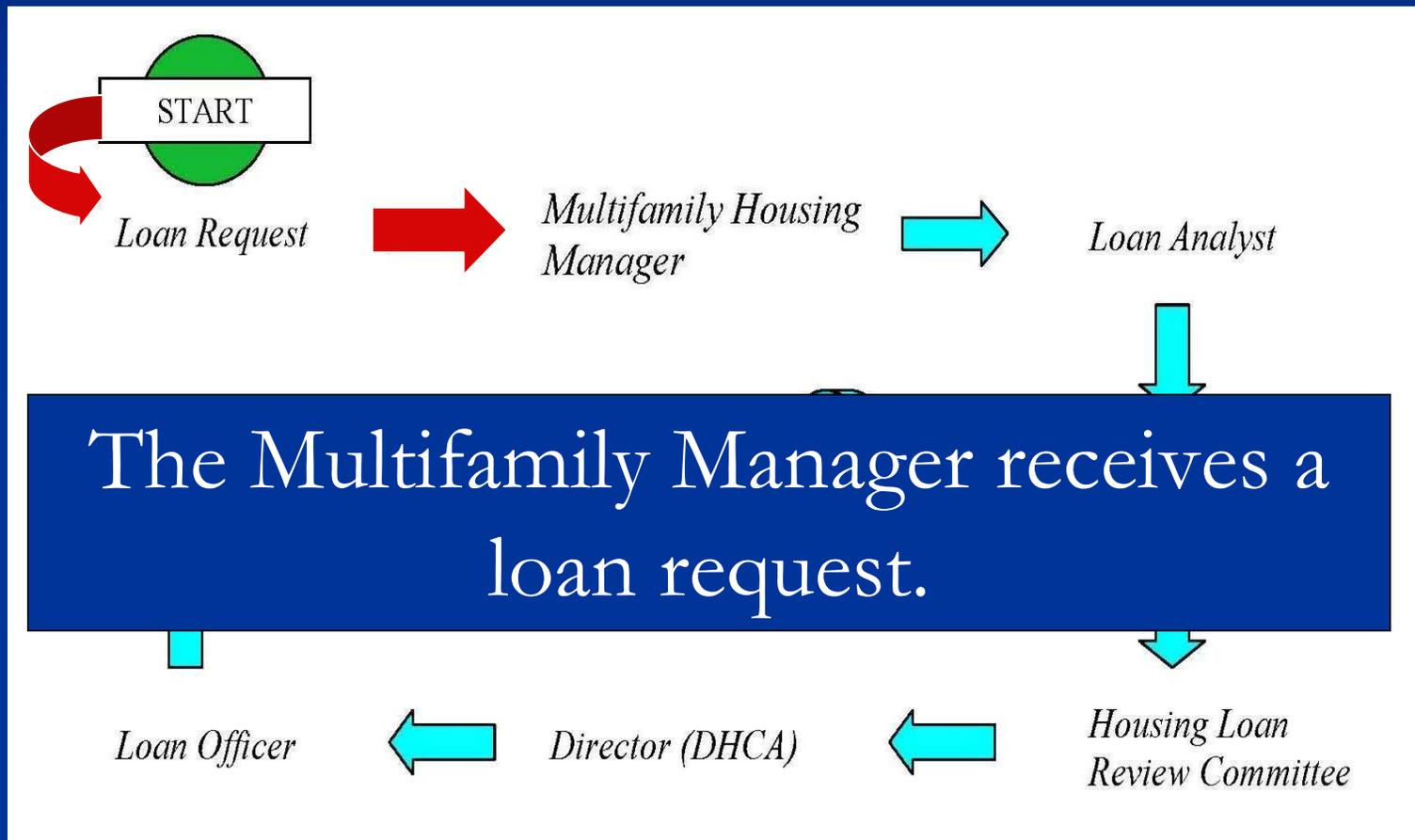
# Funding Uses

Funding Category	FY 89 - FY 97	FY 98 – Present
Creation of New Housing Units	68%	21%
Preservation of Affordable Housing Units	21%	70%
Short-term MPDU Construction Loans	10%	0%
Project Development and Planning Costs	1%	9%
Total	100%	100%

# The Loan Process



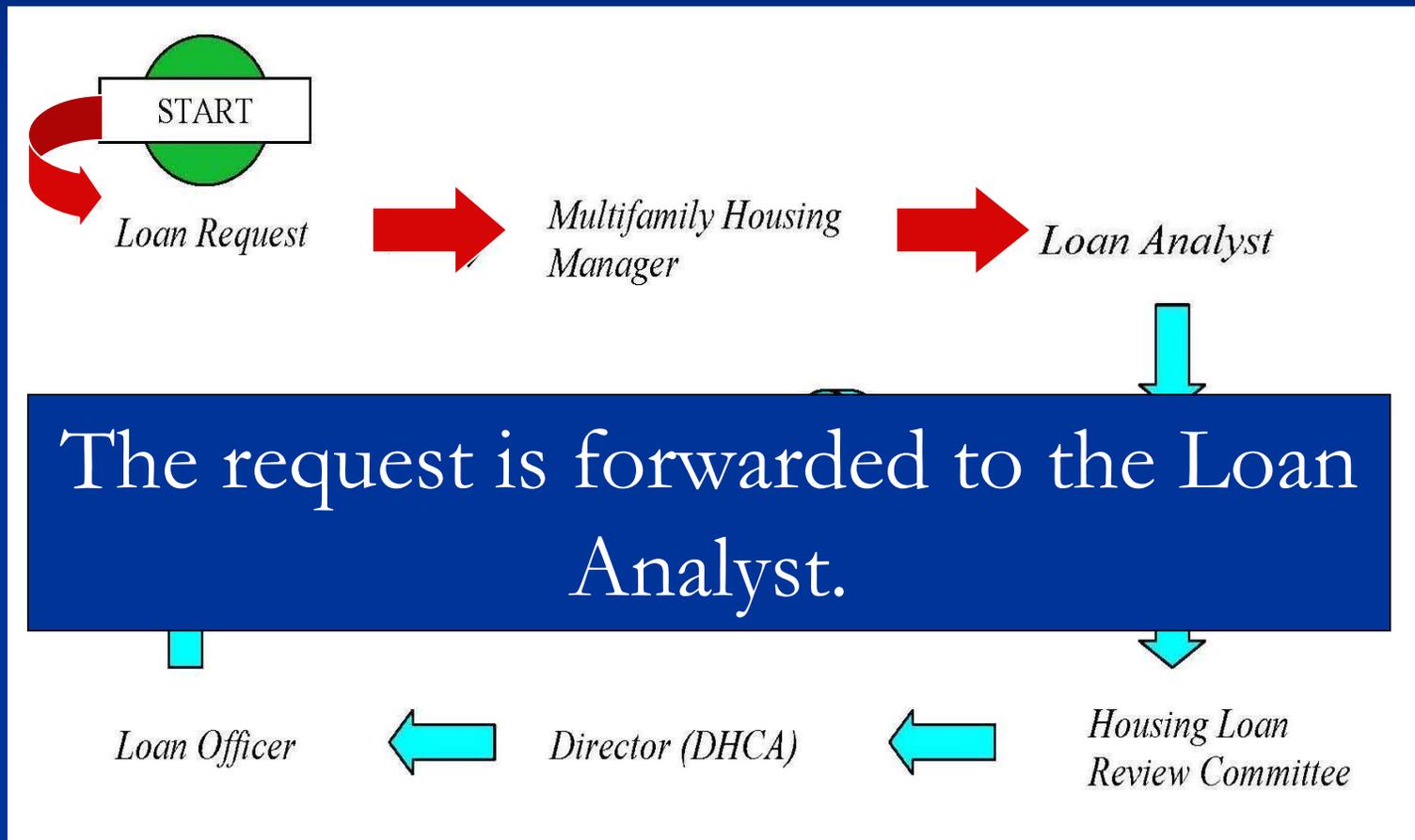
# Step 1



# Multifamily Housing Manager

- Manages the Multifamily Housing Production Program
  - Housing Initiative Fund (\$35MM annually)
  - HOME Investment Partnerships Program (\$2MM annually)
- Manages the Payment in Lieu of Taxes (PILOT) Program – Provides tax exemptions to affordable housing
- Manages the Apartment Assistance Program – Provides funding and guidance to owners of small multifamily residential properties
- Chairman of the HLRC

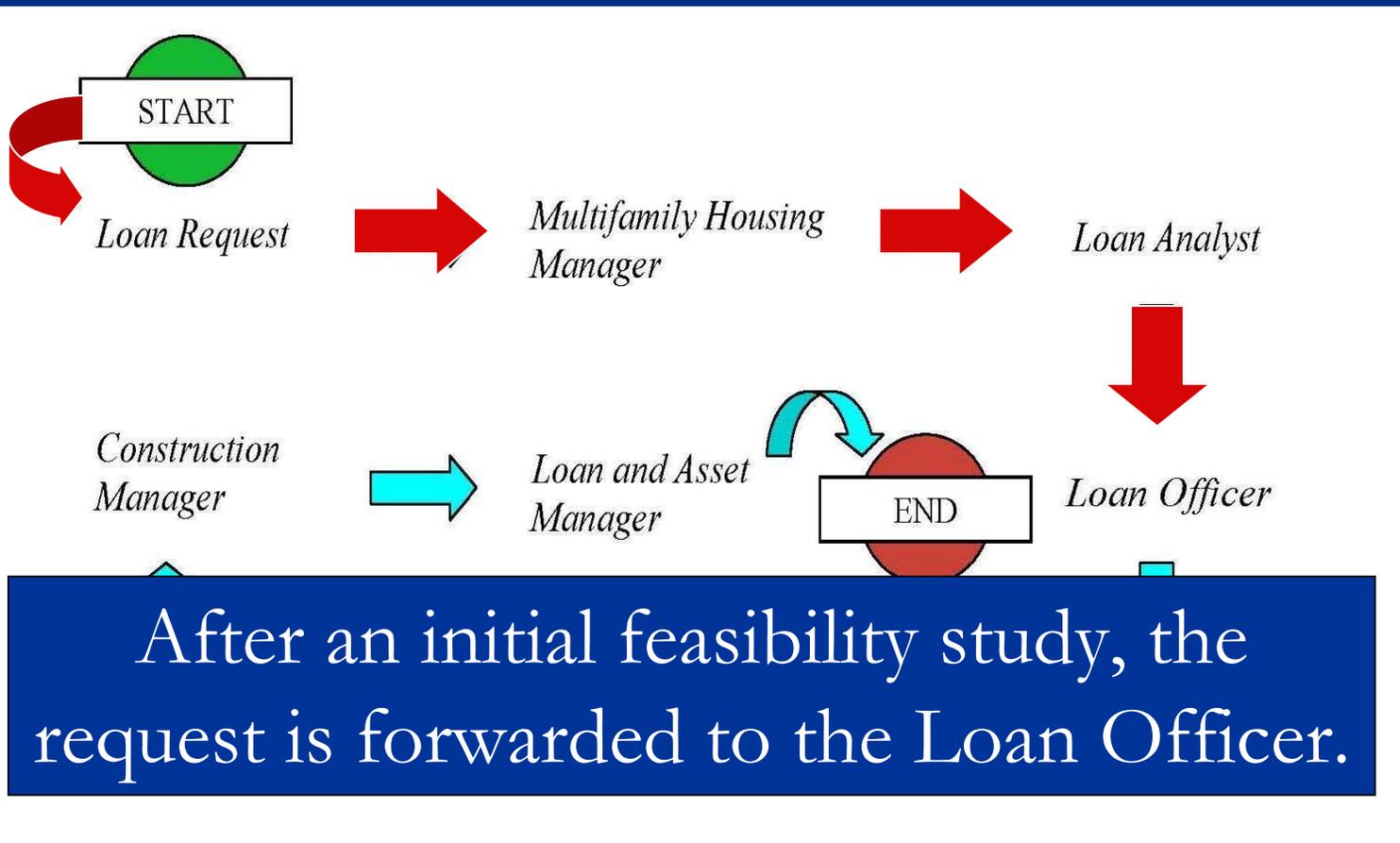
# Loan Process – Step 2



# Multifamily Loan Analyst

- Performs in-depth analysis of development proformas, budgets, sources and uses statements and other financial data
- Provides research on land use, zoning, neighborhood context and other community planning issues
- Serves as a Loan Officer for deals of moderate complexity
- Assists Senior Loan Officer in deals of higher complexity

# Loan Process – Step 3



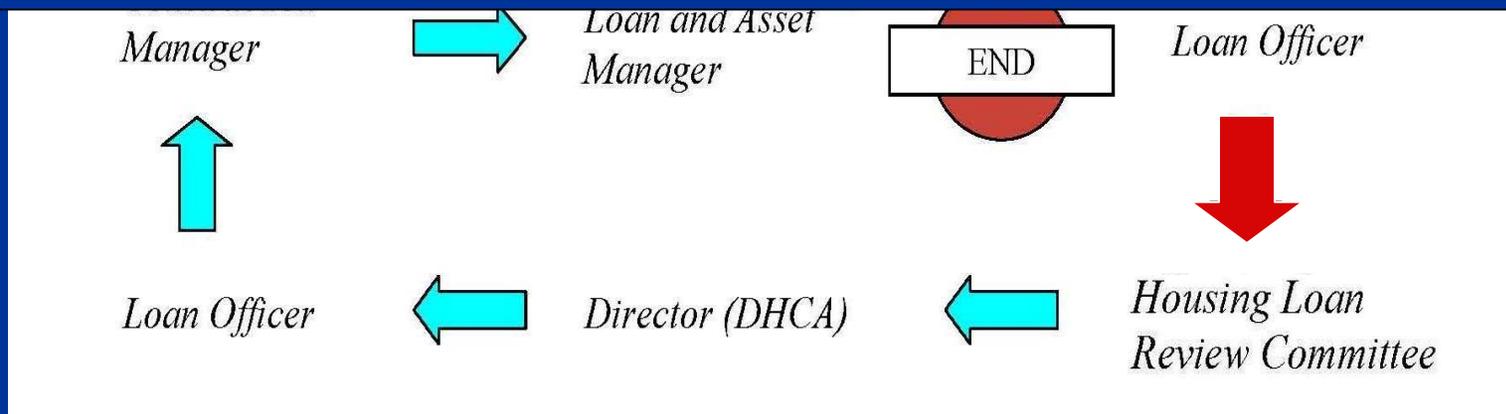
# Senior Loan Officer

- Originates and underwrites acquisition, predevelopment, construction and permanent loans for the development or preservation of affordable housing
- Prepares recommendations and presents them to the Housing Loan Review Committee

# Loan Process – Step 4



The Loan Officer analyzes the proposal's feasibility and makes a recommendation to the HLRC.



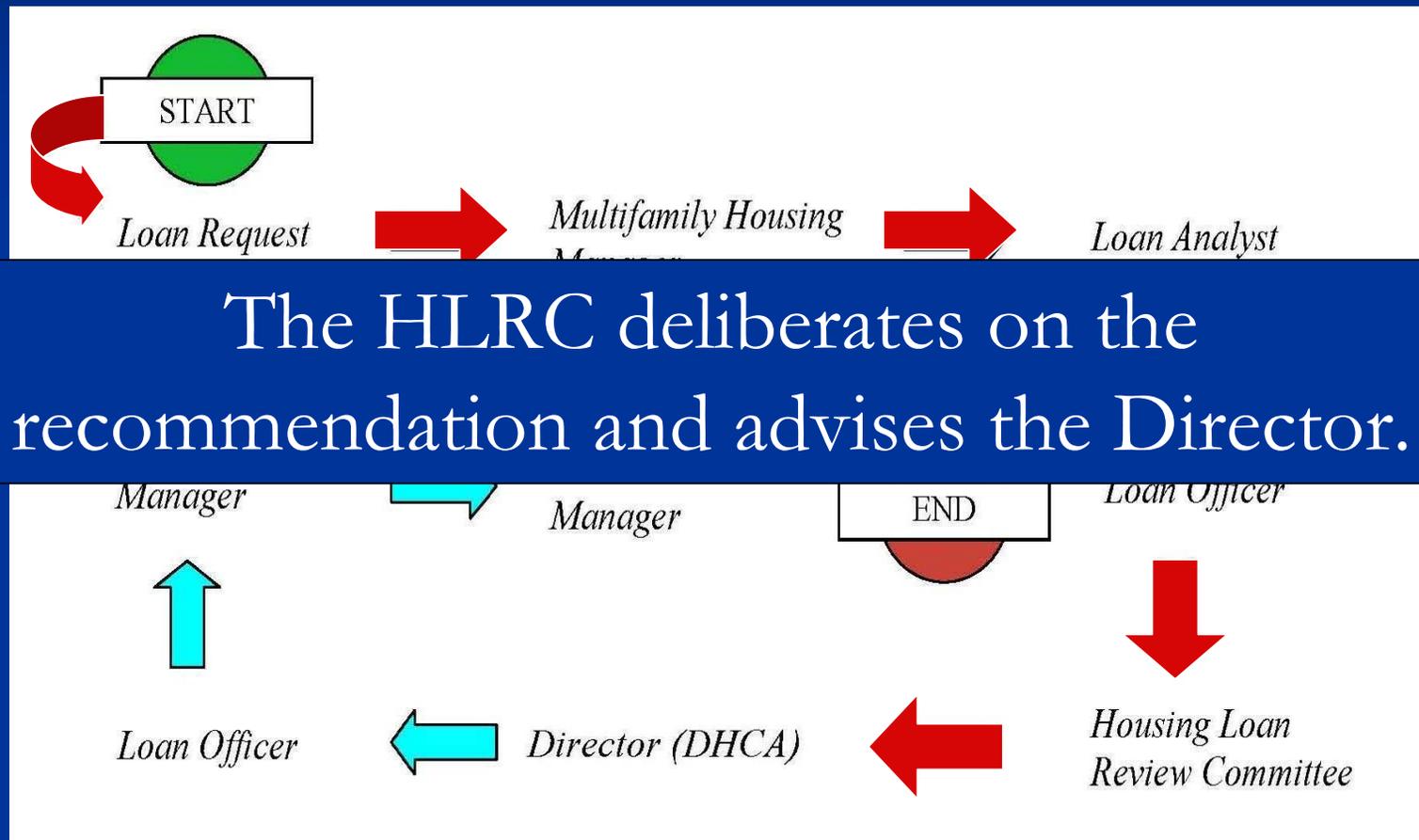
# Housing Loan Review Committee

- Comprised of a diverse group of knowledgeable county residents and staff who have been designated by the Director of DHCA to review funding proposals for multifamily housing developments
- The committee attends regularly monthly meetings but may meet more frequently if there are proposals ready for review
- Makes recommendations to the Director regarding the allocation of funds and conditions for funding for the proposals
- Committed to providing affordable housing to low-and moderate-income persons, including those with special needs
- The HLRC has developed threshold criteria and funding guidelines for all housing proposals

# Selection Threshold

- Compliance with the funding program's mission statement
- Public purpose
- Neighborhood needs assessment
- Financial feasibility and financial need
- Leveraging
- Cost reasonableness
- Total county request
- Project design
- Physical assessment (of any existing structures to be rehabilitated)
- Market feasibility
- Readiness to go
- Community support
- Availability of support services (if applicable)
- Development team capacity
- Land use and zoning.

# Loan Process – Step 5



# Director (DHCA)

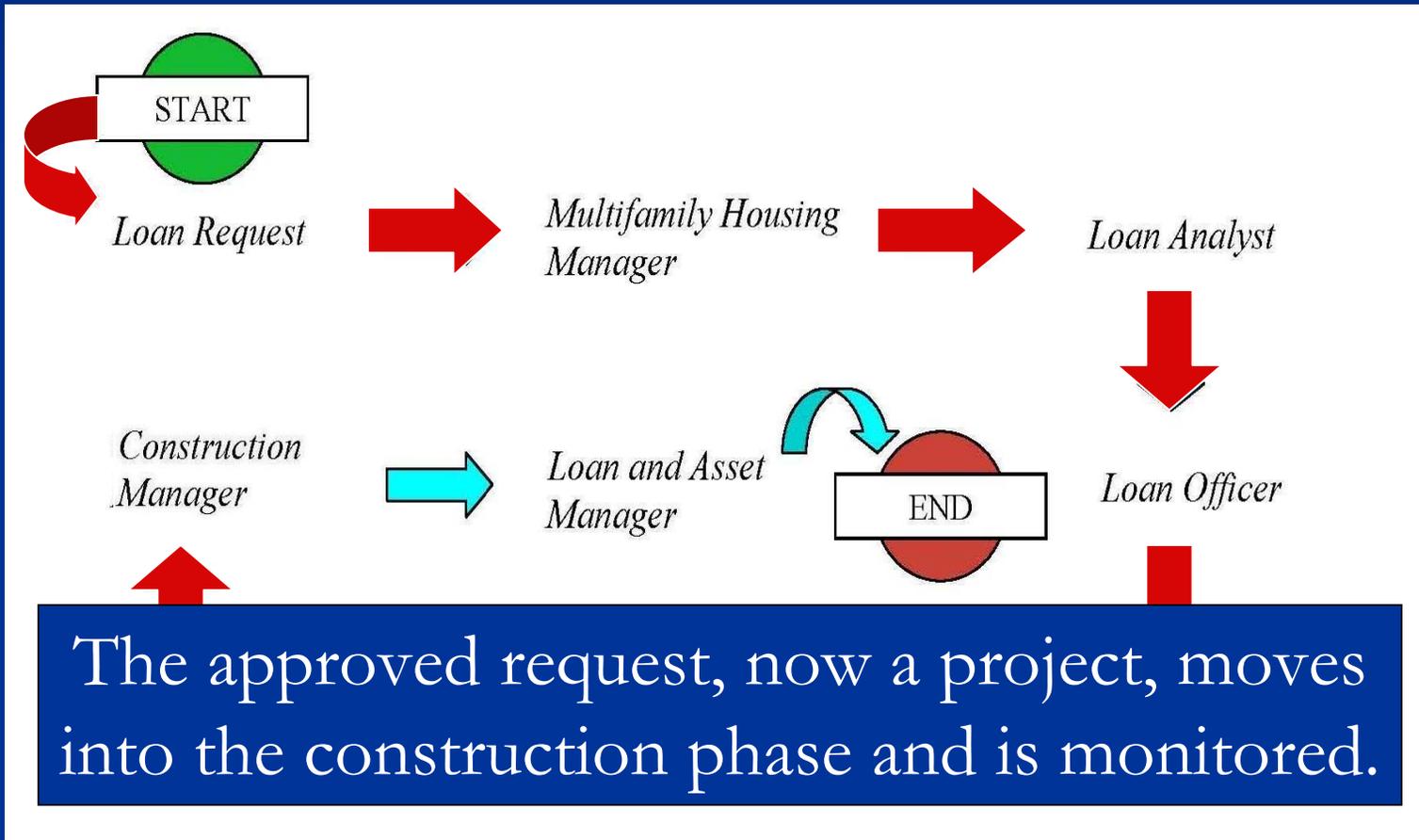
- Oversees the day to day operations and long-term goals of the Department, sets policy to fulfill objectives
- In terms of the loan process, the Director:
  - Decides which proposals are funded
  - Determines conditions and terms based on the needs of the project



# Loan Officer (cont')

- Oversees development of affordable housing projects under construction
- Provides technical assistance to organizations developing rental projects for low-income families and individuals with special needs
- Coordinates with the Department of Health and Human Services on development and operation of housing for special needs populations

# Loan Process – Step 7

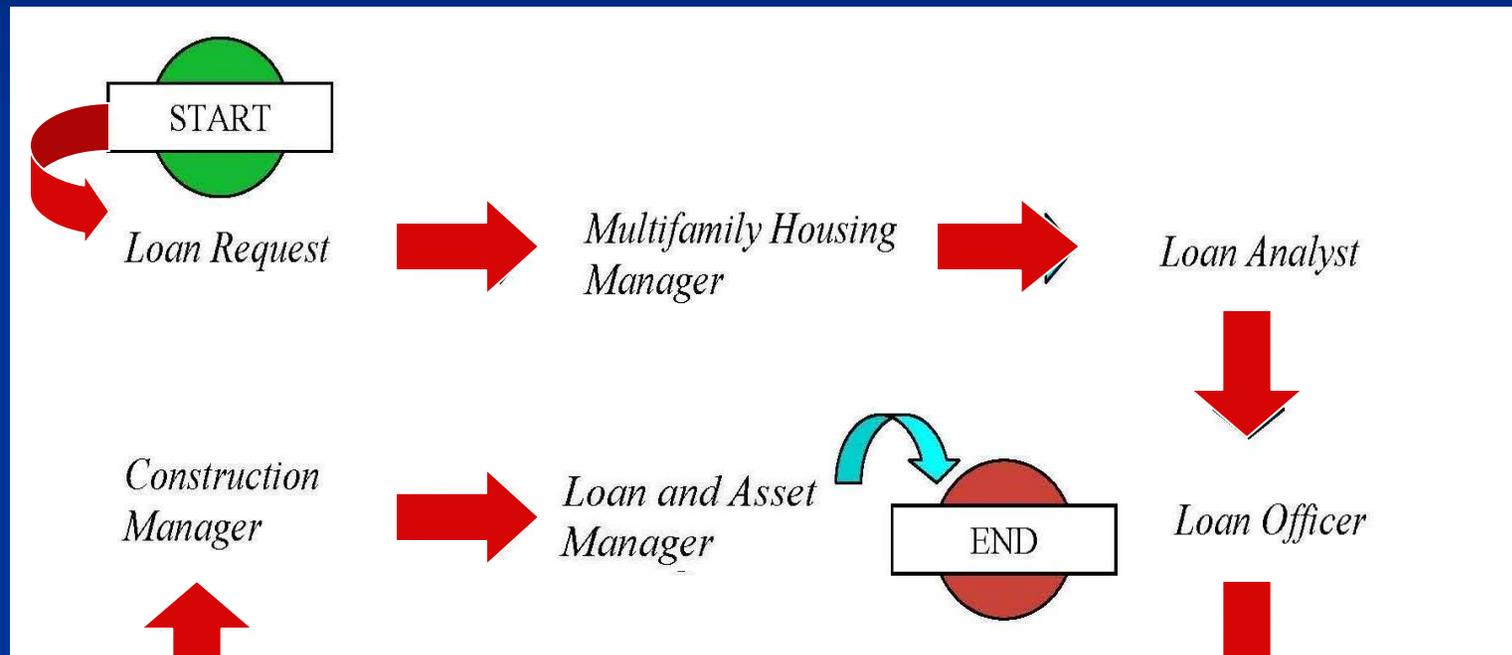


# Project Construction Manager

- Plans, directs, and coordinates a wide variety of construction projects on behalf of the County, property owners and board members
- Provides technical construction services from the preliminary and design stage, along with coordinates and supervises the construction process from the conceptual development stage through final construction, making sure that the project gets done on time and within budget



# Loan Process – Step 8

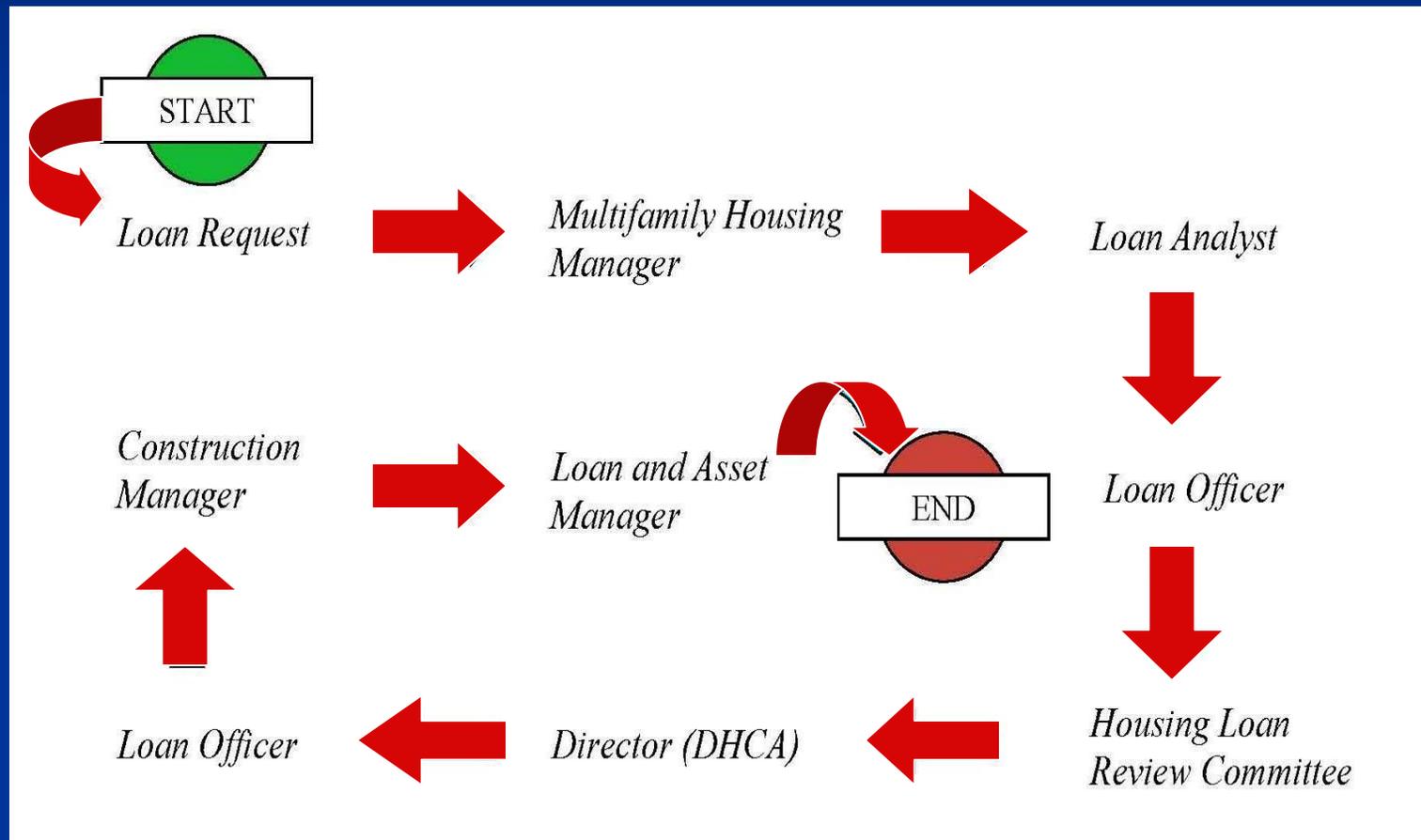


The completed project is monitored for affordability and viability throughout the life of the loan.

# Loan and Asset Manager

- Formulates policy for and administers post-construction programs to determine affordability compliance and financial viability for the Multifamily Section portfolio consisting of over 8500 units in approximately 125 properties
- Conducts complex property management studies; analyzes annual reports, budgets and other financial statements; determines risks; creates solutions to resolve deficiencies/findings
- Develops and implements loan servicing operating procedures for a portfolio worth in excess of \$700 million
- Develops methods for loan modification; negotiates loan subordinations; coordinates with legal council

# Loan Process Completed



# Unsung Heroes

## ■ Office Services Coordinator

- Responsible for making timely payments – approximately \$40MM per annum.
- Maintains payment ledgers, billing logs and other financial records
- Assists the Multifamily Housing Manager with day-to-day activities, scheduling

## ■ Principal Administrative Aide

- Provides filing, phone service and other administrative support
- Coordinates loan confirmations with Finance
- Coordinates recordation of various loan documents with Land Records

# Accomplishments



Photos by: Christy Bowe 2006

# Takoma Tower

- Preservation of HUD Section 202 elderly housing by Victory Housing, Inc., a non-profit – 1<sup>st</sup> in the Country!
- Used bond financing, 9% tax credits, seller take-back financing, County HIF loan
- Preserved 157 project-based units



# New Apartments for the Grammax Building by RST Development



## 182 rental units

- 15% market rate units
- 15% Section 8 units
- Artist loft units and gallery
- Housing Initiative Fund
- MD Community Legacy Funding
- Bond financing
- \$4 million public investment
- Demolition loan
- Façade easement (CDBG)

\$35 million deal

Existing building had been vacant for over 15 years



# The Award Winning Seneca Heights



- Reconstruction of an old Econo Lodge motel
- Unit Breakdown
  - 57 units, 11 HOME
  - 40 for single adults
  - 17 (2 – 3 BR) for transitional use
- Funding
  - HOME ~ \$1M
  - HIF - \$4M
  - State - \$4M

Photos by: Christy Bowe 2006

he Multifamily Housing Section

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# Barrington Apartments



- 416 units in former Limited Equity Co-op (formerly known as Rosemary Village)
- 6000 code violations corrected through comprehensive renovation
- Tax credits and tax exempt bonds
- 30% Project Based Section 8
  - Preserved because of County strategy

# Barrington Apartments – Before and After



The Barrington Before and After Building



The Barrington Before and After Kitchen



# What's Next?

- Requiring “Green” Building Practices
  - <http://www.usgbc.org/>
  - <http://www.epa.gov/greenbuilding/>
  - <http://www.greencommunitiesonline.org>
  - [http://www.nhtinc.org/NHTCDF/NHTCDF Green Preservation Lending Initiative.pdf](http://www.nhtinc.org/NHTCDF/NHTCDF_Green_Preservation_Lending_Initiative.pdf)
  
- Developing Workforce Housing
  - MD (DHCD) Program: <http://www.morehouse4less.com/>
  - HLRC Approves “King Farm Village Center” project (11/5/07)
  
- Re-Assessing Inclusionary Zoning Policies