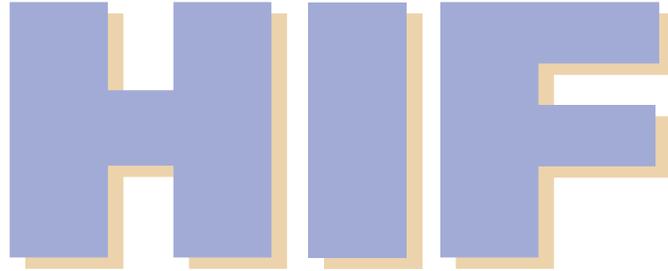


FY 05 REPORT



MONTGOMERY COUNTY'S HOUSING INITIATIVE FUND

A Permanent Source of Funding
for Affordable Housing
and Neighborhoods





OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Douglas M. Duncan
County Executive

Fellow Montgomery County Residents:

I am very pleased to provide you with a report on the use of the FY05 Housing Initiative Fund allocation of \$17 million. This fund is a critical tool for providing safe, decent, and affordable housing for thousands of residents of Montgomery County. The solid economic health of the county and the region, while positive in many ways, has created growth pressures that are difficult to balance. The Washington Metropolitan Area has one of the strongest economies in the nation, and many people come here because of available jobs, excellent schools and public services, and an outstanding quality of life. Employers are attracted by the highly educated workforce in the region.

Because of our success, housing is becoming increasingly unaffordable to many in our region and county. Affordable housing is a prerequisite to a stable life, a base from which people can pursue their occupation and raise their families. It is especially important that we provide more affordable housing for those who are in the later stages of life or who have special needs.

The Housing Initiative Fund provides a mechanism to better help us meet the affordable housing needs of Montgomery County.

Three years ago, we established a dedicated funding source for our affordable housing fund, the Housing Initiative Fund. The County places these funds in properties and with organizations that serve households in all areas of the county, from Bethesda and Silver Spring in the down-county area to Gaithersburg, Germantown, and areas in between.

In FY05 we continued our commitment to affordable housing appropriate for seniors in four separate locations. We have worked with the private owners of five properties to maintain Federal subsidies at these facilities so that our goal of mixed income communities can be maintained and units are not lost from our inventory of affordable housing. We have committed funds to five organizations providing both housing and services to special needs populations with over 150 units in all parts of the county. In addition, we have invested in numerous other properties which were old and in need of major rehabilitation to bring them up to good condition and to keep the rents at low to moderate levels. We also provided funding for community life programs for both children and adults to assist them in learning, achieving their goals and caring for their families.

These County funds have greatly benefited our communities and those in need in the county. I am pleased that other jurisdictions in the region are also making a commitment to permanently funded housing trust funds, including Fairfax County and the District of Columbia. More local governments need to make this commitment, and I am pleased that Montgomery County continues to be a leader in the mission of providing affordable housing for our residents.

Sincerely,

Douglas M. Duncan
County Executive



What is the Housing Initiative Fund?

The Housing Initiative Fund (HIF) is a locally funded housing trust fund that receives revenue from a variety of sources including loan repayments and a dedicated payment of 2.5 percent of the County's Property Tax revenue. Since its inception in 1988, the HIF has been administered by the County's Department of Housing and Community Affairs (DHCA). In Fiscal Year 2005 (FY05), almost \$17 million in funding was available.

HIF funding is available throughout the year and can be used for predevelopment, bridge, acquisition, and permanent financing. Funding can be in the form of low-interest or no-interest loans, forgivable grants, or operating subsidies. To remain as flexible and responsive as possible, individual requests for funding are reviewed throughout the year by a Housing Loan Review Committee that makes recommendations to the Director of DCHA, who has final decision authority. HIF funding can and has been used to: fund new construction; preserve existing homes; support new rental construction; finance substantial rehabilitation of rental housing; support the preservation or development of senior, family or special needs housing; and support the preservation or development of single-family, townhouse and apartment buildings. This flexibility has enabled the county to develop a continuum of housing options. The certainty provided by a dedicated source of funding allows the county and its development partners to plan for the future.



Population and Economic Growth Lead to Higher Housing Costs

Current demographic information indicates that Montgomery County is a community with a robust economy and a growing population. In 2003, the county was home to 918,000 residents, a 5.2 percent increase in population since 2000. At this rate of growth, the county will reach the one million mark before 2010. Montgomery County's elected officials and residents are known for celebrating and welcoming the diversity of our population. The county became home to 63,000 foreign-born immigrants during the 1990s—almost half of all foreign immigration in Maryland. These new residents came from 186 different countries, with no more than eight percent coming from any single country. These new voices and perspectives create dynamic economic and social opportunities as well as linguistic and social service challenges. Racial and ethnic diversity is especially evident in the southeastern part of the county, where the minority share of the population rose from 38 percent in 1990 to 55 percent in 2000.

Employment opportunities in the county are also diverse, and the overall number of jobs continues to grow. Montgomery County's 30,750 businesses employ more than 371,000 workers in areas including information technology, telecommunications, biotechnology, software development, aerospace engineering, and various professional services. More than 200 biotech companies—many of which are industry leaders, such as Human Genome Sciences and MedImmune—are located in Montgomery County. The county is also home to 19 Federal agencies, including the National Institutes of Health, the National Institute of Standards and Technology, and the Food and Drug Administration. Other leading private corporations that call Montgomery County home include Discovery Communications, GE Global eXchange Services, Hughes Network Systems, IBM, Lockheed Martin, and Marriott International.

Economic growth has contributed to rapidly rising rents and home prices in Montgomery County and throughout the region. Rents in the county increased by 32 percent between 1999 and 2004. Average rents rose from \$871 to \$1,154. Home assessments in Montgomery County rose an average of nearly 70 percent in the past three years. In Montgomery County, the median price of a

single-family house or townhouse rose from \$199,900 in 1999 to \$392,000 in 2004, according to statistics compiled by the Greater Capital Area Association of Realtors and Metropolitan Regional Information Systems, Inc.

While existing homeowners have the opportunity to cash in on rapid home appreciation, the rising costs of homeownership is pricing many people out of the market. High housing costs make the Housing Initiative Fund especially critical because its primary purpose is to create and preserve affordable homes throughout the county.



Additional Housing Options for the County's Growing Senior Population

Montgomery County's senior population continues to grow. Demographers predict a 74 percent increase in the number of county residents aged 60 and older between 2000 and 2020, with almost half of this growth occurring in the 85 and older category. The varied housing desires and challenges of this growing population require a similarly varied response from the County. Providing choices in senior housing types, cost, and locations is important because numerous studies have documented that when seniors can no longer live independently, they prefer to stay close to the neighborhood they know best.

Senior housing was a major focus of FY05 HIF funding. More than half of FY05 HIF funding — \$9,231,300—was used to support the preservation of existing senior housing or the creation of new housing opportunities. HIF money has been awarded to nonprofit and for profit senior housing developers to assist in the preservation and development of independent living facilities—where some basic services are provided in the building but residents essentially live independently—and assisted living communities, which provide more intensive non-health care related services but still allow residents to maintain separate, private apartments. Other County funding sources provide grants or loans to residents who want to stay in their homes but need physical adaptations, such as ramps or guard rails, to do so. Property tax relief is also provided to seniors who cannot afford to pay higher property taxes on their rapidly appreciating homes.



Residents from Charter House enjoy a boat ride on Lake Needwood.



Grace House

A low-interest HIF loan (\$1.6 million during the current fiscal year) is part of the financing equation that will enable the Grace House Assisted Living Community to provide 32 new apartments in the Norbeck area. Grace House is right next to Hampshire Village, a 110-unit independent living facility that received HIF funding in previous years, and is immediately north of Leisure World. Leisure World is home to more than 6,000 seniors, many of whom will eventually need assisted living services.

Grace House will house seniors who are no longer able to live on their own but do not need nursing home care. Occupancy of 23 of the 30 resident units will be restricted to low- and moderate-income seniors. Rental rates for these residents will be set on a sliding scale. The remaining units will be available at market rates. Residents of Grace House will receive assistance as needed with activities such as bathing, dressing, and grooming, as well as medication reminders. Weekly housekeeping and laundry services are also provided. Emergency assistance is available around the clock. Residents will enjoy home-cooked food prepared on the premises and served in the common dining room on the first floor. Other common spaces have been designed to accommodate a variety of resident activities, including musical performances, games, crafts, and exercise classes. Visits from neighbors, friends, and family will be encouraged. Volunteers from local churches will also visit and plan activities for residents.



Charter House

The world has changed dramatically during the lifetimes of the residents of the 212-unit downtown Silver Spring Charter House. Residents shared their memories with each other and with a Silver Spring newspaper reporter in May 2005 in recognition of Older American Week. Some of them recalled a time when two people were needed to start a car: one to turn the crank out front and one to press the accelerator. Residents also reminisced about living in homes without running water, without televisions, and without microwaves.

Many of the changes in their lives have been welcome, but a recent one stands out. In 2004 HIF funding helped residents avoid having to move. Developers had proposed converting the building to luxury non-senior housing, but \$10 million in HIF funding over several years, including almost seven million in FY05, was used to leverage significant private financing from Bank of America and allowed the nonprofit organization, Homes For America, to purchase the building and complete major renovations.

Renovations include replacing old elevators and renovating common areas. Homes for America has implemented a comprehensive resident services program that includes: a Mad Hatter tea, happy hours, trips to local attractions such as Lake Needwood, monthly birthday parties, exercise and crocheting classes, blood pressure screenings, and a gardening club.



Willow Manor

Independent seniors have additional housing choices in Silver Spring thanks to the development of more than 200 apartments by J. Kirby Development, LLC.. Willow Manor at Colesville opened its doors in November 2004. Now almost completely occupied, the property offers one and two bedroom units in a residential neighborhood that is close to shopping, entertainment, and restaurants. Resident amenities include bus service for both out of town and local trips. Capitalizing on Willow Manor's initial success and with additional HIF funding, J. Kirby Development recently completed construction of another 102 units called Willow Manor at Cloppers Mill. Leasing of these units began in September 2005.

Jamie Campbell, a retired State Department employee, calls it a "blessing to live in a community like this." The most important thing to her is that she feels safe. She also enjoys the convenience of Willow Manor's location—close to shopping and public transportation. She has participated in a number of resident events such as recent line dancing and the breakfasts organized by the resident manager to let people know about upcoming events and other property news. She noted that her sister had better hurry up and secure a unit because they are going fast. She added that living at Willow Manor is "just marvelous".

Acquisition and Renovation of At-Risk Housing

Rosemary Village, now called **Barrington Apartments**, was built in 1953. The 415-unit property, just off East-West Highway near the Silver Spring Metro, consists of one, two and three bedroom apartments.

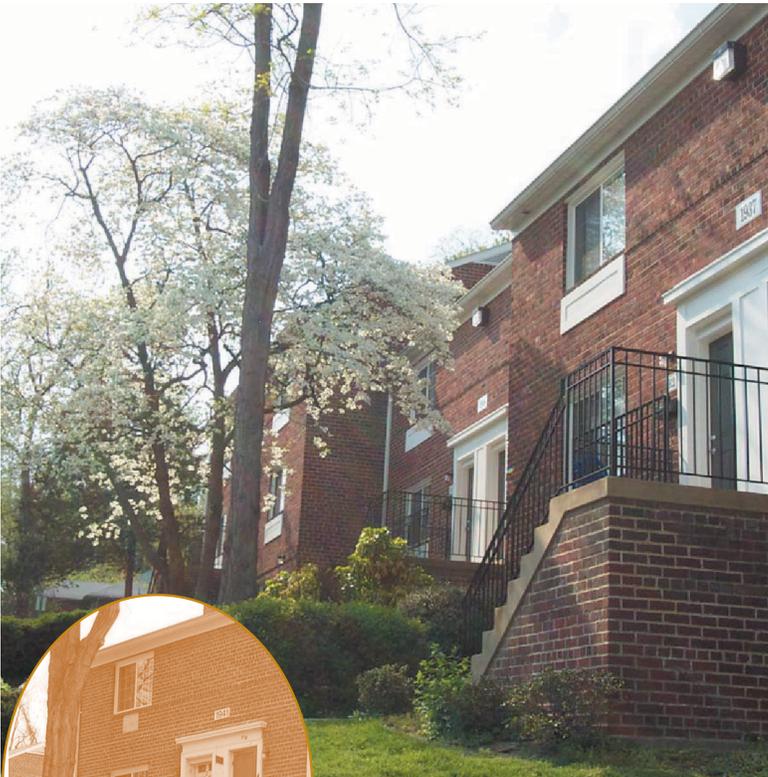
Until 2003, Rosemary Village was a limited equity cooperative, a corporation where residents share ownership of a building in return for having limits placed on resale prices. Like market-rate cooperatives, limited equity cooperatives are governed by a board made up of resident owners. The Board of

Rosemary Village invited County housing staff to visit the property and provide advice on the best way to repair potholes and broken windows. After visiting the site, County staff became aware of much more pressing code violations including leaky roofs and faulty electrical systems, some of which threatened the health and welfare of the residents.

The County worked with residents on strategies for addressing the property's physical needs while maintaining its affordability and avoiding displacement of current residents. County staff members attended dozens of resident meetings, and the County paid for engineering studies, capital needs assessments, resident training, and consultants to assist residents in the difficult task of determining the proper course for the property. As the physical condition of the property continued to deteriorate and the Board of Directors missed a number of key deadlines, the County became increasingly concerned about the residents' safety and the future of the property. Further escalating the already serious situation was the threat of foreclosure from the State of Maryland because of the severe deterioration of the property.

Throughout this complicated and often emotionally-charged process, the County's goals for the property and residents of Rosemary Village remained constant:

1. Eliminate code violations;
2. Preserve existing Federal rental housing subsidies;
3. Preserve the affordability of the overwhelming majority of the units; and,
4. Ensure that the property is well-managed.



Before and after

Once the Board recognized the scope of the rehabilitation that the property required, residents had to sort through a complex and confusing set of options for raising the necessary financing, including but not limited to: converting the property to condominiums, converting the property to a market-rate cooperative, selling the property to a developer, and creating a part rental, part ownership property. Residents decided that they wanted to pursue the option of selling the property to a developer, and solicited proposals. In 2004, after having reviewed offers from a number of developers, the residents voted to sell the property to Fairfield Realty, LLC. Fairfield develops affordable rental properties throughout the country and has actively pursued acquisition of properties in the mid-Atlantic region.

More than three million in FY05 HIF funding helped ensure that existing residents were not displaced and helped the county successfully obtain certain conditions from the developer; these conditions included the maintenance of 146 Federal rental subsidies for low-income households and the hiring of a community outreach specialist to provide training and individual counselors to residents trying to determine the best available housing option for them.



Blair Park

Renovations are now complete on the 52 apartments that make up Blair Park Apartments. Purchased by the nonprofit Montgomery Housing Partnership (MHP), the apartments have been rehabilitated using bond financing, Federal Low Income Housing Tax Credits, and one million from the HIF. The extensive renovations to the 65-year-old buildings, which included creation of a community center and new roofs, kitchens, bathrooms, and electrical systems, were complicated by the desire to allow residents to stay at the property during renovations. MHP renovated between six and nine units at a time, and residents of apartments under renovation temporarily relocated to vacant units at the property, allowing their daily routines to remain largely unchanged. Residents were involved in determining the scope of the renovations as well as the development of programs for the community space.

For Jean Bradford, a 22-year resident of Rosemary Village, Fairfield's acquisition of the property represents both a happy ending and a new beginning. When she first came to Rosemary Village, Ms. Bradford was thrilled to move into a two-bedroom apartment for just \$387 a month. For five years she said the buildings were well-maintained; however, in the late 1980s, she noticed a marked decline in the condition of the property.

After Fairfield purchased Rosemary Village, Ms. Bradford, who is 66 years old, considered moving to Hampshire Village, a senior property that has also received HIF funding. She decided to stay at the newly-renamed Barrington Apartments because she is still healthy and can walk to the ever-growing number of attractions in downtown Silver Spring. She enjoys the improved management of the property under Fairfield's ownership. She has noticed that loitering on the property has declined, there is a better sense of security, it is quieter, and the maintenance staff is more visible and engaged. There are many new amenities including an after-school program, a swimming pool, and a club house. For now, Ms. Bradford plans on staying at The Barrington Apartments but knows that Hampshire Village is an option for the future.

The homeless and mentally ill, like so many special populations in the county, need a variety of housing options combined with case management services to enable them to live as independently as possible. A single point in time census of the county's 2005 homeless population estimated there were 1,068 homeless individuals, 301 of them children. Because families and individuals often cycle in and out of homelessness, this figure may rise to as high as 4,500 during the year. Montgomery County's Department of Housing and Community Affairs, Department of Health and Human Services, and non-profit service providers have joined together to create and fund a continuum of services that recognizes the distinct housing and service needs of the variety of people who make up the homeless population.

Partnership for Permanent Housing

Collaboration between and among sectors and agencies has been critical to Montgomery County's success in developing innovative and effective homeless programs such as the Partnership for Permanent Housing. In this program, the Housing Opportunities Commission awarded rental Housing Choice Vouchers to the nonprofit Montgomery County Coalition for the Homeless (Coalition). Families can use the vouchers to move out of motels or emergency shelters and into permanent housing. The program's goal is to end homelessness for families by combining the case management component of transitional programs with quicker access to permanent housing. Since its inception in May 2003, 52 families with a total of 140 children have participated in the program. Approximately two-thirds of the

parents are working, while nine heads of households are in college or vocational training programs. The Coalition provides after-school and camp programs for children and received a grant to pay for 15

children to attend summer camp. In addition, the Coalition has initiated a step down case management program for families who no longer need regular in-home case management. This program includes four home visits a year along with quarterly newsletters, phone calls, and birthday cards; it is designed to maintain contact with and, to provide continuing resources to families. The HIF plays an important role in this program. It mitigates real and potential landlord-tenant difficulties, including late payments of rental subsidies by the Federal Department of Housing and Urban Development, and the perceived risk of high levels of tenant damage to the apartments.





Before and after



Seneca Heights

In May 2005, the Seneca Heights tenant council hosted a one-year anniversary celebration at this innovative, permanent supportive housing development in Gaithersburg. Seneca Heights provides 17 units of transitional housing for formerly homeless families and 40 units of permanent supportive housing for formerly homeless individuals. Residents of both programs share recreational facilities and benefit from front desk and security staff 24 hours a day, seven days a week. The majority of HIF support was provided in past fiscal years to pay for the acquisition and renovation of this former Econo Lodge; however, \$190,000 in FY05 funding helped support start-up staff and other expenses.

Seneca Heights is the result of a unique partnership among Montgomery County, the City of Gaithersburg, the Housing Opportunities Commission, and the non profit Montgomery County Coalition for the Homeless. The Montgomery County Department of Housing and Community Affairs directed the development team and provided funds for the development. The County Department of Health and Human Services helped identify the target population, design the buildings and social services, and funded a portion of the operating expenses. The City of Gaithersburg assisted with site approval, zoning, and public outreach. The Housing Opportunities Commission served as development consultant, and the Montgomery County Coalition for the Homeless serves as the project's operator and is in charge of on-site services and case management. While each component of the partnership is critical, it is the array of services and cooperative effort that has helped to create such a unique, dynamic, and responsive community. Services include on-site voter registration, youth and adult martial arts classes taught by a resident, GED classes, after-school tutoring, game nights, and a resident council with by-laws, officers, and a bank account.

Residents of Seneca Heights are thriving. Academic and behavioral improvements have been noted on report cards. Seven residents are receiving income for work related to maintenance or services at Seneca Heights. Many families have moved from Seneca Heights to permanent housing. Thirty-seven formerly homeless individuals are living in and maintaining their own apartments. The success of Seneca Heights has not gone unnoticed. The Department of Housing and Urban Development recently recognized Seneca Heights with the first national HOME Doorknocker Award for its outstanding work in providing affordable housing to low income and underserved people. The project has also received the Governor's Commitment to Excellence Award for Special Needs Housing and an award from the National Association of Local Housing Finance Agencies.

The flexibility of the Housing Initiative Fund allows it to not only create service-enriched housing but also to fund initiatives that build the human infrastructure of distressed neighborhoods or provide otherwise inaccessible services at affordable housing developments. In FY 05 HIF funding supported the targeted neighborhood, community revitalization, resident services, and educational activities of three nonprofits: Montgomery Housing Partnership, CASA de Maryland, and the Community Preservation and Development Corporation.

Community Centers Breathe Life into Housing Developments

Montgomery Housing Partnership, a nonprofit housing developer that acquires, renovates, and manages affordable rental housing and works to revitalize distressed communities, used \$90,000 of HIF funding in FY05 to support homework clubs, pre-school programs, summer camps, health fairs, teen talks, and computer classes at six separate developments in Wheaton, Long Branch, Takoma Park, Silver Spring, and Colesville. Three of these community centers have become fully operational in the past year. An independent assessment of homework club participants found that reading levels increased by an average of 1.65 grade levels during the academic year. Residents of MHP properties who do not have community centers are allowed to participate in the community life programs at other MHP properties.

Residents enthusiastically participate in the community life programs. At Amherst Square Apartments in Wheaton, 21 children participated in the summer enrichment program. This program combines such enjoyable activities as field trips and swimming with educational activities that are taught by teachers through the Commonwealth Foundation. The pre-school program across the street at Pembridge Square provides a safe and supportive environment for younger children to prepare for school and have fun. Similar programs are also offered at Greenwood Terrace, Edinburgh House, and Great Hope Homes.



Knowledgeable Residents Help Improve Communities

CASA de Maryland's mission is to improve the quality of life and social and economic well-being of the Latino community in Maryland. Founded in 1985, CASA initially focused on employment and immigration issues. HIF funding has allowed CASA to add housing counseling, information and referral, and organizing to its list of services. In FY 05, CASA provided bilingual financial literacy classes for men and women, as well as workshops on homeownership and pedestrian safety. CASA also provided targeted services to the residents of six apartment buildings in Long Branch. Residents worked with CASA staff to identify the most pressing problems in each building. Then, in partnership with management, CASA effectively addressed issues such as rat infestation, crime, and the poor condition of parking areas. Residents also participated in a series of neighborhood clean-up events.



HOC Residents Benefit from Innovative Program

FY05 HIF funding supported the Community Preservation and Development Corporation's technology-based resident program at Stewartown Homes, which includes 94 subsidized apartments owned by the Housing Opportunities Commission. With technology driving so much of today's economy and serving as a gateway to many County and other services, the program helps children and adult residents use technology to improve and empower their lives. Last year's flight-themed summer camp not only provided field trips to NASA's Goddard Space Center and the National Air and Space Museum, it also included information about the significant role of women and African-Americans in flight.

Program Coordinator Christopher Goett has helped facilitate other types of community empowerment activities. He convened a meeting of Stewartown parents and the principal of the local middle school to discuss the proposed suspension of bus service to the school. Approximately 40 parents showed up and passionately described the pedestrian hazards that lie between Stewartown and the school. This meeting not only resulted in resumed bus service but an ongoing dialogue between Stewartown parents, teachers, and the principal. Montgomery County Public Schools staff has attended at least three additional meetings at Stewartown to discuss academic testing and parental concerns.



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Appendix

Elderly

Property	Units	Neighborhood	HIF '05 Funding	Purpose
Charter House	212	Silver Spring	\$6,931,300	Avoid displacement of residents of high rise senior apartments
Willow Manor at Cloppers Mill Manor	102	Germantown	\$1,800,000	Construction of independent living facility
Grace House	30	Silver Spring	\$1,600,000	Construction of assisted living facility
Hampshire Village Rental Subsidy	110	Silver Spring	\$400,000	Funds to subsidize rents of very low-income elderly residents

Preserving Federal Subsidies at Privately Owned Buildings

Property	Units	Neighborhood	HIF '05 Funding	Purpose
Cinnamon Run	336	Silver Spring		Private owners continued participation in Federal housing program
Montgomery Club	109	Silver Spring		Private owners continued participation in Federal housing program
Montgomery Paint Branch	243	Silver Spring		Private owners continued participation in Federal housing program Montgomery
White Oak	272	Silver Spring		Private owners continued participation in Federal housing program
Snowden's Ridge	87	Silver Spring		Private owners continued participation in Federal housing program

Appendix

Special Needs Housing

Property	Units	Neighborhood	HIF '05 Funding	Purpose
Partnership for Permanent Housing	50	Scattered site	\$40,000	Reserves to financially protect landlords who make units available to formerly homeless households
Community Ministries of Montgomery County		Scattered site	\$50,000	Ease property management issues caused by merger of two organizations
Greentree Shelter Rehab	20	Bethesda	\$600,000	Completion of rehabilitation of a family shelter
Seneca Heights	57	Gaithersburg	\$190,000	Administrative start up funds for transitional and permanent housing with intensive case management
Hughes Neighborhood Housing	18	Wheaton	\$50,000	Emergency repair to special needs housing

Helping First Time Homebuyers

Property	Units	Neighborhood	HIF '05 Funding	Purpose
HOC Closing Cost Assistance Program		Scattered	\$300,000	Funds to write down closing costs for first-time homebuyers

Appendix

Acquisition and Renovation of Threatened Affordable Apartment Buildings

Property	Units	Neighborhood	HIF '05 Funding	Purpose
Barrington Apartments	416	Silver Spring	\$3,125,875	Acquisition and rehabilitation loan to purchase former limited equity cooperative
Blair Park Apartments	52	Silver Spring	\$1,022,000	Acquisition by nonprofit of old deteriorated apartment building
Great Hope Homes Community Center	104	Colesville	\$430,000	Construction of community center at Federally subsidized family property
8206-8210 Roanoke Avenue	39	Long Branch	\$4,900	Renovation of small privately-owned apartment building
7911 Garland Avenue	3	Takoma Park	\$13,900	Renovation of small privately-owned apartment building
8515 Greenwood Avenue	37	Long Branch	\$10,000	Renovation of small privately-owned apartment building
Sierra Woods Apartments	22	Takoma Park	\$8,500	Renovation of small privately-owned apartment building

Building Neighborhoods to Call Home

Organization	Neighborhood	HIF '05 Funding	Purpose
CASA de Maryland	Long Branch	\$300,000	Tenant education and counseling
HOC Preservation Staff	Scattered	\$400,000	Staff to provide resident services at five subsidized properties
Montgomery Housing Partnership Community Life Programs	Scattered	\$500,000	Homework clubs, summer camps, health fairs, computer classes, holiday parties
Community Preservation and Development Corporation	Gaithersburg	\$190,000	Funding for computer center and delivery of children and adult education program at building owned by HOC





Montgomery County, Maryland
Housing Initiative Fund