

PHED COMMITTEE #1
March 6, 2014

WORKSESSION

MEMORANDUM

March 5, 2014

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst 

SUBJECT: **Worksession** – FY15-20 Recommended Capital Improvements Program
Housing Opportunities Commission (HOC)

Those expected for this worksession:

Stacy Spann, Executive Director, Housing Opportunities Commission
Gail Willison, Chief Financial Officer, HOC
Kayrine Brown, Director of Mortgage Finance, HOC
Terri Fowler, Budget Officer, HOC
Mary Beck, Office of Management and Budget

At this session, the Committee will first receive a presentation from HOC on their participation in the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD). Following this presentation, the Committee will consider HOC's requests and the Executive's recommendations for funding via the County's Capital Improvements Program. The Executive is recommending full funding of HOC's request.

Rental Assistance Demonstration (RAD)

Last August, Executive Director Spann informed the Council that HOC was submitting feasibility applications to HUD under the RAD (© 2-4). As noted in the letter and in his recent article in the Affordable Housing Conference newsletter (© 1), funding for Public Housing has been reduced for several years and as these buildings age maintenance and renovation expenses continue to grow. Montgomery County has been providing about \$1.2 million annually to help with upkeep of Public Housing. However, because Public Housing Authorities do not have clear ownership of these properties they cannot leverage the financing needed to make major renovations or replace buildings. Under the RAD, HOC will receive project-based housing vouchers equal to the number

of Public Housing units in an approved project, HOC will be given ownership of the building(s) and can then use the asset to leverage funding to improve the development. HUD's Assistant Secretary for Policy Development and Research Raphael Bostic said in HUD's online magazine EDGE:

“Ultimately, the goal of the RAD demonstration is to establish whether such conversions, by removing some uncertainty regarding the availability of future income streams, will attract debt and equity from private sources to address immediate and long-term capital needs. If so, it will represent an important new tool for preserving and improving these properties. Importantly, the RAD solution would also protect their affordability and insure public ownership or control through long-term, renewable contracts and coterminous use-agreements. In this regard, it represents a continuation of HUD's long-standing commitment to tenants.”

Attached as background is the HOC staff packet presented to the Commission at its September 11, 2103 worksession. The memo explains that HOC has 11 multifamily Public Housing communities. Two-thirds of the units are in multi-family buildings. The average age of Public Housing portfolio is 36 years and for the properties that serve elderly residents the average age is 40 years. Circle 10 shows the properties for which HOC has sought RAD approval. Ken Gar, Parkway Woods, Sandy Spring Meadows, Towne Centre Place, and Seneca Ridge (previously called Middlebrook Square) will be stabilized. Arcola Tower and Waverly House will be rehabilitated. Elizabeth House, Emory Grove, Holly Hall, and Washington Square will be demolished and redeveloped.

HOC staff has had a series of meetings with residents of the impacted buildings and has information, such as frequently asked questions, posted on their web site. HOC staff is also working with the Resident Advisory Board. Tenant rents will not change as a part of the conversion and tenants will not be re-screened.

This is a critical and complex capital effort. After this presentation, the PHED Committee may want to discuss how they would like to be informed about its progress.

FY15-20 Capital Improvements Program

The section from the Executive's Recommended CIP is attached at © 13-23. There are four continuing projects that have PDFs:

- HOC Guarantee Bond Projects
- HOC MPDU/Property Acquisition Fund
- HOC Opportunity Housing Development Fund
- Supplemental Funds for Deeply Subsidized HOC Units Improvements (previously for Public Housing Units)

In addition, the project “Capital Needs for 236 Funded Elderly Properties” is on pending close out and no longer has a PDF. “Sprinkler Systems for HOC Elderly Properties” does not have any new funding in the six years and no PDF is included in the CIP. HOC is continuing to complete the sprinklers and fire suppression upgrades that were funded.

Continuing Projects:

1. HOC County Guaranteed Bond Projects

(FY15-20 Recommended PDF © 15)

Both HOC and the Executive are requesting a continuation of the \$50 million authorization limit for the County Guaranteed Bond Project. The PDF says that this project is included in the CIP in order to provide the legal authorization of ultimate County backing of specific projects. The PDF notes that bonds issued under this project are backed by revenues of the developments, by the pledge of subsidy funds if appropriate, and by the full faith and credit of Montgomery County.

HOC County Guaranteed Bond Projects

	TOTAL	Thru FY14	6 Years	FY15	FY16	FY17	FY18	FY19	FY20
FY13 Approved	50,000	50,000	0	0	0	0	0	NA	NA
HOC Request	50,000	50,000	0	0	0	0	0	0	0
CE Recommend	50,000	50,000	0	0	0	0	0	0	0

Council staff recommends approval as requested by HOC and recommended by the County Executive.

2. HOC MPDU/Property Acquisition Fund

(FY15-20 Recommended PDF © 16)

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. Such write-downs from County funds may be made only for projects where 1/3 of the units serve households whose incomes do not exceed 80% of Washington Area Median Income, 1/3 for households with incomes below 80% of County AMI. This fund helps to ensure that HOC has the resources to respond promptly to MPDU acquisition. The PDF notes that outstanding draws as of June 30, 2013 totaled \$3,309,140. Repayments of \$7,277,445 were made in FY13 and repayments of \$337,450 are expected in FY14.

HOC MPDU/Property Acquisition Fund

	TOTAL	Thru FY14	6 Years	FY15	FY16	FY17	FY18	FY19	FY20
FY13 Approved	12,507	12,507	0	0	0	0	0	NA	NA
HOC Request	12,507	12,507	0	0	0	0	0	0	0
CE Recommend	12,507	12,507	0	0	0	0	0	0	0

Council staff recommends approval as requested by HOC and recommended by the County Executive.

3. HOC Opportunity Housing Development Fund
(FY15-20 Recommended PDF © 18)

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. Outstanding draws as of June 30, 2013 totaled \$3,842,545.

HOC Opportunity Housing Development Fund

	TOTAL	Thru FY14	6 Years	FY15	FY16	FY17	FY18	FY19	FY20
FY13 Approved	4,500	4,500	0	0	0	0	0	NA	NA
HOC Request	4,500	4,500	0	0	0	0	0	0	0
CE Recommend	4,500	4,500	0	0	0	0	0	0	0

Council staff recommends approval as requested by HOC and recommended by the County Executive.

4. Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements
(Executive FY15-20 Recommended PDF © 19-20)

5. Supplemental Funds for Public Housing Improvements
(Executive FY15-20 Recommended PDF © 21-22)

This project provides funding for HOC to make ongoing capital improvements to certain units housing low and very low income residents. Prior to this Recommended CIP, it was restricted to Public Housing. As HOC is planning to move away from Public Housing through the RAD effort, the Executive and HOC are recommending that these funds will now be directed to HOC owned units that are serving low and very low income residents where income 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.

Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements

	TOTAL	Thru FY14	6 Years	FY15	FY16	FY17	FY18	FY19	FY20
FY13 Approved	NA	NA	NA	NA	NA	NA	NA	NA	NA
HOC Request	7,500	0	7,500	1,250	1,250	1,250	1,250	1,250	1,250
CE Recommend	7,500	0	7,500	1,250	1,250	1,250	1,250	1,250	1,250

Supplemental Funds for Public Housing Improvements

	TOTAL	Thru FY14	6 Years	FY15	FY16	FY17	FY18	FY19	FY20
FY13 Approved	14,841	7,466	5,000	1,250	1,250	1,250	1,250	NA	NA
HOC Request	9,841	9,841	0	0	0	0	0	0	0
CE Recommend	9,841	9,841	0	0	0	0	0	0	0

Council staff recommends approval of both projects as requested by HOC and recommended by the County Executive.

Projects without Ongoing PDFs

6. Sprinkler Systems for HOC Elderly Housing Properties

(No FY15-20 Recommended PDF; expenditure table ©23)

The FY13-18 Approved CIP included \$8.820 million to install sprinkler systems and upgrade fire suppression systems in four housing properties: Holly Hall, Elizabeth House, Arcola Towers, and Bauer Park, and to correct the fire suppression system at Town Center Apartments. This project (without the funding for Town Center) was first approved as a part of the FY09-14 CIP. While these buildings are not required to be sprinkled because they were built before the requirement for sprinklers was enacted, the buildings are old and fire suppression systems are in need of upgrades and fire sprinkler systems (which are required in new residential construction) would greatly enhance fire safety for those who reside in these buildings.

HOC continues to complete these projects but no new funding is requested and no PDF is included in the Executive’s recommended CIP.

Sprinkler Systems for HOC Elderly Housing Properties

	TOTAL	Thru FY14	6 Years	FY15	FY16	FY17	FY18	FY19	FY20
FY13 Approved	8,820	8,820	0	0	0	0	0	NA	NA
HOC Request	8,820	8,820	0	0	0	0	0	0	0
CE Recommend	8,820	8,820	0	0	0	0	0	0	0

Council staff recommends approval as requested by HOC and recommended by the County Executive.

7. Capital Needs for 236 Funded Elderly Properties

(No FY15-20 PDF; expenditure table © 23)

This project was new in the FY13-18 CIP and provided \$730,000 to make improvements to two properties that are home to low-income seniors, Town Center in Rockville and Bauer Park Apartments. The project is funded from current revenue and there are no expenditures planned beyond FY13. The apartments were developed under HUD’s 236 program and rents are generally limited to 30% of a household’s monthly adjusted income. There is insufficient income to make the improvements that are requested.

The proposed improvements to Town Center Apartments were:

- Replace shower pans in handicapped units
- Replace air handler in community room
- Replace windows

The proposed improvements to Bauer Park Apartments were:

- HVAC equipment
- Hall convectors, overhaul chiller and boilers, condenser pumps and motors
- Install emergency generator

Capital Needs for 236 Funded Elderly Properties

	TOTAL	Thru FY14	6 Years	FY15	FY16	FY17	FY18	FY19	FY20
FY13 Approved	730	730	0	0	0	0	0	NA	NA
HOC Request	730	0	0	0	0	0	0	0	0
CE Recommend	730	0	0	0	0	0	0	0	0

Council staff recommends approval as requested by HOC and recommended by the County Executive. This project is shown as being on pending close-out.

Support Affordable Housing in Montgomery County

by Rick Nelson, Director, Montgomery County DHCA

The signs at various levels, national, regional and local, all point to housing recovering from the effects of the economic recession of the past few years. While we all would like to see a more robust recovery, I feel we are definitely on the upswing.

Those of us concerned about affordable housing need to increase our efforts to ensure that all parties come to the table and commit to fully addressing the issue that too many residents of Montgomery County can't afford a decent place to live. While there is much to be done in the area of job production and increasing incomes, our role is to focus on providing affordable housing.

We are fortunate in Montgomery County that the County Executive, supported by the County Council, has stepped up during this period of economic downturn to ensure that our affordable housing efforts were not halted. Increasing the supply and availability of affordable housing has remained a priority of the County Executive.

The County Executive launched a program, five years ago, to utilize bond funding for affordable housing to compensate for the reduced county general fund revenues which would have normally gone to housing. This bond program has made over \$90 million available to support development, acquisition and/or rehabilitation of over 5,000 housing units.

Thanks to Council-passed legislation that provided funds from recodification fees to support rental assistance and eviction prevention programs, we have been able to provide rental assistance to renters permitting them to remain in their housing. Funding was provided to the Housing Opportunities Commission (HOC) for this program.

Eviction prevention programs, mostly administered by the Department of Health and Human Services, provide tailored short-term assistance designed to prevent families from pending eviction. While providing an invaluable service to renters, this effort benefits landlords by reducing turnovers and increasing their chances for stability in their tenant base. The eviction prevention and rental assistance programs have preserved housing by providing assistance to 6,000 families and individuals.

DHCA, in partnership with the Maryland Department of Housing and Community Development, has aggressively addressed the foreclosure problem in the County. The County and State have matched funding since the height of the foreclosure crisis to provide free foreclosure prevention counseling to our residents. This and additional outreach efforts by DHCA and the counseling agencies contributed to the reduction of foreclosure filings in the county. In the midst of a national housing crisis, we have been one of the most successful local jurisdictions anywhere in America at heading-off foreclosures, conducting nearly 400 workshops and counseling over 13,000 County residents. This effort, notwithstanding, we still had foreclosures and it appears banks are beginning to turn the spigot on again and are increasing the filing of notices of foreclosure. Efforts at mitigating this problem are still underway and must continue.

A really bright spot during this time, which I hope DHCA can build upon in the future, is partnerships between the private sector and our nonprofit developer community to build upon the base of funding and programs provided by the County. There are two examples of good quality affordable housing that was affordable to our county workforce that were threatened with redevelopment and increasing rents. The private sector joined with our nonprofit partners by helping to make financing of these purchases possible. As a result of this private sector partnership and significant contributions from the County's Housing fund, we have two communities with over one thousand apartment homes that will remain affordable. Particularly during this current period when equity investments (money) seem to be available for multi-family apartments, we need more partners to help provide financing at rates that will make affordable housing possible.

The other private sector partnership model that has evolved is a partnership between a nonprofit developer and a private sector developer to build new mixed-income developments with a higher percentage of affordable housing than required by the MPDU law. Each bring their own contribution to the table and we have better projects because of that partnership.

What I have tried to describe here are successful efforts in the affordable housing area despite difficult economic times for the County and the Nation. The efforts of the County Executive, through DHCA, have gone a long way to ensure the County retains its focus on affordable housing. My goal, now, is to attract increased private sector participation as the economy improves. Hopefully, moving forward, we can all contribute more to making sure that Montgomery County is a place where all who want to live and work can find affordable housing!



The Death of Public Housing by Stacy Spann, Executive Director, Housing Opportunities Commission

In recent years, for those of us in the affordable housing business, there have often been dark clouds on the horizon. During these years there has been a steady stream of cuts to all types of entitlement programs. There was the Great Recession of 2008. In 2013, we have endured deeper cuts from sequestration. While these may seem like a series of unrelated events, there is a pattern that speaks to a deeper truth: Our current method of delivering programs that serve low- and moderate-income families is unsustainable.

Making matters worse, there is extreme polarization and legislative gridlock on Capitol Hill. It is sobering to realize that the very lifeline we provide to thousands of Montgomery County families can be reduced to a bargaining chip in ongoing budget negotiations.

Funding cuts from the last few years will not be restored in the foreseeable future. Of the federally funded rental subsidy programs, Public Housing allocations are particularly vulnerable. Opinions differ on the timing and extent of coming reductions, but there is a growing consensus that Public Housing is a dying program.

For years, Public Housing has been targeted for reductions because of the capital expenses associated with the program. As these properties age, the expenses grow exponentially. Building systems need replacing. Elevators require maintenance. Plumbing and electrical systems show signs of age. The reality is that Public Housing is expensive and, in its current form no longer viable.

One indicator that HUD is considering exit strategies from Public Housing is the advent of the Rental Assistance Demonstration (RAD) program. RAD allows participating housing authorities to take ownership of Public Housing properties and convert the subsidy to a Project-Based Voucher. Once a public housing authority (PHA) owns the property, the agency is free to use whatever financing mechanisms it can identify to rehabilitate properties and in some cases, rebuild and create additional mixed-income rental units.

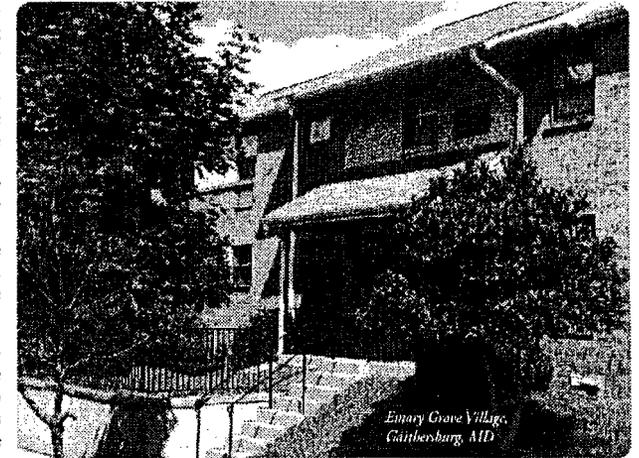
The Housing Opportunities Commission (HOC) intends to submit the initial RAD feasibility application to HUD in the next week to pursue this course. If approved, HOC will be able

to make much needed renovations that will improve the quality of life for those residing in these properties. The end result of the process will be quality, amenity-rich and energy-efficient units.

While RAD offers the promise for critical reinvestment in these communities, the program has challenges – most rooted in the nature of the period of austerity during which the program was born. Chief among those challenges is that Congress provided no incremental funding initially. HUD was eventually able to raise a limited pool of supplemental funds; but, for most PHAs, their converted properties must rely on similar levels of subsidy support. Additionally, the program is currently available to only the first 60,000 units ready to participate. So, HUD and the PHAs are encouraged to value volume and speed. This does not occur at the expense of ensuring the conversions create good outcomes. But it does require a significant allocation of time and political will to participate.

This month, HOC began a first series of meetings with clients to inform them of our application and describe the process. Additional meetings are planned throughout the fall and will continue if our application is approved.

It is a milestone moment for the provision of affordable rental housing in the United States. The game has changed. Public Housing is a dying program. RAD will allow HOC to breathe new life into these properties and ensure that no one in Montgomery County will lose their home because of the death of Public Housing.





10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9400



August 27, 2013

The Honorable Nancy Navarro
President
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

RE: HOC Multifamily Public Housing Portfolio

Dear Council President Navarro:

I am writing to inform you that the Housing Opportunities Commission (HOC) is submitting feasibility applications to the United States Department of Housing and Urban Development (HUD) under the Rental Assistance Demonstration (RAD) program. If approved, these applications would allow HOC-managed multifamily assets (elderly and family) funded with Public Housing subsidy to be assessed for conversion to Project Based Section 8 subsidy.

As you know, over the last decade, there have been steady cuts to federal entitlement programs, including those that provide housing subsidies. The impact of sequestration has compounded the funding challenges, and HOC expects the cuts to continue into the foreseeable future. With many competing demands for federal dollars, it is likely that some of this funding will not be reinstated. Public Housing subsidy is among the most vulnerable of housing subsidies; so, HUD is encouraging Public Housing Authorities to convert to the perceived safety of Project-Based Section 8 subsidy.

Accordingly, HOC is preparing applications for the multifamily Public Housing assets it manages for HUD to participate in HUD's RAD program. The RAD program allows HOC, upon conversion of the assets to Section 8 subsidy, to take fee-simple ownership of these communities and substantially renovate or redevelop these properties using private sources of funding.

Conversion of subsidy will not permanently displace any clients involuntarily. Although HOC will convert units currently funded through the Public Housing program to ones served through Project Based Section 8 subsidies, HOC will continue to serve the same clients and the funding changes should be invisible to clients. Additionally, for nearly all current residents, this conversion will not change the manner in which tenant rents are calculated. The change will allow HOC to provide higher quality, amenity-rich housing. Renovations to these properties will upgrade the units and add energy efficient windows, heating and air conditioning systems, and Energy Star appliances which will all lower client utility bills.

The Honorable Nancy Navarro

August 27, 2013

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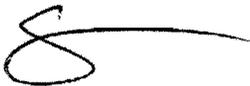
HOC will be holding a series of meetings with clients at affected properties to discuss our applications, how the changes would impact their housing, and the timeframe for implementation. I encourage you or your designee to consider attending one.

HOC will hold two meetings with clients prior to the submission of the HUD applications, and a schedule of these meetings is enclosed with this letter. If approved, HOC will hold an additional meeting with clients soon thereafter. Throughout the feasibility period, HOC is committed to providing residents the most current information on progress and individual counseling on housing questions and concerns.

I am committed to keeping the Council informed of progress relating to this initiative. HOC staff members will be available to meet with you and/or your staff should you need additional clarification.

On behalf of the Commission, I thank you for your continued support of affordable housing initiatives in Montgomery County and look forward to working with you as the RAD application process moves forward.

Sincerely,



Stacy L. Spann
Executive Director

CC: Linda McMillan

Enclosure



September 2013 RAD Client Meetings

September 3, 2013	6:30 p.m.	Town Centre Place and Sandy Spring Meadows RE/MAX Community Room 3300 Olney-Sandy Spring Road Olney, MD 20832
September 4, 2013	9:30 a.m.	Waverly House 4521 East-West Highway Bethesda, MD 20814
September 4, 2013	3:30 p.m.	Arcola Towers 1135 University Boulevard W Silver Spring, MD 20902
September 9, 2013	3:30 p.m.	Waverly House 4521 East-West Highway Bethesda, MD 20814
September 10, 2013	9:30 a.m.	Arcola Towers 1135 University Boulevard W Silver Spring, MD 20902
September 10, 2013	6:30 p.m.	Parkway Woods and Ken-Gar HOC Hearing Room 10400 Detrick Avenue Kensington, MD 20895
September 12, 2013	6:30 p.m.	Seneca Ridge 19568 Scenery Drive Germantown, MD 20876
September 17, 2013	3:30 p.m.	Parkway Woods and Ken-Gar HOC Hearing Room 10400 Detrick Avenue Kensington, MD 20895
September 18, 2013	3:30 p.m.	Town Centre Place and Sandy Spring Meadows RE/MAX Community Room 3300 Olney-Sandy Spring Road Olney, MD 20832
September 19, 2013	3:30 p.m.	Seneca Ridge 19568 Scenery Drive Germantown, MD 20876

**APPROVAL TO SUBMIT FEASIBILITY APPLICATIONS PURSUANT TO
HUD'S RENTAL ASSISTANCE DEMONSTRATION PROGRAM FOR
HOUSING OPPORTUNITIES COMMISSION'S PUBLIC HOUSING
MULTIFAMILY AND ELDERLY PROJECTS**

September 11, 2013

- The Housing Opportunities Commission ("HOC") faces growing challenges in its aging multifamily Public Housing structures – most prominently, functional obsolescence and pervasive systems issues as a result of age and constrained federal capital support.
- Within the framework of the Public Housing program, much of the substantial cost to meet these challenges will have to come from HOC funds.
- HOC continues to be concerned about the financial feasibility of maintaining the units.
- An application to the U.S. Department of Housing and Urban Development through its ("HUD") Rental Assistance Demonstration Program (the "RAD Program") presents HOC with an opportunity to convert its multifamily Public Housing assets to Project-based Section 8 subsidies.
- Consideration by HUD of an application under the RAD Program is for feasibility of conversion and approval by HUD simply reserves an allocation of Section 8 subsidy should the Commission ultimately opt to proceed with conversion.
- Once converted, the properties will be transferred into fee-simple HOC ownership, be debt free, and be able to receive debt and equity investment.
- Upon preliminary approval, each of the properties will begin the typical Commission pre-development due diligence process for either rehabilitation of the converted property or relocation to new or newly rehabilitated housing.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Kayrine Brown, Director, Mortgage Finance Ext. 9589
Gail Willison, Chief Financial Officer Ext. 9480
Zachary Marks, Housing Acquisitions Manager Ext. 9613

RE: Approval to Submit Feasibility Applications Pursuant to HUD's Rental Assistance Demonstration Program for Housing Opportunities Commission's Public Housing Multifamily and Elderly Projects

DATE: September 11, 2013

STATUS: Consent _____ Deliberation X Status Report _____ Future Action _____

OVERALL GOAL & OBJECTIVE:

To obtain Commission approval to submit feasibility applications to the U.S. Department of Housing and Urban Development ("HUD") for the disposition of its multifamily Public Housing portfolio through HUD's Rental Assistance Demonstration (RAD) program.

BACKGROUND:

At a Commission and staff work session on July 30, 2013, staff outlined the fundamentals of HUD's Rental Assistance Demonstration (RAD) program. The discussion included staff's proposal to submit applications for each of the Commission's multifamily and elderly Public Housing properties which would convert them from Public Housing to fee simple ownership status.

Overview – Obsolescence in the Structure and Subsidy of the Multifamily Public Housing Portfolio

Section summary:

- 1. The Housing Opportunities Commission ("HOC") faces growing challenges in its aging multifamily Public Housing structures – most prominently, functional obsolescence and pervasive systems issues as a result of age and constrained federal capital support.***
- 2. Within the framework of the Public Housing program, nearly all the substantial cost to meet these challenges will have to come from HOC funds.***

- 3. Just as in prior instances where HOC has put its own funds into these Public Housing assets, in satisfying these deferred capital needs within the Public Housing framework, HOC will never recover the invested funds.**
- 4. In the meantime, our residents – some of the most vulnerable in our County – have almost no alternative housing means.**
- 5. HOC continues to be concerned about the financial feasibility of maintaining the units.**

HOC stewards 11 multifamily Public Housing communities on behalf of the United States Department of Housing and Urban Development. Unlike HOC's scattered site Public Housing portfolio, nearly two-thirds of the units in the multifamily portfolio are housed in true multifamily buildings (as opposed to the other third which are in town home communities) where the building envelope, infrastructure, and skeleton are shared. Habitability of these units is entirely dependent upon the sustainability of these high-cost, complex building systems. The average age of HOC's multifamily Public Housing portfolio is 36 years. The elderly properties within the portfolio are of an average age of more than 40 years.

HOC staff allocates operating funding within the Asset Management Project ("AMP") to which the funding has been allocated by HUD and the capital funding among all Public Housing properties based on jointly determined need. However, funding itself – even in typical years – is perennially deficient for all capital needs. In more recent years, and others where Congress has embraced fiscal austerity, Public Housing funding usually sees the earliest and deepest cuts. The nature of the ownership structure prevents Public Housing authorities from the use of debt and equity sources to reinvest in their Public Housing assets. What few resources are available are so scarce that HUD, to ration, must make allocation requirements nearly impossible to meet. As Public Housing traditionally houses the most economically vulnerable of residents, little further contribution comes from tenant rents. Most of the 11 properties realize about \$250/unit/month from residents.

So, HOC's multifamily Public Housing portfolio, just as do nearly all Public Housing assets throughout the Country, carries systematically deferred capital needs; these shortfalls occur nearly every year and cumulatively can never be met. Where additions to the portfolio are possible (and they rarely are), those acquisitions are expensive (due to the inability to use debt) and of like-quality assets. While staff is in the process of confirming the full scope of the need, the Modernization Department recently reported to the Budget Office a projected five-year cumulative shortfall of \$60MM for the multifamily Public Housing portfolio. A separate internal Physical Needs Analysis ("PNA") conducted a few years ago places the shortfall at \$23MM. Staff will be commissioning new third-party PNAs on all 11 properties to establish the true shortfall likely to be somewhere between the above estimates.

Public Housing is a discrete affordability program that is isolated from most sources of capital and that isolates residents that live in units funded by the program. As these buildings approach the age at which properly maintained structures would reach the end of their useful lives, HOC's Public Housing communities cannot be physically stabilized without extreme cost to HOC.

Action – Using HUD’s Rental Assistance Demonstration (“RAD”) Program to Enable More Efficient Satisfaction of All Deferred Capital Need in HOC-managed Multifamily Public Housing

Section summary:

- 1. HUD’s RAD Program presents HOC with the momentary opportunity to convert its multifamily Public Housing assets to Project-based Section 8 subsidy.**
- 2. Staff can be ready to submit applications for seven of HOC’s multifamily Public Housing properties by September 20.**
- 3. Applications for the other four would be ready submission for by the end of October.**
- 4. Approval for conversion will be given within 30 days of application.**
- 5. Approval commits HOC to nothing. It simply reserves the allocation of Section 8 subsidy should the Commission ultimately opt to proceed with conversion.**
- 6. Once converted, the properties will be transferred into fee-simple HOC ownership, debt free, and able to receive debt and equity investment.**
- 7. Upon preliminary approval, each of the properties will begin the pre-development due diligence process for either rehabilitation of the converted property or new relocation housing.**

A little more than a year ago, HUD initiated the Rental Assistance Demonstration program, a trial program that is essentially an accelerated version of the Section 18 disposition process being used by HOC to dispose of its scattered site Public Housing units. In very much the same way that HOC will take fee-simple ownership of and be able to access debt and equity capital to remediate the deferred capital need in those 669 units, HOC can use the RAD Program to convert the 877 multifamily Public Housing units it manages to Section 8 subsidy.

Unlike the Section 18 disposition, the RAD process:

- Delivers *only* Project-based Section 8 subsidy.
- Requires only a *feasibility* application for reservation of award.
- Provides reservation of award (in the form of a Commitment to enter into a Housing Assistance Payment contract (“CHAP”) within 30 days of application.
- Does not commit HOC to specific action at reservation. Decisions to proceed are entirely HOC development decisions.
- Gives near total regulatory flexibility.

HUD views Public Housing subsidy in much the same way as HOC staff: it is highly vulnerable to Congressional appropriations risk, highly inflexible, and requires significant administrative effort and cost. As such, it launched the RAD Program to encourage Public Housing Authorities to move into the perceived greater safety of the Section 8 program. Equally as attractive, Section 8 subsidy may be used in conjunction with private sources of debt and equity. Capital availability is much higher and capital cost is much lower; thus, capital need can more efficiently be met with fewer HUD and PHA resources required.

So, by September 20, 2013, HOC staff can be in a position to submit applications to reserve Project-based Section 8 subsidy for seven of its multifamily properties. For any housing authority using RAD to convert all of its remaining Public Housing units, that authority need only submit applications for at least 51% of total buildings in the remaining Public Housing portfolio to request a reservation for its entire remaining portfolio. As such, staff has begun with the seven communities where redevelopment is not being considered and the message to residents much simpler. Submitting applications for those seven properties will put HOC over the 51% threshold and allow it to reserve for its remaining four communities.

Staff decided to move resident notifications for the remaining four communities (Elizabeth House, Emory Grove, Holly Hall, and Washington Square) to October to give staff more time to prepare those presentations and to give residents of those properties time between the recent Town Hall meetings and these notification meetings. Application submission and potential approval for those four properties will trail the first seven by about 30 days.

By the end of October 2013, HOC may be awarded the reservation (assuming a similar application review period granted for most recent applications), and each of the first seven multifamily Public Housing properties would enter into individual financing and development phases where the method of funding the deferred capital need would be determined and presented to the Commission for approval. The Project-based Section 8 subsidy would be delivered in the form of either *new* project-based vouchers or a *new* HAP contract. Neither does HUD provide the tenants portable protection vouchers nor is HOC required to provide them from its own base of vouchers.

HOC Real Estate Development staff has spent the first half of the calendar year establishing the probable recapitalization methods for the 11 properties in preparation for application to the RAD Program. The methods fall into three categories:

1. Stabilization – for properties where:
 - a. **Unit count is under 100**, as the scale of the capital need per property is likely so small as not to justify the cost of raising and securing third-party debt and equity.
 - b. **Any recent rehabilitation has been done**; true of relatively few properties, of course.
 - c. **Little additional density upon reconstruction is available.**
 - d. **Little underlying land value exists.**

2. Significant Rehabilitation – for properties where:
 - a. **Construction type is high-density**, as the scale of the capital need per property is likely larger.
 - b. **Structural skeleton can be remediated.**
 - c. **Burden of relocation of tenants is high**, particularly for elderly communities.

d. **Little additional density upon reconstruction is available.**

3. Relocation & Demolition – for properties where:

- a. **Capital needs are significant.**
- b. **Structural skeleton is compromised and potentially irreparable.**
- c. **Meaningful additional density available through redevelopment.**
- d. **High underlying land value exists.**

Commissioners will maintain oversight throughout the process as each of the 11 assets will be placed, according to one of the above three tactics, onto a typical pre-development course. Just as did the 669 scattered site Public Housing properties, the multifamily Public Housing properties will convert to full HOC ownership without debt and ready to accept debt and equity investment. For those properties undergoing rehabilitation, they should see markedly improved operating margins. Select properties will be recommended for demolition, with tenants being relocated to either new or newly-rehabilitated properties. The land beneath the vacated, demolished buildings can then be redeveloped separately (unencumbered by restriction) with to-be-determined programs.

PROPERTY	TACTIC	UNITS
KenGar (F)	Stabilization	18
Parkway Woods (F)	Stabilization	24
Sandy Spring Meadows (F)	Stabilization	55
Seneca Ridge (F)	Stabilization	71
Arcola Tower (E)	Rehabilitation	141
Waverly House (E)	Rehabilitation	158
Elizabeth House (E)	Relocation & Demolition	160
Emory Grove (F)	Relocation & Demolition	54
Holly Hall (E)	Relocation & Demolition	96
Washington Square (F)	Relocation & Demolition	50
Towne Centre Place (F)	Stabilization	50
TOTAL		877

(F = Family; E= Elderly)

Each property's rehabilitation or redevelopment will stand on its own merits, both economic and social.

In most cases, the development outcomes should redound to the benefit of HOC's financial health, as:

- 1. Some of HOC's most vulnerable assets are either stabilized or retired.
- 2. Operating margins are improved.
- 3. Equity in the land (sold to HOC for \$1 per property) is capitalized.

4. Development fees are generated by those properties seeing significant rehabilitation and redevelopment.
5. New properties are developed as mixed income developments generating positive cash flow.

Most importantly, though: HOC's Public Housing residents see their quality of life at home greatly improved.

Process – Preparation for Application and Notification of Tenants

With approval from Commission, staff can have applications for the first seven properties into HUD by the end of September. Physical needs analyses will be conducted on all buildings to confirm need, and the most beneficial and efficacious financing structures will be presented to Commission in preparation for receipt of the HUD approval of the application which is provided in the form of a Commitment to Enter into a Housing Assistance Payment contract (CHAP). Depending on which of the three strategies listed above are employed to meet the physical need, the process of doing so may take between six months and three years for any given resident set.

Prior to submitting the applications, staff will meet with affected residents twice in an effort to answer questions and provide clear information about the process. Staff has begun this process for the first seven properties and will have completed those required meetings by September 19, 2013. These meetings will include a discussion of changes in the subsidy and the potential rehabilitation or relocation plans. Should there be any relocation, residents will receive assistance with relocation expenses. The RAD application requires all questions asked by residents and answers to those questions provided by HOC to the residents are to be included.

Further, staff intends to engage and inform the Resident Advisory Board ("RAB") throughout the process. Formal approval from the RAB is not required prior to the submission of the preliminary applications. However, staff met with RAB President Croom and with HOC Commissioner Jean Banks, who is HOC's chief liaison to its residents, in August to explain the process, to share the collateral materials to be provided at the resident notification meetings, and to address their initial questions and concerns. They expressed appreciation for staff's having taken the initiative to engage them, encouraged us to continue to inform affected residents as well as the entire RAB, and asked staff to prioritize the RAD process urgently.

In scheduling the resident meetings and in developing the presentation materials for those meetings, Staff integrated all of the feedback given by President Croom and Commissioner Banks at that meeting, including provision of two-week's notice for all resident meetings.

Other Issues to Consider

Section summary:

- 1. Existing Capital Fund Financing Program (CFFP) funding on any of the properties must be defeased.**
- 2. Given the scale of the effort here and the number of residents affected, local government stakeholders have been informed.**

In 2003 and 2005, HOC received funding through its participation in Capital Fund Securitization bond issuance by the Maryland Community Development Administration (CDA). It raised \$3,914,132 for renovation work at Seneca Ridge, formerly Middlebrook Square, (\$2,873,177) and Waverley House (\$1,040,955). The outstanding balance of the loan is \$2,640,879 as of July 1, 2013. The loans mature on July 1, 2023 and may now be prepaid without penalty. Annual debt service payments average \$287,695 and are automatically deducted from annual capital funds allocated to HOC for its public housing portfolio. Prior to conversion and closing of the recapitalization (or disposition) of the properties, HOC must repay the outstanding loan. Staff will return to the Commission at a later date with repayment options.

Staff along with the Executive Director has already begun to inform the County Executive, the County Council, and DHCA of HOC's plans for its public housing portfolio and, more importantly, to make the case for expected improvements to the lives of Montgomery County residents with extremely limited incomes.

ISSUES FOR CONSIDERATION:

Should the Commission authorize staff to submit Feasibility Applications to the U.S. Department of Housing and Urban Development for HOC Public Housing Multifamily and Elderly projects pursuant to the Rental Assistance Demonstration Program?

PRINCIPALS:

Housing Opportunities Commission

BUDGET IMPACT:

None. The value of the Project, upon conversion, to be transferred to the development corporation, will show on HOC's financial statements as the assets of a related entity.

Housing Opportunities Commission

AGENCY DESCRIPTION

The Housing Opportunities Commission (HOC) of Montgomery County, Maryland, is a public corporation 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. Specific powers of the HOC include: acquiring land; utilizing Federal/State 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 Public Housing Rental and Homeownership, the Federal Tax Credit Program, and the Housing Choice Voucher (HCV).

The 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
- Multi-Family Revenue Bond Program

The Strategic Plan, which the Commission publishes biennially, with annual updates of estimated unit production figures, provides a full description of the agency's plans for the production of new housing units and the maintenance of HOC current housing stock.

During the period covered by the most recent seven-year Strategic Plan, below-market-rate housing will be produced under the following programs, most of which rely heavily on County support:

- Moderately Priced Dwelling Units (MPDU) Programs
- New Construction
- Acquisition and Rehabilitation
- Homeownership Program

HIGHLIGHTS

- Continue funding to support Public Housing Improvements through the Supplemental funds for Deeply Subsidized HOC Owned Units Improvements project formerly known as the Supplemental Funds or Public Housing Improvements project.
- Complete installation of Sprinkler Systems for HOC Elderly Properties in FY14.

PROGRAM CONTACTS

Contact Terri Fowler at 240.627.9507 or Jennifer Bryant of the Office of Management and Budget at 240.777.2761 for more information regarding this department's capital budget.

CAPITAL PROGRAM REVIEW

Because the HOC capital program includes two revolving funds for interim financing, as well as one statutorily determined loan guarantee, there may be years when all funds are in use, and, thus, the six-year period shows no funding. 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. For that reason, the HOC recommended FY15-20 Capital Program shows no expenditures in the six-year period for the non-County funded projects. The County Executive's FY15-20 Recommended Capital Improvements Program includes full funding of the Housing Opportunities Commission's requested budget.

The HOC relies on five funding sources to support the six projects included in its Capital Program: Current Revenue General; General Obligation Bonds; 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 five ongoing projects in the HOC capital program, refer to the respective project description forms.

STATUTORY AUTHORITY

The Housing Opportunities Commission is authorized by Articles 44A and 44B of the Annotated Code of Maryland and Article VI, Housing Opportunities Act, Chapter 56, Montgomery County Code. The Montgomery County Code, Chapter 25A, Housing, Moderately Priced, and Chapter 25B, Housing Policy, further specifies the role of the Commission in implementing County housing policies.

Seven HOC Commissioners are appointed by the County Executive with concurrence of the County Council for five-year terms. The Commissioners determine HOC policies and programs and appoint an Executive Director who carries out policy and administers the activities of the Commission.

HOC Cty Guaranteed Bond Projects (P809482)

Category
Sub Category
Administering Agency
Planning Area

Housing Opportunities Commission
Housing
Housing Opportunities Commission (AAGE12)
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

12/23/13
No
None
Ongoing

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	50,000	8,073	41,927	0	0	0	0	0	0	0	0
Total	50,000	8,073	41,927	0	0	0	0	0	0	0	0
FUNDING SCHEDULE (\$000s)											
HOC Bonds	50,000	8,073	41,927	0	0	0	0	0	0	0	0
Total	50,000	8,073	41,927	0	0	0	0	0	0	0	0

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 15	0
Appropriation Request Est.	FY 16	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		50,000
Expenditure / Encumbrances		8,073
Unencumbered Balance		41,927

Date First Appropriation	FY 14
First Cost Estimate	
Current Scope	FY 13 50,000
Last FY's Cost Estimate	50,000

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.

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 Pook's Hill Courtyard (50 units). In FY'95, HOC repaid the Magruder's Discovery bond (\$5.7 million) and financed The Metropolitan (\$33.9 million). During FY'97, HOC repaid the \$4.1 million bond for The Oaks at Four Corners. In FY'98, the bonds that were used to finance The Metropolitan were repaid using bonds guaranteed under the FHA Risk-Sharing program. Subsequently, in FY'99, Pook's Hill Courtyard (50 units) and Landings Edge (100 units), were financed using \$12.9 million in County G.O. bonds. Beginning in FY'01, 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. In FY'07, 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 FY'10, 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 FY'10 Tax-Exempt Notes guaranteed by the County's General Obligation Pledge. On January 3, 2012, the two-year notes issued in FY'10 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.

Coordination

Department of Finance

HOC MPDU/Property Acq Fund (P768047)

Category: Housing Opportunities Commission
 Sub Category: Housing
 Administering Agency: Housing Opportunities Commission (AAGE12)
 Planning Area: Countywide

Date Last Modified: 8/29/13
 Required Adequate Public Facility: No
 Relocation Impact: None
 Status: Ongoing

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
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EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	5,888	2,890	2,998	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	5,250	250	5,000	0	0	0	0	0	0	0	0
Other	1,369	169	1,200	0	0	0	0	0	0	0	0
Total	12,507	3,309	9,198	0							

FUNDING SCHEDULE (\$000s)

Revolving Fund - Current Revenue	107	107	0	0	0	0	0	0	0	0	0
Revolving Fund - G.O. Bonds	12,400	3,202	9,198	0	0	0	0	0	0	0	0
Total	12,507	3,309	9,198	0							

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 15	0
Appropriation Request Est.	FY 16	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		12,507
Expenditure / Encumbrances		3,309
Unencumbered Balance		9,198

Date First Appropriation	FY 14	
First Cost Estimate		
Current Scope	FY08	12,507
Last FY's Cost Estimate		12,507

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 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.

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 out new development opportunities, as well as, the acquisition of existing multi-family 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 has been changed to include all multifamily properties and not just those built before 1981. The change in law will likely provide HOC with greater acquisition opportunities to preserve affordability. It will also create a greater need for gap and bridge financing than in the past. 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 FY'01, 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

HOC MPDU/Property Acq Fund (P768047)

Outstanding draws as of June 30, 2013, totaled \$3,309,140. Repayments of \$7,277,445 were made in FY'13 for Pooks Hill - Midrise (\$66,500), HOC/HOP (\$1,349,531), Holiday Park (\$203,126), Tanglewood (\$2,512,500) and MPDU 2004 Program (\$3,145,788). Repayments of \$337,450 are expected in FY'14 for Holiday Park (\$101,563), Pooks Hill - Midrise (\$66,500) and HOC/HOP Program (\$169,387). HOC anticipates continued utilization of the revolving fund for the Housing Opportunities Commission Homeownership Program (HOC/HOP) (\$500,000), Cider Mill (deposit/due diligence) (\$700,000), and 669 renovations (\$5,000,000).

Coordination

Department of Finance, Department of Housing and Community Affairs

HOC Opportunity Housing Dev Fund (P767511)

Category: Housing Opportunities Commission
 Sub Category: Housing
 Administering Agency: Housing Opportunities Commission (AAGE12)
 Planning Area: Countywide

Date Last Modified: 12/23/13
 Required Adequate Public Facility: No
 Relocation Impact: None
 Status: Ongoing

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	1,511	1,511	0	0	0	0	0	0	0	0	0
Land	2,989	2,332	657	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	4,500	3,843	657	0	0	0	0	0	0	0	0

FUNDING SCHEDULE (\$000s)											
Revolving Fund - Current Revenue	4,500	3,843	657	0	0	0	0	0	0	0	0
Total	4,500	3,843	657	0							

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 15	0
Appropriation Request Est.	FY 16	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		4,500
Expenditure / Encumbrances		3,843
Unencumbered Balance		657

Date First Appropriation	FY 75	
First Cost Estimate		
Current Scope	FY 80	4,500
Last FY's Cost Estimate		4,500

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.

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 FY'01, 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, 2013 totaled \$3,842,545. Repayments totaling \$89,198 were made in FY'13 consisting of annual repayments for Smith Village and Alexander House loans. Repayments totaling \$89,198 are projected in FY'14 and in each subsequent year until the loans for Smith Village and Alexander House are repaid. In FY'04, \$3 million was used to acquire Paddington Square that preserved 166 affordable units in Silver Spring. Due to the nature of the Financing, the funds for Paddington Square may be outstanding for up to nine years. The refinancing of the property and the repayment of these funds is anticipated in FY'14. Of the \$334,000 reserved to provide the local matching funds to be leveraged with a grant (up to \$1 million) from the Maryland Department of Mental Hygiene, \$218,156 was drawn to acquire and renovate two homes for developmentally disabled adults. HOC has received a commitment for matching funds from Montgomery County DHCA to repay the loans.

Coordination

Department of Finance, Department of Housing and Community Affairs

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

Category: Housing Opportunities Commission
 Sub Category: Housing
 Administering Agency: Housing Opportunities Commission (AAGE12)
 Planning Area: Countywide

Date Last Modified: 12/23/13
 Required Adequate Public Facility: No
 Relocation Impact: None
 Status: Ongoing

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	7,500	0	0	7,500	1,250	1,250	1,250	1,250	1,250	1,250	0
Total	7,500	0	0	7,500	1,250	1,250	1,250	1,250	1,250	1,250	0

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
FUNDING SCHEDULE (\$000s)											
Current Revenue: General	7,500	0	0	7,500	1,250	1,250	1,250	1,250	1,250	1,250	0
Total	7,500	0	0	7,500	1,250	1,250	1,250	1,250	1,250	1,250	0

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 15	1,250
Appropriation Request Est.	FY 16	1,250
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		0
Expenditure / Encumbrances		0
Unencumbered Balance		0

Date First Appropriation	FY 15
First Cost Estimate	
Current Scope	FY 15 7,500
Last FY's Cost Estimate	0

Description

Due to projected Federal funding cuts, there is insufficient funding available to address the basic ongoing capital improvements needed each year. 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.

Starting in FY14, HOC will begin transition of many of its Public Housing units. This transfer in ownership will allow for greater preservation and financial stability of the housing through the use of the Section 8 subsidy. Since the conversion of the Public Housing units may take up to 36 months and the units will still be highly subsidized, the project formerly known as Supplemental Funds for Public Housing number P017601 will be changed to Supplemental Funds for Deeply Subsidized HOC Owned Units (project number P091501) to allow for continued funding in FY15-20 to support these units.

Capacity

1,546 Deeply Subsidized HOC Owned units for low and very low-income residents.

Cost Change

In addition to funds previously allocated to the Supplemental Funds for Public Housing project (FY15-18) that have been moved into this project, the increase includes the addition of FY19 and FY20.

Justification

Current and projected Federal Capital Fund Program (CFP) funds are not adequate for maintaining HOC public housing units at community norms throughout Montgomery County. Federal funding for public housing will be cut. At the same time, the public housing stock in the County is aging and will need additional repairs. Montgomery County has a higher property standard than the Federal government. In addition, neighbors in the communities with the public housing units expect the properties to be well maintained. Almost half of the public housing units (700+ units) are MPDUs scattered throughout the County in many communities governed by Home Owner Associations (HOAs), and some have higher standards than the County code. As Federal funding levels for public housing are declining, 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 CFP and County funds to make capital improvements to its public housing stock.

Relevant studies include: Comprehensive Grant Program 5-year Action Plan from U.S. Department of Housing and Urban Development (HUD) 52834; HOC Resident Surveys; HOC Engineering Studies.

Fiscal Note

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

Federal funding for public housing capital improvements is based on an annual multi-year plan. County Funds are used concurrently with non-County funds as deemed appropriate to complete work. Also, County funds should be allocated across all HOC properties first to code compliance and second to renovations that extend the useful life of the facility.

The funds previously allocated under the Supplemental Funds for Public Housing (project number P017601) will be used across HOC's public housing elderly, multi-family and scattered site properties over the six year period under this new project, "Supplemental Funds for Deeply Subsidized HOC Owned Units".

Disclosures

A pedestrian impact analysis will be performed during design or is in progress.

Coordination

U.S. Department of Housing and Urban Development, Maryland Department of Housing and Community Development, Department of Housing and Community Affairs

Supplemental Funds for Public Housing Improvements (P017601)

Category: Housing Opportunities Commission
 Sub Category: Housing
 Administering Agency: Housing Opportunities Commission (AAGE12)
 Planning Area: Countywide

Date Last Modified: 12/23/13
 Required Adequate Public Facility: No
 Relocation Impact: None
 Status: Ongoing

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	9,841	7,894	1,947	0	0	0	0	0	0	0	0
Total	9,841	7,894	1,947	0	0	0	0	0	0	0	0

FUNDING SCHEDULE (\$000s)											
Current Revenue: General	9,841	7,894	1,947	0	0	0	0	0	0	0	0
Total	9,841	7,894	1,947	0							

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 15	0
Appropriation Request Est.	FY 16	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		9,841
Expenditure / Encumbrances		7,894
Unencumbered Balance		1,947

Date First Appropriation	FY 01
First Cost Estimate	
Current Scope	FY 15 9,841
Last FY's Cost Estimate	14,841

Description

Due to projected Federal funding cuts, there is insufficient funding available to address the basic ongoing capital improvements needed each year. 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.

Starting in FY14, HOC will begin transition of many of its Public Housing units. This transfer in ownership will allow for greater preservation and financial stability of the housing through the use of the Section 8 subsidy. Since the conversion of the Public Housing units may take up to 36 months and the units will still be highly subsidized, the project formerly known as Supplemental Funds for Public Housing number P017601 will be changed to Supplemental Funds for Deeply Subsidized HOC Owned Units (project number P091501) to allow for continued funding in FY15-20 to support these units.

Location

Countywide

Capacity

1,546 units for low and very low-income Public Housing residents.

Cost Change

Expenditures in FY15 - 18 have been allocated to the Supplemental Funds for Deeply Subsidized HOC Units (project number P091501).

Justification

Current and projected Federal Capital Fund Program (CFP) funds are not adequate for maintaining HOC public housing units at community norms throughout Montgomery County. Federal funding for public housing will be cut. At the same time, the public housing stock in the County is aging and will need additional repairs. Montgomery County has a higher property standard than the Federal government. In addition, neighbors in the communities with the public housing units expect the properties to be well maintained. Almost half of the public housing units (700+ units) are MPDUs scattered throughout the County in many communities governed by Home Owner Associations (HOAs), and some have higher standards than the County code. As Federal funding levels for public housing are declining, 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 CFP and County funds to make capital improvements to its public housing stock.

Relevant studies include: Comprehensive Grant Program 5-year Action Plan from U.S. Department of Housing and Urban Development (HUD) 52834; HOC Resident Surveys; HOC Engineering Studies.

Fiscal Note

Supplemental Funds for Public Housing Improvements (P017601)

Federal funding for public housing capital improvements is based on an annual multi-year plan. County Funds are used concurrently with non-County funds as deemed appropriate to complete work. Also, County funds should be allocated across all HOC properties first to compliance and second to renovations that extend the useful life of the facility.

Beginning in FY15, funds from this project will be allocated across HOC's Deeply Subsidized Owned elderly, multifamily and scattered sites properties under project number P091501, Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements.

Disclosures

A pedestrian impact analysis will be performed during design or is in progress.

Coordination

U.S. Department of Housing and Urban Development, Maryland Department of Housing and Community Development, Department of Housing and Community Affairs

Expenditure Detail by Category, Sub-Category, and Project (\$000s)

Run Date: 01/14/2014 12:55 PM

Housing Opportunities Commission

Housing

Supplemental Funds for Public Housing Improvements (P017601)

Sprinkler Systems for HOC Elderly Properties (P097600)

HOC Opportunity Housing Dev Fund (P767511)

HOC MPDU/Property Acq Fund (P768047)

HOC City Guaranteed Bond Projects (P809482)

Capital Needs for 236 Funded Elderly Properties (P137601)
 Supplemental Funds for Deeply Subsidized HOC Owned Units
 Improvements (P091501)

Housing

Housing Opportunities Commission

	Total Thru FY13	Est FY14	6 Year Total	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs	Approp.
*	9,841	7,894	1,947	0	0	0	0	0	0	0	0
	8,820	3,990	4,830	0	0	0	0	0	0	0	0
	4,500	3,843	857	0	0	0	0	0	0	0	0
	12,507	3,309	9,198	0	0	0	0	0	0	0	0
*	50,000	8,073	41,927	0	0	0	0	0	0	0	0
	730	237	493	0	0	0	0	0	0	0	0
	7,500	0	0	7,500	1,250	1,250	1,250	1,250	1,250	1,250	0
	93,898	27,346	59,052	7,500	1,250	1,250	1,250	1,250	1,250	1,250	0
	93,898	27,346	59,052	7,500	1,250	1,250	1,250	1,250	1,250	1,250	0

35-11

* = Closeout or Pending Closeout

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