



Committee: PHP
Committee Review: N/A
Staff: Naeem M. Mia, Legislative Analyst
Purpose: To receive testimony – no vote expected
Keywords: Affordable Housing, Nonprofit Developers, DHCA, HOC, Capital Lending, NOAH

AGENDA ITEM #8
July 11, 2023
Public Hearing

SUBJECT

Amendment to the FY23-28 Capital Improvements Program: Preservation of Naturally Occurring Affordable Housing Fund CIP

EXPECTED ATTENDEES

None.

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Introduction on June 20, 2023.
- Action is scheduled for July 18, 2023.

DESCRIPTION/ISSUE

The County has over 25,900 unrestricted housing units affordable to households earning under 65% of area median income (AMI); however, the 2020 Planning Department Preservation Study identified the risk of losing between 7,000 to 11,000 affordable housing units due to expected rent increases.

The Planning, Housing, and Parks (PHP) Committee began exploring the creation of an affordable housing preservation revolving fund in the spring of 2022; the fund is to be modeled after the Housing Production Fund (HPF) administered by the Housing Opportunities Commission (HOC) with a focus on providing capital lending to nonprofit housing developers to preserve existing affordable housing.

Subsequent discussions with the Executive branch and HOC led to the current proposal to establish a new Nonprofit Preservation Fund (NPF) CIP project in FY24. Initial funding will be provided by up to \$20 million of loan repayment proceeds from the Naturally Occurring Affordable Housing (NOAH) Fund CIP (P76 that is expected to be received in mid-FY24; a supplemental appropriation will be transmitted by the Executive branch once the proceeds are received by the County.

This amendment modifies text only (in the “Fiscal Note” section) in the existing NOAH Fund CIP project description form (PDF) to allow for the direction of up to \$20 million to the new NPF CIP.

This report contains:

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|---|----|
| 1. Draft Resolution | ©1 |
| 2. Draft Project Description Form (PDF) | ©2 |

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Resolution No.: _____
Introduced: June 20, 2023
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Councilmember Friedson

SUBJECT: Amendment to the FY23-28 Capital Improvements Program
Montgomery County Government
Department of Housing and Community Affairs
Preservation of Naturally Occurring Affordable Housing Fund (No. 762201)

Background

1. Section 302 of the Montgomery County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of no fewer than six members of the Council.
2. This amendment is needed because the County is at risk of losing 7,000 to 11,000 naturally occurring affordable housing units by 2030 according to a 2020 preservation study by the Montgomery County Planning Department and the Council has identified the need to create a new Nonprofit Preservation Fund CIP (P762301) to manage this risk.
3. In FY24, the County expects to receive loan repayment proceeds from the Preservation of Naturally Occurring Affordable Housing Fund CIP (P762201), of which up to \$20 million from is directed by the Council to the Nonprofit Preservation Fund CIP (P762301).
4. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

The FY23-28 Capital Improvements Program of the Montgomery County Government is amended as reflected on the attached project description form.

Sara R. Tenenbaum
Clerk of the Council



Preservation of Naturally Occurring Affordable Housing Fund (P762201)

Category	Community Development and Housing	Date Last Modified	01/11/23
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Ongoing

	Total	Thru FY22	Rem FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
EXPENDITURE SCHEDULE (\$000s)											
Land	70,200	-	-	70,200	70,200	-	-	-	-	-	-
TOTAL EXPENDITURES	70,200	-	-	70,200	70,200	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)											
Current Revenue: General	40,000	-	-	40,000	40,000	-	-	-	-	-	-
Loan Repayment Proceeds	30,200	-	-	30,200	30,200	-	-	-	-	-	-
TOTAL FUNDING SOURCES	70,200	-	-	70,200	70,200	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)			
Appropriation FY 24 Request	-	Year First Appropriation	FY22
Cumulative Appropriation	70,200	Last FY's Cost Estimate	70,200
Expenditure / Encumbrances	-		
Unencumbered Balance	70,200		

PROJECT DESCRIPTION

This project provides funding to preserve current naturally occurring affordable housing (NOAH) in areas at risk of rent escalation to higher market rents, including the Purple Line Corridor and other County transit corridors. The Fund will be used to provide capital to support acquisitions and preservation to ensure continued affordability of currently naturally occurring affordable housing. Price pressures in housing, particularly housing near transit corridors, have increased and will likely continue to increase due to housing demand.

The dedication of funding will increase the capacity of the County to assist affordable housing developers in acquisition of naturally occurring affordable housing. By focusing on the NOAH property market, this project will complement the County's existing funds for affordable housing.

COST CHANGE

Cost change due to the addition of an FY23 supplemental of \$30.2 million in Loan Repayments Proceeds.

PROJECT JUSTIFICATION

The County has over 25,000 unrestricted housing units affordable to households earning under 65% of area median income; however, the 2000 Planning Department Preservation Study identified the risk of losing between 7,000 to 11,000 affordable housing units due to expected rent increases. As an example, the Purple Line Corridor Coalition analysis identified 6,500 affordable housing units within one mile of a Purple Line station where rents are expected to increase due to transit proximity. The dedication of County resources in the NOAH fund will support a focused effort to preserve these at-risk properties and will provide much needed additional capital to preserve and create affordable housing units.

OTHER

Resale or control period restrictions to ensure long-term affordability should be a part of projects funded with these monies.

FISCAL NOTE

The Council may direct up to \$20,000,000 in loan repayments associated with the Preservation of Naturally Occurring Affordable Housing Fund (P762201) project that is received in FY24 to the Nonprofit Preservation Fund project (P762301). Future loan repayments are expected and will be used to finance future housing activities in this project. FY22 supplemental in Current Revenue: General for the amount of \$40,000,000. FY23 supplemental in Loan Repayment Proceeds for the amount of \$30,200,000.

COORDINATION

Housing Opportunities Commission, non-profit housing providers, and private sector developers.