



**Committee:** PHP

**Committee Review:** Completed

**Staff:** Naeem M. Mia, Legislative Analyst

**Purpose:** Final action – vote expected

**Keywords:** Affordable Housing, Nonprofit Developers, DHCA, HOC, Capital Lending, NOAH

AGENDA ITEM #3J

April 2, 2024

**Action**

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## SUBJECT

Amendment to the FY23-28 Capital Improvement Program (CIP) and Special Appropriation and Amendment to the FY24 Capital Budget: Montgomery County Government, Department of Housing and Community Affairs, Nonprofit Preservation Fund (P762301), \$19,999,000 (Source of Funds: Loan Repayment Proceeds)

## EXPECTED ATTENDEES

None.

## COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Introduction on February 27, 2024.
- Public Hearing on March 19, 2024.
- A PHP Committee review was completed on February 26, 2024 (as part of the FY25-30 Recommended Housing CIP review); the Committee voted 3-0 to approve the project as recommended (which included this special appropriation).
- On March 19, 2024, the Council approved, via a preliminary straw vote, to include this project in the FY25-30 CIP as recommended by the PHP Committee.

## 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.

On May 25, 2023, the Council approved Resolution 20-175 (section 9) to create a new Nonprofit Preservation Fund (NPF) CIP and authorize up to \$20.0 million in loan payment proceeds received by the County in FY23 or FY24 as reserved for the new fund. On July 18, 2023, the Council approved a CIP amendment to create the NPF CIP project. In February 2024, the County and HOC completed a Memorandum of Understanding (MOU) to manage the new fund; the subject amendment and special appropriation now formally authorizes the appropriation of the initial \$20.0 million to fund the NPF.

More details and terms of the NPF can be found in the attached PDF on ©3-4.

**This report contains:**

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| 1. Draft Resolution                     | ©1-2 |
| 2. Draft Project Description Form (PDF) | ©3-4 |

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Resolution No.:  
Introduced: February 27, 2024  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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Lead Sponsor: Councilmember Friedson

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**SUBJECT:** Amendment to the FY23-28 Capital Improvement Program and  
Special Appropriation and Amendment to the FY24 Capital  
Budget  
Montgomery County Government  
Department of Housing and Community Affairs  
Nonprofit Preservation Fund (No. 762301) (\$19,999,000)  
Source of Funds: Loan Repayment Proceeds

**Background**

1. Section 308 of the County Charter provides that a special appropriation is an appropriation which states that it is necessary to meet an unforeseen disaster or other emergency, or to act without delay in the public interest. Each special appropriation shall be approved by not less than six Councilmembers. The Council may approve a special appropriation at any time after public notice by news release. Each special appropriation shall specify the source of funds to finance it.
2. 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.
3. In FY24, the County received loan repayment proceeds from the Preservation of Naturally Occurring Affordable Housing Fund CIP (No. 762201). As authorized by section 9 of Resolution 20-175 as adopted by the Council on May 25, 2023, the Council may direct up to \$20.0 million of these proceeds to the Nonprofit Preservation Fund CIP (No. 762301).
4. The County Council has requested a special appropriation for the Montgomery County Government's Nonprofit Preservation Fund project for FY24 as follows:

Project	Project	Cost		Source
<u>Name</u>	<u>Number</u>	<u>Element</u>	<u>Amount</u>	<u>of Funds</u>
Nonprofit	P762301	Land	\$19,999,000	Loan
Preservation				Repayment
Fund				Proceeds

5. Notice of public hearing was given and a public hearing was held.
6. The County Council declares this request is in the public interest to be acted upon without delay as provided for under special appropriation requirements described in Article 3, Section 308 of the Montgomery County Charter.

### Action

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

The FY24 Capital Improvements Program of the Montgomery County Government is amended as reflected on the attached project description form and a special appropriation is approved as follows:

<u>Project</u> <u>Name</u>	<u>Project</u> <u>Number</u>	<u>Cost</u> <u>Element</u>	<u>Amount</u>	<u>Source</u> <u>of Funds</u>
Nonprofit Preservation Fund	P762301	Land	\$19,999,000	Loan Repayment Proceeds

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Sara R. Tenenbaum  
Clerk of the Council



# Nonprofit Preservation Fund (P762301)

Category	Community Development and Housing	Date Last Modified	06/13/23
SubCategory	Housing (MCG)	Administering Agency	Housing & Community Affairs
Planning Area	Countywide	Status	Planning Stage

Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
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## EXPENDITURE SCHEDULE (\$000s)

Land	20,000	-	-	20,000	-	20,000	-	-	-	-	-
TOTAL EXPENDITURES	20,000	-	-	20,000	-	20,000	-	-	-	-	-

## FUNDING SCHEDULE (\$000s)

Loan Repayment Proceeds	20,000	-	-	20,000	-	20,000	-	-	-	-	-
TOTAL FUNDING SOURCES	20,000	-	-	20,000	-	20,000	-	-	-	-	-

## APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 23 Request	-	Year First Appropriation	FY24
Appropriation FY 24 Request	-	Last FY's Cost Estimate	-
Supplemental Appropriation Request	20,000		
Cumulative Appropriation	-		
Expenditure / Encumbrances	-		
Unencumbered Balance	-		

## PROJECT DESCRIPTION

This project provides funding to preserve existing affordable housing in areas at risk of rent escalation to higher market rents. The fund is expected to reach \$20 million in FY24, with the goal of up to \$50 million in the revolving fund. The Nonprofit Preservation Fund (NPF) CIP will be used to provide capital lending to nonprofit entities to support acquisitions and preservation to ensure continued affordability of the County's existing affordable housing stock. The Fund is modeled after the County's Housing Production Fund (HPF), a \$100 million revolving loan facility administered by the Housing Opportunities Commission (HOC). Funds are expected to revolve based on refinancing or redevelopment financing.

To qualify for capital lending, entities must be a 501c3 with experience in affordable housing development or be the local housing authority. Loans will be for specific properties, which must:

- have been constructed at least 20 years ago;
- have other necessary capital identified for the acquisition, unless this requirement is conditionally waived for 90 days;
- restrict rental increases on the affordable units to no more than the Voluntary Rent Guidelines (VRG) issued by the Department of Housing & Community Affairs (DHCA);
- agree to a minimum 30-year agreement on the affordability restricted units; and
- achieve at least 20% of units at 50% of Area Median Income (AMI) or below and 10% of units at MPDU level or below within three (3) years of acquisition.

Lending applications will be considered on a rolling basis and are subject to available funds. HOC shall conduct underwriting for each loan and will connect applicants to potential investors for individual projects. DHCA will administer the Fund and will review and approve or reject loan recommendations. County priorities will be taken into consideration during the review of applications.

While HOC is eligible for loans from the Fund, HOC cannot be awarded more than 25% of the fund at any given time. Loans will include an origination fee of 1%, except for HOC projects, which would not include an origination fee. The maximum loan term is for seven (7) years, which may be extended to a total of ten (10) years in certain instances.

## PROJECT JUSTIFICATION

The County has over 25,900 unrestricted housing units affordable to households earning under 65% of area median income; 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 Nonprofit Preservation Fund will support efforts by the County's nonprofit development partners to preserve these at-risk properties and will provide much needed additional capital to preserve and create affordable housing units.

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## OTHER

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Resale or control period restrictions will be included to ensure long-term affordability for activities funded with this project.

## FISCAL NOTE

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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 this CIP project.

## COORDINATION

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Department of Housing and Community Affairs, Housing Opportunities Commission, and nonprofit housing providers and developers.